ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

(A Component Unit of the State of Alaska)

Basic Financial Statements and Schedules

June 30, 2014

(with summarized financial information for June 30, 2013)

(With Independent Auditors' Report Thereon)

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

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ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY

(A Component Unit of the State of Alaska)

Management's Discussion and Analysis

June 30, 2014

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. We do most of our business and operations through the Revolving Fund using two accounts, which are the Enterprise Development and Economic Development Accounts. Information on these two Accounts is in note 1 to the basic financial statements. 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) 2014, with summarized comparative totals as of and for FY2013.

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). They're administered by the Alaska Department of Commerce, Community and Economic Development.

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. These nonmajor funds aren't part of the Revolving Fund, so we've presented them separately in the accompanying financial statements.

The financial statements contain three sections: management's discussion and analysis, the basic financial statements and notes to basic financial statements. We've included other schedules to report the nonmajor funds separately 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 their financial statements.

Basic Financial Statements

Statements of Net Position reports our assets, deferred outflows, liabilities, deferred inflows and net position at year-end. Net position is reported as: invested in development projects-capital assets, net of related debt; invested in capital assets-other; 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 required to better understand the amounts reported in the basic financial statements.

To compare current year financial position, results of operations and cash flows, we've also included summarized financial information for FY13.

Management's Discussion and Analysis

This section contains our analysis of the financial position and results of operations at and for FY14. 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 exceeded its liabilities at June 30, 2014 and 2013 by $1.27 billion and $1.16 billion. Our FY14 unrestricted net position was $1.17 billion (with $1.02 billion in the Revolving Fund) and our FY13 unrestricted net position was $1.04 billion (with $958.4 million in the Revolving Fund). These amounts were unrestricted, and thus, available for future financial needs.

Financial Analysis

Following are AIDEA's total assets, liabilities, and net position at June 30, 2014 and 2013 (in thousands):

		FY14	FY13	Increase (decrease)
Current assets	$	437,600	247,390	190,210
Development projects – capital assets		82,350	120,146	(37,796)
Capital assets-other		12,427	2,095	10,332
Other noncurrent assets		954,730	1,031,773	(77,043)
Total assets		1,487,107	1,401,404	85,703
Deferred outflows of resources		363	519	(156)
Total assets and deferred outflows	$	1,487,470	1,401,923	85,547
Current liabilities	$	69,268	77,681	(8,413)
Noncurrent liabilities		145,127	156,108	(10,981)
Total liabilities		214,395	233,789	(19,394)
Deferred inflows of resources		2,313	3,189	(876)
Total net position		1,270,762	1,164,945	105,817
Total liabilities, deferred inflows and net position	$	1,487,470	1,401,923	85,547

(Continued)

Current assets were $190.2 million higher at June 30, 2014 compared to June 30, 2013 and are noted (in thousands):

		FY14	FY13	Increase (decrease)
Unrestricted cash/cash equivalents/investments	$	311,744	124,149	187,595
Restricted cash/cash equivalents/investments		74,144	81,162	(7,018)
Loans – current portion		32,277	19,783	12,494
Development projects accounted for as direct financing leases – current portion		8,290	11,318	(3,028)
Accrued interest receivable/other current assets		11,145	10,978	167
Total	$	437,600	247,390	190,210

- **Unrestricted cash/cash equivalents/investments** increased substantially due to receipt of a $125 million State general fund appropriation to capitalize the SETS Fund coupled with approximately $43.1 million in proceeds from the sale of the Healy Project and funds generated from operations during the year.
- **Restricted cash/cash equivalents/investments** decreased about $7.0 million primarily due to the expenditure of funds advanced on state appropriations on the Ketchikan Shipyard, Ambler and IEP projects, net of additional advances received from the state during the fiscal year.
- **Loans-current portion** increased $12.5 million mostly because of a change in the basis used to calculate the current portion of loan participations in the Revolving Fund loan portfolio. In prior years the current portion of loans reflected the amount of principal contractually due in the next fiscal year based on the loan agreement. AIDEA's loan participation portfolio has a consistent history of prepayments. The FY14 current portion of loans includes an estimate for prepayments on the loan participation portfolio. The change in methodology resulted in an increase of about $13.5 million in the current portion of loans compared to what is contractually due. This increase was partially offset by the impact of a lower overall loan portfolio balance in FY14 compared to FY13.
- **Development projects accounted for as direct financing leases-current portion** decreased $3.0 million substantially because payments due in July 2014 were received in June 2014, reducing the amount we expect to receive in FY15. As the leases are held longer, more payment is applied to principal rather than interest, partially offsetting the impact of the early payments.
- **Accrued interest receivable/other current assets**, which has a component of **other current assets** in the table above, increased slightly primarily due to an increase of about $2.3 million in amounts due from the Alaska Energy Authority (AEA) for services and borrowings, partially offset by a decrease of $1.8 million in dividends due from Kenai Offshore Ventures LLC (KOV) and a decrease in accrued interest receivable on AIDEA's investment and loan portfolios.

Development projects-capital assets decreased $37.8 million from FY13 to FY14 mostly due to the following:

- Sale of the Healy Project decreased balances by about $38.9 million

- Depreciation of \$3.5 million decreased balances
- \$4.6 million in federal and state funded construction at the Ketchikan Shipyard partially offset the decreases

Capital assets-other increased \$10.3 million from FY13 to FY14 primarily because of the capitalization of \$9.6 million in costs incurred for two high priority projects for Alaska, the Interior Energy Project (IEP) and Ambler Road Project. These capitalized costs include \$1.8 million in intangible assets we acquired during FY14 with the purchase of Spectrum Alaska, LLC. We are the sole member of the LLC and with the purchase gained access to a required permit and lease needed for the furtherance of the IEP.

Other noncurrent assets declined \$77.0 million. The following table breaks out other noncurrent assets (in thousands):

		FY14	FY13	Increase (decrease)
Unrestricted investment securities	$	306,588	298,002	8,586
Loans (net)		348,008	415,662	(67,654)
Development projects		289,815	307,530	(17,715)
Restricted cash equivalents/investments		9,070	9,444	(374)
Other assets		1,249	1,135	114
	$	954,730	1,031,773	(77,043)

- **Unrestricted investment securities** increased as a function of market conditions.
- **Loans (net)** decreased \$67.7 million at June 30, 2014 compared to June 30, 2013, a product of lower loan balances and the transition of a larger amount to current in FY14 due to a change in methodology for calculating the current portion, partially offset by a lower allowance for loan losses.
- **Development projects** decreased \$17.7 million mainly for reasons discussed below. These projects are owned by us but are accounted for as a capital lease or investment in an operating company.
  - \$4.9 million decrease in preferred interest in operating companies during 2014. We received approximately \$8.8 million in payments from our investments in Kenai Offshore Ventures LLC (KOV) and Mustang Road LLC with approximately \$4.5 million of those payments applied to our investment and the remainder to dividends accrued. AIDEA is a preferred member in both companies.
  - \$12.8 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 and the transition to current from long-term of payments projected to be received relating to the Red Dog Project, Federal Express Project and Department of Military and Veterans Affairs (DMVA) Project during FY14.

The decreases were partially offset by an increase attributed to our 2014 investment of $3.8 million in the Coast Guard Armory expansion located on Joint base Elmendorf-Richardson (DMVA Project).

- **Restricted cash equivalents/investments** decreased during FY14 primarily as a result of cash receipts and expenditures relating to the Snettisham project.
- **Other assets** increased during FY14 primarily due to the addition of a new property acquired by the Loan Funds as a result of a loan default.

Deferred outflows of resources, a new financial statement category created by the implementation of Governmental Accounting Standards Board (GASB) Statement 65 in FY14, decreased due to the amortization of deferred charges related to Revolving Fund bonds.

Current liabilities decreased a net of $8.4 million. The following table breaks out current liabilities (in thousands):

	FY14	FY13	Increase (decrease)
Bonds payable-current portion	$ 8,465	7,925	540
Accrued interest payable	924	1,021	(97)
Advances from the State of Alaska	54,322	63,489	(9,167)
Accounts payable/other liabilities	5,557	5,246	311
	$ 69,268	77,681	(8,413)

- **Bonds payable-current portion** increased as a result of the transition to current liabilities of $8.5 million, partially offset by $7.9 million in principal payments made during the year.
- **Accrued interest payable** on bonds decreased as a result of lower Revolving Fund bond balances.
- **Advances from the State of Alaska** decreased about $9.2 million, the net result of expenditures on projects funded with state general fund money of about $15.0 million and advance receipts from the state general fund of approximately $5.8 million during the FY.
- **Accounts payable/other liabilities** increased slightly during the year. Maintenance projects at the Ketchikan Shipyard contributed to this increase.

Noncurrent liabilities decreased $11.0 million during FY14 mostly because we made principal payments of $2.0 million on the Snettisham Power Revenue bonds and transitioned $8.5 million in Revolving Fund bonds to current liabilities.

Deferred inflows of resources, a new financial statement category created by the implementation of GASB Statement 65 in FY14, decreased due to the amortization of original issue premium related to Revolving Fund bonds.

Total net position increased $105.8 million during the fiscal year due to $35.9 million in operating income and $69.9 million from nonoperating activities. Net position decreased because of our $20.7 million dividend to the State, but it also increased because of federal and state contributions related to construction at the Ketchikan Shipyard, capitalization of the SETS fund of $75 million (net) and project development activities relating to the IEP and the Ambler Road project. The beginning balance of our net position was increased $3.8 million due to the retroactive application of GASB Statement 65 implemented in FY14.

Following are AIDEA's operating revenues and expenses, net nonoperating revenues, other revenues, dividend to the State of Alaska and changes in net position for FY14 and FY13 (in thousands):

	FY14	FY13	Increase (decrease)
Operating revenues:			
Interest on loans	$ 19,012	20,986	(1,974)
Income from development projects	14,695	14,495	200
Restricted income	3,876	3,991	(115)
Investment interest	10,037	11,766	(1,729)
Net increase (decrease) in fair value of investments	2,224	(10,494)	12,718
Income from state agencies and component units	8,615	8,149	466
Gain on sale of development project	4,188	—	4,188
Other income	2,322	2,685	(363)
Total operating revenues	64,969	51,578	13,391
Operating expenses:			
Interest	3,056	3,304	(248)
Interest on liabilities payable from restricted assets	3,876	3,991	(115)
Non-project personnel, general and administrative	7,280	7,803	(523)
Costs reimbursed from state agencies and component units	8,615	8,149	466
Provision for loan losses	(1,349)	(718)	(631)
Depreciation	3,529	4,013	(484)
Project and feasibility/due diligence costs	4,063	4,604	(541)
Total operating expenses	29,070	31,146	(2,076)
Operating income	35,899	20,432	15,467
Net nonoperating revenues (expenses)	(633)	809	(1,442)
Contributions from the State of Alaska	139,968	79,274	60,694
Capital Grant	1,328	5,115	(3,787)
Transfer to State of Alaska	(50,000)	—	(50,000)
Dividend to State of Alaska	(20,745)	(20,400)	(345)
Increase in net position	$ 105,817	85,230	20,587

(Continued)

Operating revenues increased $13.4 million during the year ended June 30, 2014 compared to 2013.

- **Interest on loans** decreased; 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 slightly, the net result of an increase due to the recognition of income related to our DMVA project and a decrease in revenues from direct financing leases such as the Federal Express and Red Dog projects.
- **Restricted income** decreased slightly compared to FY13.
- **Investment interest** was lower in 2014 compared to 2013. More funds were held in cash and cash equivalents in FY14, earning less interest than if the funds had been actively invested. Balances were held in cash equivalents in anticipation of funding several large projects and loans. These fundings are anticipated to occur in FY15.
- **Net increase (decrease) in fair value of investments** increased $12.7 million because of market conditions, contributing substantially to the increase in operating revenues.
- **Income from state agencies and component units** increased because we charged AEA more in FY14 for services.
- **Gain on sale of development project** increased operating revenues by $4.2 million because of the sale of the Healy project in December 2013 to Golden Valley Electric Association.
- **Other income decreased** $363,000, substantially due to the decrease in distributions from AIDEA's investment in a limited partnership which was liquidated in FY13, offset by an increase in contributions from the State to pay for AIDEA's allocated pension cost.

Operating expenses decreased a net of $2.1 million in FY14 compared to FY13.

- **Interest expense** decreased due to lower outstanding debt balances during the year ended June 30, 2014 compared to 2013.
- **Interest on liabilities payable from restricted assets** decreased slightly in FY14.
- **Non-project personnel, general and administrative** balances were decreased by an increased allocation of personnel costs to AIDEA's projects and AEA during FY14.
- **Costs reimbursed from state agencies and component units** increased in FY14 compared to FY13 primarily due to an increase in personnel costs charged to AEA for staff time spent on behalf of AEA programs.
- **Provision for loan losses** recorded a larger reduction for the year ended June 30, 2014 compared to 2013 as loan balances decreased between the two years and the loan portfolio performed better than expected.
- **Depreciation** expense decreased $484,000 in FY14 compared to FY13. The sale of the Healy project reduced depreciation expense. Depreciation related to assets constructed at the Ketchikan Shipyard which were placed into service during 2014 increased the balance compared to FY13.

(Continued)

- **Project and feasibility/due diligence** costs decreased $541,000. This net decrease was mostly due to the net effect of the following;
  - $624,000 increase in **feasibility/due diligence** costs primarily due to increased costs relating to a natural gas distribution system in Fairbanks, part of the IEP and a feasibility study relating to converting natural gas to liquid.
  - $1.2 million decrease in **project** costs during 2014 compared to 2013, primarily due to the sale of the Healy Project to Golden Valley Electric Association in December 2013. AIDEA did not incur significant custodial costs during FY14 for the Healy Project.

Net nonoperating revenues (expenses) reduced net position during FY14 compared to a net increase in net position for FY13. This was due to increased expenditures and less revenue in FY14 related to the Ketchikan Shipyard repair and replacement fund.

Contributions from the State of Alaska increased $60.7 million primarily due to an increase in capitalization of the SETS Fund in FY14 compared to FY13. The SETS Fund received $125 million in FY14 compared to a net of $67.5 million in FY13. State contributions relating to the Ambler road project and the IEP also contributed to the FY14 increase.

Capital grant revenues decreased in FY14 compared to FY13. Grant funded construction at the Ketchikan Shipyard is nearing completion, resulting in less spending in FY14.

A **Transfer to the State of Alaska** of $50.0 million decreased net position in FY14. The legislature re-appropriated $50.0 million from the SETS Fund to the state general fund to be used on other state priorities effective June 30, 2014.

Dividend to State of Alaska increased slightly in FY14 compared to FY13. A $20.7 million dividend to the State was paid by AIDEA during FY14, compared to $20.4 million during FY13. As directed by statute, AIDEA makes available to the State an annual dividend. This dividend, determined by the 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 FY14 (the audit being completed within FY15) will become the base for the dividend to be paid in FY16. 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

We are actively pursuing potential new projects under the Development Finance Program. Legislative authorizations effective September 2014 include the addition of the Arctic Infrastructure Fund to AIDEA and bonding authorization for two potential projects. These additions will enhance our ability to continue to be an important financing tool for economic development in Alaska. The loan participation program has a target of $35 million of new loans each year. We also plan to fund more than $23 million in borrowings from the SETS fund in FY15 in support of economic development in the State.

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Independent Auditors' 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, 2014, 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 U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 auditors' 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, 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

Authority as of June 30, 2014, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in note 2 to the financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, retroactive to July 1, 2012. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

We have previously audited the Authority’s 2013 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the major fund and the aggregate remaining fund information in our report dated October 24, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

U.S. generally accepted accounting principles require that management’s discussion and analysis on pages 1–8 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 6 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information in schedules 1, 2 and 3 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 4, 5 and 6 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 October 24, 2014 on our consideration of the 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 Authority's internal control over financial reporting and compliance.

KPMG LLP

October 24, 2014

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

Statements of Net Position

June 30, 2014
(with summarized financial information at June 30, 2013)

(In thousands)

				Total	
Assets and Deferred Outflows of Resources		**Revolving fund**	**Aggregate nonmajor funds**	**2014**	**2013 (as adjusted)**
Current assets:					
Unrestricted cash and cash equivalents (note 3)	$	162,132	143,725	305,857	40,922
Restricted cash and cash equivalents (note 3)		74,143	1	74,144	35,417
Unrestricted investment securities (note 3)		5,887	—	5,887	83,227
Restricted investment securities (note 3)		—	—	—	45,745
Due from (to) other funds		39	(39)	—	—
Loans (note 4)		31,328	949	32,277	19,783
Development projects accounted for as direct financing leases (note 6)		8,290	—	8,290	11,318
Accrued interest receivable		4,118	224	4,342	4,543
Other assets		6,802	1	6,803	6,435
Total current assets		292,739	144,861	437,600	247,390
Noncurrent assets:					
Investment securities (note 3)		306,588	—	306,588	298,002
Loans (note 4)		344,706	12,006	356,712	425,859
Less allowance for loan losses (note 5)		(8,363)	(341)	(8,704)	(10,197)
Net loans		336,343	11,665	348,008	415,662
Development projects accounted for as:					
Direct financing leases (note 6)		179,281	—	179,281	190,042
Capital assets (note 6)		82,350	—	82,350	120,146
Preferred interest in operating company (note 6)		39,527	—	39,527	44,436
Restricted net investment in direct financing lease-Snettisham (note 6)		71,007	—	71,007	73,052
Restricted cash and cash equivalents – Snettisham (note 3)		9,070	—	9,070	9,444
Capital assets-other (note 7)		12,427	—	12,427	2,095
Other assets (note 4)		695	554	1,249	1,135
Total noncurrent assets		1,037,288	12,219	1,049,507	1,154,014
Total assets		1,330,027	157,080	1,487,107	1,401,404
Deferred outflows of resources:					
Deferred charge on bond refunding		363	—	363	519
Total assets and deferred outflows of resources	$	1,330,390	157,080	1,487,470	1,401,923
Liabilities, Deferred Inflows of Resources and Net Position					
Current liabilities:					
Bonds payable – current portion (note 8)	$	8,465	—	8,465	7,925
Accrued interest payable		924	—	924	1,021
Accounts payable		5,156	39	5,195	5,242
Advances from State of Alaska		54,322	—	54,322	63,489
Other liabilities		358	4	362	4
Total current liabilities		69,225	43	69,268	77,681
Noncurrent liabilities:					
Bonds payable – noncurrent portion (note 8)		64,700	—	64,700	73,165
Other liabilities		350	—	350	447
Liabilities payable from restricted assets – Snettisham:					
Power revenue bonds payable (note 8)		72,060	—	72,060	74,045
Other		8,017	—	8,017	8,451
Total noncurrent liabilities		145,127	—	145,127	156,108
Total liabilities		214,352	43	214,395	233,789
Deferred inflows of resources:					
Original issue premium on bond refunding		2,313	—	2,313	3,189
Net position:					
Invested in development projects – capital assets, net of related debt		82,350	—	82,350	120,146
Invested in capital assets – other (note 7)		12,427	—	12,427	2,095
Restricted contributions		1,511	—	1,511	2,166
Unrestricted		1,017,437	157,037	1,174,474	1,040,538
Total net position		1,113,725	157,037	1,270,762	1,164,945
Commitments and contingencies (notes 1, 9, and 11)					
Total liabilities, deferred inflows of resources and net position	$	1,330,390	157,080	1,487,470	1,401,923

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, 2014
(with summarized financial information at June 30, 2013)

(In thousands)

	Revolving fund	Aggregate nonmajor funds	Total 2014	Total 2013 (as adjusted)
Operating revenues:				
Interest on loans (note 4)	$ 18,469	543	19,012	20,986
Income from development projects (note 6)	14,695	—	14,695	14,495
Interest on Snettisham restricted direct financing lease (note 6)	3,876	—	3,876	3,991
Investment interest	9,994	43	10,037	11,766
Net increase (decrease) in fair value of investments	2,243	(19)	2,224	(10,494)
Income from state agencies and component units (note 10)	8,615	—	8,615	8,149
Gain on sale of development project	4,188	—	4,188	—
Other income	1,234	34	1,268	1,716
State of Alaska employer relief	1,054	—	1,054	954
Federal grant revenue	—	—	—	15
Total operating revenues	64,368	601	64,969	51,578
Operating expenses:				
Interest	3,056	—	3,056	3,304
Interest on Snettisham liabilities payable from restricted assets (note 8)	3,876	—	3,876	3,991
Nonproject personnel, general and administrative	7,169	111	7,280	7,803
Costs reimbursed from state agencies and component units (note 10)	8,615	—	8,615	8,149
Provision for loan losses (note 5)	(1,290)	(59)	(1,349)	(718)
Depreciation (note 6)	3,529	—	3,529	4,013
Project feasibility and due diligence costs	1,285	616	1,901	1,277
Other project expenses	2,162	—	2,162	3,327
Total operating expenses	28,402	668	29,070	31,146
Operating income (loss)	35,966	(67)	35,899	20,432
Nonoperating revenues(expenses):				
Investment interest	—	15	15	11
Net revenues (expenses) related to Ketchikan Shipyard Repair and Replacement Fund	(648)	—	(648)	798
Total net nonoperating revenues (expenses)	(648)	15	(633)	809
Contributions from the State of Alaska	14,968	125,000	139,968	79,274
Capital grant	1,328	—	1,328	5,115
Transfer to State of Alaska	—	(50,000)	(50,000)	—
Dividend to State of Alaska	(20,745)	—	(20,745)	(20,400)
Increase in net position	30,869	74,948	105,817	85,230
Net position – beginning of year (as adjusted)	1,082,856	82,089	1,164,945	1,079,715
Net position – end of year	$ 1,113,725	157,037	1,270,762	1,164,945

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, 2014
(with summarized financial information at June 30, 2013)

(In thousands)

	Revolving fund	Aggregate nonmajor funds	Total 2014	Total 2013 (as adjusted)
Cash flows from operating activities:				
Interest received on loans	$ 17,979	527	18,506	20,288
Receipts from borrowers	1,500	45	1,545	1,736
Principal collected on loans	68,373	1,134	69,507	46,260
Other operating receipts	8,202	—	8,202	9,248
Receipts from other governments	—	—	—	15
Loans originated	(12,278)	(1,769)	(14,047)	(13,582)
Payments to suppliers and employees for services	(15,607)	(886)	(16,493)	(19,045)
Payments to primary government	(1,600)	(116)	(1,716)	(994)
Other operating payments	(2,592)	—	(2,592)	(2,464)
Net cash provided by (used for) operating activities	63,977	(1,065)	62,912	41,462
Cash flows from noncapital and related financing activities:				
State appropriation transferred (to) from other fund	57,500	(57,500)	—	—
Appropriation-State of Alaska	500	125,000	125,500	125,000
Dividend paid to the State of Alaska	(20,745)	—	(20,745)	(20,400)
Reappropriation-State of Alaska	—	(50,000)	(50,000)	—
Short term borrowings reimbursed from the Alaska Energy Authority for working capital, net	157	—	157	2,668
Principal paid on noncapital debt	(495)	—	(495)	(480)
Interest paid on noncapital debt	(679)	—	(679)	(696)
Net cash provided by noncapital and related financing activities	36,238	17,500	53,738	106,092
Cash flows from capital and related financing activities:				
Proceeds from sale of development project	43,121	—	43,121	—
Direct financing lease receipts	29,788	—	29,788	23,348
Direct financing lease receipts – Snettisham	5,921	—	5,921	5,919
Federal grant receipts	1,348	—	1,348	6,665
Capital appropriation – State of Alaska	5,300	—	5,300	11,909
Restricted contributions for development projects	—	—	—	278
Other receipts from capital and financing activities	41	—	41	172
Principal paid on capital debt	(7,430)	—	(7,430)	(6,945)
Interest paid on capital debt	(3,407)	—	(3,407)	(3,754)
Investment in development projects	(5,468)	—	(5,468)	(16,119)
Investment in direct financing lease	(5,656)	—	(5,656)	(8,019)
Investment in capital assets	(8,611)	—	(8,611)	—
Interest paid on capital debt – Snettisham	(3,935)	—	(3,935)	(4,047)
Principal paid on capital debt – Snettisham	(1,985)	—	(1,985)	(1,870)
Net cash provided by capital and related financing activities	49,027	—	49,027	7,537
Cash flows from investing activities:				
Proceeds from sales and maturities of investment securities	134,515	104,200	238,715	417,600
Purchases of investment securities	(121,991)	—	(121,991)	(520,199)
Interest collected on investments	9,827	153	9,980	12,047
Investment in preferred interest in operating company	(7)	—	(7)	(24,546)
Distribution from preferred interest in operating company	8,816	—	8,816	—
Distribution from investment in limited partnership	423	—	423	1,249
Interest received on loans	713	—	713	788
Principal collected on loans	962	—	962	1,206
Net cash provided by (used for) investing activities	33,258	104,353	137,611	(111,855)
Net increase in cash and cash equivalents	182,500	120,788	303,288	43,236
Cash and cash equivalents at beginning of year	62,845	22,938	85,783	42,547
Cash and cash equivalents at end of year	$ 245,345	143,726	389,071	85,783

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

Statements of Cash Flows

Year ended June 30, 2014
(with summarized financial information at June 30, 2013)

(In thousands)

		Revolving fund	Aggregate nonmajor funds	Total 2014	Total 2013
Reconciliation of operating income to net cash provided by (used for) operating activities:					
Operating income (loss)	$	35,966	(67)	35,899	20,432
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Principal collected on loans		68,373	1,134	69,507	46,260
Loans originated		(12,278)	(1,769)	(14,047)	(13,582)
Investment interest income		(9,994)	(43)	(10,037)	(11,766)
Net dividends from operating company		(1,960)	—	(1,960)	(1,444)
Distribution from investment in limited partnership		—	—	—	(1,249)
Amortization of unearned income on direct financing leases		(12,231)	—	(12,231)	(12,542)
Amortization of unearned income on direct financing lease – Snettisham		(3,876)	—	(3,876)	(3,991)
Gain on sale of development project		(4,188)	—	(4,188)	—
Bond interest expense		3,988	—	3,988	4,274
Bond interest expense – Snettisham		3,876	—	3,876	3,991
Provision for loan losses		(1,290)	(59)	(1,349)	(718)
Depreciation		3,529	—	3,529	4,013
Net (increase) decrease in fair value of investments		(2,243)	19	(2,224)	10,494
Interest on loans		(708)	—	(708)	(744)
Capitalized interest on direct financing lease		(272)	—	(272)	(144)
Capitalized loan commitment fee		—	(10)	(10)	—
Increase in accrued interest receivable and other assets		(2,655)	(15)	(2,670)	(674)
Decrease in accounts payable and other liabilities		(60)	(255)	(315)	(1,148)
Net cash provided by (used for) operating activities	$	63,977	(1,065)	62,912	41,462
Noncash investing, capital, and financing activities:					
Net (increase) decrease in fair value of investments	$	(2,243)	19	(2,224)	10,494
Change in due to/due from other fund		57,461	(57,461)	—	—
Noncash contributions for development project		—	—	—	1,417
Increase in accounts payable for capital asset additions		1,883	—	1,883	—
Depreciation on capital assets		(162)	—	(162)	(160)
Decrease in accounts payable for development project additions		(802)	—	(802)	(724)
(Decrease) increase in accounts payable for direct financing lease additions		(2,160)	—	(2,160)	2,160

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, financing economic development projects using existing assets, general obligation bonds, or debt secured by project revenues, as deemed appropriate by AIDEA. 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.

We do most of our business through our Revolving Fund, established through legislation, and consider this our major fund. As more fully described below, our Revolving Fund has two main programs to transact business under, the "Enterprise Development Account" and "Economic Development Account." We also have two nonmajor funds, not part of the Revolving Fund, which are reported in a separate column within the accompanying financial statements.

One of our nonmajor funds is the Loan Funds with the following programs;

- Small Business Economic Development Revolving Loan Fund Program
- Rural Development Initiative Fund Loan Program.

Our other nonmajor fund is the Sustainable Energy Transmission and Supply Development (SETS) Fund. The legislature established and provided initial funding for the SETS Fund in FY13, with additional capitalization in FY14.

2010 legislation gave AIDEA the power to consider the interests of local governments affected by our activities to share in their benefits, as long as AIDEA has, at a minimum, considered our ability to meet debt obligations, issue new debt, and fulfill AIDEA's purposes.

(a) Enterprise Development Account

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 $20 million.
- 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 million.

The following projects are included in the Enterprise Development Account:

- Interior Energy Project (IEP) which consists of a potential liquefied natural gas production system and affiliated infrastructure on the North Slope and a natural gas distributions system and affiliated infrastructure in Interior Alaska.
- Ambler Road Project which consists of a potential industrial road to support mineral exploration and development on the south side of the Brooks Range in northwest Alaska.

(b) Economic Development Account

With this account AIDEA, by statute can own and operate facilities to help accomplish its development finance mission (development finance program). 2013 legislation allows the Economic Development Account to expand investments to include financing development projects we don't intend to wholly own and/or operate. Economic Development Account projects with activity reflected in the accompanying financial statements are:

- DeLong Mountain Transportation System (DMTS, aka Red Dog Project), which consists of a road and port to serve regional needs and permit transportation of lead and zinc concentrates and other minerals from the Red Dog Mine to the port. Located in the DeLong Mountains in northwestern Alaska, this is one of the world's largest zinc producing mines. We financed the DMTS with a combination of AIDEA funds and bond financings; currently outstanding refinanced 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. This terminal was originally financed with bonds, additionally we financed a tank farm for petroleum products, a vehicle fueling facility and other facility improvements with AIDEA funds. There are no longer bonds outstanding for this project.
- Federal Express Project, which consists of a maintenance, repair and operations aircraft hangar facility 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.
- Healy Clean Coal Project (Healy Project), which is a coal-fired power plant near Healy, Alaska and was sold in December 2013 to Golden Valley Electric Association (GVEA). We received a $25 million appropriation from the state legislature and $117,327,000 from the U.S. Department of Energy, Clean Coal Technology III Demonstration Grant Program to assist in financing the Healy Project with help from our funds and bond financing. There are no bonds outstanding for this project.
- 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 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 $100,000,000 of revenue bonds to buy the project and provide funds to buy and install a submarine cable system, now complete. 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 capability to AEL&P and requires them to operate and maintain the project, with an option to buy.
- Kenai Offshore Ventures LLC (KOV) in which we own a preferred interest is a limited liability company (LLC) that owns a jack-up drilling rig being used in the Cook Inlet and other Alaska waters. The investment in KOV was financed with AIDEA funds.
- 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 of Alaska and the U.S. Air Force and was financed with AIDEA funds.
- Mustang Road LLC, which we have financed with AIDEA funds and own a preferred interest. This LLC owns roads and a gravel pad on the North Slope intended to help develop the Mustang Oil Field. The LLC also owns a carried working interest in the Mustang Field.
- Mustang Operations Center 1 LLC (MOC1), which AIDEA has entered into an agreement to finance with AIDEA funds and own a preferred interest. This LLC will own an oil and gas processing facility to produce pipeline quality crude oil from Mustang Field for sale through the TransAlaska Pipeline Systems (TAPS). The LLC also owns a carried working interest in the Mustang Field.

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 projects below. We are not planning on using the authorization for some of the projects:

- AIDEA has bonding authorization of $65.0 million to finance the expansion, modification, improvement, and upgrading of the Skagway Ore Terminal.
- AIDEA has bonding authorization of $150.0 million through 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 plant and system and affiliated infrastructure on the North Slope and a natural gas distribution system and affiliated infrastructure in Interior Alaska. This bonding authorization expires June 30, 2018 if we do not issue bonds before that date.

- AIDEA has bonding authorization of 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. This authorization was effective September 2014.
- AIDEA has bonding authorization of 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. This authorization was effective September 2014.

Bonding authorization we do not plan to use follow:

- AIDEA has $55 million of remaining authorization (from an original $85,000,000 authorization) to issue bonds to finance the acquisition, design, and construction of aircraft maintenance/air cargo/air transport support facilities located at Ted Stevens Anchorage International Airport.
- AIDEA has bonding authorization of $50.0 million for a bulk commodity loading and shipping terminal to be located within Cook Inlet to be owned by AIDEA. We do not currently anticipate that we will participate in financing the project.
- AIDEA has bonding authorization of $50.0 million for a facility to be constructed in Anchorage for the offloading, processing, storage, and trans-loading of seafoods. We purchased Alaska Seafood International in 1999 and sold it in 2005; no issuance of bonds is anticipated.
- AIDEA has bonding authorization of $20.0 million to finance the acquisition, design, and construction of the Kodiak rocket launch complex and tracking station and the Fairbanks satellite ground station space park. The Kodiak launch complex was constructed with other financing and we do not currently anticipate that we will participate in financing the projects.
- AIDEA has bonding authorization of $80.0 million to finance the expansion, improvement, and modification of the existing Red Dog Project port facilities and to finance the construction of new related facilities to be owned by AIDEA.
- AIDEA has bonding authorization of $30.0 million to finance improvement and expansion of the Nome port facilities to be owned by AIDEA. We do not currently anticipate that we will participate in financing the project.
- AIDEA has bonding authorization of $25.0 million to finance the development of Hatcher Pass, located in the Matanuska-Susitna Borough. We do not currently anticipate that we will participate in financing the project.

- AIDEA has bonding authorization of $20.0 million to finance the acquisition, development, improvement, and construction of port and related facilities on Lynn Canal in Southeast Alaska, to be owned by AIDEA. We do not currently anticipate that we will participate in financing the project.

(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're specifically authorized to issue revenue bonds in a collective amount up to $185.0 million to finance building power transmission interties that electric utilities will own. We haven't issued any bonds under this authorization. By the end of FY14, we had issued conduit revenue bonds for 316 projects (not including bonds issued to refund other bonds). At June 30, 2014, the outstanding principal amount of conduit revenue bonds issued after July 1, 1995 was $519.2 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 $1.35 billion issued through June 30, 2014 (not including bonds issued to refund other bonds).

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

Our 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 Fund was created to receive grants from the United States Economic Development Administration.

Our Rural Development Initiative Fund 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 Program

The 2012 state legislature passed SB 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. 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 re-appropriated $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 re-appropriated an additional $50.0 million of the initial funding for the University of Alaska, leaving $142.5 million in capitalization of the SETS Fund.

(f) 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. AIDEA and AEA have separate executive directors, both are employees of AIDEA. The two authorities don't comingle funds, assets, or liabilities or have any responsibility for the debts or obligations of the other. So, we don't include the accounts of AEA in the accompanying financial statements.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting – Enterprise Fund Accounting

As a 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) 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.

(c) Investments

Marketable securities are reported at fair value in the financial statements. Unrealized gains and losses are reported as components of the change in net position. Fair values are obtained from independent sources. Investments are segregated between current and noncurrent based on stated maturity. Investments maturing within one year are considered current.

(d) 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 the payment of principal or interest 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.

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.

Effective July 1, 2013 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. Prior to this date the current portion was calculated as the amount contractually due within the next year.

(Continued)

(e) Development Projects – Direct Financing Leases

AIDEA leases various projects subject to certain agreements (as more fully described in note 6), 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.

(f) 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 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.

(g) Development Projects – Preferred Interest in Operating Company

AIDEA is a preferred member in three LLC’s (as more fully described in note 6), which are recorded in the accompanying financial statements as equity investments and are development projects. Income on the investments is recognized as it is earned under the LLC agreement. The investments are carried at cost, less capital distributions received, less any necessary allowance.

Transaction costs capitalized and not reimbursable are amortized over the life of the investment. The investments will be reduced by an allowance if the sum of the accrued dividends and AIDEA’s outstanding equity investment is greater than our share of the LLC’s 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 temporary in nature. Activity associated with these investments, 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.

(h) 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.

(i) 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.

(j) 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.

(k) 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, 2014.

(l) 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 FY14, 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.

(m) Operating Revenue and Expense

AIDEA considers all revenues and expenses except capital contributions, certain transfers to the State of Alaska, investment income and expenditures related to certain restricted project funds, investment income related to the Loan Funds, the dividend paid to the State, and special or extraordinary items, to be part of its ongoing operations and classifies them as operating in the statement of revenues, expenses, and changes in net position.

(Continued)

(n) Appropriations and Grants

AIDEA recognizes grant revenue and revenue related to contributed capital when all applicable eligibility requirements, including time requirements, are met.

(o) 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.

(p) Depreciation

Depreciation is charged to operations by use of the straight-line method over the estimated useful lives of depreciable assets, ranging from 10 to 30 years.

(q) Transfers

Transfers out, including the dividend to the State and transfers to state departments, are recorded when the liability has been incurred and the amount is reasonably estimable.

(r) 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.

(s) 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.

(t) 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 only has one item that qualifies for reporting in this category. It is the deferred charge on debt refunding reported in the statement of net position. A deferred charge on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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 only has one item that qualifies for reporting in this category. It is the premium on debt refunding reported in the statement of net position. A premium on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and recognized over the shorter of the life of the refunded or refunding debt.

(u) 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 FY13, from which the summarized information was derived. Certain reclassifications were made to prior year information to conform to current year presentation.

(v) Recently Issued Accounting Pronouncements

In June 2012, the GASB issued GASB Statement 68, *Accounting and Financial Reporting for Pensions* (Statement 68). This Statement requires 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 additional note disclosures regarding the obligation. The new standard is effective for financial statements for periods beginning after June 15, 2014. We have not implemented this Statement for the fiscal year ended June 30, 2014 and are currently evaluating the impact the adoption of Statement 68 will have on our financial statements.

In April 2013, the GASB issued GASB Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (Statement 70). This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative and historical factors indicate that it is more likely than not that a payment on the guarantee will be necessary. The statement also provides guidance on the amount of the liability and subsequent accounting for the guarantee. AIDEA adopted the provisions of Statement 70 during 2014.

(w) Change in Accounting Principle

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (Statement 65). Statement 65 established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. AIDEA adopted the provisions of Statement 65 during 2014, retroactive to July 1, 2012. The adoption of Statement 65 resulted in the write-off of certain debt issuance costs and an adjustment for unearned loan commitment fees. The effects of adopting Statement 65 in AIDEA's financial statements for FY13 were as follows (in thousands):

	Year ended June 30, 2013		
	As previously reported	**Effect of adoption of Statement No. 65**	**As adjusted**
Statement of net position:			
Total assets	$ 1,402,465	(1,061)	1,401,404
Deferred outflows	—	519	519
Total assets and deferred outflows	1,402,465	(542)	1,401,923
Total liabilities	(241,280)	7,491	(233,789)
Deferred inflows	—	(3,189)	(3,189)
Total liabilities and deferred inflows	(241,280)	4,302	(236,978)
Total net position	$ 1,161,185	3,760	1,164,945
Statement of revenues, expenses and changes in net position:			
Operating revenues	$ 51,962	(384)	51,578
Operating expenses	(31,231)	85	(31,146)
Nonoperating revenues	809	—	809
Other change in net position	63,989	—	63,989
Changes in net position	85,529	(299)	85,230
Net position, beginning of year	1,075,656	4,059	1,079,715
Net position, end of year	$ 1,161,185	3,760	1,164,945

(Continued)

(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, 2014 (in thousands):

Current-unrestricted	$	162,132
Current-restricted		74,143
Noncurrent-restricted-Snettisham		9,070
Carrying amount	$	245,345
Bank balance	$	245,505

Cash equivalents include $58.9 million invested in the Pool. The Pool is not SEC-registered, but is a 2a7-like money market fund. The Pool was rated a principal stability rating of AAAm by Standard & Poors in September 2014. 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. 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. As of June 30, 2014, the fair value of the investments in the Pool approximate 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 37.23.10-AS 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.

(Continued)

Following is a summary of Revolving Fund investments at June 30, 2014 (in thousands):

Current – unrestricted	$	5,887
Noncurrent – unrestricted		306,588
	$	312,475

Following is a summary of the Revolving Fund portfolio, organized by major investment type, at June 30, 2014 (in thousands):

U.S. Treasury	$	56,461
U.S. government agency and GSEs		19,633
Corporate securities		154,955
Mortgage-backed securities		72,633
Asset-backed securities		6,661
Municipal bonds		2,132
	$	312,475

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, 2014, 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, 2014. 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	0.06	0.09
U.S. Treasury	—	7.39
U.S. government agency and GSEs	—	6.54
Corporate-securities	—	5.12
Mortgage-backed securities	—	3.82
Asset-backed securities	—	1.40
Municipal bonds	—	6.58

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, 2014 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 GSE's 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	44%
U.S. government agency and GSEs	AA	4
Corporate securities	AA	2
Corporate securities	A	13
Corporate securities	BBB	6
Corporate securities	BB	1
Corporate securities*	A	1
Corporate securities*	Baa	5
Mortgage-backed securities	AAA	1
Mortgage-backed securities	A	1
Mortgage-backed securities*	Aaa	1
Mortgage-backed securities (issued by GSEs)	Not rated	10
Asset-backed securities	AAA	1
No credit exposure		10
		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 $244.7 million at June 30, 2014, 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. 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, 2014, we had more than 5% of the combined portfolios invested in the following GSE (dollar amounts in thousands):

	Revolving Fund	Percent of combined portfolio
Federal National Mortgage Association	$ 37,776	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, 2014 is as follows (in thousands):

	Allowable usage	
Red Dog Project Sustaining Capital fund	Project costs	$ 15,000
Ketchikan Shipyard restricted funds	Project costs	242
Ketchikan Shipyard Repair and Replacement Account	Project costs	1,389
Advances from State of Alaska	Project costs	57,512
Snettisham Hydroelectric Project Funds	Various costs relating to the project	9,070
		$ 83,213

(b) Nonmajor Funds

Cash and Cash Equivalents

A summary of the nonmajor funds cash and cash equivalents at June 30, 2014 is as follows (in thousands):

Unrestricted – Loan Funds	$	2,030
Unrestricted – SETS Fund		141,695
Restricted – SETS Fund		1
Carrying amount	$	143,726
Bank balance	$	143,726

All unrestricted cash and cash equivalents in the SETS Fund are invested in the Pool.

(4) Loans

Loans outstanding on June 30, 2014 are classified as follows (dollar amounts in thousands):

	Number		Amount
Revolving Fund:			
Loan participation:			
Internally funded	224	$	335,013
Bond sale	1		13,656
OREO sale financing	4		8,864
Purchased loans	28		18,501
Revolving Fund loans	257		376,034
Nonmajor funds – Loan Funds	118		12,906
Nonmajor funds – SETS	2		49
	377		388,989
Less current portion			(32,277)
		$	356,712

(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.

The aging of Revolving Fund loans at June 30, 2014 is as follows (dollar amounts in thousands):

	Percent		Amount
Current	99.61%	$	374,559
Past due:			
61–89 days	0.31		1,173
Over 90 days	0.08		302
	100.00%	$	376,034

Revolving Fund loans more than 90 days past due totaled $302,000 on June 30, 2014. This amount excludes restructured loans, on which we've discontinued interest accrual. Gross interest income we would have received on these loans totaled $21,000 for the year ended June 30, 2014. Interest income collected on these loans and included in the change in net position was $5,000 for FY2014.

On June 30, 2014 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. Under generally accepted accounting principles the current portion of loans should reflect what is contractually due within the next fiscal year. The amount of Revolving Fund loans contractually due in FY15 is $17.8 million compared to $31.3 million recorded as the current portion. The difference of $13.5 million represents 4.6% of the Revolving Fund current assets.

(b) Nonmajor Funds

The DCCED administers Loan Funds loans. The aging of Loan Fund loans at June 30, 2014 is as follows (dollar amounts in thousands):

	Percent		Amount
Current	98.80%	$	12,747
Past due:			
31–60 days	—		—
61–90 days	—		—
Over 90 days	1.20		159
	100.00%	$	12,906

There were no Loan Fund loans more than 90 days past due, excluding restructured loans, on which the accrual of interest had been discontinued at June 30, 2014.

Loan Funds loans with restructured terms totaled $976,000 on June 30, 2014. Gross interest income we would have received on these loans totaled $48,000 for FY2014, but we included $33,000 in the change in net position.

The Loan Funds held OREO totaling $487,000 on June 30, 2014, which we've included within other assets in our statement of net position.

All SETS Fund loans were current at June 30, 2014. There were no restructured SETS Fund loans at June 30, 2014.

(5) Allowance for Loan Losses

Following is an analysis of changes in the allowance for loan losses for FY2014 (in thousands):

		Revolving Fund	Nonmajor funds – Loan Funds	Total
Balance at beginning of year	$	9,653	544	10,197
Provision for loan losses		(1,290)	(59)	(1,349)
Recoveries of loans charged off		—	—	—
Charge-offs		—	(144)	(144)
Balance at end of year	$	8,363	341	8,704

(6) 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, 2014 (in thousands):

		Minimum lease payments receivable	Unearned income	Net investment in direct financing leases
Federal Express Project	$	1,658	(59)	1,599
Red Dog Project		415,131	(243,180)	171,951
DMVA Project		33,188	(19,167)	14,021
	$	449,977	(262,406)	187,571

Following are the future minimum lease payments receivable for FY2015 through FY2019 (dollars in thousands):

	2015	2016	2017	2018	2019
$	16,241	18,794	18,794	18,794	18,794

Estimates don't include future tonnage sensitive (released from a reserve fund) or potential price sensitive payments for the Red Dog Project.

(b) Capital Assets

Our investment in the Ketchikan Shipyard at June 30, 2014 was $82.4 million.

We've captured development project activity for FY14 as follows (in thousands):

	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014
Nondepreciable components of development projects:				
Land	$ 1,995	—	—	1,995
Construction work in progress	8,149	4,666	(12,815)	—
Total nondepreciable components of development projects	10,144	4,666	(12,815)	1,995
Depreciable components of development projects:				
Buildings	58,047	10,679	(11,920)	56,806
Equipment	51,896	—	(51,896)	—
Infrastructure	31,893	2,136	—	34,029
Total depreciable components of development projects	141,836	12,815	(63,816)	90,835
Less accumulated depreciation for:				
Buildings	(7,928)	(1,776)	4,868	(4,836)
Equipment	(19,325)	(690)	20,015	—
Infrastructure	(4,581)	(1,063)	—	(5,644)
Accumulated depreciation	(31,834)	(3,529)	24,883	(10,480)
Depreciable components of development projects – net	110,002	9,286	(38,933)	80,355
Total development projects	$ 120,146	13,952	(51,748)	82,350

(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, 2014 (in thousands):

KOV	$	23,877
Mustang Road LLC		15,592
MOC 1 LLC		58
	$	39,527

(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.

Following is our net investment in the Snettisham Project on June 30, 2014 (in thousands):

Minimum lease payments receivable	$	115,444
Less unearned income		(44,437)
Net investment in direct financing lease	$	71,007

(7) Capital Assets-Other

Following is our activity for FY14 (in thousands):

	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014
Capital assets not being depreciated – land	$ 600	570	—	1,170
Intangible assets not being depreciated :				
IEP	—	4,993	—	4,993
Ambler Road	—	4,642	—	4,642
Intangible assets not being depreciated	—	9,635	—	9,635
Capital assets being depreciated – building	3,251	289	—	3,540
Less accumulated depreciation	(1,756)	(162)	—	(1,918)
Capital assets being depreciated, net	1,495	127	—	1,622
Total capital assets-other	$ 2,095	10,332	—	12,427

Intangible assets include capitalized costs for the IEP and Ambler Road project. 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 million 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. During FY14 we purchased Spectrum Alaska, LLC to obtain access to a license and permits related to the IEP. AIDEA is 100% member of the limited liability company (LLC). Spectrum Alaska LLC is reflected as a blended component unit in our financial statements and is included in intangible assets. We are currently working on final design of the plant on the North Slope of Alaska and deal structuring with interested parties.
- *Ambler Road*–Effective July 1, 2013 we received an $8.5 million capital appropriation for the Ambler Road project, with an additional $8.5 million available July 1, 2014. During the current year costs incurred for this project have included professional efforts related to planning, public outreach, environmental impact studies and preliminary work relating to the permitting for the project. Work

has been geared towards completing the environmental impact statement and obtaining permits. Routes and financing options are being evaluated.

(8) Bonds Payable

We've 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, 2014:

	Balance at June 30, 2013	Additions	Deletions	Balance at June 30, 2014	Amounts due within one year
Series 2010A – 4.375% to 5.250% issued February 24, 2010, maturing through 2027	$ 67,565	—	(7,430)	60,135	7,950
Series 2010B – 4.0% to 5.5% issued December 22, 2010, maturing through 2031	13,525	—	(495)	13,030	515
	$ 81,090	—	(7,925)	73,165	8,465

On June 30, 2014, Revolving Fund general assets and future revenues secured all Revolving Fund Bonds. The minimum annual payments for all Revolving Fund Bonds after June 30, 2014 are as follows (without considering earlier call provisions) (in thousands):

	Principal	Interest	Total
Years ending June 30:			
2015	$ 8,465	3,694	12,159
2016	9,055	3,276	12,331
2017	9,655	2,829	12,484
2018	3,035	2,352	5,387
2019	3,235	2,206	5,441
2020–2024	19,925	8,305	28,230
2025–2029	17,620	2,635	20,255
2030–2031	2,175	171	2,346
	$ 73,165	25,468	98,633

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 or from

- causing our unrestricted surplus (as defined in the Revolving Fund Bond Resolution) to be below the lesser of $200 million or the amount of general obligation indebtedness outstanding, and in no event less than $100 million.

On June 30, 2014, our unrestricted Revolving Fund surplus was about $1,094,268,000 and we estimated projected coverage for each future year exceeds 150%. 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 million or 25% of the amount of general obligation indebtedness outstanding. On June 30, 2014, the liquidity requirement was $18,291,250.

In August 1998, AIDEA issued $100 million of Power Revenue Bonds to finance the purchase of Snettisham. The bonds bear interest at rates ranging from 5.0% to 6.0%, mature at varying dates through 2034 and are payable solely from project revenues, currently received from AEL&P pursuant to a power sales agreement, and from other project funds. The bonds are insured. Following are the minimum payments for the Power Revenue Bonds after June 30, 2014 (without considering earlier call provisions) (in thousands):

		Principal	Interest	Total
Years ending June 30:				
2015	$	2,105	3,816	5,921
2016		2,230	3,690	5,920
2017		2,350	3,567	5,917
2018		2,480	3,438	5,918
2019		2,615	3,305	5,920
2020–2024		15,310	14,298	29,608
2025–2029		19,600	9,998	29,598
2030–2034		25,370	4,233	29,603
	$	72,060	46,345	118,405

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.

(9) Retirement Plan

All of AIDEA’s full-time, regular employees participate in Alaska’s Public Employees Retirement System (PERS), and all our employees participate in Alaska’s Supplemental Annuity Plan (SBS). 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. 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. Tier I-III employees must contribute 6.75% of their annual salaries to PERS. Tier IV employees must contribute 8% of their annual salaries to PERS.

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 will share the unfunded liability of the PERS defined benefit plan. The legislation also established a uniform PERS contribution rate of 22% of participating employees' covered payroll. The conversion took effect July 1, 2008. Besides the uniform PERS contribution of 22%, the Authority contributed $1,054,000, $954,000, and $726,000 for FY14, FY13, and FY12, respectively, in the form of Employer Relief allocated by the State. This amount was 100% of our allocated cost for the plan.

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.

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. All AIDEA employees must contribute 6.13% of their annual salaries to SBS, and we match 6.13% for each employee, up to a specified maximum each year.

(10) 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 $8.6 million for providing these services during FY14. On June 30, 2014 AIDEA had $5.9 million receivable from AEA for services and short-term borrowings.

(11) Commitments, Contingencies, and Other

(a) Investments

AIDEA held about $24.9 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 $10.7 million dividend to be paid from the Revolving Fund in the year ending June 30, 2015.

(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 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 don’t appear in the accompanying financial statements. On June 30, 2014, we had extended loan participation purchase commitments of $30.8 million and loan guarantees of $1.2 million from our Revolving Fund. Additionally we had extended commitments to fund borrowings not to exceed $23.1 million from the SETS Fund.

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

(f) 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.

Schedule 1

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

Nonmajor Funds – Combining Statement of Net Position

June 30, 2014

(In thousands)

Assets		**SETS Fund**	**Loan Fund**	**Aggregate nonmajor funds**
Current assets:				
Unrestricted cash and cash equivalents	$	141,695	2,030	143,725
Restricted cash and cash equivalents		1	—	1
Due to other funds		(39)	—	(39)
Loans		—	949	949
Accrued interest receivable		—	224	224
Other assets		—	1	1
Total current assets		141,657	3,204	144,861
Noncurrent assets:				
Loans		49	11,957	12,006
Less allowance for loan losses		—	(341)	(341)
Net loans		49	11,616	11,665
Other assets		—	554	554
Total noncurrent assets		49	12,170	12,219
Total assets	$	141,706	15,374	157,080
Liabilities and Net Position				
Current liabilities:				
Accounts payable	$	4	35	39
Other liabilities		—	4	4
Total current liabilities		4	39	43
Total liabilities		4	39	43
Net position:				
Unrestricted		141,702	15,335	157,037
Total net position		141,702	15,335	157,037
Total liabilities and net position	$	141,706	15,374	157,080

See accompanying independent auditors' report.

Schedule 2

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, 2014

(In thousands)

	SETS Fund	Loan Fund	Aggregate nonmajor funds
Operating revenues:			
Interest on loans	$ —	543	543
Investment interest	43	—	43
Net decrease in fair value of investments	(19)	—	(19)
Other income	10	24	34
Total operating revenues	34	567	601
Operating expenses:			
General and administrative	—	111	111
Provision for loan losses	—	(59)	(59)
Project feasibility and due diligence costs	616	—	616
Total operating expenses	616	52	668
Operating (loss) income	(582)	515	(67)
Nonoperating revenues:			
Investment interest	—	15	15
Total net nonoperating revenues	—	15	15
Contributions from the State of Alaska	125,000	—	125,000
Transfer to State of Alaska	(50,000)	—	(50,000)
Increase in net position	74,418	530	74,948
Net position – beginning of year	67,284	14,805	82,089
Net position – end of year	$ 141,702	15,335	157,037

See accompanying independent auditors’ report.

Schedule 3

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, 2014

(In thousands)

		SETS Fund	Loan Fund	Aggregate nonmajor funds
Cash flows from operating activities:				
Interest received on loans	$	—	527	527
Receipts from borrowers		—	45	45
Principal collected on loans		—	1,134	1,134
Loans originated		—	(1,769)	(1,769)
Payments to suppliers and employees for services		(873)	(13)	(886)
Payments to primary government		(30)	(86)	(116)
Net cash used for operating activities		(903)	(162)	(1,065)
Cash flows from noncapital and related financing activities:				
Appropriation – State of Alaska		125,000	—	125,000
Reappropriation – State of Alaska		(50,000)	—	(50,000)
State appropriation transferred to major fund		(57,500)	—	(57,500)
Net cash provided by noncapital and related financing activities		17,500	—	17,500
Cash flows from investing activities:				
Proceeds from sales and maturities of investment securities		104,200	—	104,200
Interest collected on investments		138	15	153
Net cash provided by investing activities		104,338	15	104,353
Net increase (decrease) in cash and cash equivalents		120,935	(147)	120,788
Cash and cash equivalents at beginning of year		20,761	2,177	22,938
Cash and cash equivalents at end of year	$	141,696	2,030	143,726

(Continued)

Schedule 3

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, 2014

(In thousands)

		SETS Fund	Loan Fund	Aggregate nonmajor funds
Reconciliation of operating income to net cash used for operating activities:				
Operating income (loss)	$	(582)	515	(67)
Adjustments to reconcile operating income to net cash used for operating activities:				
Principal collected on loans		—	1,134	1,134
Loans originated		—	(1,769)	(1,769)
Investment interest income		(43)	—	(43)
Provision for loan losses		—	(59)	(59)
Net decrease in fair value of investments		19	—	19
Capitalized loan commitment fees		(10)	—	(10)
Increase in accrued interest receivable and other assets		—	(15)	(15)
(Decrease) increase in accounts payable and other liabilities		(287)	32	(255)
Net cash used for operating activities	$	(903)	(162)	(1,065)
Noncash investing, capital, and financing activities:				
Net decrease in fair value of investments	$	19	—	19
Net decrease in due to other fund		(57,461)	—	(57,461)

See accompanying independent auditors' report.

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

Historical Loan Information – Revolving Fund

Year ended June 30, 2014

(In thousands)

		2014	2013	2012	2011	2010	2009	2008	2007	2006
Outstanding loan balance at June 30, by loan type:										
Loan participation:										
Internally funded	$	335,013	378,521	411,683	420,397	349,918	339,487	355,254	357,488	330,764
Bond sale		13,656	14,165	14,571	11,982	—	—	—	—	—
Bonds retired		—	—	717	767	815	859	1,685	2,595	5,110
OREO sale financing		8,864	20,942	21,167	21,234	23,844	24,491	24,644	24,745	24,993
Appropriated		—	—	17	32	48	95	179	328	601
Purchased loans		18,501	19,463	20,669	23,510	—	—	—	—	—
Other		—	—	—	2,770	3,032	3,277	—	—	—
	$	376,034	433,091	468,824	480,692	377,657	368,209	381,762	385,156	361,468
Number of outstanding loans at June 30, by loan type:										
Loan participation:										
Internally funded	$	224	235	257	255	241	238	249	263	249
Bond sale		1	1	1	1	—	—	—	—	—
Bonds retired		—	—	1	1	1	1	11	14	22
OREO sale financing		4	4	5	5	6	6	8	8	10
Appropriated		—	—	1	1	2	7	14	26	43
Purchased loans		28	28	31	37	—	—	—	—	—
Other		—	—	—	1	1	1	—	—	—
	$	257	268	296	301	251	253	282	311	324
Aging percent of outstanding loans at June 30:										
Current		99.61%	99.49%	99.89%	99.35%	99.11%	99.04%	99.35%	98.85%	99.67%
Past due:										
31-60 days		—	0.05	0.05	0.59	0.17	—	0.13	0.01	0.17
60-90 days		0.31	—	—	—	—	0.88	—	0.62	—
Over 90 days		0.08	0.46	0.06	0.06	0.72	0.08	0.52	0.52	0.16
		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Unaudited – See accompanying independent auditors' report

Schedule 5

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

(A Component Unit of the State of Alaska)

Schedule of Development Project Information

June 30, 2014

Direct Financing Leases

- *Federal Express Project*. AIDEA leases the Federal Express Project under an agreement, recorded as a direct financing lease and expiring March 2015. Minimum lease payments under the agreement return the cost of the Federal Express Project plus 7.55% interest. We are currently negotiating continuing use of the project with the lessee.

- *Red Dog Project*. AIDEA receives minimum annual toll fees for the use of the DeLong Mountain Transportation System by Teck Alaska in support of the Red Dog mine. The DMTS went into service in 1990 and will remain in effect until 2040 at an interest rate of 6.5%. Toll fees for expanding the DMTS return the cost of the expansion from the in-service date 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 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 mine's life will extend to 2031, based on known reserves in this deposit. Expansion of the Aqqaluk deposit or other nearby deposits, such as the Qanaiyaq deposit 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 Borough to obtain additional revenues to fund the NWAB's public services. In August 2011 they asked us to share the benefits we receive from the Red Dog Project with them, basing the request on legislation enacted in 2010 they said supported it (note 1). Our board has met with NWAB representatives and preliminary discussions regarding the issues raised have taken place.

- *DMVA Project*. Under a license between the State of Alaska and the U.S. Air Force, we 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 US Coast Guard began occupying the building in January 2014.

Capital Assets

- *Healy Project*. The Healy Project, which was sold in December 2013 to Golden Valley Electric Association (GVEA), was initially built to meet projected increasing energy demand, to provide fuel diversity in the Alaska Railbelt (the power-sharing area between Interior Alaska and South central Alaska, connected by roads, generating facilities and transmission lines) electrical grid and to provide a market for otherwise unmarketable waste coal. The project has been idle since completion of a 90-day test period in December 1999.

  Under an August 2009 agreement, a subsidiary of Golden Valley Electric Association (GVEA), Tri-Valley Electric Cooperative, Inc. (Tri-VEC), was to purchase the Healy Project for $50 million, and AIDEA was to loan up to an additional $45 million under a line of credit to bring the plant out of warm layup status, integrate the Healy Project into GVEA's system, and put the Healy Project into operation. In June 2013, the agreement was modified to provide for a direct sale to GVEA for a purchase price of $42 million plus reimbursement of AIDEA's project holding costs from January 1, 2013 and no line of credit from AIDEA.

- *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. 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 Pacific Northwest shipbuilder. AIDEA kept ownership of the Shipyard. In the fall of 2013, Alaska Ship & Drydock, LLC changed its name to Vigor Alaska, LLC. Annual payments are based on a percentage of revenue, which are applied in three ways:

  – First to reimburse us 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.

  – Finally, any remaining funds are distributed to AIDEA and the local Ketchikan governments

  A second shiplift 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 by the Ketchikan Gateway Borough and the state. Other grants and appropriations have been authorized to complete more work to further develop the Shipyard, including $47.9 million of federal funds (with required match from other sources). Improvements using these funds are ongoing and substantially all of the federal funding was spent or committed as of June 30, 2014. The local Ketchikan governments contributed advanced funds, land, and engineering services to the development project. The state's Department of Transportation and Public Facilities (AKDOT&PF) contributed funding during FY14 and previous years. AKDOT&PF also contributed land, buildings and design, engineering and construction services in previous years, some of which was funded from available federal funding.

- *Skagway 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, to use a portion of the Skagway Terminal for shipment of bulk mine products. Improvements were made to the facility and placed into service. During FY11, the user paid off the direct financing lease related to the facility. During FY14 the lease was extended to March 2023, the end of our land sublease. There has been recent interest in mining properties in areas near Skagway that the Skagway Terminal could service. AIDEA met with potential users and production by other users could still be several years away.

Preferred Interest in Operating Companies

- *KOV*. In November 2011, AIDEA became the preferred member in Kenai Offshore Ventures, LLC (KOV) which owns a jack-up drilling rig, known as the Endeavour-Spirit of Independence. Under the KOV agreements the rig will operate in the Cook Inlet and other Alaskan waters. We contributed $23.6 million to the LLC for purchase and refurbishment of the rig.

Under the KOV operating agreement, AIDEA's ownership interest is to be repurchased through a series of minimum scheduled repurchase payments over a five-year period, subject to "Available Cash". The first repurchase payment was expected to occur January 1, 2013 and the final payment is required to occur no later than January 1, 2018. The repurchase payments expected January 1, 2013 and January 1, 2014 were not made and, subject to the terms of the LLC operating agreement, were deferred. The repurchase of AIDEA's ownership interest in KOV may be accelerated upon the occurrence of certain conditions, or by the other members exercising, before December 31, 2014, their option to repurchase our ownership interest.

AIDEA is due an annual dividend of 8% based on our then-outstanding ownership interest in KOV, subject to Available Cash. The dividends anticipated to be paid January 1, 2013 and January 1, 2014 were paid in February 2014.

Repurchase and other payment obligations owed to AIDEA each year under the LLC operating agreement are conditioned upon the LLC having "Available Cash" to make such payments after paying senior debt obligations (described below) and establishing and maintaining funds sufficient to cover operations; notwithstanding this condition on payments due us, all amounts owed to us, including repurchase obligations, are due and payable in full, regardless of Available Cash, on or before January 1, 2018.

We entered into an Estoppel and Consent Agreement in January 2014, which required, among other things, KOV LLC to pay us for all dividends payable through December 31, 2013 and reimbursement for $300,000 in transaction costs. A payment of about $4.4 million was received in February 2014.

The payments due us as the preferred member of KOV are secured by a ship mortgage against the jack-up drilling rig and its equipment (and the proceeds of insurance covering these items) and a security interest in KOV's deposit accounts. The ship mortgage and security interest in KOV's deposit accounts in favor of AIDEA are subordinate to senior debt that KOV owes another lender. Under the LLC operating agreement and under an intercreditor agreement with the senior lender, we have the right to acquire the senior debt along with the guaranty of the senior debt by Singapore-based KOV member Ezion Holdings Ltd. The payments due AIDEA as the preferred member of KOV are also secured by security interests that former KOV member Buccaneer Alaska Drilling, LLC and its affiliates (Buccaneer) granted to AIDEA in (1) certain overriding royalty interests (ORRI) in mineral leases Buccaneer holds in Alaska and Texas, including some of which are not yet producing; and (2) certain exploration incentives and production tax credits Buccaneer may receive from the State. In December 2013, Buccaneer Alaska Drilling sold its common member interest in KOV to Teras Investments PTE. LTD (a holding company of Ezion Holdings). All conditions and guarantees applicable to AIDEA remain in place. In May 2013, Buccaneer filed for Chapter 11 bankruptcy protection in Texas and the bareboat charter agreement between Buccaneer and KOV was terminated. AIDEA and KOV have submitted Proof of Claims (POC) to the Bankruptcy Court.

ALASKA INDUSTRIAL DEVELOPMENT
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Schedule of Development Project Information

June 30, 2014

- *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 and natural gas 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. Mustang Road LLC 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 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. Early redemption payments were made during FY14 in the amount of about $4.5 million. When fully redeemed, AIDEA's membership interest and voting interest in the LLC will be zero.

  Under 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 are to be made quarterly, beginning 90 days after oil production or by December 31, 2015. The revised agreement also provides for a $2 million increase in the outstanding balance of AIDEA's investment to capitalize the forgone dividend payments. Lastly, the revised agreement also provides 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 agreement was further amended in July 2014 to replace 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. An additional early Redemption Payment to AIDEA of about $6.9 million out of the proceeds of State of Alaska tax credits is anticipated in late 2014.

  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 Brooks Range Petroleum Corporation (BRPC) have guaranteed the LLC's obligations due AIDEA as the Preferred Member.

(Continued)

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.

– 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 will be built through a limited liability company owned by AIDEA and CES Oil Services Pte, Ltd., a subsidiary of Charisma Energy Services Ltd. (CES). The limited liability company is Mustang Operations Center 1 LLC (MOC 1). The facility will be built on the Mustang Pad, developed 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, which share 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. 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.

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

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Schedule of Development Project Information

June 30, 2014

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

- MOC1 will be granted a deed of trust on 89% of the working interests in the Mustang Field for the pre-construction period.
- After first oil production, MOC1 will receive the proceeds of its carried working interest in the Mustang Field, which under most scenarios is expected to provide funds equal to or in excess of the Charter Fee payments.
- The oil revenues from 90% of the working interests in the field will be deposited into a control account over which MOC1 has withdrawal authority. After payment of royalties, operating expenses, production taxes and tariffs, MOC1 will be entitled to draw on the control account for its working interest share and to establish a reserve account. 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 the shortfall.
- MOC1 is to receive 50% of the pre-production capital expense credits paid by the State of Alaska, which will be used for early payment of the SEI loan.
- MOC1 will be granted a deed of trust on 90% of the working interests in other potential North Slope oil fields that BRPC may develop.

The MOC1 transactions are in the process of being closed and AIDEA has not yet made its capital contribution to MOC1. AIDEA expects the MOC1 transactions to be completely closed in the fourth quarter of calendar year 2014 and AIDEA's capital contributions to MOC1 are expected to commence at that time or shortly thereafter.

Schedule 6

ALASKA INDUSTRIAL DEVELOPMENT
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Municipal Secondary Market Disclosure – Operating Data-Revolving Fund

June 30, 2014

Cross reference for schedules contained in audited financial statements:

Schedule	Financial statements
Loan Delinquency Experience	Note 4
Outstanding Revolving Fund Bonds	Note 8
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 11(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, 2014 follow. No amounts related to the Snettisham Hydroelectric Project* are included. As described in note 3 to the Financial Statements, a portion of the Investment Securities are subject to certain restrictions:

Current assets:		
Cash and cash equivalents (unrestricted)	$	162,132
Cash and cash equivalents (restricted)		74,143
Investment securities (unrestricted)		5,887
Noncurrent assets:		
Investment securities (unrestricted)		306,588
Investment securities	$	548,750

* 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.

(Continued)

Schedule 6

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY
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Municipal Secondary Market Disclosure – Operating Data-Revolving Fund

June 30, 2014

Restricted Investment Securities

AIDEA's Revolving Fund Restricted Investment Securities at June 30, 2014 follow:

Restricted investment securities (see note 3 to the financial statements)	$	83,213
Less restricted funds related to the Snettisham Hydroelectric Project		(9,070)
Restricted investment securities	$	74,143

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, 2014 (excluding the Snettisham Project). 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, 2014	Minimum annual receipts	Authority program	Type of business/ collateral
Teck Alaska Incorporated	$ 171,951 [(1)]	17,670 [(2)]	Development Project	Public Port and Road
Vigor Alaska, LLC	82,350 [(3)]	N/A [(4)]	Development Project	Shipyard
Kenai Offshore Ventures, LLC	23,877 [(5)]	N/A [(6)]	Development Project	Jack-up Drilling Rig
3000 C Street, LLC	18,191	1,173	Loan	Office Building
Mustang Road LLC	15,592 [(7)]	N/A [(8)]	Development Project	Gravel Road and Pad
Allen Marine Tours, Inc	14,212	1,651	Loan	Marina
Department of Military and Veterans Affairs	14,021[(9)]	1,125	Development Project	Alaska National Guard Armory

(1) Represents AIDEA's net investment in the DeLong Mountain Transportation System (DMTS).

(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, 2014 Financial Statements, note 6 and Schedule 5.

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(4) Payments under the operating agreement are not currently projectable; see AIDEA's June 30 2014 Financial Statements, Schedule 5.

(5) Represents AIDEA's investment as a preferred member in Kenai Offshore Ventures, LLC (KOV) which owns a jack-up drilling rig.

(6) See AIDEA's June 30, 2014 Financial Statements, Schedule 5.

(7) Represents AIDEA's investment as a preferred member in Mustang Road LLC whose purpose is to develop, construct, own and operate roads and a gravel pad.

(8) See AIDEA's June 30, 2014 Financial Statements, Schedule 5.

(9) Represents the AIDEA's investment in a direct financing lease with Department of Military and Veterans Affairs (DMVA) for the constructed expansion of the National Guard Armory on Joint Base Elmendorf-Richardson. See AIDEA's June 30, 2014 Financial Statements, note 6.

Loan Portfolio

The composition of the Revolving Fund loan portfolio at June 30, 2014 follows:

	Number		Amount
Loan participation:			
Bond sale	1	$	13,656
Internally funded	224		335,013
OREO sale financing	4		8,864
Other	28		18,501
	257	$	376,034

Loans Restructured from Original Terms

There were no Revolving Fund loans at June 30, 2014, on which the terms had been restructured from their original terms.

Description of Assets

On June 30, 2014, AIDEA's Revolving Fund had total assets of $1.250 billion available to pay or to generate revenues to pay debt service on the Revolving Fund Bonds. This amount includes $74.1 million in restricted investment securities that are restricted by the terms of agreements (see Restricted Investment Securities).

(Continued)

Schedule 6

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Loans, investments in development projects (including three development projects accounted for as "direct financing leases" and three development projects accounted for as an "investment in preferred interest in an operating company), and other assets, totaling $697 million at June 30, 2014, are not highly liquid.

Historical Financial Performance

The following table summarizes AIDEA's Revolving Fund debt service coverage for the year ended June 30, 2014 (no amounts related to the Snettisham Project are included).

Debt Service Coverage for Revolving Fund Bonds

Loan principal and interest payments	$	88,027
Investment earnings [(1)]		7,887
Development project receipts [(2)]		77,058
Other revenues		7,484
		180,456
Less operating and maintenance expenses		17,207
Net income [(3)] available for debt service	$	163,249
Annual debt service [(4)]	$	12,011
Debt service coverage		13.59x

(1) Income collected on investments less $2,362,500 realized loss on investment sales and maturities, less interest earned on restricted investments related to the Ketchikan Shipyard.

(2) Excludes $250,000 and $4,417,000 received June 30, 2014 which was due July 1, 2014 relating to Federal Express and DMTS respectively. Includes price sensitive and tonnage sensitive (released from a reserve fund) payments of $3,890,600 relating to DMTS. Also includes $43.1 million in receipts from the sale of the Healy Project and $8,816,000 received from preferred interest in operating companies.

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

(4) Excludes payments on bonds issued to finance the Snettisham Project.