



**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Financial Statements

June 30, 2000 and 1999

(With Independent Auditors' Report Thereon)

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Table of Contents

	Page
Independent Auditors' Report	1
Balance Sheets	2
Statements of Income	3
Statements of Changes in Equity	4
Statements of Cash Flows	5
Notes to Financial Statements	6-25



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

Independent Auditors' Report

The Board of Directors
Alaska Industrial Development and Export Authority
(a Component Unit of the State of Alaska):

We have audited the accompanying balance sheets of the Alaska Industrial Development and Export Authority Revolving Fund (a Component Unit of the State of Alaska) as of June 30, 2000 and 1999, and the related statements of income, changes in equity, and cash flows for the years then ended. These financial statements are the responsibility of the Alaska Industrial Development and Export Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable 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 financial statements referred to above present fairly, in all material respects, the financial position of the Alaska Industrial Development and Export Authority Revolving Fund (a Component Unit of the State of Alaska) as of June 30, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

September 1, 2000



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is
a member of KPMG International, a Swiss association.

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Balance Sheets

June 30, 2000 and 1999
(Stated in Thousands)

Assets	2000	1999
Cash and cash equivalents (notes 3 and 4)	\$ 27,444	29,752
Investment securities (note 4)	352,952	378,518
Loans (note 5)	237,738	235,088
Less allowance for loan losses (note 6)	12,273	12,222
Net loans	225,465	222,866
Net investment in direct financing leases (note 7)	328,771	280,975
Accrued interest receivable	6,634	6,923
Development projects (note 7)	160,241	149,350
Other real estate owned	5,442	6,130
Due from Alaska Seafood International	2,497	41,224
Other investments	1,801	2,551
Other assets	11,862	13,068
Restricted assets:		
Cash and cash equivalents (notes 3 and 4)	10,826	25,851
Investment securities (note 4)	21,754	21,838
Net investment in direct financing leases – Snettisham (note 7)	91,598	87,711
	<u>\$ 1,247,287</u>	<u>1,266,757</u>
Liabilities and Equity		
Liabilities:		
Bonds payable (note 8)	\$ 282,840	299,160
Accrued interest payable	4,106	4,346
Accounts payable	3,353	7,857
Liabilities payable from restricted assets – Snettisham (note 8):		
Bonds payable	92,160	100,000
Other	8,654	8,817
Total liabilities	391,113	420,180
Equity:		
Contributed capital	294,068	294,338
Retained earnings	562,106	552,239
Total equity	856,174	846,577
Commitments, contingencies and subsequent events (notes 5, 9 and 10)	<u>\$ 1,247,287</u>	<u>1,266,757</u>

See accompanying notes to financial statements.

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Statements of Income

Years ended June 30, 2000 and 1999

(Stated in Thousands)

	<u>2000</u>	<u>1999</u>
Revenues:		
Interest income:		
Loans (note 5)	\$ 19,990	20,512
Investments	22,272	23,693
Direct financing leases	17,843	15,726
Restricted direct financing lease (note 7)	<u>5,288</u>	<u>4,618</u>
Total interest income	65,393	64,549
Other project income	1,457	2,684
Other income	1,566	2,631
Net depreciation of investment securities	<u>(2,221)</u>	<u>(4,798)</u>
Total revenues	<u>66,195</u>	<u>65,066</u>
Expenses:		
Interest	17,679	16,447
Interest on liabilities payable from restricted assets (note 8)	5,288	4,618
General and administrative	5,207	5,093
Depreciation	1,244	1,226
Other project expenses	640	—
Write-downs and net expenses associated with other real estate owned	<u>540</u>	<u>589</u>
Total expenses	<u>30,598</u>	<u>27,973</u>
Net income	<u><u>\$ 35,597</u></u>	<u><u>37,093</u></u>

See accompanying notes to financial statements.

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Statements of Changes in Equity
Years ended June 30, 2000 and 1999
(Stated in Thousands)

	Contributed capital	Retained earnings	Total equity
Balance at June 30, 1998	\$ 445,007	530,876	975,883
Net income	—	37,093	37,093
Write-down of Healy contributed capital (note 7)	(150,399)	—	(150,399)
Dividend (note 10)	—	(16,000)	(16,000)
Depreciation of contributed assets	(270)	270	—
Balance at June 30, 1999	294,338	552,239	846,577
Net income	—	35,597	35,597
Dividend (note 10)	—	(26,000)	(26,000)
Depreciation of contributed assets	(270)	270	—
Balance at June 30, 2000	\$ <u>294,068</u>	<u>562,106</u>	<u>856,174</u>

See accompanying notes to financial statements.

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Statements of Cash Flows

Years ended June 30, 2000 and 1999
(Stated in Thousands)

	<u>2000</u>	<u>1999</u>
Cash flows from operating activities:		
Net income	\$ 35,597	37,093
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,244	1,226
Net depreciation of investment securities	2,221	4,798
Write-downs and net loss on sale of other real estate owned	226	278
Write-down of other investments	750	—
Amortization of unearned income on direct financing leases	(18,796)	(15,726)
Decrease (increase) in accrued interest receivable and other assets	(2,076)	6,207
Increase (decrease) in accrued interest and accounts payable	(1,080)	7,386
Net cash provided by operating activities	<u>18,086</u>	<u>41,262</u>
Cash flows from capital and related financing activities:		
Investment in direct financing leases	(20,754)	(105,882)
Direct financing lease receipts	29,289	22,683
Issuance of bonds	—	100,000
Payments on bonds	(19,420)	(7,405)
Net cash provided (used) by capital and related financing activities	<u>(10,885)</u>	<u>9,396</u>
Cash flows from noncapital and related financing activities:		
Dividend paid to the State of Alaska	(26,000)	(16,000)
Payments on bonds	(4,740)	(6,375)
Net cash used by noncapital and related financing activities	<u>(30,740)</u>	<u>(22,375)</u>
Cash flows from investing activities:		
Cash advanced to Alaska Seafood International	(2,500)	(31,322)
Proceeds from maturities of securities	216,248	335,398
Proceeds from sales of securities	36,519	65,144
Purchases of investment securities	(229,337)	(360,158)
Principal collected on loans	30,423	35,101
Loans originated	(33,022)	(20,715)
Investment in development projects	(12,587)	(16,821)
Net proceeds from sales of other real estate owned	462	1,600
Other investments	—	(2,000)
Net cash provided by investing activities	<u>6,206</u>	<u>6,227</u>
Net increase (decrease) in cash and cash equivalents	<u>(17,333)</u>	<u>34,510</u>
Cash and cash equivalents at beginning of year	<u>55,603</u>	<u>21,093</u>
Cash and cash equivalents at end of year	<u>\$ 38,270</u>	<u>55,603</u>

See accompanying notes to financial statements.

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2000 and 1999

(1) Organization and Operations

The activities of the Alaska Industrial Development and Export Authority (Authority) Revolving Fund are authorized pursuant to legislation which established within the Revolving Fund the Enterprise Development Account and the Economic Development Account for separate and distinct purposes. The Authority is a component unit of the State of Alaska (State), constituting a political subdivision within the Department of Community and Economic Development (formerly 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.

Pursuant to legislation enacted in 1993, the members of the Board of Directors of the Authority also serve as the Board of Directors of the Alaska Energy Authority (AEA). The staff of the Authority serves as the staff of AEA. The Authority and AEA continue to exist as separate legal entities. Pursuant to legislation effective July 1, 1999, certain programs previously administered by the former Department of Community and Regional Affairs, Division of Energy, were transferred to AEA for administration. There is no commingling of funds, assets or liabilities between the Authority and AEA and there is no responsibility of one for the debts or the obligations of the other. Consequently, the accounts of AEA are not included in the accompanying financial statements.

(a) Enterprise Development Account

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

- The 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 qualifying facilities. The Authority currently has tax-exempt bonds outstanding under this program, which are general obligations of the Authority.
- The business and export assistance program, under which the Authority provides up to an 80% guarantee of the principal balance and a guarantee of interest to the financial institution making a qualifying loan. The maximum guarantee amount of any loan is \$1,000,000.

(b) 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 are:

- DeLong Mountain Transportation System (Red Dog Project). This project 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, the largest zinc deposit in the world, located in the DeLong Mountains in northwestern Alaska. The Red Dog Project was financed with Authority

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2000 and 1999

funds and bond financings, including \$150,000,000 of general obligation bonds issued in May 1997, which refunded outstanding revenue bonds and provided construction funds.

- Skagway Ore Terminal (Skagway Terminal). This project is a public-use ore terminal port facility in Skagway, Alaska. The Skagway Terminal was financed by a \$25,000,000 bond issue completed in December 1990. The purchase of a petroleum products tank farm and vehicle fueling facility was financed using Authority funds.
- City of Unalaska Marine Center (Unalaska Project). This project is 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. In May 2000, the City of Unalaska paid all financial obligations related to the project and, in accordance with the terms of the agreement, the project was transferred to the City.
- Federal Express Project. This project consists of an aircraft hangar and maintenance facilities at the Anchorage International Airport. The Federal Express Project was partially financed by a \$28,000,000 bond issue completed in September 1992.
- Healy Clean Coal Project (Healy Project). This project is a coal-fired power plant located near Healy, Alaska. The Authority received a \$25,000,000 state legislative appropriation and \$117,327,000 of funding from the U.S. Department of Energy, Clean Coal Technology III Demonstration Grant Program to assist in financing the Healy Project. In May 1998, \$85,000,000 of bonds were issued to refund \$85,000,000 of Variable Rate Revolving Fund Bonds originally issued in July 1996, the proceeds of which were used to finance a portion of the Healy Project.
- Seward Coal Load-Out Facility. In May 1995, the Authority purchased a 49% interest in a coal load-out facility in Seward, Alaska for approximately \$6,900,000. The purchase was subject to specific conditions and the execution of a demand note and repurchase agreement, and corporate guarantees by project participants.
- Ketchikan Shipyard. Ownership of the Ketchikan Shipyard, located in Ketchikan, Alaska, was transferred to the Authority in July 1997, under an agreement between the Authority and the State Department of Transportation and Public Facilities (DOT&PF). In connection with the transfer, the City of Ketchikan and the Ketchikan Gateway Borough agreed to provide relief from real property taxes and favorable electric rates for the facility. The Borough agreed to provide ongoing funds for maintenance and repairs for the Ketchikan Shipyard. The Authority also agreed to provide funds for maintenance and repairs in an amount equal to the amount contributed by the Borough.
- Snettisham Hydroelectric Project (Snettisham). This project was acquired in August 1998 when the Authority issued \$100,000,000 of revenue bonds to purchase the project, located in southeast Alaska near Juneau, from the Alaska Power Administration, a federal agency, and to provide funds for the purchase and installation of a submarine cable system. The Authority has agreements with Alaska Electric Light and Power (AEL&P), the sole Juneau electric utility. These agreements provide for the sale of the project's entire electrical capability to AEL&P, require AEL&P to provide the project's operations and maintenance, and provide an option for

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2000 and 1999

the purchase of the project at any time after five years from the issue date. Installation of the submarine cable system has been completed.

- Alaska Seafood International. The Authority initially loaned money for the construction of the Alaska Seafood Center (ASC), which performs secondary processing for various types of seafood. An equity interest was purchased in November 1998. The project was completed in September 1999 and the Authority purchased the facility for \$48 million.

Proposed own-and-operate projects for which the Legislature has authorized the issuance of bonds are:

- The Authority has \$55,000,000 of remaining authorization (from an original \$85,000,000 authorization) to issue bonds to finance the acquisition, design and construction of aircraft maintenance/air cargo/air transport support facilities located at Ted Stevens Anchorage International Airport.
- The Authority has bonding authorization of \$50,000,000 for a bulk commodity loading and shipping terminal to be located within Cook Inlet to be owned by the Authority.
- The Authority has bonding authorization of \$50,000,000 for a facility to be constructed in Anchorage for the offloading, processing, storage and transloading of seafoods. The Authority purchased the ASC in September 1999 and no issuance of bonds is anticipated.
- The Authority has bonding authorization of \$20,000,000 to finance the acquisition, design and construction of the Kodiak rocket launch complex and tracking station and the Fairbanks satellite ground station space park. The Authority does not currently anticipate that it will participate in financing the projects.
- The Authority has bonding authorization of \$80,000,000 to finance the expansion, improvement and modification of the existing Red Dog Project port facilities and to finance the construction of new related facilities to be owned by the Authority. The project is currently being reviewed by the U.S. Corps of Engineers for potential federal funding of a portion of the improvements.
- The Authority has bonding authorization of \$30,000,000 to finance the improvement and expansion of the Nome port facilities to be owned by the Authority. The Authority does not currently anticipate that it will participate in financing the project.
- The Authority has bonding authorization of \$28,000,000 to finance development of a railroad right-of-way within a railroad and utility corridor from near Healy to the eastern boundary of Denali National Park.
- The Authority has bonding authorization of \$15,000,000 to finance the construction and improvement of phase 1 of the proposed Hatcher Pass Ski Resort, located in the Matanuska-Susitna Borough.

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2000 and 1999

(c) Other

The Authority has a stand-alone revenue bond program under which the Authority acts as a conduit to facilitate a financing transaction for facilities owned by third parties. 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 the private businesses for which the projects are financed. The Authority is specifically authorized to issue revenue bonds to finance the construction of power transmission interties to be owned by electric utilities in a collective amount not to exceed \$185,000,000. As of June 30, 2000, the Authority had issued revenue bonds for 297 projects (not including bonds issued to refund other bonds). The principal amount payable for revenue bonds issued after July 1, 1995 was \$112,387,287. The aggregate amount outstanding for the remaining revenue bonds, which were issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$616,000,000 (not including bonds issued to refund other bonds).

Pursuant to legislation enacted in May 2000, the Authority has been authorized to issue bonds or otherwise extend financing to an entity to be formed by the City of Ketchikan, the City of Wrangell, the City of Petersburg, Copper Valley Electric Association, Inc. and Kodiak Electric Association, Inc. in connection with the sale of the Four Dam Pool Hydroelectric Projects from the Alaska Energy Authority to the newly formed entity. Pursuant to the authorization, the principal amount of bonds and other financing the Authority may provide may not exceed \$110,000,000.

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2000 and 1999

(d) *Small Business Economic Development Loan Program*

The Authority's Small Business Economic Development Loan Program provides financing to eligible applicants under the United States Economic Development Administration Long-Term Economic Deterioration program and the Sudden and Severe Economic Dislocation program. The Small Business Economic Development Revolving Loan Fund (Loan Fund) was created to receive loan fund grants from the United States Economic Development Administration. The State of Alaska, Department of Community and Economic Development, Division of Investments administers the Small Business Economic Development Loan Program on behalf of the Authority. As the Loan Fund is not a part of the Authority's Revolving Fund, this fund is not included in the Authority's financial statements. The Loan Fund's balance sheet as of June 30, 2000 follows:

	Unaudited (in thousands)
Assets:	
Cash	\$ 1,078
Interest receivable	50
Loans receivable, net	2,724
	<u>\$ 3,852</u>
Liabilities and Equity:	
Warrents Outstanding	\$ 39
Unrestricted contributed capital	2,982
Retained earnings:	
Reserved	25
Unreserved – undesignated	806
	<u>\$ 3,852</u>

(e) *Estimates*

In preparing the financial statements, management of the Authority is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the balance sheet and revenue and expenses for the period. Actual results could differ from those estimates. The more significant accounting estimates applied in the preparation of the accompanying financial statements are described in note 2.

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2000 and 1999

(2) Summary of Significant Accounting Policies

(a) *Cash and Cash Equivalents*

For purposes of the statement of cash flows, cash and cash equivalents consist of cash, short term commercial paper and repurchase agreements, whether unrestricted or restricted as to their use.

(b) *Investments*

The Authority's marketable securities are reported at fair value in the financial statements. Unrealized gains and losses are reported as components of net income. Fair values are obtained from independent sources for marketable securities.

(c) *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.

(d) *Net Investment in Direct Financing Leases*

The Authority leases various projects pursuant to certain agreements (as more fully described in note 7) which are recorded in the accompanying financial statements as direct financing leases. Interest income related to direct financing leases is recognized using the effective interest method which produces a constant periodic rate of return on the outstanding investment in the lease.

(e) *Development Projects*

The Authority's development projects are carried at cost, adjusted for permanent impairments of value. The Authority follows Statement of Financial Accounting Standards No. 121 (SFAS No. 121), Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of. This statement requires recognition of impairment losses for long-lived assets whenever events or changes in circumstances result in the carrying amount of the assets exceeding the sum of the expected future cash flows associated with such assets.

(f) *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.

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2000 and 1999

(g) *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 no allowance for lease receivables is required at June 30, 2000.

(h) *Other Real Estate Owned*

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

(i) *Appropriations and Grants*

Appropriations and grants are recorded as additions to contributed capital when received. Depreciation of capital assets acquired from appropriations and grants restricted for capital acquisition is transferred to the contributed capital account.

(j) *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.

(k) *Depreciation*

Depreciation is charged to operations by use of the straight-line method over the estimated useful lives of depreciable assets.

(l) *Reclassifications*

Certain reclassifications have been made to the 1999 financial statements to conform to the 2000 presentation.

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2000 and 1999

(3) Additional Information Regarding Cash Flows and Noncash Activities

Cash and cash equivalents consist of the following at June 30 (stated in thousands):

	<u>2000</u>	<u>1999</u>
Unrestricted	\$ 27,444	29,752
Restricted	10,826	25,851
	<u>\$ 38,270</u>	<u>55,603</u>

Additional information regarding cash flows and noncash activities for the years ended June 30 follows (stated in thousands):

	<u>2000</u>	<u>1999</u>
Cash flows:		
Interest collected on loans and investments	\$ 42,550	45,520
Interest paid	17,413	18,130
Noncash activity:		
Sales of real estate owned	—	323

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2000 and 1999

(4) Investment Securities

Major components of investment securities, the maturity distribution and carrying value at June 30 follows (stated in thousands):

	<u>2000</u>	<u>1999</u>
U.S. Treasury securities maturity:		
Within one year	\$ 59,889	81,431
After one but within five years	50,798	50,067
After five but within ten years	—	2,121
After ten but within twenty-five years	<u>20,882</u>	<u>20,482</u>
	<u>131,569</u>	<u>154,101</u>
U.S. Government agencies maturity:		
Within one year	74,047	92,388
After one but within five years	57,866	44,937
After five but within ten years	42,883	44,660
After ten but within twenty-five years	<u>10,541</u>	<u>11,085</u>
	<u>185,337</u>	<u>193,070</u>
Corporate securities maturity:		
After one but within five years	21,417	8,057
After five but within ten years	26,145	33,727
After ten but within twenty-five years	<u>10,238</u>	<u>11,401</u>
	<u>57,800</u>	<u>53,185</u>
	<u>\$ 374,706</u>	<u>400,356</u>

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.

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2000 and 1999

Certain investment securities, repurchase agreements and cash are restricted by the terms of the Authority's bond resolutions or other agreements. A summary of restricted amounts at June 30 follows (stated in thousands):

	<u>Allowable Usage</u>	<u>2000</u>	<u>1999</u>
Capital Reserve Funds	Secure debt service		
	payments – bonds	\$ 3,510	3,821
Debt Service and Loan	Funds held for future debt		
Prepayment Accounts	service – bonds	2,755	1,382
Healy Project Replacement	Bond repayment and certain		
and Contingency Fund	project costs	4,076	3,926
Red Dog Project			
Sustaining Capital Fund	Project costs	13,023	12,926
Unexpended bond proceeds	Construction costs	—	4,528
Snettisham Hydroelectric	Various costs relating		
Project Funds	to the project	9,216	21,106
		<u>\$ 32,580</u>	<u>47,689</u>

(5) Loans

The Authority participates with regulated financial institutions in secured commercial real estate and other loans to businesses throughout the State. Although the Authority has a diversified loan portfolio, the Authority's ability to collect on loans is generally contingent upon economic conditions in the State.

Loans outstanding at June 30 are classified as follows (dollar amounts stated in thousands):

	<u>2000</u>		<u>1999</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Appropriated	442	\$ 14,609	545	\$ 18,862
Loan participation:				
Bonds outstanding	46	18,273	57	22,742
Bonds retired	68	27,430	72	30,868
Internally funded	129	159,304	118	143,033
OREO sale financing	45	17,176	49	18,362
Other	31	946	38	1,221
	<u>761</u>	<u>\$ 237,738</u>	<u>879</u>	<u>\$ 235,088</u>

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2000 and 1999

The aging of loans at June 30 follows (dollar amounts stated in thousands):

	2000		1999	
	Percent	Amount	Percent	Amount
Current	97.37%	\$ 231,497	97.31%	\$ 228,755
Past due:				
31-60 days	2.10%	4,999	0.96%	2,263
61-90 days	0.10%	223	0.25%	584
Over 90 days	0.43%	1,019	1.48%	3,486
	100.00%	\$ 237,738	100.00%	\$ 235,088

Loans which are more than 90 days past due on which the accrual of interest has been discontinued amounted to \$984,914 and \$3,485,845 at June 30, 2000 and 1999, respectively. Gross interest income which would have been received on these loans amounted to \$97,867 and \$338,913 for the years ended June 30, 2000 and 1999, respectively. The amount of interest income collected and included in net income was \$39,322 and \$114,325 for the years ended June 30, 2000 and 1999, respectively.

Loans on which the terms have been restructured amounted to \$11,061,662 and \$9,113,874 at June 30, 2000 and 1999, respectively. Gross interest income which would have been received on these loans amounted to \$1,033,782 and \$877,698 for the years ended June 30, 2000 and 1999, respectively. The amount of interest income collected and included in net income was \$965,428 and \$790,138 for the years ended June 30, 2000 and 1999, respectively.

(6) Allowance for Loan Losses

An analysis of changes in the allowance for loan losses for the years ended June 30 follows (stated in thousands):

	2000	1999
Balance at beginning of year	\$ 12,222	12,862
Recoveries of loans charged off	57	28
Loans charged off	(6)	(668)
	\$ 12,273	12,222

(7) Net Investment in Direct Financing Leases and Development Projects

(a) Direct Financing Leases

- The Authority leases the Federal Express Project under an agreement which is recorded as a direct financing lease, expiring twenty years after the facility was placed in service in March 1995. Minimum lease payments under the agreement will return the cost of the Federal Express Project plus 7.55% interest and are expected to be sufficient to pay the debt service on the \$28,000,000 Revolving Fund Bonds issued September 30, 1992.

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2000 and 1999

- Minimum annual toll fees for usage of the DeLong Mountain Transportation System return the cost of the initial Red Dog Project, which went into service in 1990, to the Authority over 50 years at an interest rate of 6.5%. Toll fees for the expansion to the Red Dog Project return the cost of the expansion from the in-service date of January 1999 through the end of the term of the agreement at a rate based on bonds issued to finance the expansion.
- The Authority leases the Alaska Seafood International project under an agreement which is recorded as a direct financing lease with an initial term of 30 years. Monthly minimum lease payments range from \$360,000 to \$370,000. As the result of defaults under the agreement, subsequent to year end the Authority exercised a \$5 million capital call to one of the project's principal investors; this amount was received. Additionally, a tentative agreement with various interested parties has been reached which will restructure Alaska Seafood International and provide funding for operations.

The components of the Authority's net investment in direct financing leases at June 30 are (stated in thousands):

	<u>2000</u>	<u>1999</u>
Minimum lease payments receivable	\$ 856,764	747,992
Less unearned income	(527,993)	(467,017)
Net investment in direct financing leases	<u>\$ 328,771</u>	<u>280,975</u>

At June 30, 2000, future minimum lease payments receivable for each of the five succeeding fiscal years are (stated in thousands):

<u>Year ending June 30:</u>	<u>Amount</u>
2001	\$ 19,927
2002	19,927
2003	23,251
2004	24,247
2005	24,347

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2000 and 1999

The components of the Authority's net investment in direct financing leases by project at June 30 are (stated in thousands):

	<u>2000</u>	<u>1999</u>
Alaska Seafood Center	\$ 48,000	—
Federal Express Project	26,726	27,467
Red Dog Project	254,045	249,502
Unalaska Project	—	4,006
	<u>\$ 328,771</u>	<u>280,975</u>

(b) Development Projects

- In August 1995, the Authority entered into an agreement with a Canadian mining company (Anvil) to use 75% of the Skagway Terminal for seven years for an annual minimum user fee of \$2,582,500 per year. In early 1998, Anvil shutdown operations due to low ore prices and other economic considerations. There are several other mineral deposits in the area and the Authority has had discussions with other parties regarding use of the facility. The Authority believes that additional users will be found for the Skagway Terminal.
- Subject to the terms of a settlement agreement, the Authority will sell all power produced by the Healy Project to Golden Valley Electric Association, Inc. (GVEA), who will also operate the project, under the terms of a power sales agreement providing for a minimum annual payment of approximately \$4,451,000. In March 2000, the Authority and GVEA reached an agreement which concluded pending litigation. See note 10 for further discussion.

In accordance with SFAS No. 121, the Authority wrote-down its investment in the Healy Project by \$150,398,370 during the year ended June 30, 1999. The write-down represents contributions to the project which were made by contractors and federal and state governments. Therefore, contributed capital was also reduced by this amount.

- The Authority receives user fees in consideration of its interest in the Seward Coal Load-Out facility. The lessee continues to operate the facility at its sole expense.
- The Authority entered into an operations and maintenance agreement for the Shipyard with Alaska Ship and Drydock (ASD). Under that agreement, the Authority is paid a minimum \$1,500 per month for certain uses of the facility and is also paid a percentage of net profits resulting from ASD's activities at the Shipyard.

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2000 and 1999

The components of the Authority's net investment in development projects at June 30 are (stated in thousands):

	<u>2000</u>	<u>1999</u>
Healy Project	\$ 125,242	112,611
Ketchikan Shipyard	15,076	15,326
Skagway Terminal	13,595	14,569
Seward Coal Load-Out Facility	6,328	6,844
	<u>\$ 160,241</u>	<u>149,350</u>

(c) ***Restricted Direct Financing Lease***

- During 1999, the Authority purchased the Snettisham Hydroelectric Project from the federal government. Under the terms of various agreements, the project is operated by and all power from the project is sold to Alaska Electric Light and Power (AEL&P). The project provides the majority of the Juneau-Douglas area electrical energy.

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2000 and 1999

(8) Bonds Payable

The composition of bonds outstanding at June 30 follows (interest rate and maturity date information is as of June 30, 2000. Dollar amounts are stated in thousands):

	<u>2000</u>	<u>1999</u>
Revolving Fund Bonds:		
Series 1990A – 7.8% to 7.95%, issued December 13, 1990, maturing through 2010	\$ 15,460	16,555
Series 1991A – issued December 10, 1991, defeased May 31, 2000; called June 30, 2000	—	4,035
Series 1992A – 6.0% to 6.5%, issued September 30, 1992, maturing through 2014	22,725	23,725
Series 1995A – 5.65% to 6.0%, issued May 17, 1995, maturing through 2005	3,635	4,080
Series 1997A – 5% to 6.125%, issued March 27, 1997, maturing through 2027	139,870	143,445
Refunding Revolving Fund Bonds:		
Series 1993A – 5.4% to 6.2%, issued June 3, 1993, maturing through 2010	8,560	10,245
Series 1994A 5.4% to 5.9%, issued March 30, 1994, maturing through 2006	4,795	6,545
Series 1995B – 5.5% to 5.85%, issued May 17, 1995, maturing through 2005	6,260	7,120
Series 1998A – 4.5% to 5.25%, issued May 14, 1998, maturing through 2023	81,535	83,410
	<u>\$ 282,840</u>	<u>299,160</u>

At June 30, 2000, all Revolving Fund Bonds are secured by the general assets and future revenues of the Authority. Various bonds are further secured by loan proceeds and capital reserve funds established pursuant to terms of the bond resolutions (note 4). Various bonds are further secured by bond insurance.

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2000 and 1999

The minimum payments related to all Revolving Fund Bonds for the five years subsequent to June 30, 2000 and thereafter are as follows (stated in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 10,860	16,424	27,284
2002	11,470	15,833	27,303
2003	12,510	15,185	27,695
2004	13,390	14,472	27,862
2005	14,375	13,687	28,062
2006-2010	63,060	56,520	119,580
2011-2015	62,715	37,895	100,610
2016-2020	49,455	20,544	69,999
2021-2025	35,690	8,263	43,953
2026-2027	9,315	864	10,179
	<u>\$ 282,840</u>	<u>199,687</u>	<u>482,527</u>

Bond resolution covenants effective June 30, 2000 preclude the Authority from incurring any general obligation indebtedness unless future estimated net income (as defined in the Revolving Fund Bond Resolution) 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 (as defined in the Revolving Fund Bond Resolution) 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, 2000, the Authority has estimated that projected future coverage for each future year exceeds 150%, giving effect only to existing projects at that date, including the projected effect of completion of all current projects, and excluding the effect of proposed projects. At June 30, 2000, unrestricted surplus was approximately \$800,000,000. The Authority is also required by bond covenants to maintain 25% of the unrestricted surplus requirement described above in cash and U.S. Treasury securities maturing within one year. At June 30, 2000, the liquidity requirement was \$50,000,000.

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2000 and 1999

The Authority issued \$100,000,000 of power revenue bonds to finance the purchase of Snettisham. The bonds bear interest at rates ranging from 4.5% to 6.0%, mature at varying dates through 2034 and are payable solely from project revenues, currently received from AEL&P pursuant to a power sales agreement, and from other project funds. Certain of the bonds are insured by Ambac Assurance Corporation. In December 1999, the Authority defeased \$6,865,000 of the bonds using funds on hand. The minimum payments related to the power revenue bonds for the five years subsequent to June 30, 2000 and thereafter are as follows (stated in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 1,020	4,903	5,923
2002	1,065	4,857	5,922
2003	1,115	4,806	5,921
2004	1,170	4,753	5,923
2005	1,230	4,692	5,922
2006-2010	7,205	22,408	29,613
2011-2015	9,400	20,206	29,606
2016-2020	12,430	17,165	29,595
2021-2025	16,100	13,508	29,608
2026-2030	20,615	8,986	29,601
2031-2034	20,810	2,870	23,680
	<u>\$ 92,160</u>	<u>109,154</u>	<u>201,314</u>

(9) Retirement Plan

Effective July 1, 1997, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 27 (GASB 27), Accounting for Pensions by State and Local Governmental Employers. There was no impact on the financial statements as a result of GASB 27.

(a) Plan Description

The Authority contributes to the State of Alaska Public Employees' Retirement System (PERS), a defined benefit, agent multiple-employer public employee retirement system which was established and is administered by the State of Alaska (State) to provide pension, postemployment healthcare, death and disability benefits to eligible employees. All full-time Authority employees are eligible to participate in PERS. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

Each fiscal year, PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811-0203 or by calling (907) 465-4460.

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2000 and 1999

(b) Funding Policy and Annual Pension Cost

Employee contribution rates are 6.75% for employees, as required by State statute. The funding policy for PERS provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. The Authority's rate for 2000 was 8.50%.

The Authority's annual pension cost for the current year and the related information is as follows:

Contribution rates:	
Employee	6.75%
Employer	8.13%
Annual pension cost	\$249,000
Contributions made	\$249,000
Actuarial valuation date	June 30, 1997
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, open
Amortization period	Rolling 25 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Inflation rate	4.00%
Investment return	8.25%
Projected salary increase	
Inflation	4.00%
Productivity and merit	1.50%
Health cost trend	5.50%

In the current year, the Authority determined, in accordance with provisions of GASB 27, that no pension liability (asset) existed to PERS and there was no previously reported liability (asset) to PERS.

(10) Commitments and Contingencies

(a) Commitments

At June 30, 2000, the Authority held approximately \$156,000 of borrower and participating lender money which had not yet been remitted or applied. Additionally, the Authority held approximately \$115,927,000 of investments in trust for the construction of two intertie projects. The Authority held approximately \$12,433,000 of investments in trust for others under various agreements. The moneys and related liability are not reflected in the accompanying financial statements.

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2000 and 1999

(b) *Environmental Issues*

The Authority has identified certain properties and pledged collateral which may contain contaminated soils. 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, 2000, 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.

(c) *Healy Clean Coal Project*

A Power Sales Agreement between GVEA and the Authority for the Healy Project was originally entered into in 1991. In 1998, GVEA initiated litigation alleging that the Authority had breached the Healy Project Power Sales Agreement, among other allegations.

On March 9, 2000, GVEA and the Authority entered into a settlement agreement regarding the Healy Project litigation. The settlement agreement provides for the interim shutdown of the Healy Project and the immediate custody of the Healy Project by GVEA. In addition, the agreement provides for the appointment of an engineer to determine the technical and economic feasibility of retrofitting the Healy Project to conventional combustor technology. If GVEA determines not to retrofit, it may, alternatively, elect to operate the Healy Project under its current combustor technology. Depending on which retrofit alternative GVEA elects, it has payment obligations, including payment of a portion of the engineering costs associated with the retrofit, payment of a portion of the costs associated with a full or limited retrofit, and payment to purchase the capability of the Healy Project, all in accordance with the terms of the settlement agreement and the amended Power Sales Agreement. The Authority has agreed to finance a portion of GVEA's share of the engineering and retrofit costs through a loan to GVEA. GVEA may elect to forego further efforts to retrofit and operate the Healy Project and terminate its agreements to purchase Healy Project capability, returning the project to the Authority's control, at any time prior to GVEA's decision to proceed with either alternative configuration.

**ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY REVOLVING FUND**
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2000 and 1999

(d) Dividend

Pursuant to Alaska statutes the Authority's Board is required to annually determine the amount of a dividend to be made available for appropriation by the legislature. The dividend made available by the Board is to be not less than 25% and not more than 50% of the Authority's net income for the fiscal year two years before the fiscal year in which the dividend is to be made. In no event, however, may the dividend exceed unrestricted net income. The Authority paid a dividend of \$26 million and \$16 million during the years ended June 30, 2000 and 1999, respectively.

(e) Other Commitments and 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, 2000, the Authority had extended loan commitments for loans of \$7,699,347 and loan guarantees of \$2,319,458. 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.

