ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

(A Component Unit of the State of Alaska)

Basic Financial Statements and Schedules

June 30, 2016

(with summarized financial information for June 30, 2015)

(With Independent Auditor's Report Thereon)

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AND EXPORT AUTHORITY
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Table of Contents

	Page(s)
Management's Discussion and Analysis	1-13
Independent Auditor's Report	14–16
Statements of Net Position	17
Statements of Revenues, Expenses, and Changes in Net Position	18
Statements of Cash Flows	19-20
Notes to Basic Financial Statements	21-69
Schedule of Proportionate Share of the Net Pension Liability and Contributions	70
Schedules	
Schedule 1 – Revolving Fund – Combining Statement of Net Position	71
Schedule 2 – Revolving Fund – Combining Statement of Revenues, Expenses and Changes in Net Position	72
Schedule 3 – Revolving Fund – Combining Statement of Cash Flows	73-74
Schedule 4 – Nonmajor Funds – Combining Statement of Net Position	75
Schedule 5 – Nonmajor Funds – Combining Statement of Revenues, Expenses, and Changes in Net Position	76
Schedule 6 – Nonmajor Funds – Combining Statement of Cash Flows	77-78
Supplementary Information (Unaudited)	
Schedule 7 – Historical Loan Information – Revolving Fund	79
Schedule 8 – Schedule of Dividend Information	80
Schedule 9 – Schedule of Development Project Information	81-87
Schedule 10 – Municipal Secondary Market Disclosure – Operating Data – Revolving Fund	88–92

Overview of the Financial Statements

The financial statements of the Alaska Industrial Development and Export Authority (AIDEA, we, us, our) report financial activity for two components; the Revolving Fund and the Nonmajor Funds. AIDEA is a public corporation of the State of Alaska (State) and a body corporate and politic constituting a political subdivision within the State Department of Commerce, Community and Economic Development (DCCED), but with separate and independent legal existence. AIDEA has its own self-balancing set of financial statements independently audited from the State. We do most of our business and operations through the Revolving Fund using two accounts, which are the Enterprise Development Account and Economic Development Account. Information on these two Accounts is in note 1 to the basic financial statements. We purchased Pentex Alaska Natural Gas Company LLC (Pentex) in September 2015 and have included it as a blended component unit of the Revolving Fund. Standalone financial statements for Pentex can be obtained by mailing a request to Pentex Alaska Natural Gas Company LLC, 3408 International Street, Fairbanks, AK 99701 or calling (907) 452-7111.

The Nonmajor Funds are the Loan Funds and the Sustainable Energy Transmission and Supply Development (SETS) Fund. Our financial statements include these two components as of and for the Fiscal Year (FY) 2016, with summarized comparative totals as of and for FY15. The Arctic Infrastructure Development Fund was established effective October 2014 to promote and provide financing for arctic infrastructure development but was not capitalized. There has been no activity in the fund since its creation, therefore it is not included in our FY16 financial statements.

The first Nonmajor Fund is the Loan Funds wherein AIDEA accounts for two statutory loan programs, the Small Business Economic Development Revolving Loan Fund Program and the Rural Development Initiative Fund Loan Program (collectively, the Loan Funds). The Loan Funds are administered by the DCCED.

Our second Nonmajor Fund, the SETS Fund, was established and initially funded by the Alaska Legislature in September 2012 to promote and finance qualified energy developments in Alaska. The Nonmajor Funds are not part of the Revolving Fund, so we've presented them separately in the accompanying financial statements.

The financial statements contain four sections: management's discussion and analysis, the basic financial statements and notes to basic financial statements, and required supplementary information. We have included other schedules to provide separate reporting of Pentex, the Nonmajor Funds and provide additional information about AIDEA. Our operations are business type activities and follow enterprise fund accounting. We are a component unit of the State and are discretely presented in its financial statements.

Basic Financial Statements

Statements of Net Position reports our assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at year end. Net position is reported as: net investment in development projects - capital assets; net investment in capital assets; restricted contributions; and unrestricted. Restricted net position is subject to external limits such as bond resolutions, legal agreements, or statutes.

Statements of Revenues, Expenses, and Changes in Net Position reports our income, expenses, and resulting change in net position during the FY.

Both of these statements use the accrual basis of accounting and economic resources measurement focus.

Statements of Cash Flows reports our sources and uses of cash and change in cash and cash equivalents resulting from our activities during the FY.

Notes to Basic Financial Statements provide more information to better understand the amounts reported in the basic financial statements.

To compare current year financial position, results of operations and cash flows, we have also included summarized financial information for FY15.

Management's Discussion and Analysis

This section contains our analysis of the financial position and results of operations at and for FY16. The section helps the reader focus on significant financial matters and provides additional information regarding our activities. For best understanding, read this information with the Independent Auditors' Report, the audited financial statements and the accompanying notes.

Financial Highlights

AIDEA's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2016 and 2015 by $1.31 billion and $1.29 billion, respectively. Our FY16 unrestricted net position was $1.14 billion (with $1.0 billion in the Revolving Fund) and our FY15 unrestricted net position was $1.18 billion (with $1.03 billion in the Revolving Fund). These amounts were unrestricted, and thus, available for future financial needs.

Financial Analysis

Following are AIDEA's total assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2016, and 2015 (in thousands):

	FY16	FY15	Increase (decrease)
Current assets	$ 276,533	381,245	(104,712)
Development projects – capital assets	139,023	79,426	59,597
Capital assets – other	26,122	25,977	145
Other noncurrent assets	1,058,828	1,006,901	51,927
Total assets	1,500,506	1,493,549	6,957
Deferred outflows of resources	9,147	1,253	7,894
Total assets and deferred outflows of resources	$ 1,509,653	1,494,802	14,851
Current liabilities	$ 14,381	12,254	2,127
Noncurrent liabilities	183,249	191,017	(7,768)
Total liabilities	197,630	203,271	(5,641)
Deferred inflows of resources	254	993	(739)
Net position:			
Net investment in capital assets	167,417	105,403	62,014
Restricted	950	1,037	(87)
Unrestricted	1,143,402	1,184,098	(40,696)
Total net position	1,311,769	1,290,538	21,231
Total liabilities, deferred inflows of resources and net position	$ 1,509,653	1,494,802	14,851

(Continued)

Current assets were $104.7 million lower at June 30, 2016, compared to June 30, 2015, and are below (in thousands):

		FY16	FY15	Increase (decrease)
Unrestricted cash/cash equivalents/investments	$	221,002	320,741	(99,739)
Restricted cash/cash equivalents/investments		916	735	181
Loans – current portion		32,548	39,367	(6,819)
Development projects accounted for as direct financing leases – current portion		12,612	12,915	(303)
Accrued interest receivable/other current assets		9,455	7,487	1,968
Total	$	276,533	381,245	(104,712)

Unrestricted cash/cash equivalents/investments balances decreased $99.7 million compared to FY15. Operating activities increased cash balances including $67.7 million in loan principal collections and $12.9 million generated from Pentex operations. Loan fundings of $54.5 million and other operating payments reduced cash flows from operations. Net capital, financing and investing activities reduced cash balances. Disbursements included our $17.7 million dividend to the State, $56.2 million in draws on Lines of Credit (LOC's) and $49.6 million to purchase Pentex, net of the cash balance received with the purchase.

- **Restricted cash/cash equivalents/investments** increased about $181,000 due to contractually required contributions of $234,000 received from the Ketchikan Shipyard operator for repairs and replacements less payments made for repairs.
- **Loans - current portion** decreased $6.8 million, primarily due to the FY16 receipt of a $7.7 million balloon payment for a loan that was part of the current portion of loans in FY15.
- **Development projects accounted for as direct financing leases - current portion** decreased slightly in FY16 due to the FY15 payoff of the direct financing lease related to the Federal Express hangar.
- **Accrued interest receivable/other current assets**, increased approximately $2.0 million primarily due to an increase of approximately $900,000 in amounts due from the Alaska Energy Authority (AEA) for services and borrowings and an increase in accrued interest receivable.

Development projects - capital assets increased $59.6 million from FY15 to FY16 mostly due to our purchase of Pentex in FY16. AIDEA purchased Pentex as a development project that had capital assets totaling $62.3 million at June 30, 2016. Depreciation on the Ketchikan Shipyard of approximately $3.3 million partially offset the increase.

Capital assets - other increased slightly in FY16. Capitalized work relating to the Ambler Mining District Industrial Access Project (AMDIAP) increased this balance. During FY15 the Governor directed AIDEA to reduce the spending and scope of the AMDIAP, resulting in less costs incurred in FY16 compared to FY15. The North Slope pad, completed in FY15 and part of the Interior Energy Project (IEP), was placed into service in FY16. Depreciation on our administrative building and North Slope pad reduced the balance.

(Continued)

Other noncurrent assets increased $51.9 million. The following table breaks out other noncurrent assets (in thousands):

		FY16	FY15	Increase (decrease)
Restricted cash equivalents/investments	$	60,246	61,455	(1,209)
Restricted cash equivalents/investments - Snettisham		10,104	9,579	525
Unrestricted investment securities		331,928	310,594	21,334
Loans (net)		320,426	327,784	(7,358)
Development projects		304,824	273,027	31,797
Line of credit		29,690	20,924	8,766
Other assets		1,610	3,538	(1,928)
Total	$	1,058,828	1,006,901	51,927

- **Restricted cash equivalents/investments** decreased $1.2 million during FY16 primarily as a result of spending State general fund advances on the IEP, AMDIAP and Ketchikan Shipyard projects in FY16.
- **Restricted cash equivalents/investments - Snettisham** increased slightly, the net effect of activity in FY16 related to the Snettisham project.
- **Unrestricted investment securities** increased $21.3 million as a result of portfolio management strategy and market conditions.
- **Loans (net)** decreased $7.4 million from June 30, 2015 compared to June 30, 2016. A lower overall loan portfolio balance of approximately $14.0 million contributed to the decrease. Fundings increased the balance by $54.5 million while principal payments of $68.9 million decreased the FY16 balance. We transitioned approximately $6.8 million less to current in FY16 compared to FY15. The FY16 current portion is based on projected FY17 payments.
- **Development projects** increased $31.8 million mainly for reasons discussed below. We may or may not have an ownership interest in these projects, but they have been financed under our Direct Financing Program and are considered AIDEA development projects. Depending on the terms of the financing, the projects are accounted for as a capital lease, investment in an operating company or LOC.
  - $18.6 million net decrease in the balance of the noncurrent and restricted portions of direct financing leases. Balances decreased as the net result of principal payments received on the capital leases and the transition to current from long-term of payments projected to be received relating to the Red Dog and Department of Military and Veterans Affairs (DMVA) projects.
  - $16.2 million net increase in preferred interest in operating companies during FY16. The increase was primarily due to our investment in Mustang Operations Center 1 LLC (MOC1) of about $16.1 million in FY16.

- $34.2 million increase in the balance of development projects accounted for as LOC's. We began making disbursements under two LOC's in FY16 under our Direct Financing Program. The LOC's are financing the acquisition, delivery and installation of furniture, fixtures and equipment for a laboratory and collection facility building and the procurement of a new high-horsepower, extended reach, onshore drilling rig that will be used for the installation of numerous wells to produce oil and gas from the Cosmopolitan lease blocks in the lower Cook Inlet and for the construction of man camp facilities for workers on the project. We anticipate that the LOC's will convert to term loans in the future.

- **Line of credit** increased a net of $8.8 million. This balance represents two LOC's we are funding from our SETS fund in support of the IEP project. Fairbanks Natural Gas (FNG), a subsidiary of Pentex, is the borrower under one of the LOC's. The LOC balance increased $23.4 million in FY16 as a result of disbursements on the LOC's. Consolidation of the FY16 intercompany balance of $14.6 million for the FNG LOC partially offset the increase.

- **Other assets** decreased $1.9 million during FY16. In FY15 we paid a $2.7 million escrow payment for the purchase of Pentex. The deposit was credited towards the sales price when the transaction closed in September 2015 and became part of our investment in Pentex, resulting in a decrease in other assets. Other assets increased approximately $855,000 as a result of the accrual of LOC interest.

Deferred outflows of resources increased $7.9 million during FY16. The following table provides the details for deferred outflows of resources (in thousands):

		FY16	FY15	Increase (decrease)
Deferred outflows of resources related to employee pensions	$	2,375	988	1,387
Deferred charge on bond refunding		196	265	(69)
Gas plant acquisition adjustment - Pentex		2,397	—	2,397
Deferred outflows of resources - Snettisham		4,179	—	4,179
Total	$	9,147	1,253	7,894

- **Deferred outflows of resources related to employee pensions** represents our allocated portion of deferred outflows of resources relating to our participation in the Public Employee Retirement System (PERS) based on the most recent plan valuation, June 30, 2015. Deferred outflows of resources include the impact of changes in certain actuarial assumptions and experience. Our allocated portion of these amounts increased $1.4 million compared to FY15. The State's overall balance and our proportion both increased in FY16. Our proportion is based on our fiscal year contributions to the defined benefit plan under PERS in relation to the State's contributions.

- **Deferred charge on bond refunding** decreased slightly due to annual amortization of this balance.
- **Gas plant acquisition adjustment - Pentex** represents the difference between our cost to purchase the ownership interest in Pentex and the net book value of the underlying assets of the company at the purchase date, amortized over the life of the associated assets. We purchased Pentex in FY16 and this activity increased deferred inflows of resources by $2.4 million at June 30, 2016.
- **Deferred outflows of resources - Snettisham** increased $4.2 million. This amount recognizes the impact of the FY16 Snettisham Power Revenue bond refunding on the Snettisham direct financing lease obligation. The Snettisham direct financing lease pays for the debt service of the Snettisham Power Revenue bonds.

Current liabilities increased approximately $2.1 million. The following table breaks out current liabilities (in thousands):

		FY16	FY15	Increase (decrease)
Bonds payable - current portion	$	9,655	9,055	600
Accrued interest payable		707	819	(112)
Accounts payable/other liabilities		4,019	2,380	1,639
Total	$	14,381	12,254	2,127

- **Bonds payable - current portion** increased from the transition to current liabilities of $9.7 million, partially offset by $9.1 million in principal payments made during the year.
- **Accrued interest payable** on bonds decreased because of lower Revolving Fund bond balances.
- **Accounts payable/other liabilities** increased $1.6 million during the year. Current liabilities of $867,000 related to Pentex and accounts payable related to repairs and replacements at the Ketchikan Shipyard contributed to the increase.

Noncurrent liabilities decreased about $7.8 million. The following table breaks out noncurrent liabilities (in thousands):

		FY16	FY15	Increase (decrease)
Bonds payable - noncurrent portion	$	45,990	55,645	(9,655)
Advances from State of Alaska		44,938	46,357	(1,419)
Net pension liability		12,606	8,595	4,011
Other liabilities		2,125	2,001	124
Liabilities payable from restricted assets - Snettisham		77,590	78,419	(829)
Total	$	183,249	191,017	(7,768)

- **Bonds payable - noncurrent portion** decreased approximately $9.7 million as a result of the transition to current liabilities of the portion of Revolving Fund bonds due in the next year.

- **Advances from State of Alaska** decreased $1.4 million as a result of expenditures on projects funded with State General Fund money.

- **Net pension liability** represents our allocated portion of the liability for pension benefits provided through the PERS. Our FY16 liability increased approximately $4.0 million compared to FY15. Our proportionate share of the States pension liability and the total State pension liability increased in FY16, contributing to the increase.

- **Other liabilities** increased slightly. The addition of $600,000 of liabilities related to Pentex increased the FY16 balance and was partially offset by net reductions in other liabilities.

- **Liabilities payable from restricted assets - Snettisham** decreased primarily due to the $5.5 million reduction in Power Revenue bonds payable, a result of principal payments and the FY16 refunding of the bonds. Other Snettisham liabilities increased $4.7 million, primarily due to a $4.2 million premium related to the Snettisham bond refunding. A premium occurs when the market price of a bond increases due to a drop in interest rates. The premium represents the amount of proceeds received in excess of the par value of the bonds, amortized over the life of the new bonds.

Deferred inflows of resources decreased $739,000. This balance represents our proportionate share of deferred inflows of resources relating to the PERS. The States proportionate balance of deferred inflows of resources relating to participation in PERS decreased compared to FY15, therefore our allocated balance also decreased. Deferred inflows of resources represents amounts such as the difference between projected and actual investment earnings for the PERS based on the most recent plan valuation, June 30, 2015.

Total net position increased $21.2 million during the fiscal year due to the following;

- $37.2 million increase from operating activities.
- $16.0 million decrease from nonoperating and other activities.

Net investment in capital assets, a component of total net position, increased approximately $62.0 million, mostly from our FY16 purchase of Pentex, adding $64.6 million to this component of net position compared to FY15. FY16 depreciation reduced this balance.

Unrestricted net position decreased $40.7 million, the net effect of an increase of $21.2 million from FY16 revenues and expenses, a slight decrease in restricted net position and the $62.0 million increase in net investment in capital assets.

Following are AIDEA's operating revenues and expenses, net nonoperating revenues (expenses), and other nonoperating activity for FY16 and FY15 (in thousands):

	FY16	FY15	Increase (decrease)
Operating revenues:			
Interest on loans	$ 15,810	17,468	(1,658)
Income from development projects	27,336	15,862	11,474
Restricted income	3,320	3,753	(433)
Investment interest	10,407	10,473	(66)
Net increase (decrease) in fair value of investments	9,936	(4,910)	14,846
Income from state agencies and component units	7,567	8,856	(1,289)
Other income	3,001	1,613	1,388
Total operating revenues	77,377	53,115	24,262
Operating expenses:			
Interest	2,784	3,065	(281)
Interest on liabilities payable from restricted assets	3,320	3,753	(433)
Nonproject personnel, general and administrative	8,673	6,778	1,895
Net pension related adjustments	1,885	481	1,404
Costs reimbursed from state agencies and component units	7,567	8,856	(1,289)
Provision for loan losses	(176)	(28)	(148)
Depreciation	5,312	3,247	2,065
Project, feasibility and due diligence costs	10,787	1,608	9,179
Total operating expenses	40,152	27,760	12,392
Operating income	37,225	25,355	11,870
Net nonoperating revenues (expenses)	111	(367)	478
Contributions from the State of Alaska	1,412	14,008	(12,596)
Capital grant	133	25	108
Dividend to State of Alaska	(17,650)	(10,665)	(6,985)
Increase in net position	$ 21,231	28,356	(7,125)

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Operating revenues increased $24.3 million during the year ended June 30, 2016, compared to 2015.

- **Interest on loans** includes interest earned on our loan portfolios**.** Interest on loans decreased $1.7 million; as balances decrease and/or as loans are paid off early, a larger portion of payments are applied to principal rather than interest.

- **Income from development projects** increased $11.5 million. The following table breaks out income from development projects (in thousands):

		FY16	FY15	Increase (decrease)
Interest income on direct financing leases	$	11,045	12,095	(1,050)
Operating Income - Pentex		12,589	—	12,589
Income from operating leases		2,288	994	1,294
Income from investment in operating companies		266	2,773	(2,507)
Income from lines of credit		1,148	—	1,148
Total	$	27,336	15,862	11,474

  - **Interest income on direct financing leases** decreased $1.1 million due to the FY15 payoff of the direct financing lease related to the Federal Express project and declining direct financing lease balances. As balances decrease a larger portion of payments are applied to principal rather than interest.
  - **Operating income - Pentex** added $12.6 million to income from development projects and is a new income component in FY16, representing the income from Pentex operations for the nine-month period we owned them in FY16.
  - **Income from operating leases** increased $1.3 million from FY15 due to changes in negotiated fees for leasing the Federal Express and Skagway Ore terminal facilities when agreements for both projects expired. Our capital investment in the Federal Express project was paid off in March 2015 and now we recognize rental income from the lease of the facility.
  - **Income from investment in operating companies** decreased $2.5 million mostly as a result of the payoff of our investment in Kenai Offshore Ventures LLC (KOV) in FY15. The payoff resulted in approximately $1.8 million in dividend income recognized in FY15 with no further revenues from the project in FY16.
  - **Income from lines of credit** increased $1.1 million due to our FY16 funding of two LOC's under our Direct Financing Program. The LOC's are anticipated to convert to term loans if certain conditions are met.

- **Restricted income** represents income related to the Snettisham Hydroelectric Project. Restricted income decreased slightly compared to FY15.

- **Investment interest** is comprised of interest earned on our investment portfolios. Investment interest was slightly lower in 2016 compared to 2015. This decrease was the product of market conditions and portfolio management.
- **Net increase (decrease) in fair value of investments** represents realized and unrealized gains and losses on our investment portfolios. This item increased $14.8 million in FY16 compared to FY15 because of market conditions, contributing substantially to the increase in operating revenues.
- **Income from State agencies and component units** represents income relating to services provided to other State agencies. Income decreased $1.3 million in FY16 for services provided to AEA. Overall staffing levels were reduced in FY16 in response to the State hiring freeze resulting in reduced staffing available for AEA projects. Additionally, less staff time was spent on the Susitna-Watana Hydroelectric Project, a major AEA project in response to a governor directed scope reduction of the project.
- **Other income** increased approximately $1.4 million. Other income increased from FY15 mostly due to a $1.7 million increase in revenue earned from modification fees on our Revolving Fund loan portfolio. Most of the modifications were interest rate reductions on existing loans. Revolving Fund loan commitment fees increased approximately $615,000. We funded $53.4 million Revolving Fund loans in FY16 compared to $32.9 million in FY15, resulting in more commitment fee revenue earned in FY16. Partially offsetting the increases in revenues were decreases in other fees such as loan and project application fees.

Operating expenses increased a net of $12.4 million in FY16 compared to FY15.

- **Interest expense** represents the cost of interest on our bond debt other than the Snettisham Hydroelectric Project Power Revenue Bonds. Interest expense was lower in FY16 compared to FY15 due to lower outstanding debt balances during the year ended June 30, 2016, compared to 2015.
- **Interest on liabilities payable from restricted assets** represents the cost of interest related to the Snettisham Hydroelectric Project Power Revenue Bonds. This line item decreased slightly in FY16 as a result of a lower outstanding balance of Snettisham Power Revenue bonds and lower interest rates resulting from the FY16 bond refunding.
- **Non-project personnel, general and administrative** includes costs related to our staff and general operations such as facilities costs and supplies which are not directly charged to project expense or capitalized. Non-project personnel, general and administrative costs increased $1.9 million in FY16 compared to FY15. The increase was primarily due to the addition of $1.6 million in FY16 general and administrative costs associated with Pentex. A lower allocation of personnel costs to AEA in FY16 compared to FY15 also increased this balance. Reductions in AEA projects such as the Susitna-Watana Hydroelectric Project resulted in less staff time charged to AEA in FY16 compared to FY15. Decreased FY16 spending in other areas, including payroll for non-Pentex related employees partially offset these increases.

- **Net pension related adjustments** represent accounting adjustments resulting from our participation in the PERS allocated to us by the State. These adjustments reflect the impact of actuarial measurements on pension expense. This balance increased $1.4 million in FY16 compared to FY15. The increase was primarily due to increases in the actuarial measured expense for the PERS and an increase in our proportionate share relative to the States share in FY16 compared to FY15.
- **Costs reimbursed from State agencies and component units** represents costs we incurred relating to other State agencies and were reimbursed such as staff time spent on projects for AEA. This balance decreased in FY16 compared to FY15 primarily due to a decrease in personnel costs charged to AEA for staff time spent on behalf of AEA programs.
- **Provision for loan losses** represents the adjustment made to recognize potential losses in our loan portfolio. The greater reduction of the FY16 allowance for loan losses compared to FY15 was a product of a net decrease in the Revolving Fund loan portfolio balance compared to the prior year. As the loan portfolio decreases, the portion of the provision for loan losses calculated on the outstanding portfolio balance also decreases. This reduction was offset by an increase to the provision for loan losses for the Loan Fund portfolios.
- **Depreciation** expense increased $2.1 million in FY16 compared to FY15, primarily due to depreciation associated with Pentex assets of $1.9 million and depreciation related to the North Slope pad which was placed into service in FY16. Additional depreciation expense in FY16 was recognized to allocate the cost of the Ketchikan Shipyard over the useful life of the assets.
- **Project, feasibility and due diligence** costs represent expenditures related to our owned projects such as Pentex, the Ketchikan Shipyard and Skagway Ore Terminal and costs incurred to understand and evaluate potential projects. These costs increased $9.2 million in FY16 compared to FY15. This increase was mostly due to the following:
    - $9.5 million increase in project costs during 2016 compared to 2015. This increase was primarily due to Pentex nonadministrative costs of $8.7 million for the nine months we owned them in FY16. Work on a major multi-year repair and refurbishment project for the Federal Express hangar increased FY16 expenditures approximately $700,000 while the FY15 sale of our investment in KOV and reduced spending at the Ketchikan Shipyard on state funded maintenance reduced expenditures compared to FY15.
    - $299,000 net decrease in feasibility/due diligence costs primarily due to decreased costs relating to Pentex. We incurred higher due diligence and feasibility study costs in FY15 compared to FY16 performing due diligence work on the purchase of Pentex. The purchased closed in September 2015. We also spent less on other projects in FY16 such as a feasibility study relating to converting natural gas to liquid and work on a liquefied natural gas facility and associated infrastructure in the Cook Inlet Region. An increase in feasibility work on a natural gas distribution system and affiliated infrastructure in Fairbanks, part of the IEP partially offset these decreases.

Net nonoperating revenues (expenses) is comprised of net activity related to the Ketchikan Shipyard Repair and Replacement Fund, investment interest related to the Loan Funds and nonoperating revenues of Pentex. Net activity related to the Ketchikan Shipyard Repair and Replacement Fund represents repairs and replacement costs for the Ketchikan Shipyard paid from the Repair and Replacement investment account we administer, net of contributions received for the account by the operator of the shipyard. Net position increased in FY16 from these nonoperating activities compared to a net decrease in FY15. FY16 contributions to the Ketchikan Shipyard exceeded expenses paid from the fund by $37,000 while FY15 expenses exceeded contributions by $381,000. Non-operating revenue from Pentex also contributed to the net position increase.

Contributions from the State of Alaska include revenue recognized from State General Fund capital appropriations and contributions of funding and assets from other State agencies. These revenues decreased approximately $12.6 million in FY16 compared to FY15. Reduced spending of State contributions relating to the AMDIAP, the IEP and Ketchikan Shipyard projects contributed to the decreased revenues.

Capital grant revenues represent revenues recognized from the expenditure of federal capital funding at the Ketchikan Shipyard. These revenues increased in FY16 compared to FY15. The capital grants expired in FY16 and efforts were made to complete the construction before the grants ended.

Dividend to State of Alaska increased in FY16 compared to FY15. We paid a $17.7 million dividend to the State during FY16, compared to $10.7 million during FY15. The variance in the dividend paid is a result of the variance in statutory "net income" between the "base years." Statutory "net income" for FY13 (used to calculate the FY15 dividend) was lower than FY14 (used to calculate the FY16 dividend). FY14 statutory "net income" was higher than FY13 mainly due to FY14 unrealized gains on our investment portfolio. Governmental accounting standards require our investment portfolio to be reported at market value. As directed by statute, AIDEA makes available to the State an annual dividend. This dividend, determined by our Board, must be between 25% and 50% of audited "net income" (as defined in the statute) for the "base year." The "base year" is the fiscal year ending two years before the end of the fiscal year in which the dividend payment is to be paid; for example, the statutory net income reported for FY16 (the audit being completed within FY17) will become the base for the dividend to be paid in FY18. In no case may the dividend exceed base year unrestricted audited "net income." The actual transfer of the dividend requires a legislative appropriation that may be line item vetoed by the Governor.

Outlook

Recent legislative authorizations including the addition of the Arctic Infrastructure Development Fund and bonding authorization for several potential new projects have enhanced our ability to continue to be an important financing tool for economic development in Alaska. We are actively pursuing potential new projects under the Development Finance Program. We anticipate funding over $99 million in new loans from our Loan Participation Program next year.

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Independent Auditor's Report

The Board
Alaska Industrial Development and Export Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Alaska Industrial Development and Export Authority (a Component Unit of the State of Alaska) (Authority), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Pentex Alaska Natural Gas Company LLC, whose statements reflect total assets and deferred outflows of resources stated in thousands of $70,652 at June 30, 2016, and total revenues of $12,589 for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for such subsidiaries, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Alaska Industrial Development and Export Authority as of June 30, 2016, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Comparative Information

Alaska Industrial Development and Export Authority's 2015 financial statements for the year ended June 30, 2015, were audited by other auditors whose report thereon dated December 1, 2015, expressed unmodified opinions on the respective financial statements of the major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1–13 and schedule of proportionate share of the net pension liability and contributions on page 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information in schedules 1 through 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information in schedules 1-6 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The supplementary information in schedules 7-10 has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2016 on our consideration of the Alaska Industrial Development and Export Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Alaska Industrial Development and Export Authority's internal control over financial reporting and compliance.

BDO USA, LLP

November 29, 2016

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY
(A Component Unit of the State of Alaska)

Statements of Net Position

June 30, 2016
(with summarized financial information at June 30, 2015)

(In thousands)

Assets and Deferred Outflows of Resources		**Revolving Fund**	**Aggregate Nonmajor Funds**	**Interfund Consolidations**	**Total 2016**	**Total 2015**
Current assets:						
Unrestricted cash and cash equivalents (note 3)	$	46,718	101,791	—	148,509	222,918
Unrestricted cash and cash equivalents - Pentex (note 3)		4,046	—	—	4,046	—
Restricted cash and cash equivalents (note 3)		915	1	—	916	735
Unrestricted investment securities (note 3)		68,447	—	—	68,447	97,823
Loans - current portion (note 4)		31,666	882	—	32,548	39,367
Development projects accounted for as direct financing leases (note 7)		12,612	—	—	12,612	12,915
Accrued interest receivable		3,571	202	—	3,773	4,243
Other assets		3,843	7	—	3,850	3,244
Other assets - Pentex		1,832	—	—	1,832	—
Total current assets		173,650	102,883	—	276,533	381,245
Noncurrent assets:						
Restricted cash and cash equivalents (note 3)		60,246	—	—	60,246	61,455
Restricted cash and cash equivalents - Snettisham (note 3)		10,104	—	—	10,104	9,579
Investment securities (note 3)		331,928	—	—	331,928	310,594
Loans - noncurrent portion (note 4)		318,164	10,762	—	328,926	336,460
Less allowance for loan losses (note 6)		(7,830)	(670)	—	(8,500)	(8,676)
Net loans		310,334	10,092	—	320,426	327,784
Development projects accounted for as:						
Direct financing leases (note 7)		151,689	—	—	151,689	164,776
Capital assets (note 7)		76,646	—	—	76,646	79,426
Preferred interest in operating companies (note 7)		55,621	—	—	55,621	39,411
Restricted net investment in direct financing lease - Snettisham (note 7)		63,307	—	—	63,307	68,840
Capital assets - Pentex (note 7)		62,377	—	—	62,377	—
Line of credit (note 7)		34,207	—	—	34,207	—
Line of credit (note 5)		—	29,690	—	29,690	20,924
Interfund line of credit (note 5)		—	14,670	(14,670)	—	—
Capital assets (note 8)		26,122	—	—	26,122	25,977
Other assets		1,420	190	—	1,610	3,538
Total noncurrent assets		1,184,001	54,642	(14,670)	1,223,973	1,112,304
Total assets		1,357,651	157,525	(14,670)	1,500,506	1,493,549
Deferred outflows of resources:						
Deferred outflows of resources related to employee pensions (note 10)		2,375	—	—	2,375	988
Deferred charge on bond refunding		196	—	—	196	265
Gas plant acquisition adjustment - Pentex (note 7)		2,397	—	—	2,397	—
Deferred outflow of resources - Snettisham (note 7)		4,179	—	—	4,179	—
Total deferred outflows of resources		9,147	—	—	9,147	1,253
Total assets and deferred outflows of resources	$	1,366,798	157,525	(14,670)	1,509,653	1,494,802
Liabilities, Deferred Inflows of Resources and Net Position						
Current liabilities:						
Bonds payable - current portion (note 9)	$	9,655	—	—	9,655	9,055
Accrued interest payable		707	—	—	707	819
Accounts payable		2,221	48	—	2,269	1,649
Other liabilities		882	1	—	883	731
Current liabilities - Pentex		867	—	—	867	—
Total current liabilities		14,332	49	—	14,381	12,254
Noncurrent liabilities:						
Bonds payable - noncurrent portion (note 9)		45,990	—	—	45,990	55,645
Advances from State of Alaska		44,938	—	—	44,938	46,357
Net pension liability (note 10)		12,606	—	—	12,606	8,595
Other liabilities		1,525	—	—	1,525	2,001
Interfund line of credit - Pentex (note 5)		14,670	—	(14,670)	—	—
Noncurrent liabilities - Pentex		600	—	—	600	—
Liabilities payable from restricted assets - Snettisham:						
Power revenue bonds payable (note 9)		64,455	—	—	64,455	69,955
Other		13,135	—	—	13,135	8,464
Total noncurrent liabilities		197,919	—	(14,670)	183,249	191,017
Total liabilities		212,251	49	(14,670)	197,630	203,271
Deferred inflows of resources:						
Deferred inflows of resources related to employee pensions (note 10)		254	—	—	254	993
Net position:						
Net investment in development projects - capital assets (note 7)		76,646	—	—	76,646	79,426
Net investment in capital assets - Pentex (note 7)		49,979	—	14,670	64,649	—
Net investment in capital assets (note 8)		26,122	—	—	26,122	25,977
Restricted contributions		950	—	—	950	1,037
Unrestricted - Pentex		(49,464)	—	(14,670)	(64,134)	—
Unrestricted		1,050,060	157,476	—	1,207,536	1,184,098
Total net position		1,154,293	157,476	—	1,311,769	1,290,538
Commitments and contingencies (notes 1, 10, and 12)		—	—	—	—	—
Total liabilities, deferred inflows of resources and net position	$	1,366,798	157,525	(14,670)	1,509,653	1,494,802

See accompanying notes to basic financial statements.

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY
(A Component Unit of the State of Alaska)

Statements of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2016
(with summarized financial information at June 30, 2015)

(In thousands)

	Revolving Fund	Aggregate Nonmajor Funds	Total 2016	Total 2015
Operating revenues:				
Interest on loans (note 4)	$ 15,338	472	15,810	17,468
Income from development projects (note 7)	13,599	—	13,599	15,862
Income from development projects - lines of credit (note 7)	1,148	—	1,148	—
Income from development project - Pentex (note 7)	12,589	—	12,589	—
Interest on Snettisham restricted direct financing lease (note 7)	3,320	—	3,320	3,753
Investment interest	10,299	108	10,407	10,473
Net increase (decrease) in fair value of investments	9,936	—	9,936	(4,910)
Income from state agencies and component units (note 11)	7,567	—	7,567	8,856
Other income	2,987	14	3,001	1,152
State of Alaska nonemployer contributions to Public Employees' Retirement System	—	—	—	461
Total operating revenues	76,783	594	77,377	53,115
Operating expenses:				
Interest	2,784	—	2,784	3,065
Interest on Snettisham liabilities payable from restricted assets (note 9)	3,320	—	3,320	3,753
Nonproject personnel, general and administrative	7,091	25	7,116	6,778
Net pension related adjustments	1,885	—	1,885	481
General and administrative - Pentex	1,557	—	1,557	—
Costs reimbursed from state agencies and component units (note 11)	7,567	—	7,567	8,856
Provision for loan losses (note 6)	(346)	170	(176)	(28)
Depreciation on projects (note 7, note 8)	3,459	—	3,459	3,247
Depreciaton - Pentex (note 7)	1,853	—	1,853	—
Project feasibility and due diligence costs	328	368	696	995
Project expenses - Pentex	8,702	—	8,702	—
Other project expenses	1,389	—	1,389	613
Total operating expenses	39,589	563	40,152	27,760
Operating income	37,194	31	37,225	25,355
Nonoperating revenues (expenses) and other:				
Investment interest	—	36	36	14
Net expenses related to Ketchikan Shipyard Repair and Replacement Fund	37	—	37	(381)
Appropriations and contributions from the State of Alaska	1,412	—	1,412	14,008
Dividend to State of Alaska	(17,650)	—	(17,650)	(10,665)
Capital grants	133	—	133	25
Nonoperating income - Pentex	38	—	38	—
Total nonoperating revenues (expenses) and other	(16,030)	36	(15,994)	3,001
Increase in net position	21,164	67	21,231	28,356
Net position - beginning of year, as previously reported	1,133,129	157,409	1,290,538	1,270,762
Cummulative effect on prior years of adoption of GASB Statement 68	—	—	—	(8,580)
Net position - beginning of year, as adjusted	1,133,129	157,409	1,290,538	1,262,182
Net position - end of year	$ 1,154,293	157,476	1,311,769	1,290,538

See accompanying notes to basic financial statements.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY
(A Component Unit of the State of Alaska)

Statements of Cash Flows

Year ended June 30, 2016
(with summarized financial information at June 30, 2015)

(In thousands)

	Revolving Fund	Aggregate Nonmajor Funds	Interfund Consolidations	Total 2016	Total 2015
Cash flows from operating activities:					
Interest received on loans	$ 14,920	554	—	15,474	16,887
Operating receipts - Pentex	12,880	—		12,880	—
Receipts from borrowers	5,333	—	—	5,333	2,050
Principal collected on loans	65,920	1,785	—	67,705	46,181
Other operating receipts	7,436	—	—	7,436	11,805
Other operating receipts - Snettisham	2,329	—	—	2,329	2,259
Loans originated	(53,400)	(1,124)	—	(54,524)	(33,820)
Payments to suppliers and employees for services	(15,079)	(356)	—	(15,435)	(17,311)
Operating payments - Pentex	(10,365)	—	—	(10,365)	—
Payments to primary government	(1,081)	(42)	—	(1,123)	(1,700)
Other operating payments	—	—	—	—	(2,675)
Other operating payments - Snettisham	(1,569)	—	—	(1,569)	(1,750)
Net cash provided by operating activities	27,324	817	—	28,141	21,926
Cash flows from noncapital and related financing activities:					
Dividend paid to the State of Alaska	(17,650)	—	—	(17,650)	(10,665)
Short-term borrowings (paid to) reimbursed from the Alaska Energy Authority for working capital, net	(369)	—	—	(369)	998
Principal paid on noncapital debt	(535)	—	—	(535)	(515)
Interest paid on noncapital debt	(639)	—	—	(639)	(659)
Net cash used for noncapital and related financing activities	(19,193)	—	—	(19,193)	(10,841)
Cash flows from capital and related financing activities:					
Direct financing lease receipts	24,435	—	—	24,435	21,975
Direct financing lease receipts - Snettisham	5,523	—	—	5,523	5,920
Federal grant receipts	159	—	—	159	14
Capital appropriation - State of Alaska	—	—	—	—	5,600
Restricted contributions for development projects	238	—	—	238	254
Receipts from primary government	165	—	—	165	270
Principal paid on capital debt	(8,520)	—	—	(8,520)	(7,950)
Interest paid on capital debt	(2,638)	—	—	(2,638)	(3,035)
Investment in development project - Pentex	(49,605)	—	—	(49,605)	—
Investment in development projects - capital assets	(508)	—	—	(508)	(597)
Investment in capital assets	(679)	—	—	(679)	(15,433)
Investment in capital assets - Pentex	(1,781)	—	—	(1,781)	—
Interest paid on capital debt - Snettisham	(3,587)	—	—	(3,587)	(3,816)
Principal paid on capital debt - Snettisham	(2,170)	—	—	(2,170)	(2,105)
Proceeds from capital debt - Pentex	344	—	—	344	—
Proceeds from interfund line of credit-Pentex	1,379	—	(1,379)	—	—
Payments on capital debt - Pentex	(84)	—	—	(84)	—
Net cash (used for) provided by capital and related financing actvities	(37,329)	—	(1,379)	(38,708)	1,097
Cash flows from investing activities:					
Proceeds from sales and maturities of investment securities	394,952	—	—	394,952	179,300
Purchases of investment securities	(376,974)	—	—	(376,974)	(280,152)
Interest collected on investments	10,448	144	—	10,592	10,442
Investment in preferred interest in operating companies	(16,140)	—	—	(16,140)	(29,671)
Receipts from preferred interest in operating companies	195	—	—	195	32,511
Distribution from investment in limited partnership	—	—	—	—	197
Interest received on loans	775	—	—	775	697
Principal collected on loans	1,179	—	—	1,179	1,014
Line of credit disbursements	(34,136)	(22,057)	—	(56,193)	(20,904)
Interfund line of credit disbursements	—	(1,379)	1,379	—	—
Interest received on line of credit	255	—	—	255	—
Principal collected on line of credit	300	—	—	300	—
Other investing disbursements - Pentex	(47)	—	—	(47)	—
Net cash used for investing activities	(19,193)	(23,292)	1,379	(41,106)	(106,566)
Net decrease in cash and cash equivalents	(48,391)	(22,475)	—	(70,866)	(94,384)
Cash and cash equivalents at beginning of year	170,420	124,267	—	294,687	389,071
Cash and cash equivalents at end of year	$ 122,029	101,792	—	223,821	294,687

See accompanying notes to basic financial statements.

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY
(A Component Unit of the State of Alaska)

Statements of Cash Flows

Year ended June 30, 2016
(with summarized financial information at June 30, 2015)

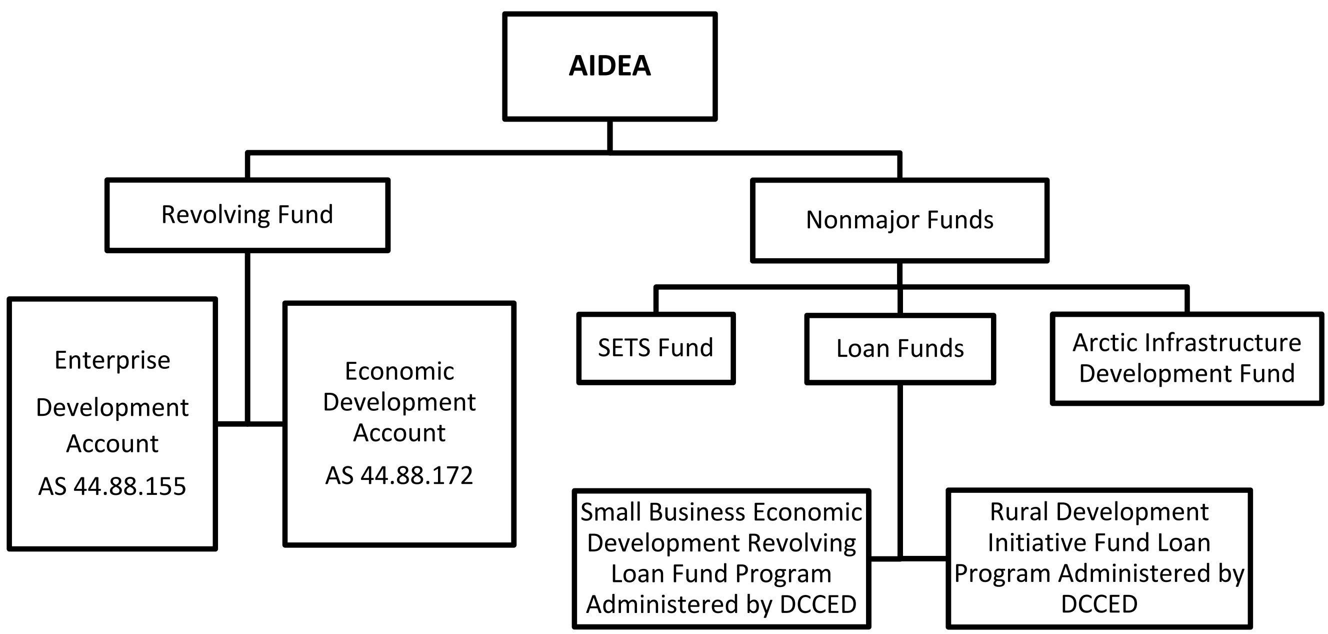
(In thousands)

		Revolving Fund	Aggregate Nonmajor Funds	Interfund Consolidations	Total 2016	Total 2015
Reconciliation to Statements of Net Position:						
Unrestricted cash and cash equivalents	$	46,718	101,791	—	148,509	222,918
Unrestricted cash and cash equivalents - Pentex		4,046	—	—	4,046	—
Restricted cash and cash equivalents - current		915	1	—	916	735
Restricted cash and cash equivalents - noncurrent		60,246	—	—	60,246	61,455
Restricted cash and cash equivalents - Snettisham		10,104	—	—	10,104	9,579
Cash and cash equivalents at end of year	$	122,029	101,792	—	223,821	294,687
Reconciliation of operating income to net cash provided by operating activities:						
Operating income	$	37,194	31	—	37,225	25,355
Adjustments to reconcile operating income to net cash provided by operating activities:						
Principal collected on loans		65,920	1,785	—	67,705	46,181
Loans originated		(53,400)	(1,124)	—	(54,524)	(33,820)
Investment interest income		(10,299)	(108)	—	(10,407)	(10,473)
Net dividend income from operating companies		(265)	—	—	(265)	(2,773)
Amortization of unearned income on direct financing leases		(11,045)	—	—	(11,045)	(12,095)
Amortization of unearned income on direct financing lease - Snettisham		(3,320)	—	—	(3,320)	(3,753)
Bond interest expense		3,164	—	—	3,164	3,590
Bond interest expense-— Snettisham		3,320	—	—	3,320	3,753
Provision for loan losses		(346)	170	—	(176)	(28)
Depreciation on projects		3,459	—	—	3,459	3,247
Depreciation on administrative building		182	—	—	182	182
Depreciation - Pentex		1,853	—	—	1,853	—
Amortization of deferred outflow - Pentex		91	—	—	91	—
Net decrease (increase) in fair value of investments		(9,936)	—	—	(9,936)	4,910
Interest on loans		(1,791)	—	—	(1,791)	(677)
Capitalized LOC/loan fees and interest		(371)	(7)	—	(378)	(72)
Increase in deferred outflows related to pensions		(1,387)	—	—	(1,387)	(281)
Decrease in accrued interest receivable and other assets		170	81	—	251	301
Decrease in other assets - Pentex		1,029	—	—	1,029	—
Increase in net pension liability		4,011	—	—	4,011	(692)
Increase (decrease) in accounts payable and other liabilities		765	(11)	—	754	(1,922)
Decrease in accounts payable and other liabilities-Pentex		(957)	—	—	(957)	—
Decrease in deferred inflows related to pensions		(739)	—	—	(739)	993
Other income - Pentex		22	—	—	22	—
Net cash provided by operating activities	$	27,324	817	—	28,141	21,926
Noncash investing, capital, and financing activities:						
Bond principal paid by escrow agent - Snettisham	$	(69,050)	—	—	(69,050)	—
Proceeds from bond issuance received by escrow agent - Snettisham		65,720	—	—	65,720	—
Bond premium received by escrow agent - Snettisham		4,843	—	—	4,843	—
Net decrease (increase) in unrealized gain/loss on investments		(15,416)	—	—	(15,416)	7,910
Reduction of Snettisham direct financing lease due to bond refunding		3,330	—	—	3,330	—
Accounts payable for capital asset additions		112	—	—	112	265
Accounts payable for capital asset additions - Pentex		(694)	—	—	(694)	—
Accounts payable for development project additions		6	—	—	6	35
Accounts payable for investment in preferred interest in operating companies	$	—	—	—	—	2

See accompanying notes to basic financial statements.

(1) Organization and Operations

The Alaska Industrial Development and Export Authority (AIDEA, we, us, our) is the main development financing agency of the State of Alaska (State), financing economic development projects using existing assets, general obligation bonds, or debt secured by project revenues, as deemed appropriate by AIDEA. We are a public corporation of the State and a body corporate and politic constituting a political subdivision within the State Department of Commerce, Community and Economic Development (DCCED), but with separate and independent legal existence. AIDEA has its own self-balancing set of financial statements independently audited from the State. Our mission is to promote, develop, and advance economic growth and diversification in Alaska by providing various means of financing and investment. We have various State authorized powers supporting our economic development mission, including, but not limited to, the ability to adopt regulations, acquire ownership interests in projects, lease projects, issue bonds, and acquire and manage projects. Our financial statements are organized and rollup into two columns as follows:



We perform the majority of our business through our Revolving Fund, established through legislation, and we consider this our major fund.

The Arctic Infrastructure Development Fund was established by legislation effective October 2014 but has not been funded and therefore there is nothing to report.

(a) Enterprise Development Account (Alaska Statute (AS) 44.88.155)

Following is a summary of programs available under the Enterprise Development Account:

- Loan Participation Program, we purchase portions of loans (participations) made by financial institutions to their customers. Participations generally must be limited to the lesser of 90% of the permanent financing total for qualifying facilities, or $25.0 million. The permanent financing limit was increased from $20.0 million to $25.0 million as a result of legislation passed during the 2015 legislative session.
- Business and Export Assistance Program, we guarantee up to 80% 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 $1.0 million.

The following projects are included in the Enterprise Development Account:

- Interior Energy Project (IEP) which consists of work related to supplying natural gas and natural gas distribution systems and affiliated infrastructure in Interior Alaska.
- Ambler Mining District Industrial Access Project (AMDIAP) which consists of work related to a potential industrial access road to support mineral exploration and development on the south side of the Brooks Range in northwest Alaska.

(b) Economic Development Account (AS 44.88.172)

With this account AIDEA by statute, can own and operate facilities to accomplish its development finance mission (Development Finance Program). The Economic Development Account may be used to finance development projects regardless of our intent to wholly own and operate the project. Economic Development Account projects in which we have at least partial ownership and with activity reflected in the accompanying financial statements are:

- **DeLong Mountain Transportation System project** (DMTS, aka Red Dog project), consists of a 52-mile gravel industrial access road and port facilities to serve regional supply needs, enable the export of raw materials and supplies for the Red Dog Mine and other potential mines, and enable the export of lead and zinc concentrates and other metal concentrates from these mines. Located in the DeLong Mountains in northwestern Alaska, the Red Dog Mine is one of the world’s largest zinc producing mines. The DMTS was financed with a combination of AIDEA funds and bond issues; the current outstanding refunding bonds related to the project were issued in February 2010.
- **Skagway Ore Terminal project** (Skagway Terminal) is an ore terminal port facility for public use in Skagway, Alaska. The terminal acquisition was originally financed with bonds; a major facility reconstruction (ore shed, tank farm and vehicle fueling facility) were financed with AIDEA funds. There are no longer bonds outstanding for this project.

- **Federal Express project**, which consists of a maintenance, repair and overhaul aircraft hangar and an associated fire suppression facility (for the hangar) at the Ted Stevens Anchorage International Airport. We partially financed this project with a June 2002 bond issue; AIDEA called all remaining outstanding bonds in April 2012.
- **Ketchikan Shipyard project** (Shipyard), located in Ketchikan, Alaska, was transferred to AIDEA in July 1997, under an agreement with the State's Department of Transportation and Public Facilities (AKDOT&PF). Capital appropriations from the State legislature, local municipal/borough contributions and other federal grant funds enabled the completion of a new Assembly Hall and other improvements in the facility without AIDEA financing.
- **Snettisham Hydroelectric project** (Snettisham), located in southeast Alaska near Juneau, which we acquired from the Alaska Power Administration, a federal agency, in August 1998. We issued $100.0 million of revenue bonds to buy the project and provide funds to buy and install a submarine cable system. The 1998 bonds were refunded in August 2015. We also have agreements with Alaska Electric Light and Power (AEL&P), the sole Juneau electric utility, which enable us to sell the project's entire electrical output capacity to AEL&P and requires them to operate and maintain the project, with an option to buy.
- **Kenai Offshore Ventures LLC** (KOV) was a limited liability company (LLC) that owned a jack-up drilling rig used in the Cook Inlet. Our investment in KOV was financed with AIDEA funds and our preferred interest (including outstanding dividends) was repurchased in February 2015.
- **State of Alaska Department of Military and Veterans Affairs** (DMVA) **project**, is an expansion to the existing National Guard Armory on Joint Base Elmendorf-Richardson (JBER). The construction was performed under a license between the State and the U.S. Air Force and was financed with AIDEA funds. The facility is leased by the DMVA to the U.S. Coast Guard.
- **Mustang Road LLC (**MR LLC**)**, is an LLC created for the purpose of owning a four-mile road and 17.4-acre pad for drilling and processing crude oil. AIDEA's preferred ownership interest was financed with AIDEA funds. The road and a gravel pad located on the North Slope is intended to support the development of the Mustang Oil Field and other nearby fields. The LLC also owns a carried working interest in the Mustang Field.
- **Mustang Operations Center 1 LLC** (MOC1), in which we own a preferred interest, is a limited liability company established for the purpose of owning an oil and gas processing facility to produce pipeline quality crude oil from the Mustang Field for sale through the Trans-Alaska Pipeline Systems (TAPS). The LLC also owns a carried working interest in the Mustang Field. The facility is currently under construction.

- **Pentex Alaska Natural Gas Company LLC (Pentex)**, in which we are the sole member, is a limited liability company that owns five subsidiaries related to the distribution of natural gas in interior Alaska. AIDEA purchased Pentex in September 2015 using AIDEA funds as part of a long-term strategy to finance the build out of an integrated distribution system in Fairbanks as part of the IEP.

We may also use the Economic Development Account to provide direct financing for qualifying projects under our Direct Financing Program. Under this program, AIDEA can provide direct financing for projects in which we have no ownership interest. The following projects were provided financing in the form of letters of credit (LOC's) and have activity in the accompanying financial statements:

- **Blue Crest Drill Rig** in which we are financing the procurement of a new high-horsepower, extended reach, onshore drilling rig that will be used for the installation and development of numerous wells to produce oil from the Cosmopolitan lease blocks in the lower Cook Inlet and for the construction of man camp facilities for workers on the project.
- **Blood Bank of Alaska, Inc.** in which we are financing the acquisition, delivery and installation of furniture, fixtures and equipment for a laboratory and collection facility building.

Pursuant to authorization from our Board, prefeasibility and due diligence costs for several potential Economic Development Account projects were also incurred by the Economic Development Account and are included in the accompanying financial statements.

The Legislature has authorized issuing bonds for the proposed Economic Development Account projects below:

- **Skagway Ore Terminal**: $65.0 million to finance the expansion, modification, improvement, and upgrading of the terminal.
- **Bokan-Dotson Ridge Rare Earth Element project**: Up to $145.0 million to finance the infrastructure and construction costs of the Bokan-Dotson Ridge rare earth element project. The Bokan-Dotson Ridge rare earth element project's surface complex shall be owned and operated by AIDEA or financed under AS 44.88.172.
- **Niblack project**: Up to $125.0 million to finance the infrastructure and construction costs of the Niblack project. The Niblack project includes a mineral processing mill, associated dock, and loading and related infrastructure facilities at the Gravina Island Industrial Complex, as well as infrastructure at the project site on Prince of Wales Island to be owned by AIDEA or financed under AS 44.88.172.

(Continued)

(c) Conduit Revenue Bond Program

AIDEA has a stand-alone revenue bond program wherein we act as a conduit to facilitate a market financing transaction for facilities owned by and paid for by third parties. Such stand-alone revenue bonds we issue are not general obligations of AIDEA. They are payable only out of revenues derived from the projects or the private businesses for which the projects are financed. We are specifically authorized to issue revenue bonds for the following:

- Up to $185.0 million (collective amount) to finance building power transmission interties that electric utilities will own. We have not issued any bonds under this authorization.
- Up to $120.0 million to finance the infrastructure and construction costs of the Sweetheart Lake hydroelectric project. We do not anticipate owning the hydroelectric project. This authorization is repealed June 30, 2020.

By the end of FY16, we had issued conduit revenue bonds for 318 projects (not including bonds issued to refund other bonds). At June 30, 2016, the outstanding principal amount of conduit revenue bonds issued after July 1, 1995 was $485.5 million. We were unable to determine the aggregate amount outstanding for the remaining conduit revenue bonds, issued prior to July 1, 1995, but their original issue amounts totaled $616 million for a total of $1.38 billion issued through June 30, 2016 (not including bonds issued to refund other bonds).

(d) Small Business Economic Development Revolving Loan Fund Program and Rural Development Initiative Fund Loan Program

The Small Business Economic Development Revolving Loan Fund Program finances eligible applicants under the United States Economic Development Administration’s Long-Term Economic Deterioration program and the Sudden and Severe Economic Dislocation program. This Program was created to receive grants from the United States Economic Development Administration.

The Rural Development Initiative Fund Loan Program creates job opportunities in rural Alaska by providing small businesses with needed capital that may not be available in conventional markets. Businesses must be Alaskan owned and located in a community of 2,000 or fewer people on the road or rail system or 5,000 or fewer people if off-road or rail.

Though part of our financials, these programs are administered by the Division of Economic Development within the State Department of Commerce, Community and Economic Development (DCCED).

(e) Sustainable Energy Transmission and Supply Development (SETS) Program

The 2012 State legislature passed Senate Bill 25 establishing the SETS Program and the SETS Fund. This program was created so AIDEA could promote and finance qualified energy developments in Alaska to reduce unemployment and contribute to economic diversity and development in the State.

(Continued)

The SETS Fund is not an account in the Revolving Fund so it must be accounted for separately. Subject to statute, we may use money in the SETS Fund to help construct, improve, rehabilitate, and expand qualified energy developments which are defined in the statute establishing the program. The SETS Program may also finance qualified energy developments through loan or bond guarantees and direct loans.

In September 2012, a State General Fund capital appropriation provided $125.0 million to fund this program. Effective June 30, 2013, the legislature reappropriated $57.5 million of this initial funding for the IEP leaving $67.5 million in capitalization of the SETS Fund. The SETS Fund received an additional $125.0 million in capitalization from the State General Fund in FY14 in accordance with legislation passed by the 2013 legislature. Effective June 30, 2014, the legislature reappropriated an additional $50.0 million of the initial funding for the University of Alaska, leaving $142.5 million in capitalization of the SETS Fund.

The Legislature has authorized issuing SETS bonds for the IEP. The $150.0 million bond authorization through the SETS Fund is for the development, construction, and installation of, and the startup costs of operation and maintenance for, a liquefied natural gas production plant and system and affiliated infrastructure on the North Slope and a natural gas distribution system and affiliated infrastructure in Interior Alaska. Effective as of July 1, 2015, the bonding authorization was amended to allow the liquefied natural gas production plant and system to be located anywhere in the state to provide natural gas to Interior Alaska as a primary market. This bonding authorization expires June 30, 2018 if we do not issue bonds before that date.

(f) Pentex Alaska Natural Gas Company LLC

AIDEA purchased all of the member interests/shares of Pentex Alaska Natural Gas Company LLC (Pentex) a Delaware limited liability company (LLC) on September 30, 2015, under AS 44.88.172. Pentex owns the following subsidiaries:

- Fairbanks Natural Gas (FNG) - Fairbanks gas distribution utility
- Arctic Energy Transportation (AET) - LNG fueling station operator
- Polar LNG (Polar) - North Slope LNG plant developer (inactive)
- Titan Alaska (Titan) - LNG plant and trucking operator
- Cassini LNG Storage LLC - Fairbanks storage facility developer (inactive)

Pentex and its subsidiaries, under AIDEA ownership, continue to hold their existing assets and liabilities. AIDEA is the sole and managing member of Pentex. Pentex is a development project and is reported as a component unit of AIDEA.

(g) Alaska Energy Authority

Legislation in 1993 directed AIDEA's board members to serve as the board of directors of the Alaska Energy Authority (AEA). We provide personnel services for AEA because under statute AEA has no employees. We also have a board approved borrowing agreement to supply AEA short-term working capital with a limit of $7.5 million. AIDEA and AEA have separate executive directors and both are employees of AIDEA. The two authorities do not comingle funds, assets, or liabilities or have any responsibility for the debts or obligations of the other. So, we do not include the accounts or activities of AEA in the accompanying financial statements.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting – Enterprise Fund Accounting

As a public corporation and component unit of the State and for the purpose of preparing financial statements in accordance with U.S. generally accepted accounting principles, AIDEA is subject to the accounting requirements as set forth by the Governmental Accounting Standards Board (GASB).

AIDEA's accounts are organized as Enterprise Funds. Accordingly, the financial activities of AIDEA are reported using the economic resources measurement focus and the accrual basis of accounting, whereby revenues are recorded when earned and expenses are recorded when goods or services are received or the related liability is incurred.

(b) Fair Value Measurement and Application

Securities or other assets are reported and measured at fair value if (a) we hold it primarily for the purpose of income or profit and (b) it has a present service capacity based solely on its ability to generate cash or be sold to generate cash.

(c) Cash and Cash Equivalents

For purposes of the basic financial statements, our cash and cash equivalents consist of cash, short-term commercial paper, money market funds, positions in the Alaska Municipal League Investment Pool (Pool), and equity of the Loan Funds in the State's investment pools, whether unrestricted or restricted as to their use. Cash and cash equivalents available, if potentially operationally needed, and amounts intended for current operations, are classified as current in our Statement of net position.

(d) Investments

Marketable securities are reported at fair value in the financial statements. Fair values are obtained from independent sources. Investments are segregated between current and noncurrent based on stated maturity and intended use. Investments maturing within a year are classified as current if they are considered to be potentially needed for current operations. This classification recognizes that a portion of our investment portfolio may be needed for current operations. A noncurrent investment may be sold for operational cash flow needs if needed and it is beneficial under current market conditions.

(e) Loans and Related Interest Income

Revolving Fund loans are primarily secured by first deeds of trust on real estate located in Alaska. Loan Fund loans must be secured by collateral that is acceptable to the Division of Economic Development such as a mortgage or other security instrument in real property, equipment, or other tangible assets. Loans are generally carried at amounts advanced less principal payments collected. Loan commitment fees are recognized as revenue when loans are funded. Interest income is accrued as earned. Interest accrual on Revolving Fund loans is discontinued whenever the payment of interest or principal is more than 90 days past due or when loan terms are restructured. Accrual of interest on Loan Fund loans is discontinued when payment of interest or principal is more than 90 days past due. The collection of accrued interest on Loan Fund loans is pursued until it is deemed uncollectible. Interest accrual is resumed when a loan is no longer more than 90 days past due.

We handle loan collections as follows:

- Monitor loan delinquencies on a monthly basis and discuss results with the originator for Revolving Fund loans, and the borrower for Loan Fund loans as needed.
- Analyze Revolving Fund loans for possible impairment if the loan is more than 90 days past due or has been restructured.
- Analyze Loan Fund loans for possible impairment if the loan is more than 90 days past due, has specialized payment arrangements or has an area of specific concern.
- Charge off Revolving Fund loans when foreclosure or deed in lieu of foreclosure is completed or we’ve determined no economic benefit will result from pursuing legal remedies.
- Charge off Loan Fund loans when we’ve determined no economic benefit will result from pursuing legal remedies.

An allowance is established to recognize potential losses in our loan portfolios. Subsequent charge offs are adjusted through the allowance.

AIDEA considers lending activities to be part of its principal ongoing operations and classifies them as operating in the statement of revenues, expenses, and changes in net position. All loans except the Power Project Fund loan portfolio held by the Revolving Fund and the SETS loan portfolio held by the SETS Fund are considered program loans (and therefore cash flows from operating activities) for the purposes of cash flow presentation.

The current portion of Revolving Fund loans is based on a projection of principal we expect to collect within the next fiscal year, including estimated prepayments.

(f) Development Projects – Direct Financing Leases

AIDEA leases various projects subject 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 these leases is recognized using the effective interest method, which produces a constant periodic rate of return on the outstanding investment in the lease. We consider such activity to be part of our principal ongoing operations and classify it as operating in the statement of revenues, expenses, and changes in net position.

(g) Development Projects – Capital Assets

Our development projects accounted for as capital assets are carried at cost, net of depreciation, adjusted for impairments of value that are not temporary. Depreciation begins on these development projects when they are available for use. In addition, these development projects are considered investments for purposes of impairments, so impairment losses are recognized whenever the fair value of the asset has declined below the carrying value and the decline is determined to be not temporary in nature. AIDEA considers development project activity, except for expenses payable from certain restricted assets, including impairments, if any, to be part of its principal ongoing operations and classifies it as operating in the statement of revenues, expenses, and changes in net position.

(h) Development Projects – Preferred Interest in Operating Companies

Preferred Interest in Operating Companies (as more fully described in note 7) are recorded in the accompanying financial statements as equity interests and are development projects. Income is recognized as it is earned under the project agreement. The equity interests are carried at cost, less capital distributions received, and less any necessary allowance.

The equity interest will be reduced by an allowance if the sum of the accrued dividends and AIDEA’s outstanding equity interest is greater than our share of the company equity. We recognize an impairment loss if the fair value of the asset has declined below the carrying value and the decline is determined not to be temporary in nature. Activity associated with these equity interests, including impairments, if any, is part of principal ongoing operations and classified as operating in the statement of revenues, expenses, and changes in net position.

(i) Component Unit

We follow GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34* when evaluating our ownership interests in legally separate organizations. We report all assets, liabilities, net position and activities as part of our balances and activities for organizations meeting the blending criteria. Pentex is our only component unit. AIDEA is the sole member of Pentex and our board of members serves as the board of members for Pentex. AIDEA's board is responsible for all aspects of the LLC and its subsidiaries. Pentex is reported as a blended component unit of the Revolving Fund, therefore its assets, liabilities and activities from the date of purchase are included in the accompanying financial statements.

(j) Capital Asset Additions and Retirements

Additions of capital assets are at original cost. Cost consists of contracted services, materials and other direct costs. For capital assets of Pentex, indirect overhead charges, certain general and administrative costs and other developmental costs are also capitalized. When capital assets are disposed of or otherwise retired, the original cost of retirement, less salvage value is charged against the net book value of the asset. Any gain or loss is recognized as income or expense in the year of disposition or retirement. Maintenance, repairs and renewals are charged to expense when incurred. Renewals extending the useful life of the property are capitalized.

(k) LOC's

LOC's are generally carried at amounts advanced less principal payments collected. LOC commitment fees are recognized as revenue when the LOC's are funded. Interest income is accrued as earned.

An allowance is established to recognize potential losses. Subsequent charge offs are adjusted through the allowance. Management's opinion is that no allowance for LOC's is required at June 30, 2016.

AIDEA considers lending activities to be part of its principal ongoing operations and classifies them as operating in the statement of revenues, expenses, and changes in net position. LOC's are considered an investment activity for purposes of cash flow presentation.

(l) Intangible Assets

Intangible assets are assets which are nonfinancial in nature, lack physical substance, are identifiable and have a useful life extending beyond a single reporting period. Costs associated with the generation of internally generated intangible assets are capitalized when incurred after the following milestones have been met:

- Determination of the specific objective of the project and the nature of the service capacity that is expected to be provided by the intangible asset upon the completion of the project.

- Demonstration of the technical or technological feasibility for completing the project so that the intangible asset will provide its expected service capacity.
- Demonstration of the current intention, ability, and presence of effort to complete or, in the case of a multiyear project, continue development of the intangible asset.

(m) Other Real Estate Owned

Other real estate owned (OREO) is 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. OREO is recorded at the estimated fair market value of the property at the time of receipt or transfer less costs to sell, 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.

(n) Allowance for Loan Losses

Allowance for loan losses is management's judgment as to the amount required to absorb probable losses in the loan portfolio. Factors used by management to determine the allowance required include historical loss experience, individual loan delinquencies, collateral values, economic conditions, debt coverage ratios, guarantor financial strength, and other factors. Management's opinion is that the allowance is currently adequate to absorb known losses and inherent risks in the portfolio.

(o) Allowance for Lease Receivables

Allowance for lease receivables represents management's judgment as to the amount required to absorb probable unrealizable direct financing lease receivables. 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, 2016.

(p) Net Position

Our spending policy is to evaluate, on a case by case basis, whether restricted or unrestricted net position should be spent. This evaluation is performed by management as part of the overall spending plan.

(q) Environmental Issues

AIDEA's environmental issues policy is to record a liability when the likelihood of responsibility for pollution remediation activities such as site assessments and cleanups is probable and the costs are reasonably estimable. At the end of FY16, there were no environmental issues meeting both of these criteria and, accordingly, no provision has been made in the accompanying financial statements for any potential liability.

(r) Operating Revenue and Expense

AIDEA considers all revenues and expenses except the following to be part of its ongoing operations and classifies them as operating in the statement of revenues, expenses and changes in net position:

- capital contributions
- certain nonexchange transactions with the State of Alaska, including the dividend paid to the State
- investment income and expenditures related to certain restricted project funds
- investment income related to the Loan Funds and Pentex
- special or extraordinary items
- gains and losses on the disposition of capital assets and other assets of Pentex
- other Pentex income related to hit line repairs

(s) Contributions, State Appropriations, Grants and State Advances

AIDEA recognizes grant revenue and revenue related to contributions and State appropriations when all applicable eligibility requirements, including time requirements, are met. Advances from the State which are not expended, are repaid to the State and are therefore reflected as a liability in our financial statements.

(t) 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. AIDEA is a political subdivision of the State performing an essential governmental function and is exempt from Federal and State income taxes.

(u) Depreciation

Depreciation for capital assets is charged to operations by use of the straight-line method at an annual rate ranging from 2 - 28%, depending on type of asset, for Pentex capital assets and over the estimated useful lives of all other depreciable assets, ranging from 10 to 30 years.

(v) Non-exchange Payments

Non-exchange payments to other governmental entities, including the dividend to the State, are recorded when the liability has been incurred and the amount is reasonably estimable.

(w) Segment Information

AIDEA's Snettisham bond resolution requires certain financial statement disclosures. Activity related to Snettisham is reported as a separate segment within the financial statements to meet these disclosure requirements. All assets and liabilities related to Snettisham are considered noncurrent in the statement of net position.

(x) Estimates

In preparing the financial statements, management of AIDEA is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows and to make disclosures of contingent assets and liabilities as of the date of the basic financial statements. Actual results could differ from the estimates.

(y) Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. AIDEA has four items which qualify for reporting in this category:

- Deferred outflows of resources related to our participation in the Public Employees' Retirement System (PERS).
- Deferred charge on debt refunding.
- Gas plant acquisition adjustment relating to our purchase of Pentex.
- Deferred outflows of resources related to the Snettisham restricted direct financing lease.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. AIDEA has one item which qualifies for reporting in this category. It is a deferred inflow of resources related to our participation in the PERS.

(z) Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from the PERS fiduciary net position have been determined on the same basis as they are reported by the PERS. Benefits and refunds are recognized when due and payable and expenses are recorded when the corresponding liabilities are incurred, regardless of when contributions are received or payment is made. Investments are reported at fair value.

We follow the special funding situation guidance in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* (Statement 68). We recognize the employer portion of the net pension liability, deferred outflows of resources and deferred inflows of resources related to the PERS. A revenue and expense is recognized for the nonemployer (State) portion of pension expense for the reporting period.

(aa) Prior Period Information

The basic financial statements include certain prior year summarized comparative information in total but not at the level of detail required for a presentation in conformity with U.S. generally accepted accounting principles. Such information should be read in conjunction with the financial statements for FY15, from which the summarized information was derived. Certain reclassifications were made to prior year information to conform to current year presentation.

(bb) Change in Accounting Principle

In June 2012, the GASB issued Statement 68. Statement 68 required that an employer recognize its obligation for pensions net of the amount of the pension plan's fiduciary net position that is available to satisfy that obligation as well as disclose additional information regarding the obligation. AIDEA adopted the provisions of this statement for FY15. The adoption of Statement 68 resulted in the recognition of a net pension liability and associated deferred outflows as an adjustment to beginning net position as noted in our statements of revenues, expenses, and changes in net position.

The GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68* (Statement 71) in November 2013. Statement 71 amends Statement 68 to require that at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Statement 68, as amended, requires beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. AIDEA adopted Statement 71 in FY15, concurrent with the adoption of Statement 68.

(cc) Recently Issued Accounting Pronouncements

GASB Statement No. 72, *Fair Value Measurement and Application* (Statement 72) was issued by the GASB in February 2015. Statement 72 addresses accounting and financial reporting related to fair value measurements. Statement 72 generally requires investments to be measured at fair value. Investments are defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair value is described as an exit price. The Statement provides guidance and techniques appropriate to determine fair value. Statement 72 is required to be implemented for financial reporting periods beginning after June 15, 2015. We implemented Statement 72 during the fiscal year ending June 30, 2016.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68* (Statement 73) was issued by the GASB in June 2015. Statement 73 is intended to improve financial reporting of governments whose employees are provided with pensions that are not within the scope of Statement 68, improve the usefulness of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions not within the scope of Statement 68, and to clarify the application of certain provisions of Statements 67 and 68. Amendments to Statement 68 were implemented for the fiscal year ending June 30, 2016. Guidance for plans not within the scope of Statement 68 will be effective for the fiscal year ending June 30, 2017. We are currently evaluating the impact of this guidance on future financial statements.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions* (Statement 74) was issued by the GASB in June 2015. Statement 74 establishes standards of financial reporting for defined benefit other post-employment employee benefits (OPEB) and defined contribution OPEB that are provided to the employees of state and local governmental employers. This is the Plan side requirements applicable to OPEB benefits and generally brings the OPEB reporting rules into alignment with the new Statement 67 Pension rules. Statement 74 is required to be implemented for the fiscal year ending June 30, 2017. We have not implemented Statement 74 and are currently evaluating the impact on future financial statements.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions* (Statement 75) was issued by the GASB in June 2015. Statement 75 establishes standards of accounting and financial reporting for defined benefit OPEB and defined contribution OPEB that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. This statement also establishes standards of accounting and financial reporting for OPEB plans that are not administered through trusts or equivalent arrangements. Statement 75 is required to be implemented for the fiscal year ending June 30, 2018. We have not implemented Statement 75 and are currently evaluating the impact on future financial statements.

(Continued)

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (Statement 76) was issued by the GASB in June 2015. The objective of Statement 76 is to identify the hierarchy of generally accepted accounting principles (GAAP). Statement 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Statement 76 supercedes the previous hierarchy established by GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local* Governments. We implemented Statement 76 during the fiscal year ending June 30, 2016.

GASB Statement No. 77, *Tax Abatement Disclosures* (Statement 77) was issued by the GASB in August 2015. The objective of Statement 77 is to require local governments to provide financial disclosures relating to tax abatements affecting the government. This includes information about abatement agreements entered into directly by the government, including conditions and criteria under which taxes can be abated, and the type and dollar amount of the tax. In addition, Statement 77 requires disclosure of tax abatements issued by other governments that affect the government's revenue recognition and reporting. Statement 77 is required to be implemented for the fiscal year ending June 30, 2017 We have not implemented Statement 77 are currently evaluating the impact on future financial statements.

GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans* (Statement 78) was issued by GASB in December 2015. The objective of this Statement is to address the scope and applicability of Statement No. 68 as it relates to pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. Statement 78 is required to be implemented for the fiscal year ending June 30, 2017. We have not implemented Statement 78 and are currently evaluating the impact on future financial statements.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants* (Statement 79) was issued by GASB December 2015. The objective of this Statement is to establish criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria. We implemented Statement 79 during the fiscal year ending June 30, 2016.

GASB Statement No. 80, *Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14* (Statement 80) was issued in January 2016. This Statement amends the blending requirements established in Statement 14 and is intended to clarify the financial statement presentation requirements for certain component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The provisions of Statement 80 are required to be implemented for the fiscal year ending June 30, 2017. We have not implemented Statement 80 and are currently evaluating the impact on future financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements* (Statement 81) was issued by the GASB in March 2016. The objective of Statement 81 is to improve accounting and financial reporting for irrevocable split-interest agreements by providing guidance for recognition and measurement in situations that a government is an agreement beneficiary. Split-Interest agreements are a giving agreement which provides resources to two or more beneficiaries, including governments. The provisions of this Statement are required to be implemented for the fiscal year ending June 30, 2017 with retroactive application. We have not implemented Statement 81 and are currently evaluating the impact on future financial statements.

GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73* (Statement 82) was issued by the GASB in March 2016. This Statement addresses certain issues raised with respect to GASB Statement No. 67, *Financial Reporting for Pension Plans,* Statement 68 and Statement 73. Specifically, Statement 82 addresses:

- presentation of payroll-related measures in required supplementary information
- selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and
- classification of payments made by employers to satisfy employee (plan member) contributions.

The provisions of this Statement are required to be implemented for the fiscal year ending June 30, 2017, except for the requirements for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that case, the requirements for selection of assumptions are effective for the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. We have not implemented Statement 82 and are currently evaluating the impact on future financial statements.

(3) Cash and Investment Securities

(a) Revolving Fund

Cash and Cash Equivalents

Following is a summary of the Revolving Fund's cash and cash equivalents at June 30, 2016 (in thousands):

Current - unrestricted	$	46,718
Current - unrestricted - Pentex		4,046
Current - restricted		915
Noncurrent - restricted		60,246
Noncurrent - restricted - Snettisham		10,104
Carrying amount		122,029
Bank balance	$	122,093

Cash equivalents include $46.2 million invested in the Alaska Municipal League Investment Pool (Pool). The Pool is not SEC-registered, but is a 2a-7 like money market fund. The Pool was rated a principal stability rating of AAAm by Standard & Poor's (S&P). Stand-alone financial statements can be obtained by writing to the Alaska Permanent Capital Management Co., 900 West Fifth Avenue, Suite 601, Anchorage, Alaska 99501 or visiting www.amlip.org.

Alaska Statute (AS) 37.23 provides for regulatory oversight of the Pool. The Statute provides requirements regarding authorized investments and reporting. The Pool is incorporated in Alaska as a nonprofit corporation and reports to a board of directors. Our Chief Financial Officer serves on the Pool's board of directors. AS 37.23.050 requires retention of an investment manager. The manager is required to produce monthly disclosure statements for the Pool. An investment advisor monitors the performance of the investment manager to ensure compliance with investment policies. The Pool must maintain a dollar-weighted average maturity of 90 days or less, and only purchase instruments having remaining maturities of 397 days or less. The fair value of the investments in the Pool are reviewed monthly by an independent pricing service. The Pool meets the standards for reporting investments at amortized cost with regard to portfolio requirements including maturity, quality, diversification, liquidity and shadow price. There are no restrictions or limitations on withdrawals from the Pool. As of June 30, 2016, the fair value of the investments in the Pool approximates the amortized cost at which they are reported. The fair value of our investments in the Pool is the same as the value of our Pool units.

Investment Securities

General – Investment Policies and Portfolio Information

Revolving Fund investments are governed by Statute and AIDEA's Resolution No. G01-14D, *Amended and Restated Resolution of the Alaska Industrial Development and Export Authority Relating to Fixed-Income Investment Policies* (Resolution), or bond resolutions. The bond resolutions specify allowable investments. AIDEA has an internally managed portfolio and also uses two external money managers for a portion of its portfolio.

Under the Resolution, the following securities are eligible for investment by the external money managers:

- Debt instruments issued or guaranteed by the U.S. government, its agencies and instrumentalities, and Government-Sponsored Enterprises (GSEs);
- Dollar-denominated debt instruments that have been issued by domestic and nondomestic entities;
- Non-U.S. dollar denominated investments provided the greater of $200 million or 60% of the externally managed investment portfolios in aggregate are invested in U.S. dollar denominated investments. Restrictions apply to limit the portfolio amount of certain types of non-U.S. dollar denominated investments;
- Mortgage-backed securities issued or guaranteed by federal agencies or GSEs;
- Asset-backed securities, including collateralized mortgage-backed securities and collateralized mortgage obligations (CMOs). CMOs are limited to the more stable classes; prohibited CMO classes include those where principal and interest components are separated or where leverage is employed;
- Certificates of deposit and term deposits of United States domestic financial institutions provided the institutions meet guidelines set forth in the Resolution; and
- Other money market instruments described in the Resolution.

Under the Resolution, the following securities are eligible for investment in the internally managed portfolio:

- Debt instruments issued or guaranteed by the U.S. government, its agencies and instrumentalities, and GSEs;
- Money market funds and repurchase agreements collateralized by U.S. Treasury and agency securities;

- Units in the investment pool or any series of investment pool of the Alaska Municipal League Investment Pool, Inc., or any successor to that entity, or any other investment pool for public entities of the State of Alaska that is established under the Alaska Investment Pool Act (AS 37.23.010-37.23.900); and
- Other investments specifically approved by the board.

Snettisham project investments are subject to the investment guidelines provided in the Snettisham Power Revenue Bond Resolution. The guidelines dictate investments be made at the direction of AIDEA and specify allowable investment type and quality, but not duration, other than requiring moneys to be available when needed.

Following is a summary of Revolving Fund investments at June 30, 2016 (in thousands):

Current – unrestricted	$	68,447
Noncurrent – unrestricted		331,928
	$	400,375

Fair Value Measurement

We categorize our fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Following is a summary of the Revolving Fund portfolio, organized by major investment type and the recurring fair value measurement at June 30, 2016, (in thousands):

U.S. Treasury	$	84,622	Level 2
U.S. Government agency discount notes		39,994	Level 2
U.S. Government agency and GSEs		35,832	Level 2
U.S. Government instrumentalities		5,003	Level 2
Corporate securities		125,163	Level 2
Mortgage-backed securities		97,400	Level 2
Asset-backed securities		9,023	Level 2
Municipal bonds		3,338	Level 2
	$	400,375	

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will negatively affect the fair value of an investment. The Resolution addresses interest rate risk. Duration is an indicator of a portfolio's market sensitivity to changes in interest rates. In general, major factors affecting duration are (in order of importance):

1) Maturity

2) Prepayment frequency

3) Level of market interest rates

4) Size of coupon

5) Coupon payments

Rising interest rates generally translate into the fair market value of fixed income investments declining, while falling interest rates are generally associated with increasing market values. Effective duration attempts to account for the price sensitivity of a bond to changes in prevailing interest rates, including the effect of embedded options. For example, for a bond portfolio with a duration of 5.0, a one percentage point parallel decline in interest rates would result in an approximate price increase on that bond portfolio of 5.0%.

The duration of each externally managed fixed income portfolio must be within plus or minus 25% of the duration of the Barclays Capital Aggregate Bond Index for domestic fixed income portfolios and between 0.5 (½ year) and 125% of the contractual non-U.S. dollar denominated benchmark for the portfolios (or sub-portfolio component) available for investment in non-U.S. dollar denominated instruments (at June 30, 2016, there were no portfolios investing in non-U.S. dollar denominated instruments). AIDEA meets the investment policy's requirements for maturity and duration of the externally managed fixed-income portfolios.

For the internally managed portfolio, the duration for longer term investments is two years or less. The maximum maturity of any issue is three years from the date of purchase. We meet the investment policy's requirements for maturity and duration of the internally managed fixed-income portfolio.

We've shown below the weighted average effective duration for Revolving Fund cash equivalents and investments at June 30, 2016. The duration values in the table below take into account any put or call options embedded in the security, any expected sinking-fund pay downs, or expected principal prepayments:

	Internally managed portfolio	**Externally managed portfolios**
Money market	0.09	0.09
U.S. Treasury	—	7.94
U.S. Government agency discount notes	0.07	—
U.S. Government agency and GSEs	0.17	5.01
U.S. Government instrumentalities	0.29	—
Corporate securities	—	6.21
Mortgage-backed securities	—	2.49
Asset-backed securities	—	1.49
Municipal bonds	—	4.37

Credit Risk

Credit risk is the financial risk that an issuer or other counterparty to an investment will not fulfill its obligations and a loss will result. The Resolution sets guidelines for investment quality.

Investments must carry a rating of BBB- or above at the time of purchase, or, if unrated, be deemed by the external manager to be of investment grade quality. In the event the rating of a security is downgraded below investment grade, it will no longer be eligible for purchase and the investment manager will report the downgrade with a plan for monitoring the security and its disposition within six months. If the investment manager believes the security is undervalued, the investment manager may request an additional six months to liquidate the security.

The weighted average quality rating of each externally managed portfolio shall be AA- or better. For purposes of determining compliance with quality guidelines, a rating will be the middle rating if ratings are provided by Moody's, Standard & Poor's (S&P), and Fitch; the lower rating if only two ratings exist; and the rating provided if only one rating exists. If a security is unrated, the investment manager shall assign an internal rating for compliance purposes. The total of unrated investments may not exceed 5% of the investment manager's portfolio value and the unrated investments of a single issuer may not exceed 2% of the investment manager's portfolio value. AIDEA is in compliance with the requirement of the investment policy regarding the credit quality of the portfolio.

The quality ratings of AIDEA Revolving Fund cash equivalent and investment portfolio at June 30, 2016 are stated in the table below as a percentage of the total portfolio. U.S. Treasury securities and securities of agencies and corporations explicitly guaranteed by the U.S. government are not considered to have credit risk and are reported as such in the table. On September 6, 2008, the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation were placed into conservatorship by the Federal Housing Finance Agency. Prior to this, both corporations were considered GSEs with an implicit backing of the U.S. government. Ratings used are S&P's rating scale unless not rated by S&P or rated lower by Moody's, in which case Moody's is used. Rate modifiers are not disclosed.

Investment type	Rating	Percentage of total
Money market	AAA	22%
U.S. Government agency and GSEs	AA	7
U.S. Government agency discount notes	A	8
U.S. Government instrumentalities	AAA	1
Municipal bonds	AA	1
Corporate securities	AA	1
Corporate securities	A	9
Corporate securities	BBB	10
Corporate securities*	AAA	1
Corporate securities*	A	1
Corporate securities*	BAA	2
Mortgage-backed securities	AAA	1
Mortgage-backed securities (issued by GSEs)	Not rated	17
Asset-backed securities	AAA	1
Asset-backed securities*	AAA	1
No credit exposure		17
		100%

* Moody's rating

Custodial Credit Risk

Custodial credit risk of investments is the risk that, in the event of the failure of a custodian, the value of investments or collateral securities may not be recovered. In the Revolving Fund, amounts totaling approximately $114.5 million at June 30, 2016, are held in the Pool or other money market funds. Funds held in the Pool are registered in the name of the trust department of a commercial bank and are held by a third party custodian. Money market funds are held by the trust department of a custodial bank and are registered in their name. The investments in the Pool are owned by the Pool. All other investment securities in the Revolving Fund are registered in our name and are held by our custodian, the trust department of a commercial bank; therefore, no custodial credit risk exists for these securities.

Concentration of Credit Risk

This is the risk of loss based on the amount of our investment. We manage our exposure in our Revolving Fund through the Resolution and bond resolutions. The Resolution limits how much we invest in any one issuer, other than securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, or GSEs, or collateralized by securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, or GSEs to 5% of the market value of the portfolio at the time of purchase. Other than securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, or GSEs, AIDEA had no holdings in a single issuer that exceeded 5% of the market value of the portfolios.

On June 30, 2016, we had more than 5% of the combined portfolios invested in the following GSEs (dollar amounts in thousands):

	Revolving Fund	Percent of combined portfolio
Federal National Mortgage Association	$ 67,888	11%
Federal Home Loan Mortgage Corporation	31,345	5%

Restricted Cash, Cash Equivalents, and Investment Securities

Certain investment securities, money market funds, and cash are restricted by the terms of bond resolutions or other agreements. A summary of restricted amounts at June 30, 2016, is as follows (in thousands):

	Allowable usage		
Red Dog Project Sustaining Capital fund	Project costs	$	15,000
Ketchikan Shipyard restricted funds	Project costs		2
Ketchikan Shipyard Repair and Replacement fund	Project costs		913
Advances from State of Alaska	Project costs		45,246
Snettisham Hydroelectric Project Funds	Various costs relating to the project		10,104
		$	71,265

(b) ***Nonmajor Funds***

Cash and Cash Equivalents

A summary of the Nonmajor Funds' cash and cash equivalents at June 30, 2016, is as follows (in thousands):

Unrestricted – Loan Funds	$	4,861
Unrestricted – SETS Fund		96,930
Restricted – SETS Fund		1
Carrying amount		101,792
Bank balance	$	101,772

All unrestricted cash and cash equivalents in the SETS Fund are invested in the Pool. Pursuant to legislative authorization to provide financing for the IEP up to a principal amount of $275 million (including $150 million in bonds) from the SETS Fund, management intends to utilize approximately $80.8 million of the unrestricted SETS cash equivalent balance in the table above for the IEP financing.

(4) Loans

Loans outstanding on June 30, 2016, are classified as follows (dollar amounts in thousands):

	Number		Amount
Revolving Fund:			
Loan participation:			
Internally funded	207	$	320,611
Bond sale	1		12,638
OREO sale financing	2		274
Purchased loans	26		16,307
Revolving Fund loans	236		349,830
Nonmajor Funds – Loan Funds	101		11,644
	337		361,474
Less current portion			(32,548)
		$	328,926

(a) Revolving Fund

Under our Loan Participation Program, we buy participations in loans secured by real property or tangible personal property made by commercial banks or other financial institutions. Nearly all of them relate to real property. Although we diversify our Revolving Fund loan portfolio by property type and region within the State, our ability to collect on loans depends on the State's economic conditions.

On September 30, 2010, pursuant to legislation, and an agreement, we bought 37 loans from AEA. Under the agreement, at our request, AEA must repurchase any loan upon a payment default.

All Revolving Fund loans were current at June 30, 2016, and we had no Revolving Fund loans on which we had restructured terms.

The current portion of loans for the Revolving Fund includes projections for prepayments anticipated in the next fiscal year. Based on portfolio payment history Revolving Fund loan participations payoff earlier than the original loan term. The amount of Revolving Fund loans contractually due in FY16 is $16.3 million compared to $31.7 million recorded as the current portion. The difference of $15.4 million represents 9% of the Revolving Fund current assets.

(b) Nonmajor Funds

The DCCED administers Loan Funds loans. The aging of Loan Funds loans at June 30, 2016, is as follows (dollar amounts in thousands):

	Percent		Amount
Current:	95.00%	$	11,065
61-90 days	0.90		104
Past due:			
Over 90 days	4.10		475
	100.00%	$	11,644

Loan Funds loans with restructured terms totaled $830,000 on June 30, 2016. Gross interest income we accrued on these loans totaled $22,000 for FY16, and we received $20,000 of interest payments.

The Loan Funds held OREO totaling $175,000 on June 30, 2016, which we've included within other assets in our statement of net position.

(5) Nonmajor Funds - LOC's

LOC's in the SETS Fund totaling approximately $44.3 million represent amounts drawn on LOC's which will convert to term loans at a later date if certain conditions are met. The per annum stated interest rate for advances under these LOC's is zero percent (0%) until December 31, 2017.

Of this balance, approximately $14.7 million represents an LOC between Pentex (included in the Revolving Fund) and the SETS Fund. FNG received a $15 million LOC from AIDEA dated May 19, 2014, used for the expansion of FNG's distribution system. Security for the LOC includes FNG's personal and fixture property of every kind, excluding inventory and accounts receivable.

All SETS Fund LOC's were current and there were no restructured LOC's at June 30, 2016.

(6) Allowance for Loan Losses

Following is an analysis of changes in the allowance for loan losses for FY16 (in thousands):

	Revolving Fund	Nonmajor Funds	Total
Balance at beginning of year	$ 8,176	500	8,676
Provision for loan losses	(346)	170	(176)
Recoveries of loans charged off	—	—	—
Charge-offs	—	—	—
Balance at end of year	$ 7,830	670	8,500

(7) Development Projects

(a) Direct Financing Leases

Following is the breakout of our net investment in development projects accounted for as direct financing leases by project on June 30, 2016, (in thousands):

	Minimum lease payments receivable	Unearned income	Net investment in direct financing leases
Red Dog Project	$ 372,835	(222,248)	150,587
DMVA Project	30,938	(17,224)	13,714
	$ 403,773	(239,472)	164,301

Following are the future minimum lease payments receivable for FY17 through FY21 (dollars in thousands):

2017	2018	2019	2020	2021
$ 18,794	18,794	18,794	18,794	18,794

Estimates do not include future tonnage-sensitive (released from a reserve fund) or potential price-sensitive payments for the Red Dog project.

(Continued)

(b) Capital Assets

Our net investment in the Ketchikan Shipyard at June 30, 2016, was $76.6 million. Capital activity related to the Ketchikan Shipyard is below (in thousands):

	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016
Nondepreciable components of development projects:				
Land	$ 1,995	—	—	1,995
Construction work in progress	—	479	(479)	—
Total nondepreciable components of development projects	1,995	479	(479)	1,995
Depreciable components of development projects:				
Buildings	57,106	425	—	57,531
Infrastructure	34,052	54	—	34,106
Total depreciable components of development projects	91,158	479	—	91,637
Less accumulated depreciation for:				
Buildings	(6,796)	(1,971)	—	(8,767)
Infrastructure	(6,931)	(1,288)	—	(8,219)
Accumulated depreciation	(13,727)	(3,259)	—	(16,986)
Depreciable components of development projects – net	77,431	(2,780)	—	74,651
Total development projects	$ 79,426	(2,301)	(479)	76,646

Depreciation expense totaled $3.259 million for development projects - capital assets for the fiscal year ending June 30, 2016 and is included in depreciation on projects in our Statement of Revenues, Expenses and Changes in Net Position.

(Continued)

(c) Preferred Interest in Operating Companies

Following is the breakout of our net investment in development projects accounted for as preferred interest in operating companies by project on June 30, 2016, (in thousands):

Mustang Road LLC	$	9,803
MOC 1 LLC		45,818
	$	55,621

We evaluated our preferred interest in operating companies above for impairment and determined no impairment is necessary. Standalone financial statements for MOC1 are available by calling 907-751-6807 or sending a request to cmalapit@mcac-cpa.com.

(d) Restricted Direct Financing Lease

In August 1998, AIDEA bought the Snettisham Hydroelectric project from the federal government. Under the terms of various agreements, AEL&P operates the project and buys all power. In July 2014 Alaska Energy and Resources Company, AEL&P's parent company, became a subsidiary of Avista Corporation, a Washington based utility. The change in ownership did not change the agreements in place with AIDEA. The project supplies most of the Juneau-Douglas area electrical energy. AEL&P is the sole electric utility for the area.

In August 2015 we refunded the bonds associated with the project (see note 9), resulting in a deferred outflow of resources relating to the restricted direct financing lease which will be amortized over the remaining life of the lease. The deferred outflow of resources relating to the Snettisham restricted direct financing lease will be recognized in interest expense as follows (in thousands):

Year ending June 30:		
2017	$	568
2018		484
2019		425
2020		378
2021		339
2022-2026		1,236
2027-2031		626
2032-2034		123
	$	4,179

Following is our net investment in the Snettisham project on June 30, 2016, (in thousands):

Minimum lease payments receivable	$	95,501
Less unearned income		(32,194)
Net investment in direct financing lease	$	63,307

(e) Blended Component Unit

On September 30, 2015 AIDEA purchased Pentex from Harrington Partners, L.P., Pentex Alaska Natural Gas Company and Daniel Britton under AS 44.88.172 for a total purchase price of $54.0 million, paid from our Revolving fund.

Pentex is a blended component unit of AIDEA's Revolving Fund, therefore results of operations include the results of Pentex operations, net of intercompany eliminations, beginning on the date of acquisition.

Included in the purchase was an intangible gas plant acquisition adjustment of approximately $2.5 million. This intangible asset is associated with the purchase of the Utility Plant and will be amortized over the life of the associated assets purchased. This amount results from the difference between the cost to purchase the ownership interest in Pentex and the net book value of the underlying assets of the company at the purchase date.

The following summarizes the allocation of the estimated fair value of the assets acquired, liabilities assumed and calculation of the gas plant acquisition adjustment at the date of acquisition (in thousands):

Assets acquired:			
	Utility Plant	$	63,143
	Current assets		3,820
	Total assets		66,963
Less: Liabilities assumed:			
	Current liabilities		1,841
	Noncurrent liabilities		13,611
	Total liabilities		15,452
Net position at fair value			51,511
Less: Purchase price			54,000
Plant acquisition adjustment		$	(2,489)

(Continued)

The gas plant acquisition adjustment deferred outflow will be recognized as expense as follows (in thousands):

Year ending June 30:		
2017	$	121
2018		121
2019		121
2020		121
2021		121
2022-2026		608
2027-2031		608
2032-2036		518
2037-2041		15
2042-2046		15
2047-2051		15
2052-2055		13
	$	2,397

Amortization expense for the year ended June 30, 2016 was $92,000.

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Following is activity for capital assets - Pentex (in thousands):

		Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016
Nondepreciable components:					
Land	$	—	374	—	374
Gas plant held for future use		—	16,676		16,676
Construction work in progress		—	2,167	—	2,167
Total nondepreciable components		—	19,217	—	19,217
Depreciable components:					
Infrastructure		—	33,651	—	33,651
Buildings		—	813	—	813
Furniture and equipment		—	10,549	—	10,549
Total depreciable components		—	45,013	—	45,013
Less accumulated depreciation for:					
Infrastructure		—	(1,036)	—	(1,036)
Buildings		—	(1)	—	(1)
Furniture and equipment		—	(816)	—	(816)
Total accumulated depreciation		—	(1,853)	—	(1,853)
Total depreciable components-net		—	43,160	—	43,160
Total capital assets - Pentex	$	—	62,377	—	62,377

Depreciation expense for capital assets - Pentex was approximately $1.85 million for the fiscal year ending June 30, 2016.

(Continued)

The following table provides a breakdown of the component of net position reported as net investment in capital assets - Pentex at June 30, 2016, (in thousands):

Total capital assets - Pentex	$	62,377
Gas plant acquisition adjustment		2,397
Materials and supply inventory		408
Interfund line of credit		(14,670)
Equipment notes payable		(533)
Net investment in capital assets - Pentex	$	49,979

Materials and supply inventory of $408,000 is reported in other assets and equipment notes payable of $533,000 is reported in other liabilities in our Statement of net position at June 30, 2016. We anticipate materials and supply inventory will be used in construction of our capital assets and therefore include the balance in the net investment in capital assets for net position reporting.

(f) LOC's

Following is the breakout of our net investment in development projects accounted for as LOC's at June 30, 2016, (in thousands):

Blood Bank of Alaska, Inc.	$	8,200
Blue Crest*		26,007
Total	$	34,207

*Includes BlueCrest Alaska Operating LLC (borrower) and BlueCrest Alaska Oil & Gas LLC, BlueCrest Cosmopolitan LLC and BlueCrest Energy, Inc (co-borrowers).

(8) Capital Assets

Following is our activity for FY16 (in thousands):

	Balance at June 30, 2015	Additions	Deletions	Balance at June 30, 2016
Capital assets not being depreciated:				
Land	$ 1,170	—	—	1,170
Construction work in progress	3,107	527	(3,634)	—
Total nondepreciable components of capital assets - other	4,277	527	(3,634)	1,170
Intangible assets not being depreciated:				
IEP	11,352	—	(2,896)	8,456
AMDIAP	8,834	527	—	9,361
Total intangible assets not being depreciated	20,186	527	(2,896)	17,817
Capital assets being depreciated:				
Administrative building	3,614	—	—	3,614
Infrastructure - IEP	—	6,003	—	6,003
Total depreciable components of capital assets - other	3,614	6,003	—	9,617
Less accumulated depreciation for:				
Administrative building	(2,100)	(182)	—	(2,282)
Infrastructure - IEP	—	(200)	—	(200)
Accumulated depreciation	(2,100)	(382)	—	(2,482)
Capital assets being depreciated - other, net	1,514	5,621	—	7,135
Total capital assets - other	$ 25,977	6,675	(6,530)	26,122

Depreciation expense of $200,000 for Infrastructure - IEP is included in depreciation on projects and depreciation expense of $182,000 for our administrative building is included in Nonproject personnel, general and administrative expense in the Statement of Revenues, Expenses and Changes in Net Position for the fiscal year ending June 30, 2016.

(Continued)

Intangible assets include capitalized costs for the IEP and the AMDIAP. AIDEA became the project sponsor for these infrastructure projects in FY13.

- *IEP* – We received a $57.5 million capital appropriation effective June 30, 2013, and an authorization to finance up to a principal amount of $275.0 million (which may include up to $150 million in bonds and the remainder from the SETS Fund) for the development, construction, and installation of, and the start-up costs of operation and maintenance for, a liquefied natural gas production system and affiliated infrastructure on the North Slope and a natural gas distribution system and affiliated infrastructure in Interior Alaska from a direct State appropriation and bond authorization. During FY15 the scope of this project was expanded to allow for the source of natural gas to be from locations in the state other than the North Slope.

  Capitalized costs include a fully completed pad on the North Slope and preliminary engineering and certain permitting for a future plant on the pad. The pad was placed into service in FY16.

- *AMDIAP* – Effective July 1, 2013, we received an $8.5 million capital appropriation for the AMDIAP, with an additional $8.5 million available July 1, 2014. Costs incurred for this project have included professional efforts related to planning, public outreach, environmental impact studies and preliminary work relating to the permitting and scoping for the project. During FY15 we were directed by the Governor to limit spending on this project while ongoing development is evaluated. We have continued development within this limited scope.

(9) Bonds Payable

We have listed below the composition of bonds outstanding (in thousands) issued under our Revolving Fund Bond Resolution (Revolving Fund Bonds). Interest rate and maturity date information is as of June 30, 2016:

	Purpose of Financing		Balance at June 30, 2015	Deletions	Balance at June 30, 2016	Amounts due within one year
Series 2010A – 4.375% to 5.250% issued February 24, 2010, maturing through 2027	Red Dog Project	$	52,185	(8,520)	43,665	9,100
Series 2010B – 4.0% to 5.5% issued December 22, 2010, maturing through 2031	Loan Participation		12,515	(535)	11,980	555
		$	64,700	(9,055)	55,645	9,655

On June 30, 2016, Revolving Fund general assets and future revenues secured all Revolving Fund Bonds. The minimum annual payments for all Revolving Fund Bonds after June 30, 2016, are as follows (without considering earlier call provisions) (in thousands):

		Principal	Interest	Total
Year ending June 30:				
2017	$	9,655	2,829	12,484
2018		3,035	2,352	5,387
2019		3,235	2,206	5,441
2020		3,465	2,044	5,509
2021		3,700	1,870	5,570
2022–2026		22,855	6,138	28,993
2027–2031		9,700	1,059	10,759
	$	55,645	18,498	74,143

The Revolving Fund Bond Resolution covenants keep us 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.
- Causing our unrestricted surplus (as defined in the Revolving Fund Bond Resolution) to be below the lesser of $200.0 million or the amount of general obligation indebtedness outstanding, and in no event less than $100.0 million.

On June 30, 2016, our unrestricted Revolving Fund surplus was $985.10 million and we estimated projected coverage for each future year exceeds 150%. The components of our unrestricted Revolving Fund surplus are as follows (in thousands):

Revolving Fund net position	$	1,000,596
Less:		
Bond liquidity requirement		(13,911)
Loan guarantees		(1,583)
Unrestricted surplus	$	985,102

AIDEA is also required by Revolving Fund Bond Resolution covenants to maintain in the Revolving Fund Cash Equivalents (as defined in the Revolving Fund Bond Resolution) maturing within one year in an amount at least equal to the lesser of $50.0 million or 25% of the amount of general obligation indebtedness outstanding. On June 30, 2016, the bond liquidity requirement was $13,911,250.

 (Continued)

In August 1998, AIDEA issued $100.0 million of Power Revenue Bonds to finance the purchase of Snettisham. In August 2015, we issued $65.72 million of fixed rate Power Revenue Refunding Bonds for the purpose of refunding $69.955 million of First Series Power Revenue Bonds. The refunded bonds were redeemed September 25, 2015. The refunding resulted in aggregate debt service payments over the next nineteen years in a total amount approximately $8.5 million less that the debt service payments which would have been due on the refunded bonds. There was an economic gain of approximately $5.1 million which is calculated as the net difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate. The refunding bonds bear interest at rates ranging from 4.0% to 5.0%, 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. Following are the minimum payments for the Power Revenue Refunding Bonds after June 30, 2016, (without considering earlier call provisions) (in thousands):

		Principal	Interest	Total
Year ending June 30:				
2017	$	2,295	3,157	5,452
2018		2,415	3,042	5,457
2019		2,535	2,921	5,456
2020		2,660	2,795	5,455
2021		2,800	2,662	5,462
2022–2026		16,220	11,064	27,284
2027–2031		20,625	6,660	27,285
2032–2034		14,905	1,471	16,376
	$	64,455	33,772	98,227

Under the Snettisham Power Revenue Bond Resolution, we must maintain a Debt Service Reserve Fund at least equal to 63% of the Maximum Aggregate Debt Service on the bonds. This fund is part of restricted cash and cash equivalents in the financial statements.

(10) Retirement Plan - PERS

General Plan Information

All of AIDEA's full-time, regular employees participate in the PERS, and all our employees participate in Alaska's Supplemental Annuity Plan (SBS). The employees of Pentex and its subsidiaries are not AIDEA or State employees. They are not eligible for benefits under any of the retirement, health or benefit plans of the State. The employees are employees of Pentex or its subsidiaries and participate in the retirement, health or benefit plans established by those organizations.

PERS is a multiple-employer public employee retirement system for which retirement reform legislation passed during 2005 created a new PERS Defined Contribution Retirement (DCR) Plan. The pension and post-employment healthcare plans are administered by the Commissioner of Administration and the Alaska Retirement Management Board (ARMB). The ARMB has the authority to establish and amend the benefit terms.

Employees entering the system on or after July 1, 2006, are classified as Tier IV members and participate under the DCR portion of PERS. Employees who entered the system before July 1, 2006 are classified as Tier I, II, or III members and participate under the PERS Defined Benefit Retirement Plan.

Legislation signed into law April 9, 2008 converted the PERS to a cost-sharing multiple-employer plan and provided for an integrated system of accounting for all employers. As a result, all employers share the unfunded liability of the PERS defined benefit plan. The conversion took effect July 1, 2008.

The SBS is a defined contribution multiple-employer plan created under Alaska statutes effective January 1, 1980, pursuant to Internal Revenue Code Section 401(a). It offers benefits that replaces those from the federal social security system.

Benefits Provided

The PERS provides retirement, disability, death, and post-employment health benefits. Benefits vest with five years of credited service. Employees enrolled prior to July 1, 1986, with five or more years of credited service are entitled to annual pension benefits beginning at normal retirement age 55 or early retirement age 50. For employees enrolled after June 30, 1986, but before July 1, 2006, the normal and early retirement ages are 60 and 55, respectively. Employees with 30 or more years of credited service may retire at any age and receive a normal benefit.

Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (Tier III) (three highest for Police/Fire members or members hired prior to July 1, 1996, (Tiers I and II)) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of $25 per month for each year of service when the calculated benefit is less.

The percentage multipliers for police/fire personnel are 2.00% for the first ten years of service and 2.50% for all service over 10 years. The percentage multipliers for all other participants are 2.00% for the first 10 years, 2.25% for the next 10 years, and 2.50% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2.00%.

Postemployment healthcare benefits are provided without cost to all members first enrolled before July 1, 1986. Members first enrolled after June 30, 1986, and who have not reached age 60 may elect to pay for major medical benefits, thereafter they are provided without cost.

Pension benefits are adjusted each year based upon increases in the Consumer Price Index (CPI) for the prior year. The increase in the benefits is 75% of the CPI increase up to a 9% maximum for recipients who are at least age 65 or on disability or 50% of the increase up to a 6% maximum for recipients who are at least age 60 but under age 65 or who have been receiving benefits for at least five years. Starting at age 65, or at any age for those employed before July 1, 1986, a retired employee who remains in Alaska is eligible for an additional allowance equal to 10% of the base benefit or $50 a month, whichever is greater.

Postretirement Pension Adjustments

The Plan has two types of post-retirement pension adjustments (PRPA). The automatic PRPA is issued annually to all eligible benefit recipients, when the cost of living increases in the previous calendar year. The automatic PRPA increase is paid beginning July 1 of each year. The discretionary PRPA may be granted to eligible recipients by the Plan’s Administrator if the funding ratio of the Plan meets or exceeds 105%. If both an automatic and discretionary PRPA are granted, and a retiree is eligible for both adjustments, the one that provides the retiree the greater increase will be paid.

PERS - Defined Benefit (DB) Plan

Contributions

Active PERS members are required to contribute 6.75% (2% pension cost and 4.75% post-employment healthcare cost) of their annual covered salary and AIDEA is required to contribute at an actuarially determined rate; the current ARMB rate is 27.19% (16.38% pension cost and 10.81% post-employment healthcare cost). Police and firefighters are required to contribute 7.5% of their annual covered salary.

Starting in 2008, the legislature by Statute (AS 39.35.255) capped the employer rate at 22%, with the State of Alaska making nonemployer contributions for the difference between the actuarially required contribution and the cap (AS 39.35.280). It is important to note that the Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process. The ARMB establishes and may amend the contribution requirements of plan members and AIDEA. Effective July 1, 2015, the Legislature requires the ARMB to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25-year term ending in 2039. The change results in lower ARMB rates than previously adopted.

On-behalf Contributions:

This is the amount paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARMB Rate and the Employer Effective Rate. In 2015, the State Legislature appropriated a one-time contribution to the Plan of $1 billion. As a result, the on-behalf contribution in 2015 was significantly higher than the statutory amount. The on-behalf contribution returned to “normal” levels in FY16 and generally equals the statutory calculation. The on-behalf amounts are reflected as revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a one-year timing lag between the cash transfers and revenue and expense recognition.

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

At June 30, 2016, we reported a liability for our proportionate share of the net pension liability allocated to the State. The amount recognized by AIDEA as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with AIDEA were as follows (in thousands):

	AIDEA	State	Total
Proprortionate share of net liability	$ 12,606	3,563	16,169

The State's portion of the net pension liability was based on the State's contributions relative to the contributions of all PERS employers for FY13 and FY14. The State's portion of the net pension liability for FY15 was based on the State's share of the present value of contributions for FY17-FY39, as determined by projections based on the FY14 valuation. Our portion of the net pension liability was allocated based on AIDEA's contributions relative to the contributions of other State entities included in the State's portion. Our portion (employer portion) of the liability is based on the uniform contribution rate of 22% for plan employers per AS 39.35.255. AS 39.35.280 requires the State to contribute an amount for the ensuing fiscal year that, when combined with the total employer contributions, is sufficient to pay the Plan's past service liability at the contribution rate established by the ARMB. The ARMB rate is actuarially determined and used to calculate annual plan funding requirements, without regard to the statutory rate cap or the GASB accounting rate. At June 30, 2015, our proportion was 0.26%, which was an increase of 0.08% from our proportion measured at June 30, 2014.

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For the year ended June 30, 2016, we recognized total pension expense of approximately $2.6 million including our portion of nonemployer contributions provided by the State. This is comprised of approximately $700,000 paid by us during the fiscal year and approximately $1.8 million in pension related adjustments allocated to us as a PERS employer. At June 30, 2016, AIDEA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

	Deferred outflows of resources	Deferred inflows of resources
Proportion and differences between State contributions and proportionate share of contributions	$ 885	—
Changes in assumptions	719	—
AIDEA contributions subsequent to the measurement date	757	—
Differences between expected and actual experience	14	—
Difference between projected and actual investment earnings	—	254
	$ 2,375	254

AIDEA reported $757,000 as deferred outflows of resources related to PERS resulting from our contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ending June 30:	
2017	$ 728
2018	641
2019	58
2020	(63)
	$ 1,364

Annual Other Post-Employment Benefits (OPEB)

As part of our participation in the PERS DB Plan (Tiers I, II, III) we participate in the Alaska Retiree Healthcare Trust (ARHCT). The ARHCT is self-funded and provides major medical coverage to retirees of the Plan. Benefits vary by Tier level. The Plan is administered by the State of Alaska, Department of Administration. Employer contribution rates are established in concert with the DB Plan described earlier in these notes.

AIDEA is required to contribute 8.75% of covered payroll into the DB OPEB Plan. Employees do not contribute. Our annual DB OPEB contributions were not available. Contributions made by us are combined for pension and OPEB and are not tracked separately. Our contributions are equal to the required contribution each year. The State made the following contributions on our behalf for DB OPEB (in thousands):

Year ending June 30:		
2014	$	458
2015		—
2016		122
	$	580

Actuarial Assumptions

The total pension liability for the measurement period ending June 30, 2015 (AIDEA's FY16) was determined by an actuarial valuation as of June 30, 2014, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2015. The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the ARMB to better reflect expected future experience.

This actuarial valuation used the following assumptions:

	Pension	OPEB
Inflation rate	3.12%	3.12%
Investment rate of return	8.00%	4.55%
Projected salary increase:		
Productivity	0.50%	N/A
Graded productivity and merit:		
Peace officers and firefighters	9.66% to 4.92%	N/A
Others	8.55% to 4.34%	N/A

Pre-termination mortality rates were based upon the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officer/Firefighters, 50% of the time for others. Post-termination mortality rates were based on 95% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by an asset allocation percentage, which is based on the nature and mix of current and expected plan investments, and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the system's current and expected asset allocation is summarized in the following table (note the rates shown exclude the inflation component):

	Long-term expected real rate of return
Asset class:	
Domestic equity	5.35%
Global equity (non-U.S.)	5.55
Private equity	6.25
Fixed income composite	0.80
Real estate	3.65
Alternative equity	4.70

Discount Rate

The discount rate used to measure the total pension liability was 8% and 4.55% for healthcare. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate, contributions from employers will be made at contractually required rates (based on State statute), and nonemployer contributions from the State will continue to follow current funding policy. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

Sensitivity of AIDEA's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents our proportionate share of the net pension liability calculated using the discount rate of 8%, as well as our share of the net pension liability if it were calculated using a discount rate that is 1% lower (7%) or 1% higher (9%) than the current rate (in thousands):

	1% Decrease (7%)	Discount Rate (8%)	1% Increase (9%)
AIDEA's proportionate share of the net pension liability	$ 16,753	12,606	9,115

PERS Fiduciary Net Position

Each fiscal year, PERS issues a publicly available financial report that includes financial statements and required supplementary information. Anyone may get the report by visiting www.doa.alaska.gov/drb/pers or by calling 907-465-4460.

PERS – Defined Contribution (DC) Plan

The State of Alaska Legislature approved SB 141 to create the PERS Tier IV for employees hired after July 1, 2006, or for employees converting from the PERS Tier I, II, or III defined benefit plans. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The ARMB may also amend contribution requirements. Included in the plan are individual pension accounts, retiree medical insurance plan, and a separate Health Reimbursement Arrangement (HRA) account that will help retired members pay medical premiums and other eligible medical expenses not covered by the medical plan. This Plan is included in the comprehensive annual financial report for PERS noted above.

Employees immediately vest in their own contributions and vest 25% per year in employer contributions. Contributions to the DC Plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that AIDEA contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance is deposited into the DB plan.

Employees are required to contribute 8% of their annual covered salary, and AIDEA is required to contribute 5% of covered payroll into the Plan. AIDEA's contribution amount was recognized as expense in FY16. AIDEA's contributions to the PERS Defined Contribution Plan including the OPEB contributions for FY16 was $957,000.

Annual Other Post-Employment Benefits (OPEB)

DC Pension Plan participants (Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for the PERS plan noted above. These plans provide for death, disability, and post-employment health care benefits.

Employees do not contribute to the DC OPEB plans. Employer contribution rates for the year ended June 30, 2016, were as follows:

	Tier IV
HRA*	3.00%
Retiree medical plan	1.68
Occupational death and disability benefits	0.22
	4.90%

*HRA – AS 39.30.370 requires that the employer contribute "an amount equal to three percent (3%) of the average annual employee compensation of **all employees of all employers** in the plan." For actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period.

(11) Related Party – Alaska Energy Authority

Based on understandings and board-approved agreements between AIDEA and AEA, we supply administrative, personnel, data processing, communications, and other services to AEA. AIDEA recognized revenue totaling $7.5 million for providing these services during FY16. As of June 30, 2016, AIDEA had $3.3 million receivable from AEA for services and short-term borrowings.

As a result of implementing Statement 68, AIDEA recorded a net pension liability of $12.6 million as of June 30, 2016. AEA's annual payments to AIDEA for personnel services supporting AEA activities includes a PERS contribution component. Receipts from AEA funds over half of AIDEA's personnel services.

(12) Commitments, Contingencies, Subsequent Events and Other

(a) Investments

AIDEA held about $23.5 million of investments in trust or as custodian for others under various agreements. The accompanying financial statements do not reflect these moneys and related liability.

(b) Dividend

Under Alaska statutes, our Board must annually determine the amount of a dividend to make available for appropriation by the legislature. This dividend must be at least 25% and not more than 50% of our audited "net income," as defined in statute, for the fiscal year two years before the fiscal year in which the dividend is to be made. The dividend may never exceed unrestricted "net income." Our Board authorized a $6.328 million dividend to be paid from the Revolving Fund in the year ending June 30, 2017. The actual transfer of the dividend requires a legislative appropriation that may be line item vetoed by the Governor.

(c) Alaska Insurance Guaranty Association

AIDEA has legislative authorization to guarantee loans made to the Alaska Insurance Guaranty Association (Association). The Association pays, from assessments to member insurers, the claims of insurance companies regulators put into liquidation. We can guarantee only loans the Association needs to meet cash flow needs up to a maximum of $30.0 million in outstanding principal balance at any time. No guarantees have been made pursuant to this authorization.

(d) Potential Development Projects

We review potential development finance projects sponsors bring to us in order to determine whether they meet our ongoing economic development mission and should be considered for participation under the Development Finance Program. Only a few projects we consider go to our Board for approval to have due diligence work completed.

(e) Other Commitments and Contingencies

AIDEA from time to time may be a defendant in legal proceedings and contract disputes over how we conduct our business. The Internal Revenue Service also may do compliance or other audits concerning our tax-exempt bonds.

We also have various commitments and contingent liabilities as part of normal business, such as commitments to extend credit and guarantees, which do not appear in the accompanying financial statements. On June 30, 2016, we had extended the following commitments funded by the Revolving Fund:

- Loan participation purchase commitments of $57.6 million
- LOC's of $4.0 million
- Loan guarantees of $1.6 million

Additionally, we have been identified as part of a class of parties who may be potentially responsible parties regarding contamination at the port in Skagway Alaska. We disagree with this determination and do not think we are legally obligated to contribute to the cleanup.

In management's opinion, the final outcome of present legal proceedings or other contingent liabilities and commitments won't materially affect our financial position.

(f) Commitments and Contingencies - Pentex

Pentex entered into the following natural gas purchase and transportation contracts:

- Effective January 1, 2014, FNG entered into an "Interruptible LNG Transportation Agreement" with Titan to furnish interruptible LNG transportation services. The agreement expires March 31, 2018.
- Effective January 1, 2014, FNG entered into a "Firm LNG Sale and Purchase Agreement" with Titan. The agreement expires March 31, 2018.
- Effective July1, 2013, Titan entered into a "Gas Sale and Purchase Agreement" with Hilcorp Alaska LLC to purchase natural gas. The agreement expires March 31, 2018.
- Effective September 1, 2013, Titan entered into a "Firm Transportation Service Agreement" with Enstar Natural Gas Company for transportation of natural gas from the Cook Inlet area to Point Mackenzie. The agreement expires July 31, 2018.
- In March 2015, Titan entered into an "LNG Transportation Agreement" with Sourdough Express, Incorporated for transportation of LNG. The agreement had an initial term of March 11, 2015, to September 30, 2015, and will automatically renew for additional one-year periods until terminated by either party.
- Effective March 11, 2015, Titan entered into a "Trailer Interchange Agreement" with Weaver Bros, Inc. for transportation services. The agreement will remain in effect until terminated by either party.
- In November 2015 Titan entered into an "LNG Transportation Agreement" with Big State Logistics, Inc. for transportation of LNG. The agreement had an initial term of November 1, 2015, to June 30, 2016, and will automatically renew for additional one-year periods from July to June.

(g) Commitments and Contingencies - Nonmajor Funds

We had extended commitments to fund LOC's not to exceed $8.5 million from the SETS Fund in the form of two LOC's relating to the IEP. These commitments if drawn down, in addition to the currently outstanding IEP related LOC's of $44.3 million, will convert to term loans in the future if certain events occur. In the event the LOC's do not convert to term loans their repayment may be limited.

Commitments to fund loans from the Loan Funds totaled $569,000 at June 30, 2016.

(h) Risk Management

We are exposed to various risks of loss and cover that risk by buying commercial insurance and participating in the State's risk-management pool. In consultation with the State's Division of Risk Management, we insure our Development Projects using commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

AIDEA is the policyholder under the terms of an Owner Controlled Insurance Program related to the Healy Clean Coal Project. We sold the project in FY14 but continue to be responsible for claims filed under the policy. Premiums under this policy are based on actual loss experience during the period of coverage. We are not aware of any outstanding premium adjustments under this policy.

(i) Subsequent Events - Pentex

The International Brotherhood of Electrical Workers (IBEW) notified FNG in December 2015 that an election was being held to determine if FNG's gas operators wished to be represented by IBEW to negotiate a collective bargaining agreement. The vote was counted and on February 25, 2016, it was announced that the gas operators wished to enter into collective bargaining negotiations with IBEW as their representation. Those negotiations commenced on April 21, 2016. In August 2016 IBEW filed two unfair labor practice charges against FNG with the National Labor Relations Board (NLRB). Both the negotiations and unfair labor practice charges are ongoing. On October 27, 2016, the NLRB issued a subpoena duces tecum to FNG requiring documents be produced relating to FNG's governance and AIDEA's statutory origin as well as AIDEA's control over FNG. The NLRB will review those documents to make a determination as to whether the NLRB has jurisdiction considering AIDEA's status as a public entity.

In September 2013 FNG entered into an "Interruptible Intrastate LNG Sale and Purchase Agreement" with ConocoPhillips Alaska Natural Gas Corporation. The agreement was effective beginning November 1, 2013, and expired March 21, 2016. In August 2016, a new "Interruptible Intrastate LNG Sale and Purchase Agreement" was entered into with ConocoPhillips Alaska Natural Gas Corporation. The new agreement is effective as of November 1, 2016, and expires October 31, 2018.

ALASKA INDUSTRIAL DEVELOPMENT

AND EXPORT AUTHORITY

(A Component Unit of the State of Alaska)

Schedule of Proportionate Share of the Net Pension Liability and Contributions

Alaska Public Employees' Retirement System

(dollars in thousands)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
AIDEA'S proportion of the net pension liability	0.26%	0.18%	0.18%	*	*	*	*	*	*	*
AIDEA's proportionate share of the net pension liability	$ 12,606	8,595	9,287	*	*	*	*	*	*	*
State's proportionate share of the net pension liability	3,563	7,439	8,542	*	*	*	*	*	*	*
Total	$ 16,169	16,034	17,829	*	*	*	*	*	*	*
AIDEA's covered-employee payroll	$ 8,468	9,213	8,595							
AIDEA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	149%	93%	108%	*	*	*	*	*	*	*
Plan fiduciary net positon as a percentage of the total pension liability	64%	62%	*	*	*	*	*	*	*	*
AIDEA's statutorily required contribution	$ 871	971	1,017	983	*	*	*	*	*	*
Contributions recognized by the plan in relation to the statutorily required employer contribution	871	971	1,017	983	*	*	*	*	*	*
Difference	$ —	—	—	—	*	*	*	*	*	*
AIDEA's statutorily required contribution as a percentage of covered-employee payroll	10%	11%	12%	*	*	*	*	*	*	*

* Information for these years is not available.

(1) Information in this table is presented based on the Plan measurement date. For June 30, 2016, the Plan measurement date is June 30, 2015, except for AIDEA's statutorily required contributions and contributions recognized by the Plan in relation to the statutorily required contributions which are on a current fiscal year basis.

There was a material change in allocation methodology from the prior measurement period. The measurement period ended June 30, 2014 allocated the net pension liability based on actual contributions for 2014. The measurement period ended June 30, 2015 allocated the net pension liability based on the present value of contributions for FY17-FY39, as determined by projections based on the June 30, 2014 actuarial valuation.

(2) The table above reports AIDEA's pension and OPEB contributions to PERS during fiscal year 2016. Contributions are not tracked separately for pension and OPEB. Amounts represent combined contributions. An amount allocated to pension by the State is reported as a deferred outflow in the June 30, 2016 financial statements.

Schedule 1

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY
(A Component Unit of the State of Alaska)

Revolving Fund – Combining Statement of Net Position

June 30, 2016

(In thousands)

Assets and Deferred Outflows of Resources	Revolving Fund Before Consolidation	Pentex	Consolidating Entries	Revolving Fund Consolidated Total
Current assets:				
Unrestricted cash and cash equivalents	$ 46,718	—	—	46,718
Unrestricted cash and cash equivalents - Pentex	—	4,046	—	4,046
Restricted cash and cash equivalents	915	—	—	915
Unrestricted investment securities	68,447	—	—	68,447
Loans - current portion	31,666	—	—	31,666
Development projects accounted for as direct financing leases	12,612	—	—	12,612
Accrued interest receivable	3,571	—	—	3,571
Other assets	3,843	—	—	3,843
Other assets - Pentex	—	1,832	—	1,832
Total current assets	167,772	5,878	—	173,650
Noncurrent assets:				
Restricted cash and cash equivalents	60,246	—	—	60,246
Restricted cash and cash equivalents - Snettisham	10,104	—	—	10,104
Investment securities	331,928	—	—	331,928
Loans - noncurrent portion	318,164	—	—	318,164
Less allowance for loan losses	(7,830)	—	—	(7,830)
Net loans	310,334	—	—	310,334
Development projects accounted for as:				
Direct financing leases	151,689	—	—	151,689
Capital assets	76,646	—	—	76,646
Preferred interest in operating companies	55,621	—	—	55,621
Restricted net investment in direct financing lease - Snettisham	63,307	—	—	63,307
Investment in component unit - Pentex	54,000	—	(54,000)	—
Capital assets-Pentex	—	62,377	—	62,377
Line of credit	34,207	—	—	34,207
Capital assets	26,122	—	—	26,122
Other assets	1,420	—	—	1,420
Total noncurrent assets	1,175,624	62,377	(54,000)	1,184,001
Total assets	1,343,396	68,255	(54,000)	1,357,651
Deferred outflows of resources:				
Deferred outflows of resources related to employee pensions	2,375	—	—	2,375
Deferred charge on bond refunding	196	—	—	196
Gas plant acquisition adjustment - Pentex	—	2,397	—	2,397
Deferred outflow of resources - Snettisham	4,179	—	—	4,179
Total deferred outflows of resources	6,750	2,397	—	9,147
Total assets and deferred outflows of resources	$ 1,350,146	70,652	(54,000)	1,366,798
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities:	$			
Bonds payable - current portion	9,655	—	—	9,655
Accrued interest payable	707	—	—	707
Accounts payable	2,221	—	—	2,221
Other liabilities	882	—	—	882
Current liabilities - Pentex	—	867	—	867
Total current liabilities	13,465	867	—	14,332
Noncurrent liabilities:				
Bonds payable - noncurrent portion	45,990	—	—	45,990
Advances from State of Alaska	44,938	—	—	44,938
Net pension liability	12,606	—	—	12,606
Other liabilities	1,525	—	—	1,525
Interfund line of credit - Pentex	—	14,670	—	14,670
Noncurrent liabilities - Pentex	—	600	—	600
Liabilities payable from restricted assets – Snettisham:				
Power revenue bonds payable	64,455	—	—	64,455
Other	13,135	—	—	13,135
Total noncurrent liabilities	182,649	15,270	—	197,919
Total liabilities	196,114	16,137	—	212,251
Deferred inflows of resources:				
Deferred inflows of resources related to employee pensions	254	—	—	254
Net position:				
Net investment in development projects – capital assets	76,646	—	—	76,646
Net investment in capital assets - Pentex	—	49,979	—	49,979
Net investment in capital assets	26,122	—	—	26,122
Restricted contributions	950	—	—	950
Unrestricted - Pentex	—	4,536	(54,000)	(49,464)
Unrestricted	1,050,060	—	—	1,050,060
Total net position	1,153,778	54,515	(54,000)	1,154,293
Commitments and contingencies				
Total liabilities, deferred inflows of resources and net position	$ 1,350,146	70,652	(54,000)	1,366,798

See accompanying independent auditor's report.

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY
(A Component Unit of the State of Alaska)

Revolving Fund – Combining Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2016

(In thousands)

	Revolving Fund Before Consolidation	Pentex	Consolidating Entries	Revolving Fund Consolidated Total
Operating revenues:				
Interest on loans	$ 15,338	—	—	15,338
Income from development projects	13,599	—	—	13,599
Income from development projects - lines of credit	1,148	—	—	1,148
Income from development project - Pentex	—	12,589	—	12,589
Interest on Snettisham restricted direct financing lease	3,320	—	—	3,320
Investment interest	10,299	—	—	10,299
Net increase (decrease) in fair value of investments	9,936	—	—	9,936
Income from state agencies and component units	7,567	—	—	7,567
Other income	2,987	—	—	2,987
Total operating revenues	64,194	12,589	—	76,783
Operating expenses:				
Interest	2,784	—	—	2,784
Interest on Snettisham liabilities payable from restricted assets	3,320	—	—	3,320
Nonproject personnel, general and administrative	7,091	—	—	7,091
Net pension related adjustments	1,885	—	—	1,885
General and administrative - Pentex	—	1,557	—	1,557
Costs reimbursed from state agencies and component units	7,567	—	—	7,567
Provision for loan losses	(346)	—	—	(346)
Depreciation on projects	3,459	—	—	3,459
Depreciation - Pentex	—	1,853	—	1,853
Project feasibility and due diligence costs	328	—	—	328
Other project expenses - Pentex	—	8,702	—	8,702
Other project expenses	1,389	—	—	1,389
Total operating expenses	27,477	12,112	—	39,589
Operating income	36,717	477	—	37,194
Nonoperating revenues (expenses) and other:				
Net income related to Ketchikan Shipyard Repair and Replacement Fund	37	—	—	37
Appropriations and contributions from the State of Alaska	1,412	—	—	1,412
Dividend to State of Alaska	(17,650)	—	—	(17,650)
Capital grants	133	—	—	133
Nonoperating income - Pentex	—	38	—	38
Total nonoperating revenus (expenses) and other	(16,068)	38	—	(16,030)
Increase in net position	20,649	515	—	21,164
Net position - beginning of year	1,133,129	54,000	(54,000)	1,133,129
Net position - end of year	$ 1,153,778	54,515	(54,000)	1,154,293

See accompanying independent auditor's report.

Schedule 3

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY
(A Component Unit of the State of Alaska)
Revolving Fund – Combining Statement of Cash Flows
Year ended June 30, 2016
(In thousands)

	Revolving Fund Before Consolidation	Pentex	Revolving Fund Consolidated Total
Cash flows from operating activities:			
Interest received on loans	$ 14,920	—	14,920
Operating receipts - Pentex	—	12,880	12,880
Receipts from borrowers	5,333	—	5,333
Principal collected on loans	65,920	—	65,920
Other operating receipts	7,436	—	7,436
Other operating receipts - Snettisham	2,329	—	2,329
Loans originated	(53,400)	—	(53,400)
Payments to suppliers and employees for services	(15,079)	—	(15,079)
Operating payments - Pentex	—	(10,365)	(10,365)
Payments to primary government	(1,081)	—	(1,081)
Other operating payments - Snettisham	(1,569)	—	(1,569)
Net cash provided by operating activities	24,809	2,515	27,324
Cash flows from noncapital and related financing activities:			
Dividend paid to the State of Alaska	(17,650)	—	(17,650)
Short-term borrowings paid to the Alaska Energy Authority for working capital, net	(369)	—	(369)
Principal paid on noncapital debt	(535)	—	(535)
Interest paid on noncapital debt	(639)	—	(639)
Net cash used for noncapital and related financing activities	(19,193)	—	(19,193)
Cash flows from capital and related financing activities:			
Direct financing lease receipts	24,435	—	24,435
Direct financing lease receipts - Snettisham	5,523	—	5,523
Federal grant receipts	159	—	159
Restricted contributions for development projects	238	—	238
Receipts from primary government	165	—	165
Principal paid on capital debt	(8,520)	—	(8,520)
Interest paid on capital debt	(2,638)	—	(2,638)
Investment in development project - Pentex	(51,325)	1,720	(49,605)
Investment in development projects-capital assets	(508)	—	(508)
Investment in capital assets	(679)	—	(679)
Investment in capital assets - Pentex	—	(1,781)	(1,781)
Interest paid on capital debt - Snettisham	(3,587)	—	(3,587)
Principal paid on capital debt - Snettisham	(2,170)	—	(2,170)
Proceeds from capital debt - Pentex	—	344	344
Proceeds from interfund line of credit - Pentex	—	1,379	1,379
Payments on capital debt - Pentex	—	(84)	(84)
Net cash (used by) provided from capital and related financing activities	(38,907)	1,578	(37,329)
Cash flows from investing activities:			
Proceeds from sales and maturities of investment securities	394,952	—	394,952
Purchases of investment securities	(376,974)	—	(376,974)
Interest collected on investments	10,448	—	10,448
Investment in preferred interest in operating companies	(16,140)	—	(16,140)
Receipts from preferred interest in operating companies	195	—	195
Interest received on loans	775	—	775
Principal collected on loans	1,179	—	1,179
Line of credit disbursements	(34,136)	—	(34,136)
Interest received on line of credit	255	—	255
Principal collected on line of credit	300	—	300
Other investing disbursements - Pentex	—	(47)	(47)
Net cash used by investing activities	(19,146)	(47)	(19,193)
Net (decrease) increase in cash and cash equivalents	(52,437)	4,046	(48,391)
Cash and cash equivalents at beginning of year	170,420	—	170,420
Cash and cash equivalents at end of year	$ 117,983	4,046	122,029

(Continued)

Schedule 3

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

(A Component Unit of the State of Alaska)

Revolving Fund – Combining Statement of Cash Flows

Year ended June 30, 2016

(In thousands)

		Revolving Fund Before Consolidation	Pentex	Revolving Fund Consolidated Total
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$	36,717	477	37,194
Adjustments to reconcile operating income to net cash provided by operating activities:				
Principal collected on loans		65,920	—	65,920
Loans originated		(53,400)	—	(53,400)
Investment interest income		(10,299)	—	(10,299)
Amortization of income from operating companies		(265)	—	(265)
Amortization of unearned income on direct financing leases		(11,045)	—	(11,045)
Amortization of unearned income on direct financing lease - Snettisham		(3,320)	—	(3,320)
Bond interest expense		3,164	—	3,164
Bond interest expense - Snettisham		3,320	—	3,320
Provision for loan losses		(346)	—	(346)
Depreciation on projects		3,459	—	3,459
Depreciation on administrative building		182	—	182
Depreciation - Pentex		—	1,853	1,853
Amortization of deferred outflow - Pentex		—	91	91
Net increase in fair value of investments		(9,936)	—	(9,936)
Interest on loans		(1,791)	—	(1,791)
Capitalized line of credit fees and interest		(371)	—	(371)
Increase in deferred outflows related to pensions		(1,387)	—	(1,387)
Decrease in accrued interest receivable and other assets		170	—	170
Decrease in other assets - Pentex		—	1,029	1,029
Increase in net pension liability		4,011	—	4,011
Increase in accounts payable and other liabilities		765	—	765
Decrease in accounts payable and other liabilities - Pentex		—	(957)	(957)
Decrease in deferred inflows related to pensions		(739)	—	(739)
Other income - Pentex		—	22	22
Net cash provided by operating activities	$	24,809	2,515	27,324
Noncash investing, capital, and financing activities:				
Bond principal paid by escrow agent - Snettisham	$	(69,050)	—	(69,050)
Proceeds from bond issuance received by escrow agent - Snettisham		65,720	—	65,720
Bond premium received by escrow agent - Snettisham		4,843	—	4,843
Net decrease (increase) in unrealized gain/loss on investments		(15,416)	—	(15,416)
Reduction of Snettisham direct financing lease due to bond refunding		3,330	—	3,330
Accounts payable for capital asset additions		112	—	112
Accounts payable for capital asset additions - Pentex		—	(694)	(694)
Accounts payable for development project additions	$	6	—	6

See accompanying independent auditor's report.

Schedule 4

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY
(A Component Unit of the State of Alaska)

Nonmajor Funds – Combining Statement of Net Position

June 30, 2016

(In thousands)

Assets		SETS Fund	Loan Funds	Aggregate Nonmajor Funds
Current assets:				
Unrestricted cash and cash equivalents	$	96,930	4,861	101,791
Restricted cash and cash equivalents		1	—	1
Loans - current portion		—	882	882
Accrued interest receivable		—	202	202
Other assets		—	7	7
Total current assets		96,931	5,952	102,883
Noncurrent assets:				
Loans - noncurrent portion		—	10,762	10,762
Less allowance for loan losses		—	(670)	(670)
Net loans		—	10,092	10,092
Line of credit		29,690	—	29,690
Interfund line of credit		14,670	—	14,670
Other assets		—	190	190
Total noncurrent assets		44,360	10,282	54,642
Total assets	$	141,291	16,234	157,525
Liabilities and Net Position				
Current liabilities:				
Accounts payable	$	43	5	48
Other liabilities		—	1	1
Total current liabilities		43	6	49
Total liabilities		43	6	49
Net position:				
Unrestricted		141,248	16,228	157,476
Total net position		141,248	16,228	157,476
Total liabilities and net position	$	141,291	16,234	157,525

See accompanying independent auditor's report.

Schedule 5

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY
(A Component Unit of the State of Alaska)

Nonmajor Funds – Combining Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2016

(In thousands)

		SETS Fund	Loan Funds	Aggregate Nonmajor Funds
Operating revenues:				
Interest on loans	$	—	472	472
Investment interest		108	—	108
Other income		—	14	14
Total operating revenues		108	486	594
Operating expenses:				
Nonproject personnel, general and administrative		—	25	25
Provision for loan losses		—	170	170
Project feasibility and due diligence costs		368	—	368
Total operating expenses		368	195	563
Operating (loss) income		(260)	291	31
Nonoperating revenues:				
Investment interest		—	36	36
Total net nonoperating revenues		—	36	36
(Decrease) increase in net position		(260)	327	67
Net position - beginning of year		141,508	15,901	157,409
Net position - end of year	$	141,248	16,228	157,476

See accompanying independent auditor's report.

Schedule 6

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY
(A Component Unit of the State of Alaska)

Nonmajor Funds – Combining Statement of Cash Flows

Year ended June 30, 2016

(In thousands)

		SETS Fund	Loan Funds	Aggregate Nonmajor Funds
Cash flows from operating activities:				
Interest received on loans	$	—	554	554
Principal collected on loans		—	1,785	1,785
Loans originated		—	(1,124)	(1,124)
Payments to suppliers and employees for services		(339)	(17)	(356)
Payments to primary government		(36)	(6)	(42)
Net cash (used for) provided by operating activities		(375)	1,192	817
Cash flows from investing activities:				
Interest collected on investments		108	36	144
Line of credit disbursements		(22,057)	—	(22,057)
Interfund line of credit disbursements		(1,379)	—	(1,379)
Net cash (used for) provided by investing activities		(23,328)	36	(23,292)
Net (decrease) increase in cash and cash equivalents		(23,703)	1,228	(22,475)
Cash and cash equivalents at beginning of year		120,634	3,633	124,267
Cash and cash equivalents at end of year	$	96,931	4,861	101,792

(Continued)

Schedule 6

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY
(A Component Unit of the State of Alaska)

Nonmajor Funds – Combining Statement of Cash Flows

Year ended June 30, 2016

(In thousands)

		SETS Fund	Loan Funds	Aggregate Nonmajor Funds
Reconciliation of operating (loss) income to net cash used for operating activities:				
Operating (loss) income	$	(260)	291	31
Adjustments to reconcile operating (loss) income to net cash (used for) provided by operating activities:				
Principal collected on loans		—	1,785	1,785
Loans originated		—	(1,124)	(1,124)
Investment interest income		(108)	—	(108)
Provision for loan losses		—	170	170
Capitalized loan commitment fees		—	(7)	(7)
Decrease in accrued interest receivable and other assets		—	81	81
Decrease in accounts payable and other liabilities		(7)	(4)	(11)
Net cash (used for) provided by operating activities	$	(375)	1,192	817

See accompanying independent auditor's report.

Schedule 7

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY
(A Component Unit of the State of Alaska)

Historical Loan Information – Revolving Fund

Year ended June 30, 2016

(In thousands)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	10 year average
Outstanding loan balance at June 30, by loan type:											
Loan participation:											
Internally funded	$ 357,488	355,254	339,487	349,918	420,397	411,683	378,521	335,013	324,736	320,611	359,311
Bond sale	—	—	—	—	11,982	14,571	14,165	13,656	13,160	12,638	8,017
Bonds retired	2,595	1,685	859	815	767	717	—	—	—	—	744
OREO sale financing	24,745	24,644	24,491	23,844	21,234	21,167	20,942	8,864	8,146	274	17,835
Appropriated	328	179	95	48	32	17	—	—	—	—	70
Purchased loans	—	—	—	—	23,510	20,669	19,463	18,501	17,487	16,307	11,594
Other	—	—	3,277	3,032	2,770	—	—	—	—	—	908
	$ 385,156	381,762	368,209	377,657	480,692	468,824	433,091	376,034	363,529	349,830	398,479
Number of outstanding loans at June 30, by loan type:											
Loan participation:											
Internally funded	263	249	238	241	255	257	235	224	220	207	239
Bond sale	—	—	—	—	1	1	1	1	1	1	1
Bonds retired	14	11	1	1	1	1	—	—	—	—	3
OREO sale financing	8	8	6	6	5	5	4	4	4	2	5
Appropriated	26	14	7	2	1	1	—	—	—	—	5
Purchased loans	—	—	—	—	37	31	28	28	27	26	18
Other	—	—	1	1	1	—	—	—	—	—	—
	311	282	253	251	301	296	268	257	252	236	271
Aging percent of outstanding loans at June 30:											
Current	98.85%	99.35%	99.04%	99.11%	99.35%	99.89%	99.49%	99.61%	99.53%	100.00%	99.42%
Past due:											
31-60 days	0.01	0.13	—	0.17	0.59	0.05	0.05	—	—	—	0.10
60-90 days	0.62	—	0.88	—	—	—	—	0.31	0.47	—	0.23
Over 90 days	0.52	0.52	0.08	0.72	0.06	0.06	0.46	0.08	—	—	0.25
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Unaudited – See accompanying independent auditor's report

Schedule 8

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

(A Component Unit of the State of Alaska)

Schedule of Dividend Information

Year ended June 30, 2016

(In thousands)

History of dividends paid and declared

Fiscal Year Payable		
1997	$	15,000
1998		16,000
1999		16,000
2000		26,000
2001		18,500
2002		17,500
2003		20,150
2004		18,176
2005		22,000
2006		8,812
2007		16,650
2008		10,000
2009		23,800
2010		22,720
2011		23,423
2012		29,400
2013		20,400
2014		20,745
2015		10,665
2016		17,650
Total dividends to State of Alaska as of June 30, 2016		373,591
Declared for 2017		6,328
Total dividends to State of Alaska paid or declared	$	379,919

Computation of statutory "net income" for FY18 dividend (in thousands)

Increase in net position - Revolving Fund	$	21,164
Appropriations and contributions from the State of Alaska		(1,412)
Capital grant revenue		(133)
Dividend to State		17,650
Expenditures attributable to capital contributions		615
FY16 Statutory "net income"	$	37,884

Unaudited – See accompanying independent auditor's report

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

(A Component Unit of the State of Alaska)

Schedule of Development Project Information

June 30, 2016

Direct Financing Leases

- *DeLong Mountain Transportation System project (DMTS, aka Red Dog project).* AIDEA receives minimum annual toll fees for the use of the DeLong Mountain Transportation System (DMTS) by Teck Alaska in support of the Red Dog mine. The DMTS went into service in 1990 and the agreement will remain in effect until 2040 at an interest rate of 6.5% on the net investment base. Toll fees for expanding the DMTS return the cost of the expansion from the in-service date of January 1, 1999, through the end of the term of the agreement at a rate based on bonds issued to finance the expansion.

  Teck Alaska has mined the “Main or Red Dog deposit” of the Red Dog Mine since start-up. This deposit was depleted in 2012 and mining was shifted to the nearby Aqqaluk deposit. Teck Alaska has estimated the Aqqaluk and Qanaiyak deposits will extend the mine’s life to 2031, based on their known reserves. Ongoing exploration for both of these deposits and other nearby prospects may enable further mine life extensions.

  In April 2009, the Northwest Arctic Borough (NWAB) asked us to reconsider negotiating a sale of the Red Dog project, or negotiate amendments to the existing agreement to allow the NWAB to obtain additional revenues to fund the NWAB’s public services. These discussions have continued during 2016, while the NWAB also declined to renegotiate their payment in lieu of taxes (PILT) agreement with Teck Alaska. As a result, the NWAB is seeking to collect a mining severance tax that will significantly increase the payment from Teck Alaska to the NWAB. Teck Alaska has sued the NWAB over the tax and the case is currently pending; negotiations for a new PILT are also ongoing.

- *DMVA project.* Under a license between the State of Alaska and the U.S. Air Force, AIDEA constructed an expansion to the National Guard Armory on Joint Base Elmendorf – Richardson (JBER). The DMVA operates the facility for us under a 30-year agreement. The payments due under this agreement will return the cost of the DMVA project plus a rate of return of 7%. Construction was completed in December 2013. The U.S. Coast Guard began occupying the building in January 2014.

Capital Assets

- *Ketchikan Shipyard project.* On October 17, 2005, we entered into an amended and restated operating agreement for the Shipyard with Alaska Ship & Drydock, Inc. The ten-year term began December 1, 2005, with two ten-year extensions possible. The first ten-year extension began in December 2015. During 2012, Alaska Ship & Drydock, Inc. converted into an LLC, Alaska Ship & Drydock LLC, and transferred ownership of the LLC to Vigor Industrial LLC, a large Pacific Northwest-based shipbuilder. In the fall of 2013, Alaska Ship & Drydock LLC changed its name to Vigor Alaska LLC. Through these changes, AIDEA has maintained ownership of the shipyard. Annual payments from Vigor Alaska, LLC for the use of the shipyard are based on a percentage of revenue, which are applied in three ways:

  – First, reimbursement to AIDEA for administrative costs up to $18,000 annually, adjusted for inflation.

– Second, to the Repair and Replacement (R&R) Account established under the agreement, up to 125% of the amount required under the R&R project schedule defined in the agreement.

– Any remaining funds are to be distributed to AIDEA and the local Ketchikan governments.

A second ship lift was constructed and placed into service in 2009. Financing was through a grant from the U.S. Economic Development Agency, with the required match and additional funding provided by both the Ketchikan Gateway Borough and the State. Other grants and appropriations were authorized to complete more work, including a new assembly hall, to further develop the shipyard, including $47.9 million of federal funds (with required match from other non-AIDEA sources). All of the federally funded improvements were completed by June 30, 2016. The local Ketchikan governments (borough and city) contributed funds, land, and engineering services to the overall development project. The State's Department of Transportation and Public Facilities contributed funding, land, buildings, design, engineering and construction services. Some of their contributions were funded from their available federal transportation funding.

- *Skagway Ore Terminal project*. In July 1990, AIDEA purchased the Skagway Ore Terminal to bring stability to the local area and open the door to additional economic growth by marketing the terminal to other potential users. The Skagway Ore Terminal is located on land of the Municipality of Skagway that is subleased to AIDEA. In January 2007, we entered into a facilities user agreement for ore storage and loading with Capstone Mining Corporation, a Canadian mining company. Capstone now uses a portion of the Skagway Terminal for storage and shipment of bulk mine products (ore concentrates). To support their operations, in 2007 improvements were made to the facility. During FY11, Capstone paid off the direct financing lease related to the facility. During FY14, the lease was extended to March 2023, concurrent with the end of our land sublease. There has been recent interest in mining properties in areas near Skagway that the Skagway Terminal could service. However, production by other users could still be several years away.

- *Federal Express project*. The Federal Express Maintenance, Repair and Operations facility consists of a hangar capable of accommodating one wide-body aircraft. The project also includes a ramp, taxiway, road, utilities and landscaping. A ground lease at the Ted Stevens Anchorage International Airport was also conveyed to AIDEA. AIDEA financed the construction of the facility which was completed in 1995 and signed a 20-year lease with Federal Express for the aircraft maintenance facility and adjacent fire suppression facility. During FY15 the user paid off the direct financing lease related to the facility and signed a new lease expiring July 2023. Several maintenance and refurbishment projects were part of the new lease and began in FY16. Substantial completion will be in mid-FY17.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

(A Component Unit of the State of Alaska)

Schedule of Development Project Information

June 30, 2016

Preferred Interest in Operating Companies

- *Mustang Road LLC.* AIDEA became the preferred member in Mustang Road LLC in February 2013. The purpose of Mustang Road LLC is to develop, build, own, and operate roads and a gravel pad that will facilitate the production of crude oil from the Mustang Oil Field (also known as the Southern Miluveach Unit) located on Alaska's North Slope. AIDEA is the only preferred member of Mustang Road LLC. The common members when the LLC was organized were Ramshorn Investments, Inc. and AVCG LLC. According to the LLC Operating Agreement, Mustang Road LLC then engaged Brooks Range Petroleum Company (BRPC), then a wholly owned subsidiary of AVCG LLC to manage the construction and operation of the project. Construction of the road and pad was completed during spring 2013.

  AIDEA contributed $20.0 million to Mustang Road LLC during fiscal year 2013, fulfilling our funding obligation under the LLC Operating Agreement.

  Under the original terms of the Operating Agreement, AIDEA was to be repaid for our initial capital contribution through an annual payment (Redemption Payment) commencing December 31, 2014 and ending December 31, 2028. As required under the Operating Agreement, early redemption payments of approximately $11.5 million were made during FY14 and FY15 using proceeds from State of Alaska tax credits. When fully redeemed, AIDEA's membership interest and voting interest in the LLC will be zero.

  Additionally, as part of the original terms of the Operating Agreement, AIDEA was to receive a Preferred Member Guaranteed Payment equal to 8% of the outstanding principal balance on the Preferred Member's Redemption Amount as of January 31 of the calendar year in which the payment of a Preferred Member Guaranteed Payment is due. The Operating Agreement was amended in July 2014 to match the terms of the Mustang Operations Center 1 LLC agreement, and now provides a 10% annual Guaranteed Payment amount on the unredeemed amount of AIDEA's outstanding investment. The Guaranteed Payments were to be made quarterly, beginning 90 days after oil production or by December 31, 2015. The revised agreement also provides for a $2.0 million increase in the outstanding balance of AIDEA's investment to capitalize the forgone dividend payments. Lastly, the revised agreement also provided for a change in the annual Redemption Payment schedule for AIDEA as Preferred Member, requiring redemption over 7 years in equivalent installments with the first Redemption Payment due by December 31, 2016.

  The July 2014 amendment also replaced AVCG LLC and Ramshorn Investments, Inc. with TP North Slope Development LLC, MEP Alaska LLC and Caracol Petroleum LLC, which are now the owners of BRPC.

  The Guaranteed Payments were not paid and the Operating Agreement was further amended in February 2016 to delay the start of the Guaranteed Payments until 3 months after the start of first oil from the Mustang field or April 1, 2018, whichever is sooner. The first Redemption Payments were also amended to the same timing.

  If insufficient funds exist for payment of the annual Redemption Payment or the Preferred Member Guaranteed Payment, the common members will provide additional funds to the LLC so the payments can be made timely. The common members and BRPC have guaranteed the LLC's obligations due AIDEA as the Preferred Member.

Several additional sources also secure the preferred member payments:

- A deed of trust against the LLC's 1% working interest in oil and gas leases of the Southern Miluveach Unit and against the working interests held by the common members and BRPC in the Southern Miluveach Unit will remain in place until the oil processing facility is completed.
- Uniform Commercial Code (UCC) security interests in the personal and fixture property of Mustang Road LLC, the common members, and BRPC.
- Deposit accounts of Mustang Road LLC and BRPC.

- *Mustang Operations Center 1 LLC (MOC 1)*. In April 2014, the AIDEA board approved a development project for the construction of an oil production facility on the Mustang Oil Field. The facility is being built through a limited liability company whose members are AIDEA and CES Oil Services Pte. Ltd., a subsidiary of Charisma Energy Services Ltd. (CES), a publicly traded Singapore corporation. The limited liability company is Mustang Operations Center 1 LLC (MOC 1).

  The facility is being built on the Mustang Pad, owned by Mustang Road LLC. Under the agreements, the facility will be designed, built and operated by BRPC. In exchange for funding the construction of the facility, MOC 1 will receive the greater of:

  - A 20% share (carried working interest) of the oil produced from the field, this working interest may be periodically adjusted after oil revenues from the field begin, or
  - A monthly Charter Fee payment that covers MOC 1's expenses and repayment of the financing for the construction of the facility, including AIDEA's investment.

  AIDEA is the sole preferred member of MOC1, receiving 25,000 Class B (preferred) shares in the LLC for its anticipated $50 million contribution. CES Oil Services Pte, Ltd. has 1,000 Class A (common) shares in the LLC for its $1 million contribution (made in November 2014). CES is also responsible for arranging for a loan with Strategic Equipment, Inc. (SEI) to MOC1 in the amount of $150 million, with provisions for an additional $25 million as necessary for construction cost overruns. Under the MOC1 LLC Operating Agreement AIDEA is to receive a 10% annual dividend on the outstanding redemption value of AIDEA's preferred shares, to be paid on a quarterly basis, with payments expected to start 90 days after first oil production, or by December 1, 2016. Redemption of AIDEA's Class B shares is expected to occur over 7 years in equal installments, with redemption payments expected to occur before the end of each calendar year. The redemption price for AIDEA's Class B shares is set at $2,200 per share to compensate for capitalized interest during the construction period and investment risk.

  Several additional elements of the agreements also support MOC1's finances and improve the chances of AIDEA receiving the payments it expects:

  - MOC1 has been granted a deed of trust on 89% of the working interests in the Mustang Field for the pre-construction period.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

(A Component Unit of the State of Alaska)

Schedule of Development Project Information

June 30, 2016

- After first oil production, MOC1 will receive the proceeds of its carried working interest in the Mustang Field.
- The oil revenues from 90% of the working interests in the field will be deposited into a control account in which MOC1 holds a UCC security interest. MOC1 controls disbursements from the control account subject to contract requirements. After payment of royalties, operating expenses, production taxes and tariffs, MOC1 will be entitled to draw on the control account for the greater amount of either its working interest share or the amount due as Charter Payments. If funds from MOC1's working interest are insufficient to meet the required Charter Fee payments, MOC1 has the right to take the difference from the other working interest owners' shares on deposit in the control account. If funds in the control account are insufficient to meet the Charter Fee payments, BRPC is to make a capital call on its working interest owners to cover any shortfalls.
- MOC1 is to receive 50% of the pre-production capital expense credits paid by the State of Alaska.
- MOC1 has been granted a deed of trust on 90% of the working interests in other potential North Slope oil fields/leases that BRPC owns.

As a result of an extreme drop in oil prices in late 2014, the loan financing from SEI to MOC1 never materialized; rather financing from CES was provided from early 2015 to the summer of 2015, until this financing stopped. A promissory note between MOC1 and CES was formally enacted for the funds (approximately $7.8 million) in January 2016.

In October 2015, MOC1 also secured a line-of-credit note from the State of Alaska, Department of Revenue for advances on projected tax credits based on 2015 project expenditures. As of December 31, 2015, the balance of the note was $17.7 million (including accrued interest). The note has a maturity date of December 2017.

To enable MOC1 and the other project partners to seek replacement financing for the project, to secure the previously ordered equipment, and to pay outstanding invoices to MOC1 from BRPC, the MOC1 Operating Agreement and the MOC1 Charter Agreement were amended in February 2016. These amendments made changes to place the project in a "warm standby status" until December 1, 2016, and provided a budget to accomplish the objectives described above. If new financing for the project is not secured by December 1, 2016, then TP North Slope, MEP Alaska, and Caracol Petroleum are required to purchase MOC1's investment in the project for the principal amount MOC1 provided. If these parties do not purchase MOC1's investment by April 1, 2018, then MOC1 can declare a default and enforce the purchase obligation, which could include foreclosing on the deeds of trust and enforcing the security interest against the other collateral provided.

Including disbursements made through the warm standby period, AIDEA has disbursed approximately $45.6 million of the $50 million authorized investment as of June 30, 2016. Additional AIDEA contributions (up to the $50 million investment ceiling) may be possible in FY17. Complete project refinancing negotiations are ongoing with numerous parties. If the new financing is put in place by December 2016, it is anticipated that the facility may be operational by the fourth quarter of 2017.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY
(A Component Unit of the State of Alaska)

Schedule of Development Project Information

June 30, 2016

Blended Component Unit

Pentex Alaska Natural Gas Company, LLC (Pentex). AIDEA entered into an LLC Membership Purchase and Sale Agreement between AIDEA as buyer and Harrington Partners, L.P., Pentex Alaska Natural Gas Company and Daniel Britton as sellers (Agreement) in June 2015 with intent to purchase Pentex Alaska Natural Gas Company, LLC (Pentex), a Delaware limited liability company (LLC) under AS 44.88.172. The purchase closed September 30, 2015. Pentex owns the following subsidiaries:

- Fairbanks Natural Gas (FNG) - Fairbanks gas distribution utility
- Arctic Energy Transportation (AET) - LNG fueling station operator
- Polar LNG (Polar) - North Slope LNG plant developer (inactive)
- Titan Alaska (Titan) - LNG plant and trucking operator
- Cassini LNG Storage, LLC - Fairbanks storage facility developer (inactive)

The basic terms of the purchase included:

- AIDEA purchased 100% of the membership interests in Pentex from the prior members under the terms of the Agreement. The transaction is structured as a “stock purchase,” not an “asset purchase”.
- AIDEA paid a deposit of $2.675 million when the Agreement was signed in June 2015 and completed the purchase in September 2015 for a total of $54.0 million.
- The deposit converted into a Holdback Amount at Closing. AIDEA could make claims against the Holdback Amount for one year after Closing. At the one-year anniversary, which was September 30, 2016, the remaining Holdback Amount was available to disburse to the sellers. AIDEA made no claims against this Amount and it was disbursed to the sellers subsequent to year end.

Pentex and its subsidiaries, under AIDEA ownership, continue to hold their existing assets and liabilities. AIDEA’s purchase of Pentex is a short-term strategic investment as part of a long-term strategy to finance the build out of an integrated distribution system in Fairbanks as a part of the IEP. The investment was made in order to promote an integrated gas distribution system in Fairbanks in furtherance of the IEP and was not made for AIDEA to be in the business of providing utility services. It is AIDEA’s intent to sell Pentex and its distribution assets to a third party entity which would then own and operate the entire unified distribution system in the Fairbanks area. The goal is to complete the sale within two years at a rate of return comparable to other AIDEA financings.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

(A Component Unit of the State of Alaska)

Schedule of Development Project Information

June 30, 2016

Line of Credit

- *BlueCrest Drill Rig.* In July 2015, AIDEA entered into a Loan Agreement with BlueCrest Alaska Operating LLC (Borrower) and BlueCrest Alaska Oil & Gas LLC, BlueCrest Cosmopolitan LLC and BlueCrest Energy (Co-Borrowers). A fixed Line of Credit Note (LOC) not to exceed $30.0 million was signed concurrent with the Loan Agreement. AIDEA is providing the financing for the procurement of a new high-horsepower, extended reach, onshore drilling rig which will be used for the installation of numerous wells to produce oil from the Cosmopolitan lease blocks in the lower Cook Inlet and for the construction of man camp facilities for workers on the project. Interest on the outstanding LOC principal balance accrues at 6.4% per annum, compounded monthly and will be added to the principal balance. The LOC is secured by the following:

  - All materials, transportation, tools, equipment, initial drill piping, services, permits, utilities, design and other items necessary or incidental to the construction, fabrication, assembly, testing, certification and other preparation of the drill rig and the installation of the rig, its design, and all associated fixtures, including contract rights and manufacturer warranties as specified in the Loan Agreement.

  - All materials, transportation, tools, equipment, fixtures, and furnishings associated with the rig camp, including contract rights and manufacturer warranties of the rig camp as specified in the Loan Agreement.

  - A Reserve Account

  The LOC matures October 24, 2016, and converts to a term loan at that time in the amount advanced under the LOC plus interest accrued on the LOC. Interest will accrue on the term loan at 10% per annum on the unpaid principal balance. Payments begin December 1, 2016, and the loan matures July 24, 2022.

- *Blood Bank of Alaska, Inc.* In August 2015, AIDEA entered into a Loan Agreement with Blood Bank of Alaska, Inc. An LOC not to exceed $8.5 million was included in the Loan Agreement. AIDEA is providing financing for the acquisition, delivery and installation of furniture, fixtures and equipment for a laboratory and collection facility building. Interest on the unpaid principal drawn on the LOC accrues at 5.66% per annum. Interest only payments are due monthly during the LOC period. Upon closing on the sale of the borrower's existing main office and collection facilities, AIDEA will receive the proceeds from the sale, less closing costs. Collateral for the financing is:

  - A deed of trust against the property financed.

  - A deed of trust against the existing main office and collection facilities.

  - A UCC security interest against all of the furniture, fixtures and equipment as defined in the Loan Agreement.

  The LOC will convert to a term loan in the amount advanced and outstanding on the LOC on February 14, 2017. Monthly payments are due on the term loan until the maturity date of February 14, 2052.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

(A Component Unit of the State of Alaska)

Municipal Secondary Market Disclosure - Operating Data - Revolving Fund

June 30, 2016

Cross reference for schedules contained in audited financial statements:

Schedule	Financial statements
Loan Delinquency Experience	Note 4
Outstanding Revolving Fund Bonds	Note 9
Revolving Fund	Statement of Net Position and Statement of Revenues, Expenses, and Changes in Net Position
Dividends	Statement of Revenues, Expenses, and Changes in Net Position and Note 12(b)
Management's Discussion of Financial Results	Management's Discussion and Analysis

Schedules not contained in audited financial statements (all dollars in the schedules below are in thousands):

Investment Securities

AIDEA's Revolving Fund Investment Securities at June 30, 2016, follow. No amounts related to the Snettisham Hydroelectric project* are included. Amounts include cash and cash equivalents for Pentex Alaska Natural Gas Company, LLC, a blended component unit of the Revolving Fund. As described in note 3 to the Financial Statements, a portion of the Investment Securities are subject to certain restrictions (in thousands):

Current assets:		
Cash and cash equivalents (unrestricted)	$	50,764
Cash and cash equivalents (restricted)		915
Investment securities (unrestricted)		68,447
Noncurrent assets:		
Cash and cash equivalents (restricted)		60,246
Investment securities (unrestricted)		331,928
Investment securities	$	512,300

* AIDEA financed the Snettisham Hydroelectric project (Snettisham project) as part of AIDEA's Revolving Fund but under a bond resolution separate from the Revolving Fund Bond Resolution. Accordingly, while the Snettisham project is a part of the Revolving Fund, the assets and revenues of the Snettisham project are not pledged under the Revolving Fund Bond Resolution and are not included in the coverage calculations required by Section 713 of the Revolving Fund Bond Resolution. For this reason, the investment securities related to the Snettisham project are excluded or deducted to arrive at AIDEA's Revolving Fund Investment Securities and Restricted Investment Securities.

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY
(A Component Unit of the State of Alaska)

Municipal Secondary Market Disclosure - Operating Data - Revolving Fund

June 30, 2016

Restricted Investment Securities

AIDEA's Revolving Fund Restricted Investment Securities at June 30, 2016, follow (in thousands):

Restricted investment securities (see note 3 to the financial statements)	$	71,265
Less restricted funds related to the Snettisham Hydroelectric Project		(10,104)
Restricted investment securities	$	61,161

Largest Loans and Development Projects

The following table lists the net investment in AIDEA's seven largest loans and development projects as of June 30, 2016, (excluding the Snettisham project, dollars in thousands). The obligor listed is the entity responsible for payment under the loan or the entity responsible for the revenue producing agreement.

Largest Loans and Development Projects

Obligor or project		Net book value June 30, 2016	Minimum annual receipts	Authority program	Type of business/ collateral
Teck Alaska Incorporated	$	150,587 (1)	17,670 (2)	Development Project	Public Port and Road
Vigor Alaska, LLC		76,646 (3)	N/A (4)	Development Project	Shipyard
Pentex Alaska Natural Gas Company, LLC		70,652 (5)	N/A(6)	Development Project	Natural Gas Company
Mustang Operations Center 1, LLC		45,818 (7)	N/A (8)	Development Project	Oil Production Facility
BlueCrest Alaska Operating LLC (9)		26,007 (9)	4,223 (10)	Development Project - Line of Credit	Oil and Gas Drilling Rig
Brooks Camp, LLC		19,432	1,772	Loan	Oil Field Support Man Camp
3000 C Street, LLC		17,034	1,243	Loan	Office Building

(1) Represents AIDEA's net investment in the DeLong Mountain Transportation System (DMTS). See AIDEA's June 30, 2016, Financial Statements, note 7 and schedule 9.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

(A Component Unit of the State of Alaska)

Municipal Secondary Market Disclosure - Operating Data - Revolving Fund

June 30, 2016

(2) Represents projected minimum annual receipts from the DMTS; does not include future tonnage sensitive payments (released from a reserve fund) or potential price sensitive payments.

(3) Represents AIDEA's net investment in the Ketchikan Shipyard. See AIDEA's June 30, 2016, Financial Statements, note 7 and Schedule 9.

(4) Payments under the operating agreement are not currently projectable; see AIDEA's June 30, 2016, Financial Statements, Schedule 9.

(5) Represents total assets of Pentex Alaska Natural Gas Company, LLC at June 30, 2016. See AIDEA's June 30, 2016, Financial Statements, note 7 and Schedule 9.

(6) Minimum annual receipts for Pentex Alaska Natural Gas Company, LLC are not projectable; see AIDEA's June 30, 2016, Financial Statements, note 7 and Schedule 9.

(7) Represents AIDEA's investment as a preferred member in Mustang Operations Center LLC which is constructing an oil production facility on the Mustang Oil Field.

(8) See AIDEA's June 30, 2016, Financial Statements, Schedule 9.

(9) BlueCrest Alaska Oil & Gas LLC, BlueCrest Cosmopolitan LLC and BlueCrest Energy Inc. are co-borrowers under the loan agreement. Represents balance drawn on Line Of Credit (LOC) as of June 30, 2016. See AIDEA's June 30, 2016, Financial Statements, note 7 and Schedule 9.

(10) Represents minimum annual receipts from term loan. Assumes BlueCrest LOC converts to a term loan in October 2016 and monthly payments begin December 2016.

Loan Portfolio

The composition of the Revolving Fund loan portfolio at June 30, 2016, follows (dollars in thousands):

	Number	Amount
Loan participation:		
Internally funded	207	$ 320,611
Bond sale	1	12,638
OREO sale financing	2	274
Purchased loans	26	16,307
	236	$ 349,830

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY
(A Component Unit of the State of Alaska)

Municipal Secondary Market Disclosure - Operating Data - Revolving Fund

June 30, 2016

Loans Restructured from Original Terms

All Revolving Fund loans were current at June 30, 2016, and we had no Revolving Fund loans on which the terms had been restructured from their original terms.

Description of Assets

On June 30, 2016, AIDEA's Revolving Fund had total assets of $1.293 billion available to pay or to generate revenues to pay debt service on the Revolving Fund Bonds. This amount includes $61.1 million in restricted investment securities that are restricted by the terms of agreements (see Restricted Investment Securities).

Loans, investments in development projects and other assets totaling $778 million at June 30, 2016, are not highly liquid (excludes Snettisham project assets). Development projects include:

- One development project accounted for as a blended component unit
- Four development projects accounted for as direct financing leases (two of which have been paid in full)
- Two development projects accounted for as LOC's
- Two development projects accounted for as preferred interests in operating company's
- One development project accounted for as capital assets

Historical Financial Performance

The following table summarizes AIDEA's Revolving Fund debt service coverage for the year ended June 30, 2016, (no amounts related to the Snettisham project are included. Dollars below stated in thousands).

Debt Service Coverage for Revolving Fund Bonds

Loan principal and interest payments	$	82,795
Investment earnings (1)		8,266
Development project receipts (2)		40,398
Other revenues		10,435
		141,894
Less operating and maintenance expenses (3)		26,609
Net income (4) available for debt service	$	115,285
Annual debt service (5)	$	12,331
Debt service coverage		9.35x

Schedule 10

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY
(A Component Unit of the State of Alaska)

Municipal Secondary Market Disclosure - Operating Data - Revolving Fund

June 30, 2016

(1) Income collected on investments less $2,180,000 realized loss on investment sales and maturities, less interest earned on restricted investments related to the Ketchikan Shipyard.

(2) Includes price sensitive and tonnage sensitive (released from a reserve fund) payments of $5,640,000 relating to DMTS. Also includes Pentex operating receipts of $12,880,000.

(3) Includes Pentex operating and maintenance expenses of $10,449,000.

(4) Net income computation based on Section 713(B) of the Revolving Fund Bond Resolution.

(5) Excludes payments on bonds issued to finance the Snettisham project.