ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

(A Component Unit of the State of Alaska)

Basic Financial Statements and Schedules

June 30, 2015

(with summarized financial information for June 30, 2014)

(With Independent Auditors' Report Thereon)

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

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AND EXPORT AUTHORITY
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June 30, 2015

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 Non-major Funds. AIDEA is a public corporation of the State of Alaska (State) and a body corporate and politic constituting a political subdivision within the State Department of Commerce, Community and Economic Development (DCCED), but with separate and independent legal existence. AIDEA has its own self-balancing set of financial statements independently audited from the State. We do most of our business and operations through the Revolving Fund using two accounts, which are the Enterprise Development Account and Economic Development Account. Information on these two Accounts is in note 1 to the basic financial statements. The Non-major 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) 2015, with summarized comparative totals as of and for FY14. The Arctic Infrastructure Development Fund was established effective October 2014 to promote and provide financing for arctic infrastructure development. There was no activity in the fund in FY15, therefore it is not included in our FY15 financial statements.

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

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

The financial statements contain four sections: management's discussion and analysis, the basic financial statements and notes to basic financial statements and required supplementary information. We have included other schedules to report the Non-major 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 its financial statements.

Basic Financial Statements

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

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

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

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

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

To compare current year financial position, results of operations and cash flows, we have also included summarized financial information for FY14.

Management's Discussion and Analysis

This section contains our analysis of the financial position and results of operations at and for FY15. The section helps the reader focus on significant financial matters and provides additional information regarding our activities. For best understanding, read this information with the Independent Auditors' Report, the audited financial statements and the accompanying notes.

Financial Highlights

AIDEA's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at June 30, 2015 and 2014 by $1.29 billion and $1.27 billion respectively. Our FY15 unrestricted net position was $1.18 billion (with $1.03 billion in the Revolving Fund) and our FY14 unrestricted net position was $1.17 billion (with $1.02 billion in the Revolving Fund). These amounts were unrestricted, and thus, available for future financial needs.

Financial Analysis

Following are AIDEA's total assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2015 and 2014 (in thousands):

		FY15	FY14	Increase (decrease)
Current assets	$	442,700	437,600	5,100
Development projects – capital assets		79,426	82,350	(2,924)
Capital assets-other		25,977	12,427	13,550
Other noncurrent assets		945,446	954,730	(9,284)
Total assets		1,493,549	1,487,107	6,442
Deferred outflows of resources		1,253	363	890
Total assets and deferred outflows of resources	$	1,494,802	1,487,470	7,332
Current liabilities	$	58,611	69,268	(10,657)
Noncurrent liabilities		144,660	147,440	(2,780)
Total liabilities		203,271	216,708	(13,437)
Deferred inflows of resources		993	—	993
Total net position		1,290,538	1,270,762	19,776
Total liabilities, deferred inflows of resources and net position	$	1,494,802	1,487,470	7,332

Current assets were $5.1 million higher at June 30, 2015 compared to June 30, 2014 and are below (in thousands):

		FY15	FY14	Increase (decrease)
Unrestricted cash/cash equivalents/investments	$	320,741	311,744	8,997
Restricted cash/cash equivalents/investments		62,190	74,144	(11,954)
Loans – current portion		39,367	32,277	7,090
Development projects accounted for as direct financing leases – current portion		12,915	8,290	4,625
Accrued interest receivable/other current assets		7,487	11,145	(3,658)
Total	$	442,700	437,600	5,100

- **Unrestricted cash/cash equivalents/investments** balances were increased in FY15 to provide available cash for investment in anticipated projects and loans in the first quarter of FY16.

- **Restricted cash/cash equivalents/investments** decreased about $12.0 million primarily due to the expenditure of funds advanced on State appropriations for the Ketchikan Shipyard, Ambler Mining District Industrial Access Road (AMDIAR) and the Interior Energy Project (IEP), net of additional advances received from the State during the fiscal year.
- **Loans-current portion** increased $7.1 million primarily because of a $7.7 million FY16 balloon payment due on a loan.
- **Development projects accounted for as direct financing leases-current portion** increased $4.6 million. The FY14 current portion was reduced because payments due in July 2014 were received in June 2014. Payments due July 2015 were not paid early, therefore they are reflected in the current portion to be received in FY16.
- **Accrued interest receivable/other current assets**, decreased $3.7 million primarily due to a decrease of about $3.5 million in amounts due from the Alaska Energy Authority (AEA) for services and borrowings and a slight net decrease in accrued interest receivable on our loan and investment portfolios.

Development projects-capital assets decreased $2.9 million from FY14 to FY15 mostly due to depreciation of $3.2 million, partially offset by Federal and State funded construction at the Ketchikan Shipyard.

Capital assets-other increased $13.6 million from FY14 to FY15 primarily because of the capitalization of $13.7 million in costs incurred for two high priority projects for Alaska, the IEP and the AMDIAR, partially offset by depreciation on our administrative building.

Other noncurrent assets declined $9.3 million. The following table breaks out other noncurrent assets (in thousands):

		FY15	FY14	Increase (decrease)
Unrestricted investment securities	$	310,594	306,588	4,006
Loans (net)		348,708	348,008	700
Development projects		273,027	289,815	(16,788)
Restricted cash equivalents/investments		9,579	9,070	509
Other assets		3,538	1,249	2,289
	$	945,446	954,730	(9,284)

- **Unrestricted investment securities** increased $4 million as a result of portfolio management strategy.
- **Loans (net)** increased slightly at June 30, 2015 compared to June 30, 2014. A higher overall loan portfolio balance of $7.7 million and a lower allowance for loan losses contributed to the increase. Our SETS loan portfolio increased $20.9 million in FY15 as a result of draws made on two Lines of Credit (LOC's) related to the IEP. These LOC's will convert to term loans in the future if certain conditions are met. We transitioned a larger amount to current in FY15 compared to FY14, partially offsetting these increases. The FY15 current portion is based on projected FY16 payments.

- **Development projects** decreased $16.8 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.
  - $116,000 net decrease in preferred interest in operating companies during 2015. Our interest in Kenai Offshore Ventures LLC (KOV) was redeemed in FY15, decreasing our interest in operating companies by $23.6 million and we received payments totaling $6.8 million related to our investment in Mustang Road, LLC. These decreases were mostly offset by our investment in the Mustang Operations Center 1 LLC (MOC1) of about $30 million in FY15.
  - $16.6 million net decrease in the balance of the noncurrent and restricted portions of direct financing leases. Balances decreased as the net result of principal payments received and the transition to current from long-term of payments projected to be received relating to the Red Dog project, Department of Military and Veterans Affairs (DMVA) project and Snettisham project. The direct financing lease related to the Federal Express project was paid off during the fiscal year.
- **Restricted cash equivalents/investments** increased during FY15 primarily as a result of net cash receipts and expenditures relating to the Snettisham project.
- **Other assets** increased $2.3 million during FY15. This increase was the result of a $2.7 million escrow payment made by us towards the purchase of Pentex Alaska Natural Gas Company, LLC offset by the sale of property held by the Loan Funds which was acquired as a result of loan defaults in prior years.

Deferred outflows of resources increased $890,000 during FY15 and has two components; deferred outflows of resources related to employee pensions and deferred charge on bond refunding. The balance increased as a result of our FY15 implementation of Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions* (Statement 68). We recorded deferred outflows of resources related to our participation in the Public Employee Retirement System (PERS) of $988,000 in FY15. The PERS is a cost-sharing employee retirement plan where multiple employers share in the plan financial activities based on their contributions to the plan. Amortization of deferred charges on debt decreased deferred outflows of resources compared to FY14.

Current liabilities decreased $10.7 million. The following table breaks out current liabilities (in thousands):

		FY15	FY14	Increase (decrease)
Bonds payable-current portion	$	9,055	8,465	590
Accrued interest payable		819	924	(105)
Advances from the State of Alaska		46,357	54,322	(7,965)
Accounts payable/other liabilities		2,380	5,557	(3,177)
	$	58,611	69,268	(10,657)

- **Bonds payable-current portion** increased as a result of the transition to current liabilities of $9.1 million, partially offset by $8.5 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 $8.0 million, the net result of expenditures on projects funded with State General Fund money of about $13.6 million and advance receipts from the State General Fund of approximately $5.6 million during FY15.
- **Accounts payable/other liabilities** decreased during the year. Reduced activity relating to the Ketchikan Shipyard project, AMDIAR and IEP contributed to this reduction.

Noncurrent liabilities decreased about $2.8 million during FY15. Principal payments of $2.1 million on the Snettisham Power Revenue bonds and the transition of approximately $9.1 million in Revolving Fund bonds to current liabilities decreased noncurrent liabilities. This decrease was partially offset by the addition of a net pension liability of $8.6 million relating to our implementation of Statement 68 in FY15. Net pension liability represents our allocated portion of the liability for pension benefits provided through the PERS.

Deferred inflows of resources increased $993,000 as a result of our implementation of Statement 68 in FY15. Deferred inflows of resources represents our allocated portion of the difference between projected and actual investment earnings for the PERS based on the most recent plan valuation, June 30, 2014. Statement 68 requires this difference to be calculated at the plan level and allocated to the employers participating in the plan.

Total net position increased $19.8 million during the fiscal year due to the following;

- $25.4 million increase from operating activities
- $3.0 million increase from non-operating activities. Net position decreased because of our $10.7 million dividend to the State, but increased because of Federal and State contributions related to construction at the Ketchikan Shipyard and project development activities relating to the IEP and the AMDIAR.
- $8.6 million decrease as a result of the cumulative effect of the change in accounting principal related to our implementation of Statement 68. A net pension obligation of $9.3 million and deferred outflows relating to pensions of $707,000 were the offsetting components to this decrease in net position.

Following are AIDEA's operating revenues and expenses, net non-operating revenues (expenses), and other non-operating activity for FY15 and FY14 (in thousands):

		FY15	FY14	Increase (decrease)
Operating revenues:				
Interest on loans	$	17,468	19,012	(1,544)
Income from development projects		15,862	14,695	1,167
Restricted income		3,753	3,876	(123)
Investment interest		10,473	10,037	436
Net increase (decrease) in fair value of investments		(4,910)	2,224	(7,134)
Income from state agencies and component units		8,856	8,615	241
Gain on sale of development project		—	4,188	(4,188)
Other income		1,613	2,322	(709)
Total operating revenues		53,115	64,969	(11,854)
Operating expenses:				
Interest		3,065	3,056	9
Interest on liabilities payable from restricted assets		3,753	3,876	(123)
Non-project personnel, general and administrative		7,259	7,280	(21)
Costs reimbursed from state agencies and component units		8,856	8,615	241
Provision for loan losses		(28)	(1,349)	1,321
Depreciation		3,247	3,529	(282)
Project and feasibility/due diligence costs		1,608	4,063	(2,455)
Total operating expenses		27,760	29,070	(1,310)
Operating income		25,355	35,899	(10,544)
Net non-operating revenues (expenses)		(367)	(633)	266
Contributions from the State of Alaska		14,008	139,968	(125,960)
Capital grant		25	1,328	(1,303)
Reappropriation-State of Alaska		—	(50,000)	50,000
Dividend to State of Alaska		(10,665)	(20,745)	10,080
Increase in net position	$	28,356	105,817	(77,461)

Operating revenues decreased $11.9 million during the year ended June 30, 2015 compared to 2014.

- **Interest on loans** includes interest earned on our loan portfolios**.** Interest on loans decreased $1.5 million; as balances decrease and/or as loans are paid off early, a larger portion of payments are applied to principal rather than interest.

- **Income from development projects** includes interest income from development projects accounted for as direct financing leases, lease revenues from development projects and earnings on our investments in operating companies. Income from development projects increased $1.2 million as a result of increased revenues related to our investment in Mustang Road, LLC and rental revenues from the Federal Express project. Our capital investment in the Federal Express project was paid off during FY15 and we now recognize rental income from the lease of the facility.
- **Restricted income** represents income related to the Snettisham Hydroelectric Project. Restricted income decreased slightly compared to FY14.
- **Investment interest** is comprised of interest earned on our investment portfolios. Investment interest was slightly higher in 2015 compared to 2014. This increase was the product of market conditions and portfolio management as we transitioned balances from cash and cash equivalents to short term investments.
- **Net increase (decrease) in fair value of investments** represents realized and unrealized gains and losses on our investment portfolios. This item decreased $7.1 million in FY15 compared to FY14 because of market conditions, contributing substantially to the decrease in operating revenues.
- **Income from State agencies and component units** represents income relating to services provided to other State agencies. Income increased in FY15 for services provided to AEA. Billing rates increased over FY14 due to increased personnel related costs such as base wages and medical insurance premiums.
- **Gain on sale of development project** increased operating revenues by $4.2 million in FY14 compared to FY15 because of the sale of the Healy project in December 2013 to Golden Valley Electric Association.
- **Other income** decreased mostly due to a decrease in revenue recognized for State contributions to the PERS on behalf of AIDEA. Under State statute we are responsible for PERS contributions up to a rate of 22% of participating employees covered payroll and the State is responsible for remaining contributions up to the rate necessary to pay the Plans' past service liability on our behalf.

  Statement 68 resulted in a change in accounting principal relating to payments made by one entity on behalf of another to a pension plan. The implementation of this change did not require a restatement of previous periods but resulted in recognition of revenue for on-behalf payments based on allocated pension expense calculated on covered payroll and actuarial assumptions rather than contributions made to the plan.

Operating expenses decreased a net of $1.3 million in FY15 compared to FY14.

- **Interest expense** represents the cost of interest on our long term debt other than the Snettisham Hydroelectric Project Power Revenue Bonds. Interest expense was higher in FY15 compared to FY14 because we ceased capitalizing interest related to the DMVA project in FY15 after construction was complete. This increase was partially offset by a decrease due to lower outstanding debt balances during the year ended June 30, 2015 compared to 2014.
- **Interest on liabilities payable from restricted assets** represents the cost of interest related to the Snettisham Hydroelectric Project Power Revenue Bonds. This line item decreased slightly in FY15.
- **Non-project personnel, general and administrative** includes costs related to our staff and general operations such as facilities costs and supplies which are not directly related to a project. Non-project

(Continued)

personnel, general and administrative costs decreased slightly in FY15 compared to FY14. Balances were decreased because a higher allocation of personnel costs were charged to AEA during FY15. Reduced spending in FY15 on professional services and other areas also decreased balances compared to FY14. Total personnel costs were higher in FY15 compared to FY14, offsetting these decreases.

- **Costs reimbursed from State agencies and component units** represents costs we incurred relating to other State agencies and were reimbursed such as staff time spent on projects for AEA. This balance increased in FY15 compared to FY14 primarily due to an increase in personnel costs charged to AEA for staff time spent on behalf of AEA programs.
- **Provision for loan losses** represents the adjustment made to recognize potential losses in our loan portfolio. The smaller reduction of the FY15 allowance for loan losses compared to FY14 was a product of a smaller net decrease in the Revolving Fund loan portfolio balance compared to the prior year. As the loan portfolio decreases, the portion of the provision for loan losses calculated on the outstanding portfolio balance also decreases. This reduction was offset by an increase to the provision for loan losses for the Loan Fund portfolios.
- **Depreciation** expense decreased in FY15 compared to FY14. Depreciation expense in FY15 represents the allocation of the cost of the Ketchikan Shipyard over the useful life of the project assets. In addition to depreciation related to the Ketchikan Shipyard, the FY14 balance included depreciation related to the Healy Project which was sold in FY14. Depreciation expense decreased in FY15 compared to FY14 because of the Healy Project sale, partially offset by an increase related to depreciation of newly constructed assets at the Ketchikan Shipyard.
- **Project and feasibility/due diligence** costs represent expenditures related to our owned projects such as the Ketchikan Shipyard and Skagway Ore Terminal and costs incurred to understand and evaluate potential projects. These costs decreased $2.5 million in FY15 compared to FY14. This decrease was mostly due to the following;
  - $906,000 decrease in feasibility/due diligence costs primarily due to decreased costs relating to a natural gas distribution system and affiliated infrastructure in Fairbanks, part of the IEP, and a feasibility study relating to converting natural gas to liquid.
  - $1.5 million decrease in project costs during 2015 compared to 2014. This decrease was primarily due to the completion of State funded maintenance projects at the Ketchikan Shipyard in FY14.

Net non-operating revenues (expenses) is comprised of net activity related to the Ketchikan Shipyard Repair and Replacement Fund and investment interest related to the Loan Funds. Net activity related to the Ketchikan Shipyard Repair and Replacement Fund represents repairs and replacement costs for the Ketchikan Shipyard paid from the Repair and Replacement account we administer, net of contributions received for the account by the operator of the shipyard. The reduction to net position from these activities in FY15 was less than FY14 primarily because there were less repair and replacement expenditures in FY15.

Contributions from the State of Alaska include revenue recognized from State General Fund capital appropriations and contributions of funding and assets from other State agencies. These revenues decreased approximately $126 million in FY15 compared to FY14. The State capitalized the SETS Fund with $125 million in FY14 but did not add additional funds in FY15, causing a $125 million reduction in these revenues between the two years. State contributions relating to the AMDIAR and the IEP contributed to an increase in these revenues over FY14, offset by reduced State contributions relating to the Ketchikan Shipyard.

Capital grant revenues represent revenues recognized from the expenditure of federal capital funding at the Ketchikan Shipyard. These revenues decreased in FY15 compared to FY14. Grant funded construction at the Ketchikan Shipyard is substantially complete, resulting in less spending during FY15.

Reappropriation-State of Alaska represents the return of a State appropriation to the State General Fund at the direction of the legislature as a result of reduced funding. We had no reappropriations to report in FY15. In FY14 the legislature reappropriated $50 million from the SETS Fund to the State General Fund to be used on other priorities.

Dividend to State of Alaska decreased in FY15 compared to FY14. We paid a $10.7 million dividend to the State during FY15, compared to $20.7 million during FY14. The variance in the dividend paid is a result of the variance in statutory "net income" between the "base years." Statutory "net income" for FY12 (used to calculate the FY14 dividend) was higher than FY13 (used to calculate the FY15 dividend). FY13 statutory "net income" was lower than FY12 mainly due to FY13 unrealized losses on our investment portfolio. Governmental accounting standards require our investment portfolio to be reported at market value. As directed by statute, AIDEA makes available to the State an annual dividend. This dividend, determined by our Board, must be between 25% and 50% of audited "net income" (as defined in the statute) for the "base year." The "base year" is the fiscal year ending two years before the end of the fiscal year in which the dividend payment is to be paid; for example, the statutory net income reported for FY15 (the audit being completed within FY16) will become the base for the dividend to be paid in FY17. 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 Development 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 $56 million of new loans next year.

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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) (AIDEA), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the AIDEA'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 AIDEA as of June 30, 2015, 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, on July 1, 2014, AIDEA adopted new accounting guidance requiring governments providing defined benefit pensions to their employees to recognize their proportionate share of the pension plan's net pension liability, as well as recognizing most changes in the net pension liability within pension expense. Our opinions are not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

We have previously audited AIDEA's 2014 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 23, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, 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 1–10, and the schedule of AIDEA's proportionate share of the net pension liability on page 53, 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 AIDEA'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 December 1, 2015 on our consideration of AIDEA'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 AIDEA's internal control over financial reporting and compliance.

KPMG LLP

December 1, 2015

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

Statements of Net Position

June 30, 2015
(with summarized financial information at June 30, 2014)

(In thousands)

Assets and Deferred Outflows of Resources	**Revolving Fund**	**Aggregate Non-major Funds**	**Total 2015**	**Total 2014**
Current assets:				
Unrestricted cash and cash equivalents (note 3)	$ 98,652	124,266	222,918	305,857
Restricted cash and cash equivalents (note 3)	62,189	1	62,190	74,144
Unrestricted investment securities (note 3)	97,823	—	97,823	5,887
Due from (to) other funds	11	(11)	—	—
Loans (note 4)	38,427	940	39,367	32,277
Development projects accounted for as direct financing leases (note 6)	12,915	—	12,915	8,290
Accrued interest receivable	4,013	230	4,243	4,342
Other assets	3,238	6	3,244	6,803
Total current assets	317,268	125,432	442,700	437,600
Noncurrent assets:				
Investment securities (note 3)	310,594	—	310,594	306,588
Loans (note 4)	325,102	32,282	357,384	356,712
Less allowance for loan losses (note 5)	(8,176)	(500)	(8,676)	(8,704)
Net loans	316,926	31,782	348,708	348,008
Development projects accounted for as:				
Direct financing leases (note 6)	164,776	—	164,776	179,281
Capital assets (note 6)	79,426	—	79,426	82,350
Preferred interest in operating companies (note 6)	39,411	—	39,411	39,527
Restricted net investment in direct financing lease - Snettisham (note 6)	68,840	—	68,840	71,007
Restricted cash and cash equivalents – Snettisham (note 3)	9,579	—	9,579	9,070
Capital assets (note 7)	25,977	—	25,977	12,427
Other assets	3,301	237	3,538	1,249
Total noncurrent assets	1,018,830	32,019	1,050,849	1,049,507
Total assets	1,336,098	157,451	1,493,549	1,487,107
Deferred outflows of resources:				
Deferred outflows of resources related to employee pensions (note 9)	988	—	988	—
Deferred charge on bond refunding	265	—	265	363
Total deferred outflows of resources	1,253	—	1,253	363
Total assets and deferred outflows of resources	$ 1,337,351	157,451	1,494,802	1,487,470
Liabilities, Deferred Inflows of Resources and Net Position				
Current liabilities:				
Bonds payable – current portion (note 8)	$ 9,055	—	9,055	8,465
Accrued interest payable	819	—	819	924
Accounts payable	1,608	41	1,649	5,195
Advances from State of Alaska	46,357	—	46,357	54,322
Other liabilities	730	1	731	362
Total current liabilities	58,569	42	58,611	69,268
Noncurrent liabilities:				
Bonds payable – noncurrent portion (note 8)	55,645	—	55,645	64,700
Net pension liability (note 9)	8,595	—	8,595	—
Other liabilities	2,001	—	2,001	2,663
Liabilities payable from restricted assets – Snettisham:				
Power revenue bonds payable (note 8)	69,955	—	69,955	72,060
Other	8,464	—	8,464	8,017
Total noncurrent liabilities	144,660	—	144,660	147,440
Total liabilities	203,229	42	203,271	216,708
Deferred inflows of resources:				
Deferred inflows of resources related to employee pensions (note 9)	993	—	993	—
Net position:				
Net investment in development projects – capital assets (note 6)	79,426	—	79,426	82,350
Net investment in capital assets (note 7)	25,977	—	25,977	12,427
Restricted contributions	1,037	—	1,037	1,511
Unrestricted	1,026,689	157,409	1,184,098	1,174,474
Total net position	1,133,129	157,409	1,290,538	1,270,762
Commitments and contingencies (notes 1, 9, and 11)				
Total liabilities, deferred inflows of resources and net position	$ 1,337,351	157,451	1,494,802	1,487,470

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, 2015
(with summarized financial information at June 30, 2014)

(In thousands)

			Total	
	Revolving Fund	**Aggregate Non-major Funds**	**2015**	**2014**
Operating revenues:				
Interest on loans (note 4)	$ 16,898	570	17,468	19,012
Income from development projects (note 6)	15,862	—	15,862	14,695
Interest on Snettisham restricted direct financing lease (note 6)	3,753	—	3,753	3,876
Investment interest	10,460	13	10,473	10,037
Net increase (decrease) in fair value of investments	(4,910)	—	(4,910)	2,224
Income from state agencies and component units (note 10)	8,856	—	8,856	8,615
Gain on sale of development project	—	—	—	4,188
Other income	907	245	1,152	1,268
State of Alaska non-employer contributions to Public Employee Retirement System	461	—	461	1,054
Total operating revenues	52,287	828	53,115	64,969
Operating expenses:				
Interest	3,065	—	3,065	3,056
Interest on Snettisham liabilities payable from restricted assets (note 8)	3,753	—	3,753	3,876
Nonproject personnel, general and administrative	7,165	94	7,259	7,280
Costs reimbursed from state agencies and component units (note 10)	8,856	—	8,856	8,615
Provision for loan losses (note 5)	(187)	159	(28)	(1,349)
Depreciation on development projects (note 6)	3,247	—	3,247	3,529
Project feasibility and due diligence costs	778	217	995	1,901
Other project expenses	613	—	613	2,162
Total operating expenses	27,290	470	27,760	29,070
Operating income	24,997	358	25,355	35,899
Nonoperating revenues (expenses) and other:				
Investment interest	—	14	14	15
Net expenses related to Ketchikan Shipyard Repair and Replacement Fund	(381)	—	(381)	(648)
Appropriations and contributions from the State of Alaska	14,008	—	14,008	139,968
Reappropriation-State of Alaska	—	—	—	(50,000)
Dividend to State of Alaska	(10,665)	—	(10,665)	(20,745)
Capital grant	25	—	25	1,328
Increase in net position	27,984	372	28,356	105,817
Net position – beginning of year, as previously reported	1,113,725	157,037	1,270,762	1,164,945
Cummulative effect on prior years of adoption of GASB Statement 68	(8,580)	—	(8,580)	—
Net position – beginning of year, as adjusted	1,105,145	157,037	1,262,182	1,164,945
Net position – end of year	$ 1,133,129	157,409	1,290,538	1,270,762

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, 2015
(with summarized financial information at June 30, 2014)

(In thousands)

	Revolving Fund	Aggregate Non-major Funds	Total 2015	Total 2014
Cash flows from operating activities:				
Interest received on loans	$ 16,317	570	16,887	18,506
Receipts from borrowers	2,050	—	2,050	1,545
Principal collected on loans	44,491	1,690	46,181	69,507
Other operating receipts	13,716	348	14,064	8,202
Loans originated	(32,938)	(882)	(33,820)	(14,047)
Payments to suppliers and employees for services	(17,175)	(136)	(17,311)	(16,493)
Payments to primary government	(1,528)	(172)	(1,700)	(1,716)
Other operating payments	(4,425)	—	(4,425)	(2,592)
Net cash provided by operating activities	20,508	1,418	21,926	62,912
Cash flows from noncapital and related financing activities:				
Appropriation - State of Alaska	—	—	—	125,500
Dividend paid to the State of Alaska	(10,665)	—	(10,665)	(20,745)
Reappropriation - State of Alaska	—	—	—	(50,000)
Short term borrowings reimbursed from the Alaska Energy Authority for working capital, net	998	—	998	157
Principal paid on noncapital debt	(515)	—	(515)	(495)
Interest paid on noncapital debt	(659)	—	(659)	(679)
Net cash (used for) provided by noncapital and related financing activities	(10,841)	—	(10,841)	53,738
Cash flows from capital and related financing activities:				
Proceeds from sale of development project	—	—	—	43,121
Direct financing lease receipts	21,975	—	21,975	29,788
Direct financing lease receipts – Snettisham	5,920	—	5,920	5,921
Federal grant receipts	14	—	14	1,348
Capital appropriation – State of Alaska	5,600	—	5,600	5,300
Restricted contributions for development projects	254	—	254	—
Receipts from primary government	270	—	270	—
Other receipts from capital and financing activities	—	—	—	41
Principal paid on capital debt	(7,950)	—	(7,950)	(7,430)
Interest paid on capital debt	(3,035)	—	(3,035)	(3,407)
Investment in development projects-capital assets	(597)	—	(597)	(5,468)
Investment in direct financing lease	—	—	—	(5,656)
Investment in capital assets	(15,433)	—	(15,433)	(8,611)
Interest paid on capital debt – Snettisham	(3,816)	—	(3,816)	(3,935)
Principal paid on capital debt – Snettisham	(2,105)	—	(2,105)	(1,985)
Net cash provided by capital and related financing activities	1,097	—	1,097	49,027
Cash flows from investing activities:				
Proceeds from sales and maturities of investment securities	179,300	—	179,300	238,715
Purchases of investment securities	(280,152)	—	(280,152)	(121,991)
Interest collected on investments	10,415	27	10,442	9,980
Investment in preferred interest in operating companies	(29,671)	—	(29,671)	(7)
Receipts from preferred interest in operating companies	32,511	—	32,511	8,816
Distribution from investment in limited partnership	197	—	197	423
Interest received on loans	697	—	697	713
Principal collected on loans	1,014	—	1,014	962
Loans originated	—	(20,904)	(20,904)	—
Net cash (used for) provided by investing activities	(85,689)	(20,877)	(106,566)	137,611
Net (decrease) increase in cash and cash equivalents	(74,925)	(19,459)	(94,384)	303,288
Cash and cash equivalents at beginning of year	245,345	143,726	389,071	85,783
Cash and cash equivalents at end of year	$ 170,420	124,267	294,687	389,071
Reconciliation to Statements of Net Position:				
Unrestricted cash and cash equivalents	$ 98,652	124,266	222,918	305,857
Restricted cash and cash equivalents	62,189	1	62,190	74,144
Restricted cash and cash equivalents-Snettisham	9,579	—	9,579	9,070
Cash and cash equivalents at end of year	$ 170,420	124,267	294,687	389,071

(Continued)

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

Statements of Cash Flows

Year ended June 30, 2015
(with summarized financial information at June 30, 2014)

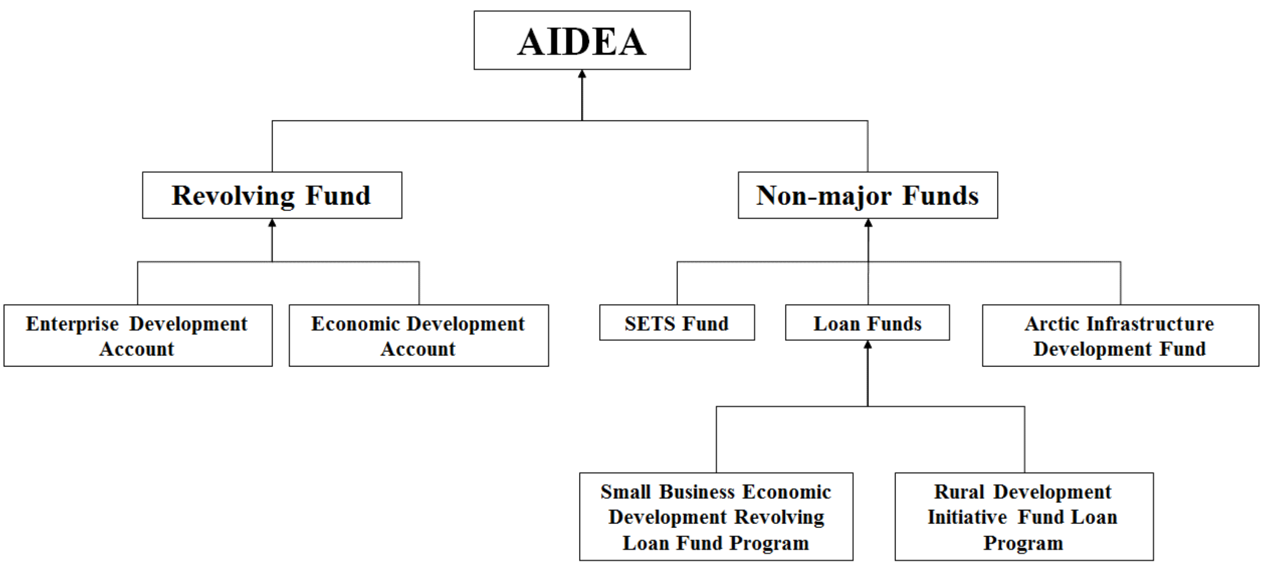
(In thousands)

	Revolving Fund	Aggregate Non-major Funds	Total 2015	Total 2014
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 24,997	358	25,355	35,899
Adjustments to reconcile operating income to net cash provided by operating activities:				
Principal collected on loans	44,491	1,690	46,181	69,507
Loans originated	(32,938)	(882)	(33,820)	(14,047)
Investment interest income	(10,460)	(13)	(10,473)	(10,037)
Net dividends from operating companies	(2,773)	—	(2,773)	(1,960)
Amortization of unearned income on direct financing leases	(12,095)	—	(12,095)	(12,231)
Amortization of unearned income on direct financing lease – Snettisham	(3,753)	—	(3,753)	(3,876)
Gain on sale of development project	—	—	—	(4,188)
Bond interest expense	3,590	—	3,590	3,988
Bond interest expense – Snettisham	3,753	—	3,753	3,876
Provision for loan losses	(187)	159	(28)	(1,349)
Depreciation on development projects	3,247	—	3,247	3,529
Depreciation on administrative capital assets	182	—	182	162
Net decrease (increase) in fair value of investments	4,910	—	4,910	(2,224)
Interest on loans	(677)	—	(677)	(708)
Capitalized interest on direct financing lease	—	—	—	(272)
Capitalized loan fees and interest	(62)	(10)	(72)	(10)
Increase in deferred outflows related to pensions	(281)	—	(281)	—
Decrease (increase) in accrued interest receivable and other assets	195	106	301	(2,832)
Decrease in net pension liability	(692)	—	(692)	—
(Decrease) increase in accounts payable and other liabilities	(1,932)	10	(1,922)	(315)
Increase in deferred inflows related to pensions	993	—	993	—
Net cash provided by operating activities	$ 20,508	1,418	21,926	62,912
Noncash investing, capital, and financing activities:				
Net decrease (increase) in unrealized gain/loss on investments	$ 7,910	—	7,910	(26,521)
Accounts payable for capital asset additions	265	—	265	1,966
Accounts payable for development project additions	35	—	35	309
Accounts payable for investment in preferred interest in operating companies	2	—	2	51
Accounts payable for capitalized loan costs	—	—	—	39

See accompanying notes to basic financial statements.

(1) Organization and Operations

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



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

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

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

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

- Loan Participation Program, we purchase portions of loans (participations) made by financial institutions to their customers. Participations generally must be limited to the lesser of 90% of the permanent financing total for qualifying facilities, or $25 million. The permanent financing limit was increased from $20 million to $25 million subsequent to June 30, 2015 as a result of legislation passed during the 2015 legislative session.

- Business and Export Assistance Program, we guarantee up to 80% of the principal balance and a guarantee of interest to the financial institution making a qualifying loan. The maximum guarantee amount of any loan is $1 million.

The following projects are included in the Enterprise Development Account:

- Interior Energy Project (IEP) which consists of work related to supplying natural gas and affiliated infrastructure and natural gas distribution systems and affiliated infrastructure in Interior Alaska.
- Ambler Mining District Industrial Access Road (AMDIAR) which consists of work related to 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 (AS 44.88.172)

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

- **DeLong Mountain Transportation System** (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), which 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.
- **Ketchikan Shipyard project** (Shipyard), located in Ketchikan, Alaska, which 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. We also have agreements with Alaska Electric Light and Power (AEL&P), the sole Juneau electric utility, which enables 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) was a limited liability company (LLC) that owned a jack-up drilling rig used in the Cook Inlet. The investment in KOV was financed with AIDEA funds and our preferred interest was repurchased in February 2015.
- **State of Alaska Department of Military and Veterans Affairs (DMVA) project**, which is an expansion to the existing National Guard Armory on Joint Base Elmendorf-Richardson (JBER). The construction was performed under a license between the State and the U.S. Air Force and was financed with AIDEA funds.
- **Mustang Road LLC**, which we have financed with AIDEA funds and in which we 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), in which we own a preferred interest, is a limited liability company that 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. The oil and gas processing facility is currently under construction and is expected to be completed in 2016.

We may also use the Economic Development Account to provide direct financing for qualifying projects under our Direct Financing Program. Under this program, AIDEA can provide direct financing in the form of a loan for projects in which we have no ownership interest. There were no loans made under this program during the current fiscal year.

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:

- **Skagway Ore Terminal**: $65.0 million to finance the expansion, modification, improvement, and upgrading of the terminal.

- **IEP:** $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. Effective as of July 1, 2015, the bonding authorization was amended to allow the liquefied natural gas production plant and system to be located anywhere in the state to provide natural gas to Interior Alaska as a primary market. This bonding authorization expires June 30, 2018 if we do not issue bonds before that date.
- **Bokan-Dotson Ridge Rare Earth Element project**: Up to $145.0 million to finance the infrastructure and construction costs of the Bokan-Dotson Ridge rare earth element project. The Bokan-Dotson Ridge rare earth element project's surface complex shall be owned and operated by AIDEA or financed under AS 44.88.172.
- **Niblack project**: Up to $125.0 million to finance the infrastructure and construction costs of the Niblack project. The Niblack project includes a mineral processing mill, associated dock, and loading and related infrastructure facilities at the Gravina Island Industrial Complex, as well as infrastructure at the project site on Prince of Wales Island to be owned by AIDEA or financed under AS 44.88.172.

(c) Conduit Revenue Bond Program

AIDEA has a stand-alone revenue bond program wherein we act as a conduit to facilitate a market financing transaction for facilities owned by and paid for by third parties. Such stand-alone revenue bonds we issue are not general obligations of AIDEA. They are payable only out of revenues derived from the projects or the private businesses for which the projects are financed. We are specifically authorized to issue revenue bonds in a collective amount up to $185.0 million to finance building power transmission interties that electric utilities will own. We have not issued any bonds under this authorization. By the end of FY15, we had issued conduit revenue bonds for 317 projects (not including bonds issued to refund other bonds). At June 30, 2015, the outstanding principal amount of conduit revenue bonds issued after July 1, 1995 was $482.1 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 $1.36 billion issued through June 30, 2015 (not including bonds issued to refund other bonds).

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

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

The Rural Development Initiative Program creates job opportunities in rural Alaska by providing small businesses with needed capital that may not be available in conventional markets. Businesses must be

Alaskan owned and located in a community of 2,000 or fewer people on the road or rail system or 5,000 or fewer people if off-road or rail.

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

(e) Sustainable Energy Transmission and Supply Development Program

The 2012 State legislature passed Senate Bill (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 reappropriated an additional $50.0 million of the initial funding for the University of Alaska, leaving $142.5 million in capitalization of the SETS Fund.

(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 with a limit of $7.5 million. AIDEA and AEA have separate executive directors, both are employees of AIDEA. The two authorities do not comingle funds, assets, or liabilities or have any responsibility for the debts or obligations of the other. So, we do not include the accounts or activities of AEA in the accompanying financial statements.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting – Enterprise Fund Accounting

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

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

(b) 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 payment of interest or principal is more than 90 days past due. The collection of accrued interest on Loan Fund loans is pursued until it is deemed uncollectible. Interest accrual is resumed when a loan is no longer more than 90 days past due.

We handle loan collections as follows:

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

- Charge off Loan Fund loans when we've determined no economic benefit will result from pursuing legal remedies.

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

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

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

(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 Companies

Preferred Interest in Operating Companies (as more fully described in note 6) are recorded in the accompanying financial statements as investments and are development projects. Income on the investments is recognized as it is earned under the project agreement. The investments are carried at cost, less capital distributions received, and less any necessary allowance.

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 company equity. We recognize an impairment loss if the fair value of the asset has declined below the carrying value and the decline is determined not to be temporary in nature. Activity associated with these 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, 2015.

(Continued)

(l) Net Position

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

(m) 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 FY15, 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.

(n) Operating Revenue and Expense

AIDEA considers all revenues and expenses except capital contributions, certain non-exchange transactions with 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.

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

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

(p) 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.

(q) 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.

(r) Non-exchange Payments

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

(s) 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.

(t) 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.

(u) Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. AIDEA has two items which qualify for reporting in this category. They are the deferred charge on debt refunding and deferred outflows of resources related to our participation in the Public Employees Retirement System (PERS).

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

(v) Pension

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

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

(Continued)

(w) 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 FY14, from which the summarized information was derived. Certain reclassifications were made to prior year information to conform to current year presentation.

(x) Change in Accounting Principle

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

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

(y) Recently Issued Accounting Pronouncements

GASB Statement No. 72, *Fair Value Measurement and Application* (Statement 72) was issued by the GASB in February 2015. Statement 72 addresses accounting and financial reporting related to fair value measurements. Statement 72 generally requires investments to be measured at fair value. Investments are defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Fair value is described as an exit price. The Statement provides guidance and techniques appropriate to determine fair value. Statement 72 is required to be implemented for financial reporting periods beginning after June 15, 2015. We have not implemented Statement 72 and are currently evaluating the impact on future financial statements.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68* (Statement 73) was issued by the GASB in June 2015. Statement 73 is intended to improve financial reporting of governments whose employees are provided with pensions that are not within the scope of Statement 68, improve the usefulness of information associated with governments that hold assets accumulated for purposes of providing defined benefit pensions not

(Continued)

within the scope of Statement 68, and to clarify the application of certain provisions of Statements 67 and 68. Amendments to Statement 68 will be effective for the fiscal year ending June 30, 2016 and the guidance for plans not within the scope of Statement 68 will be effective for the fiscal year ending June 30, 2017. We have not implemented Statement 73 and are currently evaluating the impact on future financial statements.

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

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (Statement 76) was issued by the GASB in June 2015. The objective of Statement 76 is to identify the hierarchy of generally accepted accounting principles (GAAP). Statement 76 reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. Statement 76 is required to be implemented for the fiscal year ending June 30, 2016. We have not implemented Statement 76 and are currently evaluating the impact on future financial statements.

(3) Cash and Investment Securities

(a) Revolving Fund

Cash and Cash Equivalents

Following is a summary of the Revolving Fund’s cash and cash equivalents at June 30, 2015 (in thousands):

Current-unrestricted	$	98,652
Current-restricted		62,189
Noncurrent-restricted-Snettisham		9,579
Carrying amount	$	170,420
Bank balance	$	172,895

Cash equivalents include $47.1 million invested in the Alaska Municipal League Investment Pool (Pool). The Pool is not SEC-registered, but is a 2a-7 like money market fund. The Pool was rated a principal stability rating of AAAm by Standard & Poors (S&P). Stand-alone financial statements can be obtained by writing to the Alaska Permanent Capital Management Co., 900 West Fifth Avenue, Suite 601, Anchorage, Alaska 99501 or visiting www.amlip.org.

Alaska Statute (AS) 37.23 provides for regulatory oversight of the Pool. The Statute provides requirements regarding authorized investments and reporting. The Pool is incorporated in Alaska as a nonprofit corporation and reports to a board of directors. Our Chief Financial Officer serves on the Pool's board of directors. AS 37.23.050 requires retention of an investment manager. The manager is required to produce monthly disclosure statements for the Pool. An investment advisor monitors the performance of the investment manager to ensure compliance with investment policies. The Pool must maintain a dollar-weighted average maturity of 90 days or less, and only purchase instruments having remaining maturities of 397 days or less. The fair value of the investments in the Pool are reviewed monthly by an independent pricing service. As of June 30, 2015, the fair value of the investments in the Pool approximates the amortized cost at which they are reported. The fair value of our investments in the Pool is the same as the value of our Pool units.

Investment Securities

General – Investment Policies and Portfolio Information

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

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

- Debt instruments issued or guaranteed by the U.S. government, its agencies and instrumentalities, and Government-Sponsored Enterprises (GSEs);
- Dollar-denominated debt instruments that have been issued by domestic and nondomestic entities;
- Non-U.S. dollar denominated investments provided the greater of $200 million or 60% of the externally managed investment portfolios in aggregate are invested in U.S. dollar denominated investments. Restrictions apply to limit the portfolio amount of certain types of non-U.S. dollar denominated investments;
- Mortgage-backed securities issued or guaranteed by federal agencies or GSEs;
- Asset-backed securities, including collateralized mortgage-backed securities and collateralized mortgage obligations (CMOs). CMOs are limited to the more stable classes; prohibited CMO

classes include those where principal and interest components are separated or where leverage is employed;

- Certificates of deposit and term deposits of United States domestic financial institutions provided the institutions meet guidelines set forth in the Resolution; and
- Other money market instruments described in the Resolution.

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

- Debt instruments issued or guaranteed by the U.S. government, its agencies and instrumentalities, and GSEs;
- Money market funds and repurchase agreements collateralized by U.S. Treasury and agency securities;
- Units in the investment pool or any series of investment pool of the Alaska Municipal League Investment Pool, Inc., or any successor to that entity, or any other investment pool for public entities of the State of Alaska that is established under the Alaska Investment Pool Act (AS 37.23.010-37.23.900); and
- Other investments specifically approved by the board.

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

Following is a summary of Revolving Fund investments at June 30, 2015 (in thousands):

Current – unrestricted	$	97,823
Noncurrent – unrestricted		310,594
	$	408,417

Following is a summary of the Revolving Fund portfolio, organized by major investment type, at June 30, 2015 (in thousands):

U.S. Treasury	$	67,335
U.S government agency discount notes		81,489
U.S. government agency and GSEs		29,772
Corporate securities		142,485
Mortgage-backed securities		74,574
Asset-backed securities		9,521
Municipal bonds		3,241
	$	408,417

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, 2015, 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.

(Continued)

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, 2015. 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	0.11	0.13
U.S. Treasury	—	7.67
U.S. government agency discount notes	0.19	—
U.S. government agency and GSEs	0.07	5.73
Corporate-securities	—	5.47
Mortgage-backed securities	—	3.92
Asset-backed securities	—	1.71
Municipal bonds	—	5.46

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's Revolving Fund cash equivalent and investment portfolio at June 30, 2015 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	29%
U.S. government agency and GSEs	AA	3
U.S. government agency and GSEs	A	2
U.S. government agency discount notes	A	14
Municipal bonds	AA	1
Corporate securities	AAA	1
Corporate securities	AA	2
Corporate securities	A	9
Corporate securities	BBB	7
Corporate securities*	Aaa	1
Corporate securities*	A	2
Corporate securities*	Baa	3
Mortgage-backed securities	AAA	1
Mortgage-backed securities	A	1
Mortgage-backed securities (issued by GSEs)	Not rated	11
Asset-backed securities	AAA	1
Asset-backed securities*	Aaa	1
No credit exposure		11
		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 $170.4 million at June 30, 2015, 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, 2015, 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	$ 39,642	6%

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, 2015 is as follows (in thousands):

	Allowable usage	
Red Dog Project Sustaining Capital fund	Project costs	$ 15,000
Ketchikan Shipyard restricted funds	Project costs	106
Ketchikan Shipyard Repair and Replacement Account	Project costs	734
Advances from State of Alaska	Project costs	46,349
Snettisham Hydroelectric Project Funds	Various costs relating to the project	9,579
		$ 71,768

(b) Non-major Funds

Cash and Cash Equivalents

A summary of the Non-major Funds' cash and cash equivalents at June 30, 2015 is as follows (in thousands):

Unrestricted – Loan Funds	$	3,633
Unrestricted – SETS Fund		120,633
Restricted – SETS Fund		1
Carrying amount	$	124,267
Bank balance	$	124,267

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

(4) Loans

Loans outstanding on June 30, 2015 are classified as follows (dollar amounts in thousands):

	Number		Amount
Revolving Fund:			
Loan participation:			
Internally funded	220	$	324,736
Bond sale	1		13,160
OREO sale financing	4		8,146
Purchased loans	27		17,487
Revolving Fund loans	252		363,529
Non-major Funds – Loan Funds	111		12,298
Non-major Funds – SETS	2		20,924
	365		396,751
Less current portion			(39,367)
		$	357,384

(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, 2015 is as follows (dollar amounts in thousands):

	Percent		Amount
Current	99.53%	$	361,826
Past due:			
61–89 days	0.47		1,703
	100.00%	$	363,529

On June 30, 2015, we had one Revolving Fund loan on which we had restructured terms. The Revolving Fund loan on which the terms have been restructured amounted to $61,931 at June 30, 2015.

The current portion of loans for the Revolving Fund includes projections for prepayments anticipated in the next fiscal year. Based on portfolio payment history Revolving Fund loan participations payoff earlier than the original loan term. The amount of Revolving Fund loans contractually due in FY15 is $25.3 million compared to $38.4 million recorded as the current portion. The difference of $13.1 million represents 4.1% of the Revolving Fund current assets.

(b) Non-major Funds

The DCCED administers Loan Funds loans. The aging of Loan Funds loans at June 30, 2015 is as follows (dollar amounts in thousands):

	Percent		Amount
Current	97.30%	$	11,967
Past due:			
Over 90 days	2.70		331
	100.00%	$	12,298

Loan Funds loans with restructured terms totaled $970,000 on June 30, 2015. Gross interest income we accrued on these loans totaled $47,000 for FY15, and we received $24,000 of interest payments during the fiscal year.

The Loan Funds sold OREO during FY15 at a gain of approximately $196,000 which we have included in other income in our statement of revenues, expenses and changes in net position. The Loan Funds financed $200,000 of the sales proceeds. The Loan Funds held OREO totaling $175,000 on June 30, 2015, which we've included within other assets in our statement of net position.

The loans in the SETS Fund totaling $20,924,000 represent amounts drawn on a Line of Credit (LOC) which will convert to term loans at a later date if certain conditions are met. All SETS Fund loans were current at June 30, 2015. There were no restructured SETS Fund loans at June 30, 2015.

(5) Allowance for Loan Losses

Following is an analysis of changes in the allowance for loan losses for FY15 (in thousands):

		Revolving Fund	Nonmajor Funds	Total
Balance at beginning of year	$	8,363	341	8,704
Provision for loan losses		(187)	159	(28)
Recoveries of loans charged off		—	—	—
Charge-offs		—	—	—
Balance at end of year	$	8,176	500	8,676

(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, 2015 (in thousands):

		Minimum lease payments receivable	Unearned income	Net investment in direct financing leases
Red Dog Project	$	396,145	(232,328)	163,817
DMVA Project		32,064	(18,190)	13,874
	$	428,209	(250,518)	177,691

Following are the future minimum lease payments receivable for FY16 through FY20 (dollars in thousands):

	2016	2017	2018	2019	2020
$	18,794	18,794	18,794	18,794	18,794

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

(Continued)

(b) Capital Assets

Our net investment in the Ketchikan Shipyard at June 30, 2015 was $79.4 million. Capital activity related to the Ketchikan Shipyard is below (in thousands):

		Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Nondepreciable components of development projects:					
Land	$	1,995	—	—	1,995
Construction work in progress		—	323	(323)	—
Total nondepreciable components of development projects		1,995	323	(323)	1,995
Depreciable components of development projects:					
Buildings		56,806	300	—	57,106
Infrastructure		34,029	23	—	34,052
Total depreciable components of development projects		90,835	323	—	91,158
Less accumulated depreciation for:					
Buildings		(4,836)	(1,960)	—	(6,796)
Infrastructure		(5,644)	(1,287)	—	(6,931)
Accumulated depreciation		(10,480)	(3,247)	—	(13,727)
Depreciable components of development projects – net		80,355	(2,924)	—	77,431
Total development projects	$	82,350	(2,601)	(323)	79,426

(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, 2015 (in thousands):

Mustang Road LLC	$	9,731
MOC 1 LLC		29,680
	$	39,411

(d) Restricted Direct Financing Lease

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

Following is our net investment in the Snettisham project on June 30, 2015 (in thousands):

Minimum lease payments receivable	$	109,524
Less unearned income		(40,684)
Net investment in direct financing lease	$	68,840

(7) Capital Assets

Following is our activity for FY15 (in thousands):

		Balance at June 30, 2014	Additions	Deletions	Balance at June 30, 2015
Capital assets not being depreciated –					
Land	$	1,170	—	—	1,170
Construction work in progress		—	3,181	(74)	3,107
Total nondepreciable components of capital assets-other		1,170	3,181	(74)	4,277
Intangible assets not being depreciated :					
IEP		4,993	6,359	—	11,352
AMDIAR		4,642	4,192	—	8,834
Intangible assets not being depreciated		9,635	10,551	—	20,186
Capital assets being depreciated – building		3,540	74	—	3,614
Less accumulated depreciation		(1,918)	(182)	—	(2,100)
Capital assets being depreciated, net		1,622	(108)	—	1,514
Total capital assets-other	$	12,427	13,624	(74)	25,977

Intangible assets include capitalized costs for the IEP and the AMDIAR. 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 from a direct State appropriation and bond authorization. During FY15 the scope of this project was expanded to allow for the source of natural gas to be from locations in the state other than the North Slope.

We substantially completed construction of a pad on the North Slope during FY15. Additionally, preliminary engineering and certain permitting for a future plant on the pad were completed during the fiscal year.

During FY14 we purchased Spectrum Alaska, LLC to obtain access to a license and permits related to the IEP. AIDEA was a 100% member of the LLC. The assets of Spectrum LLC were transferred to AIDEA during FY15 and the LLC has been dissolved.

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

(8) Bonds Payable

We have listed below the composition of bonds outstanding (in thousands) issued under our Revolving Fund Bond Resolution (Revolving Fund Bonds). Interest rate and maturity date information is as of June 30, 2015:

	Purpose of Financing	Balance at June 30, 2014	Deletions	Balance at June 30, 2015	Amounts due within one year
Series 2010A – 4.375% to 5.250% issued February 24, 2010, maturing through 2027	Red Dog Project	$ 60,135	(7,950)	52,185	8,520
Series 2010B – 4.0% to 5.5% issued December 22, 2010, maturing through 2031	Loan Participation	13,030	(515)	12,515	535
		$ 73,165	(8,465)	64,700	9,055

On June 30, 2015, Revolving Fund general assets and future revenues secured all Revolving Fund Bonds. The minimum annual payments for all Revolving Fund Bonds after June 30, 2015 are as follows (without considering earlier call provisions) (in thousands):

		Principal	Interest	Total
Years ending June 30:				
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		3,465	2,044	5,509
2021–2025		21,335	7,264	28,599
2026–2030		13,805	1,746	15,551
2031		1,115	58	1,173
	$	64,700	21,775	86,475

The Revolving Fund Bond Resolution covenants keep us from:

- Incurring any general obligation indebtedness unless future estimated net income (as defined in the Revolving Fund Bond Resolution) equals not less than 150% of the general obligation annual debt service requirement in each year.
- Causing our unrestricted surplus (as defined in the Revolving Fund Bond Resolution) to be below the lesser of $200 million or the amount of general obligation indebtedness outstanding, and in no event less than $100 million.

On June 30, 2015, our unrestricted Revolving Fund surplus was $1,114,956,000 and we estimated projected coverage for each future year exceeds 150%. The components of our unrestricted Revolving Fund surplus are as follows (in thousands):

Revolving Fund net position	$	1,133,129
Less:		
Bond liquidity requirement		(16,175)
Loan guarantees		(1,998)
Unrestricted surplus	$	1,114,956

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, 2015, the bond liquidity requirement was $16,175,000.

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 5.5%, 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, 2015 (without considering earlier call provisions) (in thousands):

		Principal	Interest	Total
Years ending June 30:				
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		2,755	3,165	5,920
2021–2025		16,100	13,508	29,608
2026–2030		20,615	8,986	29,601
2031–2034		20,810	2,870	23,680
	$	69,955	42,529	112,484

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-PERS

General Plan Information

All of AIDEA’s full-time, regular employees participate in the PERS, and all our employees participate in Alaska’s Supplemental Annuity Plan (SBS). PERS is a multiple-employer public employee retirement system for which retirement reform legislation passed during 2005 created a new PERS Defined Contribution Retirement (DCR) Plan. The pension and postemployment healthcare plans are administered by the Commissioner of Administration and the Alaska Retirement Management Board (ARMB). The ARMB has the authority to establish and amend the benefit terms.

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

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

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

Benefits Provided

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

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

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

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

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

PERS-Defined Benefit Plan

Contributions

Active PERS members are required to contribute 6.75% (2% pension cost and 4.75% postemployment healthcare cost) of their annual covered salary and AIDEA is required to contribute at an actuarially determined rate; the current rate is 39.85% (23.24% pension cost and 16.61% postemployment healthcare cost). Starting in 2008, the legislature by Statute (AS 39.35.255) capped the employer rate at 22%, with the

 (Continued)

State of Alaska making non-employer contributions for the difference between actuarially required contribution and the cap (AS39.35.280). The contribution requirements of plan members and AIDEA are established and may be amended by the ARMB.

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

At June 30, 2015 we reported a liability for our proportionate share of the net pension liability allocated to the State. The amount recognized by AIDEA as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with AIDEA were as follows (in thousands):

		AIDEA	State	Total
Proprortionate share of net liability	$	8,595	7,439	16,034

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's portion of the net pension liability was based on the State's contributions relative to the contributions of all PERS employers. Our portion of the net pension liability was allocated based on AIDEA's contributions relative to the contributions of other State entities included in the State's portion. Our portion (employer portion) of the liability is based on the uniform contribution rate of 22% for plan employers per AS 39.35.255. AS 39.35.280 requires the State to contribute an amount for the ensuing fiscal year that, when combined with the total employer contributions, is sufficient to pay the Plan's past service liability at the contribution rate established by the ARMB. At June 30, 2014, our proportion was .18%, which was an increase of .007% from our proportion measured at June 30, 2013.

For the year ended June 30, 2015, we recognized total pension expense of $1,249,000 and recognized revenue of $461,000 for non-employer contributions provided by the State. At June 30, 2015, AIDEA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (in thousands):

		Deferred outflows of resources	Deferred inflows of resources
Proportion and differences between State contributions and proportionate share of contributions	$	221	—
AIDEA contributions subsequent to the measurement date		767	—
Differences between projected and actual investment earnings		—	993
	$	988	993

AIDEA reported $767,000 as deferred outflows of resources related to PERS resulting from our contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (in thousands):

Year ending June 30:		
2016	$	94
2017		182
2018		248
2019		248
Total	$	772

Annual Other Post-Employment Benefits (OPEB) Cost

Our annual OPEB contributions were not available. Contributions made by us are combined for pension and OPEB and are not tracked separately. For the years ended June 30, 2015, 2014 and 2013 we made PERS defined benefit contributions of $971,000, $1,017,000, and $983,000 respectively. These amounts were equal to our required contributions each year. The State made no contributions to OPEB on our behalf for the year ended June 30, 2015. The State contributed $458,000 and $444,000 for the years ended June 30, 2014 and 2013 respectively on our behalf for OPEB.

Actuarial Assumptions

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement. These assumptions were the result of an experience study performed as of June 30, 2009:

	Pension	OPEB
Inflation rate	3.12%	3.12%
Projected salary increase:		
Graded productivity and merit:		
Peace officers and firefighters	4.12 to 6.36%	N/A
Others	3.62 to 9.60%	N/A
Investment rate of return	8.00%	5.41%

Mortality rates were based on the 1994 Group Annuity Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2009. As a result of the 2009 actuarial experience study, the expectation of life after disability was adjusted in the June 30, 2014 actuarial valuation to more closely reflect actual experience.

(Continued)

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

	Target allocation	Long-term expected real rate of return
Asset class:		
Broad domestic equity	26.0%	5.40%
Global equity	25.0	5.55
Private equity	9.0	6.40
Real estate	17.0	3.95
Absolute return	5.0	2.85
Fixed composite	12.0	0.75
Alternative equty strategies	3.0	2.85
Cash equivalents	3.0	(0.25)
Total	100.0%	

Discount Rate

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

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

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

	1% Decrease (7%)	Discount Rate (8%)	1% Increase (9%)
AIDEA's proportionate share of the net pension liability	$ 11,270	8,595	6,343

PERS Fiduciary Net Position

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

PERS – Defined Contribution Plan

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

Employees are required to contribute 8% of their annual covered salary, and AIDEA is required to make the following contributions:

	Tier IV
Individual account	5.00%
Health reimbursement arrangement (HRA)*	3.00
Retiree medical plan	0.44
Occupational death and disability benefits	1.14
	9.58%

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

(Continued)

Employees are immediately vested in their own contributions and vest 25% per year in employer contributions. AIDEA's contributions to the PERS Defined Contribution Plan including the HRA contributions for FY15 was $1,030,000.

(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 $8.8 million for providing these services during FY15. On June 30, 2015 AIDEA had $2.4 million receivable from AEA for services and short-term borrowings.

As a result of implementing Statement 68, AIDEA recorded a net pension liability of $8.6 million as of June 30, 2015. AEA's annual payments to AIDEA for personnel services supporting AEA activities includes a PERS contribution component. Receipts from AEA funds approximately two-thirds of AIDEA's personnel services.

(11) Commitments, Contingencies, Subsequent Events and Other

(a) Investments

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

(b) Dividend

Under Alaska statutes, our Board must annually determine the amount of a dividend to make available for appropriation by the legislature. This dividend must be at least 25% and not more than 50% of our audited "net income," as defined in statute, for the fiscal year two years before the fiscal year in which the dividend is to be made. The dividend may never exceed unrestricted "net income." Our Board authorized a $17.65 million dividend to be paid from the Revolving Fund in the year ending June 30, 2016. The actual transfer of the dividend requires a legislative appropriation that may be line item vetoed by the Governor.

(c) Alaska Insurance Guaranty Association

AIDEA has legislative authorization to guarantee loans made to the Alaska Insurance Guaranty Association (Association). The Association pays, from assessments to member insurers, the claims of insurance companies regulators put into liquidation. We can guarantee only loans the Association needs to meet cash flow needs up to a maximum of $30 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) Pentex Alaska Natural Gas Company , LLC

In FY15 AIDEA entered into an agreement to purchase Pentex Alaska Natural Gas Company, LLC for $52.5 million plus the amount of Net Working Capital the acquired companies have on the closing date up to a maximum of $1.5 million. AIDEA paid a $2,675,000 deposit from the Revolving Fund in FY15 towards the purchase which is reflected in other assets in our financial statements. The purchase closed in September 2015.

(f) Snettisham Power Revenue Bonds

On August 25, 2015 we issued $65,720,000 Power Revenue Refunding Bonds, 2015 Series to refund all of the outstanding Power Revenue Bonds, First Series (Snettisham Hydroelectric Project) pursuant to the Snettisham Power Revenue Bond Resolution. The refunding resulted in a financial benefit to the project.

(g) Other Commitments and Contingencies

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

We also have various commitments and contingent liabilities as part of normal business, such as commitments to extend credit and guarantees, which do not appear in the accompanying financial statements. On June 30, 2015, we had extended the following commitments to be funded by the Revolving Fund:

- Loan participation purchase commitments of $50.8 million
- Direct financing loans of $30.0 million
- Loan guarantees of $2.0 million

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

(h) Commitments and Contingencies-Non-major Funds

We had extended commitments to fund borrowings not to exceed $31.9 million from the SETS Fund in the form of two LOC's relating to the IEP. These commitments, in addition to the currently outstanding IEP related LOC's of $20.9 million, will convert to term loans in the future if certain events occur. In the event the LOC's do not convert to term loans their repayment may be limited.

Commitments to fund loans from the Loan Funds totaled $208,000 at June 30, 2015.

(i) Risk Management

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

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

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

Alaska Public Employees Retirement System

(dollars in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
AIDEA's proportion of the net pension liability	0.18%	0.18%	*	*	*	*	*	*	*	*
AIDEA's proportionate share of the net pension liability	$ 8,595	9,287	*	*	*	*	*	*	*	*
State's proportionate share of the net pension liability	7,439	8,542	*	*	*	*	*	*	*	*
Total	$ 16,034	17,829	*	*	*	*	*	*	*	*
AIDEA's covered-employee payroll	$ 9,213	8,595								
AIDEA's proportionate share of the net pension liability as a percentage of its covered-employee payroll	93%	108%	*	*	*	*	*	*	*	*
Plan fiduciary net positon as a percentage of the total pension liability	62%	*	*	*	*	*	*	*	*	*

* Information for these years is not available.

Schedule 1

ALASKA INDUSTRIAL DEVELOPMENT
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Non-major Funds – Combining Statement of Net Position

June 30, 2015

(In thousands)

Assets		**SETS Fund**	**Loan Funds**	**Aggregate Non-major Funds**
Current assets:				
Unrestricted cash and cash equivalents	$	120,633	3,633	124,266
Restricted cash and cash equivalents		1	—	1
Due to other funds		(11)	—	(11)
Loans		—	940	940
Accrued interest receivable		—	230	230
Other assets		—	6	6
Total current assets		120,623	4,809	125,432
Noncurrent assets:				
Loans		20,924	11,358	32,282
Less allowance for loan losses		—	(500)	(500)
Net loans		20,924	10,858	31,782
Other assets		—	237	237
Total noncurrent assets		20,924	11,095	32,019
Total assets	$	141,547	15,904	157,451
Liabilities and Net Position				
Current liabilities:				
Accounts payable	$	39	2	41
Other liabilities		—	1	1
Total current liabilities		39	3	42
Total liabilities		39	3	42
Net position:				
Unrestricted		141,508	15,901	157,409
Total net position		141,508	15,901	157,409
Total liabilities and net position	$	141,547	15,904	157,451

See accompanying independent auditors' report.

Schedule 2

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

Non-major Funds – Combining Statement of Revenues, Expenses, and Changes in Net Position

Year ended June 30, 2015

(In thousands)

	SETS Fund	Loan Funds	Aggregate Non-major Funds
Operating revenues:			
Interest on loans	$ —	570	570
Investment interest	13	—	13
Other income	10	235	245
Total operating revenues	23	805	828
Operating expenses:			
Nonproject personnel, general and administrative	—	94	94
Provision for loan losses	—	159	159
Project feasibility and due diligence costs	217	—	217
Total operating expenses	217	253	470
Operating (loss) income	(194)	552	358
Nonoperating revenues:			
Investment interest	—	14	14
Total net nonoperating revenues	—	14	14
(Decrease) increase in net position	(194)	566	372
Net position – beginning of year	141,702	15,335	157,037
Net position – end of year	$ 141,508	15,901	157,409

See accompanying independent auditors' report.

Schedule 3

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

Non-major Funds – Combining Statement of Cash Flows

Year ended June 30, 2015

(In thousands)

	SETS Fund	Loan Funds	Aggregate Non-major Funds
Cash flows from operating activities:			
Interest received on loans	$ —	570	570
Principal collected on loans	—	1,690	1,690
Other operating receipts	—	348	348
Loans originated	—	(882)	(882)
Payments to suppliers and employees for services	(136)	—	(136)
Payments to primary government	(35)	(137)	(172)
Net cash (used for) provided by operating activities	(171)	1,589	1,418
Cash flows from investing activities:			
Interest collected on investments	13	14	27
Loans originated	(20,904)	—	(20,904)
Net cash (used for) provided by investing activities	(20,891)	14	(20,877)
Net (decrease) increase in cash and cash equivalents	(21,062)	1,603	(19,459)
Cash and cash equivalents at beginning of year	141,696	2,030	143,726
Cash and cash equivalents at end of year	$ 120,634	3,633	124,267
Reconciliation of operating (loss) income to net cash (used for) provided by operating activities:			
Operating (loss) income	$ (194)	552	358
Adjustments to reconcile operating (loss) income to net cash (used for) provided by operating activities:			
Principal collected on loans	—	1,690	1,690
Loans originated	—	(882)	(882)
Investment interest income	(13)	—	(13)
Provision for loan losses	—	159	159
Capitalized loan commitment fees	(10)	—	(10)
Decrease in accrued interest receivable and other assets	—	106	106
Increase (decrease) in accounts payable and other liabilities	46	(36)	10
Net cash (used for) provided by operating activities	$ (171)	1,589	1,418

See accompanying independent auditors' report.

Schedule 4

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

Historical Loan Information – Revolving Fund

Year ended June 30, 2015

(In thousands)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	10 year average
Outstanding loan balance at June 30, by loan type:											
Loan participation:											
Internally funded	$ 330,764	357,488	355,254	339,487	349,918	420,397	411,683	378,521	335,013	324,736	360,326
Bond sale	—	—	—	—	—	11,982	14,571	14,165	13,656	13,160	6,753
Bonds retired	5,110	2,595	1,685	859	815	767	717	—	—	—	1,255
OREO sale financing	24,993	24,745	24,644	24,491	23,844	21,234	21,167	20,942	8,864	8,146	20,307
Appropriated	601	328	179	95	48	32	17	—	—	—	130
Purchased loans	—	—	—	—	—	23,510	20,669	19,463	18,501	17,487	9,963
Other	—	—	—	3,277	3,032	2,770	—	—	—	—	908
	$ 361,468	385,156	381,762	368,209	377,657	480,692	468,824	433,091	376,034	363,529	399,642
Number of outstanding loans at June 30, by loan type:											
Loan participation:											
Internally funded	249	263	249	238	241	255	257	235	224	220	243
Bond sale	—	—	—	—	—	1	1	1	1	1	1
Bonds retired	22	14	11	1	1	1	1	—	—	—	5
OREO sale financing	10	8	8	6	6	5	5	4	4	4	6
Appropriated	43	26	14	7	2	1	1	—	—	—	9
Purchased loans	—	—	—	—	—	37	31	28	28	27	15
Other	—	—	—	1	1	1	—	—	—	—	—
	324	311	282	253	251	301	296	268	257	252	279
Aging percent of outstanding loans at June 30:											
Current	99.67%	98.85%	99.35%	99.04%	99.11%	99.35%	99.89%	99.49%	99.61%	99.53%	99.38%
Past due:											
31-60 days	0.17	0.01	0.13	—	0.17	0.59	0.05	0.05	—	—	0.12
60-90 days	—	0.62	—	0.88	—	—	—	—	0.31	0.47	0.23
Over 90 days	0.16	0.52	0.52	0.08	0.72	0.06	0.06	0.46	0.08	—	0.27
	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Unaudited – See accompanying independent auditors' report

Schedule 5

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

(A Component Unit of the State of Alaska)

Schedule of Dividend Information

Year ended June 30, 2015

(In thousands)

History of dividends paid and declared

Fiscal Year Payable		
1997	$	15,000
1998		16,000
1999		16,000
2000		26,000
2001		18,500
2002		17,500
2003		20,150
2004		18,176
2005		22,000
2006		8,812
2007		16,650
2008		10,000
2009		23,800
2010		22,720
2011		23,423
2012		29,400
2013		20,400
2014		20,745
2015		10,665
Total dividends to State of Alaska as of June 30, 2015		355,941
Declared for 2016		17,650
Total dividends to State of Alaska paid or declared	$	373,591

Computation of statutory "net income" for FY17 dividend (in thousands)

Audited change in net position-Revolving Fund*	$	27,984
Appropriations and contributions from State		(14,008)
Capital grant revenue from Federal government		(25)
Dividend to State		10,665
Expenditures attributable to capital contributions from State		692
FY15 Statutory "net income"	$	25,308

*Includes $3,300,000 in unrealized investment losses on Revolving Fund investment portfolio.

Unaudited – See accompanying independent auditors' report

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

(A Component Unit of the State of Alaska)

Schedule of Development Project Information

June 30, 2015

(with summarized financial information for June 30, 2014)

Direct Financing Leases

- *Federal Express project*. AIDEA leased the Federal Express project under an agreement, recorded as a direct financing lease which expired March 2015. Minimum lease payments under the agreement returned the cost of the Federal Express project plus 7.55% interest. The direct financing lease was paid off in March 2015. A new operating lease was negotiated effective March 15, 2015 for the continued use of the project by the lessee through July 2023. Monthly payments are being received under the new lease.

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

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

  In April 2009, the Northwest Arctic Borough (NWAB) asked us to reconsider negotiating a sale of the Red Dog Project, or negotiate amendments to the existing agreement to allow the Borough to obtain additional revenues to fund the NWAB's public services. These discussions have continued during 2015.

- *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

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

  – First 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, 2015 with all work being completed by September 30, 2015. 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 FY15 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, concurrent with the end of our land sublease. There has been recent interest in mining properties in areas near Skagway that the Skagway Terminal could service. However, production by other users could still be several years away.

Preferred Interest in Operating Companies

- *Kenai Offshore Ventures, LLC*. AIDEA no longer has an ownership interest in this project. In November 2011, AIDEA became the preferred member in Kenai Offshore Ventures, LLC (KOV) which owned a jack-up drilling rig, known as the Endeavour-Spirit of Independence. Under the KOV agreements the rig operated in the Cook Inlet and other Alaskan waters. We contributed $23.6 million to the LLC for purchase and refurbishment of the rig. During FY15, the rig was moved from Alaska and our position as a preferred member in the LLC was purchased by the other members for about $25.7 million. This payment included full repayment of our capital contribution and a dividend of approximately $2.1 million.

- *Mustang Road LLC*. AIDEA became the preferred member in Mustang Road LLC in February 2013. The purpose of Mustang Road LLC is to develop, build, own and operate roads and a gravel pad that will facilitate the production of crude oil from the Mustang Oil Field (also known as the Southern Miluveach Unit) located on Alaska's North Slope. AIDEA is the only Preferred Member of Mustang Road LLC. The common members when the LLC was organized were Ramshorn Investments, Inc. and AVCG LLC. 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 and FY15 in the amount of about $11.5 million out of the proceeds of State of Alaska tax credits. When fully redeemed, AIDEA's membership interest and voting interest in the LLC will be zero.

Additionally, as part of the original terms of the Operating Agreement, AIDEA was to receive a Preferred Member Guaranteed Payment equal to 8% of the outstanding principal balance on the Preferred Member's Redemption Amount as of January 31 of the calendar year in which the payment of a Preferred Member Guaranteed Payment is due. The Operating Agreement was amended in July 2014 to match the terms of the Mustang Operations Center 1 LLC agreement, and now provides a 10% annual Guaranteed Payment amount on the unredeemed amount of AIDEA's outstanding investment. The Guaranteed Payments 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 July 2014 amendment also replaced AVCG LLC and Ramshorn Investments, Inc. with TP North Slope Development, LLC, MEP Alaska LLC and CaraCol Petroleum, LLC, which are now the owners of BRPC.

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.

Several additional sources also secure the preferred member payments:

– A deed of trust against the LLC's 1% working interest in oil and gas leases of the Southern Miluveach Unit and against the working interests held by the common members and BRPC in the Southern Miluveach Unit will remain in place until the oil processing facility is completed.

– Uniform Commercial Code (UCC) security interests in the personal and fixture property of Mustang Road LLC, the common members, and BRPC.

– Deposit accounts of Mustang Road LLC and BRPC.

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- *Mustang Operations Center 1 LLC (MOC 1)*. In April 2014, the AIDEA board approved a development project for the construction of an oil production facility on the Mustang Oil Field. The facility is being built through a limited liability company whose members are AIDEA and CES Oil Services Pte, Ltd., a subsidiary of Charisma Energy Services Ltd. (CES). The limited liability company is Mustang Operations Center 1 LLC (MOC 1). The facility is being 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 MOC 1, 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 MOC 1 in the amount of $150 million, with provisions for an additional $25 million as necessary for construction cost overruns. Under the MOC 1 LLC Operating Agreement AIDEA is to receive a 10% annual dividend on the outstanding redemption value of AIDEA's preferred shares, to be paid on a quarterly basis, with payments expected to start 90 days after first oil production, or by December 1, 2016. Redemption of AIDEA's Class B shares is expected to occur over 7 years in equal installments, with redemption payments expected to occur before the end of each calendar year. The redemption price for AIDEA's Class B shares is set at $2,200 per share to compensate for capitalized interest during the construction period and investment risk.

  Several additional elements of the agreements also support MOC 1's finances and improve the chances of AIDEA receiving the payments it expects:

  – MOC 1 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, MOC 1 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 in which MOC 1 holds a UCC security interest. MOC 1 controls disbursements from the control account subject to contract requirements. After payment of royalties, operating expenses, production taxes and tariffs, MOC 1 will be entitled to draw on the control account for its working interest share and to establish a reserve account. If funds from MOC 1's working interest are insufficient to meet the required Charter Fee payments, MOC 1 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

(Continued)

to meet the Charter Fee payments, BRPC is to make a capital call on its working interest owners to cover the shortfall.

- MOC 1 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.
- MOC 1 will be granted a deed of trust on 90% of the working interests in other potential North Slope oil fields that BRPC may develop.

AIDEA disbursed $29.6 million of the $50 million investment as of June 30, 2015. We expect to complete our funding of the project in 2016 and it is anticipated that the project will be operational during the first quarter of 2017. Expected financing from SEI has not been provided. The State of Alaska, Department of Revenue has provided a $22.5 million Line of Credit and other financing is being sought.

Contingent Project Subject to Conditions Precedent

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

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

The basic terms of the purchase include:

- AIDEA will purchase 100% of the membership interests in Pentex from the current members under the terms of the Agreement. The transaction is structured as a “stock purchase,” not an “asset purchase.”
- Purchase price of $52.5 million plus Net Working Capital of the subsidiaries as of the closing date.
- Net Working Capital is the amount by which current assets exceed current liabilities, but cannot exceed $1.5 million.

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- AIDEA paid a deposit of $2,675,000 when the Agreement was signed in June 2015. The deposit is held by an Escrow Agent.
- The deposit will convert into a Holdback Amount at closing. AIDEA can make claims against the Holdback Amount for one year after Closing. At the one year anniversary, the remaining Holdback Amount is to be disbursed to sellers.
- Remainder of purchase price is to be paid in cash at closing, including an estimated amount for Net Working Capital. After Closing, the Net Working Capital will be "trued up" to match final numbers.

On September 30, 2015, AIDEA closed on the transaction and acquired all Pentex member interests/shares. Pentex and its subsidiaries, under AIDEA ownership, will continue to hold their existing assets and liabilities. AIDEA's purchase of Pentex is a short-term strategic investment as part of a long-term strategy to finance the build out of an integrated distribution system in Fairbanks as a part of the IEP. The investment is being made in order to promote an integrated gas distribution system in Fairbanks in furtherance of the IEP and not being made for AIDEA to be in the business of providing utility services. It is AIDEA's intent to sell Pentex and its distribution assets to a third party entity which would then own and operate the entire unified distribution system in the Fairbanks area. The goal is to complete the sale within two years at a rate of return comparable to other AIDEA financings.

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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, 2015 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 (in thousands):

Current assets:		
Cash and cash equivalents (unrestricted)	$	98,652
Cash and cash equivalents (restricted)		62,189
Investment securities (unrestricted)		97,823
Noncurrent assets:		
Investment securities (unrestricted)		310,594
Investment securities	$	569,258

* 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)

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Restricted Investment Securities

AIDEA's Revolving Fund Restricted Investment Securities at June 30, 2015 follow (in thousands):

Restricted investment securities (see note 3 to the financial statements)	$	71,768
Less restricted funds related to the Snettisham Hydroelectric Project		(9,579)
Restricted investment securities	$	62,189

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, 2015 (excluding the Snettisham project,dollars in thousands). The obligor listed is the entity responsible for payment under the loan or the entity responsible for the revenue producing agreement.

Largest Loans and Development Projects

Obligor or project		Net book value June 30, 2015	Minimum annual receipts	Authority program	Type of business/ collateral
Teck Alaska Incorporated	$	163,817 [1]	17,670 [2]	Development Project	Public Port and Road
Vigor Alaska, LLC		79,426 [3]	N/A [4]	Development Project	Shipyard
Mustang Operations Center 1, LLC		29,680 [5]	N/A [6]	Development Project	Oil Production Facility
3000 C Street, LLC		17,604	1,173	Loan	Office Building
Department of Military and Veterans Affairs		13,874 [7]	1,125	Development Project	Alaska National Guard Armory
Allen Marine Tours, Inc		13,374	1,651	Loan	Marina
Valley Utilities, LLC		13,160	1,224	Loan	Wastewater Facility

(1) Represents AIDEA's net investment in the DeLong Mountain Transportation System (DMTS). See AIDEA's June 30, 2015 Financial Statements, note 6 and Schedule 6.

(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.

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(3) Represents AIDEA's net investment in the Ketchikan Shipyard. See AIDEA's June 30, 2015 Financial Statements, note 6 and Schedule 6.

(4) Payments under the operating agreement are not currently projectable; see AIDEA's June 30, 2015 Financial Statements, Schedule 6.

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

(6) See AIDEA's June 30, 2015 Financial Statements, Schedule 6.

(7) 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, 2015 Financial Statements, note 6.

Loan Portfolio

The composition of the Revolving Fund loan portfolio at June 30, 2015 follows (dollars in thousands):

	Number		Amount
Loan participation:			
Internally funded	220	$	324,736
Bond sale	1		13,160
OREO sale financing	4		8,146
Purchased loans	27		17,487
	252	$	363,529

Loans Restructured from Original Terms

There was one Revolving Fund loan at June 30, 2015, on which the terms had been restructured from their original terms.

Revolving Fund Loans on which the terms have been restructured amounted to $61,931 at June 30, 2015.

Description of Assets

On June 30, 2015, AIDEA's Revolving Fund had total assets of $1.259 billion available to pay or to generate revenues to pay debt service on the Revolving Fund Bonds. This amount includes $62.2 million in restricted investment securities that are restricted by the terms of agreements (see Restricted Investment Securities).

Schedule 7

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Loans, investments in development projects (including two development projects accounted for as "direct financing leases" and two development projects accounted for as an "investment in preferred interest in an operating company,") and other assets totaling $686 million at June 30, 2015 are not highly liquid.

Historical Financial Performance

The following table summarizes AIDEA's Revolving Fund debt service coverage for the year ended June 30, 2015 (no amounts related to the Snettisham project are included. Dollars below stated in thousands).

Debt Service Coverage for Revolving Fund Bonds

Loan principal and interest payments	$	62,519
Investment earnings [(1)]		9,002
Development project receipts [(2)]		59,153
Other revenues		13,508
		144,182
Less operating and maintenance expenses		18,704
Net income [(3)] available for debt service	$	125,478
Annual debt service [(4)]	$	12,159
Debt service coverage		10.32x

[(1)] Income collected on investments less $1,610,000 realized loss on investment sales and maturities, less interest earned on restricted investments related to the Ketchikan Shipyard.

[(2)] Includes $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 $5,734,000 relating to DMTS. Also includes $32,511,000 received from our 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.