Financial Statements
June 30, 2021

Alaska Industrial Development and Export Authority

(A Component Unit of the State of Alaska)

EideBailly®

eidebailly.com

Table of Contents

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors
Alaska Industrial Development and Export Authority
Anchorage, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the major funds and the aggregate remaining fund information of the Alaska Industrial Development and Export Authority (a Component Unit of the State of Alaska) (Authority), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major funds and aggregate remaining fund information of the Authority as of June 30, 2021, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters
As discussed in Note 12 to the financial statements, the Authority determined a reserve account and the corresponding liability for $23 million should have been reported in the prior year which resulted in the cash and liabilities to be understated as of June 30, 2020. Accordingly, the amount reported for the cash and liabilities have been restated as of June 30, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Prior Year Comparative Information
BDO USA, LLP audited the Authority's 2020 financial statements in the report dated November 18, 2020, and expressed a Qualified Opinion on the Revolving Fund. Given the timing of the audit and the non-judicial foreclosure on the Mustang Development Project, the firm was unable to obtain sufficient appropriate audit evidence about the carrying amount of the loan receivable balance of the development project investment.

Except for the possible effects of the aforementioned matter, the 2020 financial statements presented fairly in all material respects, with the exception of the correction identified in the emphasis of matters paragraph, the respective financial position of the Revolving Fund. The Emergency Programs, the aggregate remaining fund information, the respective changes in financial position, and cash flows thereof also presented fairly, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4–14 and schedule of Authority's share of net pension liability on page 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information in schedules 1 through 5 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information in schedules 1 through 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 through 5 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 them.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards,* we have also issued our report dated December 2, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely 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 the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Eide Bailly LLP

Boise, Idaho
December 2, 2021

Overview of the Financial Statements

The financial statements of the Alaska Industrial Development and Export Authority (AIDEA, we, us, our) report financial activity for multiple components: the Revolving Fund, the Sustainable Energy Transmission and Supply Development Fund (SETS) Fund, Emergency Programs, and the Nonmajor Funds. AIDEA is a public corporation of the State of Alaska (State) and a body corporate and politic constituting a political subdivision within the State Department of Commerce, Community and Economic Development (DCCED), but with separate and independent legal existence. AIDEA has its own self-balancing set of financial statements independently audited from the State. We do most of our business and operations through the Revolving Fund using two accounts, which are the Enterprise Development Account and Economic Development Account. Information on these two Accounts is in Note 1 to the basic financial statements. The SETS Fund was established and initially funded by the Alaska legislature in September 2012 to promote and finance qualified energy developments in Alaska.

The Nonmajor Funds consist of the Loan Funds and the Arctic Infrastructure Development Fund (AIDF). The Loan Funds include 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.

The AIDF was established effective October 2014 to promote and provide financing for arctic infrastructure development. The fund was capitalized in FY20. Our financial statements include these two components as of and for the Fiscal Year (FY) 2021, with summarized comparative totals as of and for FY20.

The Nonmajor Funds are not part of the Revolving Fund and have been presented separately in the accompanying financial statements.

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

Basic Financial Statements

Statements of Net Position reports our assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position at year-end. Net position is reported as: net investment in development projects - capital assets; net investment in capital assets; restricted by agreement with third parties; 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 full 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 FY20.

Management's Discussion and Analysis

This section contains our analysis of the financial position and results of operations at and for FY21. 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, 2021 and 2020 by $1.41 billion and $1.42 billion, respectively. Our FY21 unrestricted net position was $1.31 billion (with $1.05 billion in the Revolving Fund) and our FY20 unrestricted net position was $1.32 billion (with $1.10 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, 2021 and 2020 (in thousands):

	2021	2020	Variance
Current assets	$ 263,069	$ 436,407	$ (173,338)
Development projects - capital assets	64,168	66,938	(2,770)
Capital assets - other	35,588	21,449	14,139
Other noncurrent assets	1,146,404	1,140,664	5,740
Total assets	1,509,229	1,665,458	(156,229)
Deferred outflows of resources	3,575	3,667	(92)
Total assets and deferred outflows of resources	$ 1,512,804	$ 1,669,125	$ (156,321)
Current liabilities	$ 8,829	$ 150,180	$ (141,351)
Noncurrent liabilities	95,739	98,607	(2,868)
Total liabilities	104,568	248,787	(144,219)
Deferred inflows of resources	768	865	(97)
Net position:			
Net investment in capital assets	85,621	88,387	(2,766)
Restricted	15,000	15,000	-
Unrestricted	1,306,847	1,316,086	(9,239)
Total net position	1,407,468	1,419,473	(12,005)
Total liabilities, deferred inflows of resources, and net position	$ 1,512,804	$ 1,669,125	$ (156,321)

Current assets were $173 million lower at June 30, 2021, compared to June 30, 2020, and are below (in thousands):

	2021	2020	Variance
Unrestricted cash/cash equivalents and investments	$ 144,643	$ 129,790	$ 14,853
Restricted cash/cash equivalents and investments	45,161	181,451	(136,290)
Loans - current portion	31,263	29,768	1,495
Development projects accounted for as direct financing leases - current portion	4,995	13,040	(8,045)
Development projects accounted for as loans - current position, net of allowance for loan losses	26,477	69,443	(42,966)
Due from component unit	5,074	3,392	1,682
Internal balance	(131)	-	(131)
Accrued interest receivable/other current assets	5,587	9,523	(3,936)
Total	$ 263,069	$ 436,407	$ (173,338)

- **Unrestricted cash/cash equivalents and investments** balances increased $14.9 million compared to FY20.
- **Restricted cash/cash equivalents and investments** decreased $136.3 million compared to FY20. This decrease was primarily due to expenditures associated with AK CARES funding program in response to the COVID-19 global pandemic.
- **Loans - current portion** increased $1.5 million. The current portion of our portfolio represents loan principal payments we expect to receive within the next year. Based on portfolio historical experience, Revolving Fund loan participations payoff earlier than the original loan term.
- **Development projects accounted for as direct financing leases - current portion** decreased $8 million in FY21 compared to FY20. The application of more future payments to principal rather than interest contributed to this increase.
- **Development projects accounted for as loans - current portion** represents the principal payments due within one year on loans we consider development projects and fund from our Economic Development Account. Balances decreased $43 million in FY21 compared to FY20. Two loans to Caracol Petroleum loans associated with the Mustang Development were removed from the portfolio as a result of foreclosure on the assets. Our loan to Mustang Operations Center 1 LLC (MOC1) originally acquired from the Alaska Department of Revenue has a principal balance of $16.4M. We acquired the equity interests of MOC1 through foreclosure. The balance is partially offset by an allowance for loan loss of $1.6M which brings it to the amount of tax credits payable by the State of Alaska in cash.

Noncurrent assets increased by $17.1 million during FY21.

Decreases in restricted cash / cash equivalents and unrestricted investments were offset by increases in development projects and capital assets during the year. Loans increased with the general growth in the portfolio. Capital assets increased largely from the acquisition of Section 1002 leases on the North Slope Coastal Plain.

The table below breaks out other noncurrent assets (in thousands):

	2021	2020	Variance
Restricted cash and cash equivalents	$ -	$ 5,082	$ (5,082)
Restricted cash and cash equivalents - Snettisham	12,946	10,972	1,974
Restricted investment securities	-	9,998	(9,998)
Unrestricted investment securities	367,925	403,717	(35,792)
Net OPEB asset	866	69	797
Loans, net of allowance for loan losses	586,606	545,942	40,664
Development projects	242,050	231,822	10,228
Capital assets	35,588	21,449	14,139
Other assets	179	-	179
Total	$ 1,246,160	$ 1,229,051	$ 17,108

- **Unrestricted investment securities** decreased $35.8 million consistent with a decrease in our overall investment portfolio. We recognized a $10.9 million decrease in the fair market value of our investment portfolio due to net unrealized losses on investments.
- **Net OPEB asset** increased $797,000 because of a change in the proportionate share of Other Postemployment Benefits (OPEB) asset related to our participation in the Public Employees' Retirement System (PERS) Occupational Death and Disability (ODD) Plan. Net OPEB asset represents our allocated portion of the asset for OPEB ODD benefits provided through the PERS.
- **Loans (net)** increased $40.7 million from June 30, 2020 compared to June 30, 2021. A decrease to our allowance for loan losses increased our net portfolio balance in FY21 compared to FY20.

Deferred outflows of resources decreased $92,000 during FY21. The following table provides the details for deferred outflows of resources (in thousands):

	2021	2020	Variance
Deferred outflows of resources related to employee pensions	$ 1,236	$ 505	$ 731
Deferred outflows of resources related to employee OPEB	354	838	(484)
Deferred outflows of resources - Snettisham	1,985	2,324	(339)
Total	$ 3,575	$ 3,667	$ (92)

- **Deferred outflows of resources related to employee pensions** represents our allocated portion of deferred outflows of resources relating to our participation in the Public Employees' Retirement System (PERS) based on the most recent plan valuation, June 30, 2019. Deferred outflows of resources include the impact of changes in certain actuarial assumptions and experience. Our allocated portion of these amounts increased $731,000 compared to FY20.

- **Deferred outflows of resources related to employee OPEB** represents our allocated portion of deferred outflows of resources relating to our participation in the OPEB plan, which includes the Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP), and Occupational Death and Disability Plan (ODD). The balance decreased $484,000 relating to our adjustment for FY21 OPEB expenses and contributions. The State's proportionate share of deferred outflows of resources related to employee OPEB decreased in FY21, which decreased the balance allocated to us. Our proportion is based on our fiscal year contributions to the defined benefit plan under PERS in relation to the State's contributions.
- **Deferred outflows of resources - Snettisham** decreased $339,000. This amount recognizes the continuing impact of the FY16 Snettisham Power Revenue bond refunding on the Snettisham direct financing lease obligation. The Snettisham direct financing lease pays for the debt service of the Snettisham Power Revenue bonds. Annual amortization of this item accounted for the decrease.

Current liabilities decreased approximately $141.4 million. The following table breaks out current liabilities (in thousands):

	2021	2020	Variance
Power revenue bonds payable - current portion - Snettisham	$ 2,935	$ 2,800	$ 135
Accrued interest payable	1,258	-	1,258
Due to State of Alaska	32	1,109	(1,077)
Unspent CARES funds	816	142,994	(142,178)
Accounts payable/other liabilities	3,788	3,277	511
Total	$ 8,829	$ 150,180	$ (141,351)

- The decrease was primarily attributable to us expending the CARES funds that were advanced to us in FY20. This program provided hardship grants to small businesses in Alaska that were impacted by the COVID-19 pandemic. The program ended in FY21. All funds were returned in FY22.

Noncurrent liabilities decreased about $2.9 million. The following table breaks out noncurrent liabilities (in thousands):

	2021	2020	Variance
Net pension liability	$ 10,403	$ 11,244	$ (841)
Net OPEB liability	17	371	(354)
Other liabilities	24,301	23,352	949
Liabilities payable from restricted assets - Snettisham	61,018	63,640	(2,622)
Total	$ 95,739	$ 98,607	$ (2,868)

- **Net pension liability** represents our allocated portion of the liability for pension benefits provided through PERS. Our FY21 liability decreased approximately $841,000 compared to FY20. The State's proportionate share of net pension liability decreased in FY21, which decreased the balance allocated to us.

- **Net OPEB liability** represents our allocated portion of the liability for OPEB benefits in the ARHCT and RMP plans provided through the PERS. Net OPEB liability decreased approximately $354,000 due to a decrease of the State's proportionate share of OPEB.
- **Other liabilities** increased slightly.
- **Liabilities payable from restricted assets - Snettisham** decreased $2.6 million primarily due to the $2.9 million reduction in Power Revenue bonds payable, a result of principal payments, offset by an increase in other liabilities.

Deferred inflows of resources decreased $97,000. This balance represents our proportionate share of deferred inflows of resources relating to pension and OPEB benefits provided through PERS. Deferred inflows of resources are comprised of amounts such as the difference between projected and actual investment earnings for PERS based on the most recent plan valuation, June 30, 2020.

T**otal net position** decreased $12 million during the fiscal year due to the following:

- $1.5 million net increase from operating activities.
- $13.5 million net decrease from nonoperating and other activities.

Net investment in capital assets, a component of total net position, increased approximately $2.8 million due to an increase in capital assets with an offset of depreciation and the impairment of capital assets.

Unrestricted net position decreased by $9.2 million, the net effect is due to a decrease of $12 million from FY21 revenues and expenses.

Following are AIDEA's operating revenues and expenses, net nonoperating revenues (expenses), and other nonoperating activity for FY21 and FY20 (in thousands):

	2021	2020	Variance
Operating revenues:			
Interest on loans	$ 17,598	$ 17,458	$ 140
Income from development projects	10,908	13,490	(2,582)
Restricted income	2,592	2,728	(136)
Investment interest	9,818	12,884	(3,066)
Net increase in fair value of investments	(10,853)	26,770	(37,623)
Income from state agencies and component units	5,299	5,504	(205)
State of Alaska nonemployer contributions to Public Employees' Retirement System	556	607	
Pass-through grant revenues - CARES act	280,676	7,223	273,453
Other income	1,184	2,361	(1,177)
Total operating revenues	317,779	89,025	228,754
Operating expenses			
Interest	-	1,113	(1,113)
Interest on liabilities payable from restricted assets	2,592	2,728	(136)
Nonproject personnel, general and administrative	18,094	6,798	11,296
Net pension related adjustments	(1,392)	2,999	(4,391)
Net OPEB related adjustments	(386)	(2,217)	1,831
CARES act small business grant program	274,512	7,006	267,506
Costs reimbursed from state agencies and component units	-	5,504	(5,504)
Provision for loan losses	(1,396)	10,150	(11,546)
Depreciation	3,324	3,324	(0)
Impairment loss on development projects	19,091	-	19,091
Project feasibility, due diligence, and other project expenses	1,852	1,192	660
Total operating expenses	316,291	38,597	277,694
Operating income	1,488	50,428	(48,941)
Net non-operating revenue	7	157	(150)
Appropriations and contributions from the State of Alaska	332	2,730	(2,398)
Capital grant	405	1,540	(1,135)
Capital funds contribution	239	-	239
Dividend to the State of Alaska	(14,475)	(10,285)	(4,190)
Total nonoperating expenses	(13,492)	(5,858)	(7,634)
Change in net position	$ (12,004)	$ 44,570	$ (56,575)

Operating revenues increased $229,000 during the year ended June 30, 2021, compared to June 30, 2020.

- **Interest on loans** includes interest earned on our loan portfolios funded by our Enterprise Development Account and Loan Funds. Interest on loans increased $140,000 in FY21 compared to FY20. This increase is consistent with an overall increase in our loan portfolio.
- **Income from development projects** decreased $2.6 million. The following table breaks out income from development projects (in thousands):

	2021	2020	Variance
Interest income on direct financing leases	$ 5,742	$ 7,106	$ (1,364)
Income from operating leases	2,442	2,452	(10)
Income from lines of credit and loans	2,724	3,931	(1,207)
Total	$ 10,908	$ 13,489	$ (2,581)

- **Interest income on direct financing leases** decreased $1.4 million due to decreased direct financing lease balances. As balances decrease a larger portion of payments is applied to principal rather than interest.
- **Income from operating leases** was nearly flat in FY21 compared to FY20. There were no changes in our lease agreements during the year; therefore, revenues remained stable and recognized in accordance with the agreements.
- **Income from lines of credit and loans** represents interest earned on loans and LOCs funded under the Direct Finance Program from our Economic Development Account. Interest income from these loans decreased $1.2 million in FY21 compared to FY20.
- **Investment interest** is comprised of interest earned on our investment portfolios. Investment interest was $3.1 million lower in FY21 compared to FY20. This decrease was the product of market conditions and a lower portfolio balance.
- **Net increase (decrease) in fair value of investments** represents realized and unrealized gains and losses on our investment portfolios. There was a net decrease in fair value of investments totaling $10.9 million in FY21 compared to a net increase in fair value of investments of $26.8 million in FY20. Net unrealized losses of $18.2 million in FY21 were less than the net unrealized gains of $15.9 million in FY20 resulting in a $34.5 million decrease between the two years. The FY21 realized gains of $7.3 million was less than the $10.9 million realized gains in FY20, resulting in a $3.5 million decrease between the two years. U.S. generally accepted accounting principles require us to mark our investment portfolio to market value at the end of each fiscal year and reflect that adjustment as a component of net income. Generally the impact of rising interest rates, higher inflation forecast, general market rotation and portfolio rebalancing were the predominant factors contributing to the change in the portfolio value between the two periods.
- **Income from State agencies and component units** represents income relating to services provided to other State agencies. Income decreased approximately $205,000 in FY21. This balance is primarily comprised of revenues collected from AEA for personnel services provided by AIDEA employees. Overall, the slight change is due to a decrease in personnel costs charged to AEA for staff time spent on AEA projects and programs.

- **Pass through grant revenues – CARES Act** represents revenues recognized to the extent of expenditures relating to the AKCARES funding program. The program escalated during FY21, resulting in an increase of $273.5 million CARES Act funding including a modest amount of federal funds utilized by the loan funds managed by DCCED.
- **Other income** decreased $1.2 million.

Operating expenses increased a net of $278 million in FY21 compared to FY20, driven largely by program expenses (grants) under the Alaska CARES Program.

- **Nonproject personnel, general and administrative** includes costs related to our staff and general operations such as facilities costs and supplies not directly charged to project expense or capitalized. **Net OPEB related adjustments** represent accounting adjustments resulting from our participation in OPEB plans associated with PERS, as allocated to us by the State. These adjustments reflect the impact of actuarial measurements on OPEB expense. Net adjustments allocated to us in FY21 reduced net expenses by approximately $386,000 compared to a decrease of expenses in FY20 of approximately $2.2 million.
- **Provision for loan losses** represents the adjustment made to recognize potential losses in our loan portfolios.
- **Depreciation expense** represents the adjustment made to recognize the cost of a capital asset over its useful life. Depreciation expense was flat in FY21 compared to FY20.

Appropriations and 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 $2.2 million in FY21 compared to FY20. Reduced spending on the AMDIAP and Ketchikan Shipyard contributed to the decrease between the two years.

Capital grant revenues represent revenues recognized from the expenditure of federal capital funding at the Ketchikan Shipyard. We recognized $1.1 million less capital grant revenue in FY21 compared to FY20 as a result of reduced spending on Ketchikan Shipyard grant funded capital projects. We received federal funds to continue development of the Ketchikan Shipyard and recognized revenues to the extent of federal expenditures incurred in FY21.

Dividend to State of Alaska increased $4.2 million in FY21 compared to FY20. We paid $14.5 million in dividends to the State during FY21, compared to $10.3 million during FY20.

As directed by statute, AIDEA makes available to the State an annual dividend from the Revolving Fund and from the SETS Fund. 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 FY21 (the audit being completed within FY21) will become the base for the dividend to be paid in FY22. In no case may the dividend exceed base year unrestricted audited "net income." The actual transfer of the dividends 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 and anticipate funding of new loans from our Loan Participation Program next year.

We anticipate funding over $37 million in loan participations during FY22. This includes about $21 million in participation pre-flights received between July 1, 2020 to October 22, 2020. Loans in pre-flight status are loans that have not been underwritten or approved.

We continue to explore opportunities to advance economic development in the State through the development of industrial infrastructure. There are a number of potential industrial infrastructure projects in our project pipeline with a potential estimated future investment by AIDEA of over $600 million in projects supporting oil production, development of new mines, and tourism infrastructure.

Requests for Information
This financial report is designed to provide a general overview of AIDEA's finances for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the following:

Alaska Industrial Development and Export Authority
813 West Northern Lights Blvd.
Anchorage, Alaska 99503

Alaska Industrial Development and Export Authority

(A Component Unit of the State of Alaska)
Statements of Net Position
(in thousands)
June 30, 2021
(With Comparative Totals at June 30, 2020)

	Major Funds				Total	
	Revolving Fund	Emergency Programs	SETS Fund	Aggregate Nonmajor Funds	2021	Restated 2020
Assets						
Current Assets						
Unrestricted cash and cash equivalents	$ 86,440	$ 24,985	$ 4,400	$ 21,968	$ 137,793	$ 107,112
Restricted cash and cash equivalents	42,855	792	1,514	-	45,161	181,451
Unrestricted investment securities	6,850	-	-	-	6,850	22,678
Loans - current portion	30,925	-	-	338	31,263	29,768
Development projects accounted for as direct financing leases	4,995	-	-	-	4,995	13,040
Development projects accounted for as loans, net of allowance for loan losses	26,477	-	-	-	26,477	69,443
Accrued interest receivable	4,819	-	321	225	5,365	8,281
Internal balances	(27,500)	-	-	27,369	(131)	-
Due from component unit	5,074	-	-	-	5,074	3,392
Other assets	218	-	4	-	222	1,242
Total current assets	181,153	25,777	6,239	49,900	263,069	436,407
Noncurrent Assets						
Restricted cash and cash equivalents	-	-	-	-	-	5,082
Restricted cash and cash equivalents - Snettisham	12,946	-	-	-	12,946	10,972
Restricted investment securities	-	-	-	-	-	9,998
Investment securities	367,925	-	-	-	367,925	403,717
Net OPEB asset	866	-	-	-	866	69
Loans - noncurrent portion, net of allowance for loan losses	423,140	-	154,487	8,979	586,606	545,942
Development projects accounted for as:						
Direct financing leases	69,764	-	-	-	69,764	80,566
Loans - noncurrent portion	23,289	-	-	-	23,289	31,174
Capital assets	64,168	-	-	-	64,168	66,938
Restricted net investment in direct financing lease - Snettisham	50,280	-	-	-	50,280	53,144
Component Unit - Mustang	34,549	-	-	-	34,549	-
Capital assets	21,453	-	-	14,135	35,588	21,449
Other assets	179	-	-	-	179	-
Total noncurrent assets	1,068,559	-	154,487	23,114	1,246,160	1,229,051
Total assets	1,249,712	25,777	160,726	73,014	1,509,229	1,665,458
Deferred Outflows of Resources						
Related to employee pensions	1,236	-	-	-	1,236	505
Related to OPEB	354	-	-	-	354	838
Deferred outflow of resources - Snettisham	1,985	-	-	-	1,985	2,324
Total deferred outflows of resources	3,575	-	-	-	3,575	3,667
Total Assets and Deferred Outflows Of Resources	$ 1,253,287	$ 25,777	$ 160,726	$ 73,014	$ 1,512,804	$ 1,669,125

Alaska Industrial Development and Export Authority
(A Component Unit of the State of Alaska)
Statement of Net Position
(in thousands)
June 30, 2021
(With Comparative Totals at June 30, 2020)

	Major Funds				Total	
	Revolving Fund	Emergency Programs	SETS Fund	Aggregate Nonmajor Funds	2021	Restated 2020
Liabilities						
Current Liabilities						
Power revenue bonds payable - current portion - Snettisham	$ 2,935	$ -	$ -	$ -	$ 2,935	$ 2,800
Accrued interest payable - Snettisham	1,258	-	-	-	1,258	-
Accounts payable	2,030	-	-	389	2,419	2,592
Due to the State of Alaska	32	-	-	-	32	1,109
Unspent AK CARES funds	-	816	-	-	816	142,994
Other liabilities	1,353	5	-	11	1,369	685
Total current liabilities	7,608	821	-	400	8,829	150,180
Noncurrent Liabilities						
Net pension liability	10,403	-	-	-	10,403	11,244
Net OPEB liability	17	-	-	-	17	371
Other liabilities	24,301	-	-	-	24,301	23,352
Liabilities payable from restricted assets - Snettisham:						
Power revenue bonds payable	48,815	-	-	-	48,815	51,750
Other	12,203	-	-	-	12,203	11,890
Total noncurrent liabilities	95,739	-	-	-	95,739	98,607
Total liabilities	103,347	821	-	400	104,568	248,787
Deferred inflows of resources:						
Related to employee pensions	74	-	-	-	74	452
Related to OPEB	694	-	-	-	694	413
Total deferred inflows of resources	768	-	-	-	768	865
Net Position						
Net investment in development projects - capital assets	64,168	-	-	-	64,168	66,938
Net investment in capital assets	21,453	-	-	-	21,453	21,449
Restricted by agreement with third parties	15,000	-	-	-	15,000	15,000
Unrestricted	1,048,551	24,956	160,726	72,614	1,306,847	1,316,086
Total net position	1,149,172	24,956	160,726	72,614	1,407,468	1,419,473
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 1,253,287	$ 25,777	$ 160,726	$ 73,014	$ 1,512,804	$ 1,669,125

Alaska Industrial Development and Export Authority
(A Component Unit of the State of Alaska)
Statements of Revenues, Expenses, and Changes in Net Position
(in thousands)
Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Major Funds				Total	
	Revolving Fund	Emergency Programs	SETS Fund	Aggregate Nonmajor Funds	2021	2020
Operating Revenues						
Interest on loans	$ 16,861	$ -	$ 321	$ 416	$ 17,598	$ 17,458
Income from development projects	8,184	-	-	-	8,184	9,559
Income from development projects - loans	2,724	-	-	-	2,724	3,931
Interest on Snettisham restricted direct financing lease	2,592	-	-	-	2,592	2,728
Investment interest	9,796	21	1	-	9,818	12,884
Net change in fair value of investments	(10,853)	-	-	-	(10,853)	26,770
Income from state agencies and component units	5,299	-	-	-	5,299	5,504
State of Alaska nonemployer contributions to Public Employees' Retirement System	556	-	-	-	556	607
Federal pass-through grant revenues	-	280,283	-	393	280,676	7,223
Other income	1,007	-	169	8	1,184	2,361
Total operating revenues	36,166	280,304	491	817	317,779	89,025
Operating Expenses						
Interest	-	-	-	-	-	1,113
Interest on Snettisham liabilities payable from restricted assets	2,592	-	-	-	2,592	2,728
Nonproject personnel, general and administrative	12,183	5,798	-	113	18,094	6,798
Net pension related adjustments	(1,392)	-	-	-	(1,392)	2,999
Net OPEB related adjustments	(386)	-	-	-	(386)	(2,217)
CARES act small business grant program	-	274,512	-	-	274,512	7,006
Costs reimbursed from state agencies and component units	-	-	-	-	-	5,504
Provision for loan losses (recovery)	(1,514)	-	-	118	(1,396)	1,551
Provision for development projects loan losses(recovery)	-	-	-	-	-	8,599
Depreciation on projects	3,324	-	-	-	3,324	3,324
Project feasibility and due diligence costs	-	-	-	-	-	204
Impairment loss on development project	19,091	-	-	-	19,091	-
Other project expenses	1,272	-	-	580	1,852	988
Total operating expenses	35,170	280,310	-	811	316,291	38,597
Operating Income (Loss)	996	(6)	491	6	1,488	50,428
Nonoperating Revenues (Expenses)						
Investment interest	-	-	-	7	7	198
Net revenue (expenses) related to Ketchikan Shipyard Repair and Replacement Fund	-	-	-	-	-	(41)
Capital grants	405	-	-	-	405	1,540
Appropriations and contributions from the State of Alaska	332	-	-	-	332	2,730
Capital funds contribution	-	-	-	239	239	-
Dividend to the State of Alaska	(13,950)	-	(525)	-	(14,475)	(10,285)
Operating funds transfer	(60)	-	-	60	-	-
Capital funds transfer	(37,000)	-	17,000	20,000	-	-
Total nonoperating revenues (expenses)	(50,273)	-	16,475	20,306	(13,492)	(5,858)
Change in Net Position	(49,277)	(6)	16,966	20,312	(12,004)	44,570
Net Position, Beginning of Year	1,198,449	24,962	143,760	52,302	1,419,473	1,374,903
Net Position, End of Year	$ 1,149,172	$ 24,956	$ 160,726	$ 72,614	$ 1,407,469	$ 1,419,473

Alaska Industrial Development and Export Authority

(A Component Unit of the State of Alaska)
Statements of Cash Flows
(in thousands)
Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

	Major Funds				Total	
	Revolving Fund	Emergency Programs	SETS Fund	Aggregate Nonmajor Funds	2021	2020
Operating Activities						
Interest received on loans	$ 17,240	$ 22	$ -	$ 313	$ 17,575	$ 15,971
Receipts from borrowers	-	-	-	-	-	4,512
Principal collected on loans	44,061	-	-	1,501	45,562	48,456
Other operating receipts	8,990	-	759	-	9,749	7,674
Other operating receipts - Snettisham	2,592	-	-	-	2,592	2,765
Loans originated	(59,498)	-	(29,200)	(666)	(89,364)	(58,242)
Pass-through federal grant receipts	-	138,323	-	393	138,716	150,000
Payments to CARES act grant recipients	-	(274,512)	-	-	(274,512)	(6,385)
Payments to suppliers and employees for services	(10,603)	(6,748)	-	(401)	(17,752)	(10,938)
Payments from (to) primary government		-	-	59	59	(2,042)
Other operating payments - Snettisham	(2,592)	-	-	-	(2,592)	(2,003)
Net Cash from (used for) Operating Activities	190	(142,915)	(28,441)	1,199	(169,967)	149,768
Noncapital And Related Financing Activities						
Dividend paid to the State of Alaska	(13,950)	-	(525)	-	(14,475)	(10,285)
Short-term borrowings received from (paid to) for working capital, net	(60)	-	-	-	(60)	(1,534)
Cash disbursed for bond defeasance	-	-	-	-	-	(10,751)
Cash received from (paid to) other funds	-	-	-	131	131	-
Interest paid on noncapital debt	-	-	-	-	-	(271)
Net Cash from (used for) Noncapital and Related Financing Activities	(14,010)	-	(525)	131	(14,404)	(22,841)
Capital And Related Financing Activities						
Direct financing lease receipts	24,590	-	-	-	24,590	28,722
Direct financing lease receipts - Snettisham	5,453	-	-	-	5,453	5,447
Capital grant receipts (payments)	405	-	-	20,000	20,405	1,454
Capital appropriation - State of Alaska	332	-	-	-	332	2,385
Cash disbursed for bond defeasance	-	-	-	-	-	(29,939)
Interest paid on capital debt	-	-	-	-	-	(751)
Cash received from (paid to) other funds	(37,000)	-	17,000	-	(20,000)	-
Investment in development projects - capital assets	-				-	(1,611)
Investment in capital assets	(557)	-	-	(13,894)	(14,451)	(281)
Investment in intangible capital assets	-	-	-	-	-	(3,425)
Proceeds from sale of a development project	-	-	-	-	-	3,200
Interest paid on capital debt - Snettisham	(2,592)	-	-	-	(2,592)	(2,795)
Principal paid on capital debt - Snettisham	(2,800)	-	-	-	(2,800)	(2,660)
Net Cash from (used for) Capital and Related Financing Activities	(12,169)	-	17,000	6,106	10,937	(254)

(in thousands)

	Major Funds				Total	
	Revolving Fund	Emergency Programs	SETS Fund	Aggregate Nonmajor Funds	2021	2020
Investing Activities						
Proceeds from sales and maturities of investment securities	$ 278,133	$ -	$ -	$ -	$ 278,133	$ 530,183
Purchases of investment securities	(227,368)	-	-	-	(227,368)	(461,780)
Interest collected on investments	9,796	-	-	7	9,803	13,476
Loans originated	(13,060)	-	-	-	(13,060)	(42,844)
Interest received on purchased loans	333	-	-	-	333	490
Principal collected on purchased loans	16,337	-	-	-	16,337	1,051
Interest received on development projects loans and line of credit	537	-	-	-	537	1,751
Principal collected on development projects loans and line of credit		-	-	-	-	13,666
Net Cash from (used for) Investing Activities	64,708	-	-	7	64,715	55,993
Net Change in Cash and Cash Equivalents	38,719	(142,915)	(11,966)	7,443	(108,719)	182,666
Cash And Cash Equivalents, Beginning Of Year, as restated	103,522	168,692	17,880	14,525	304,619	98,949
Cash And Cash Equivalents, End Of Year	$ 142,241	$ 25,777	$ 5,914	$ 21,968	$ 195,900	$ 281,615

Alaska Industrial Development and Export Authority

(A Component Unit of the State of Alaska)
Statements of Cash Flows
(in thousands)
Year Ended June 30, 2021
(With Comparative Totals for the Year Ended June 30, 2020)

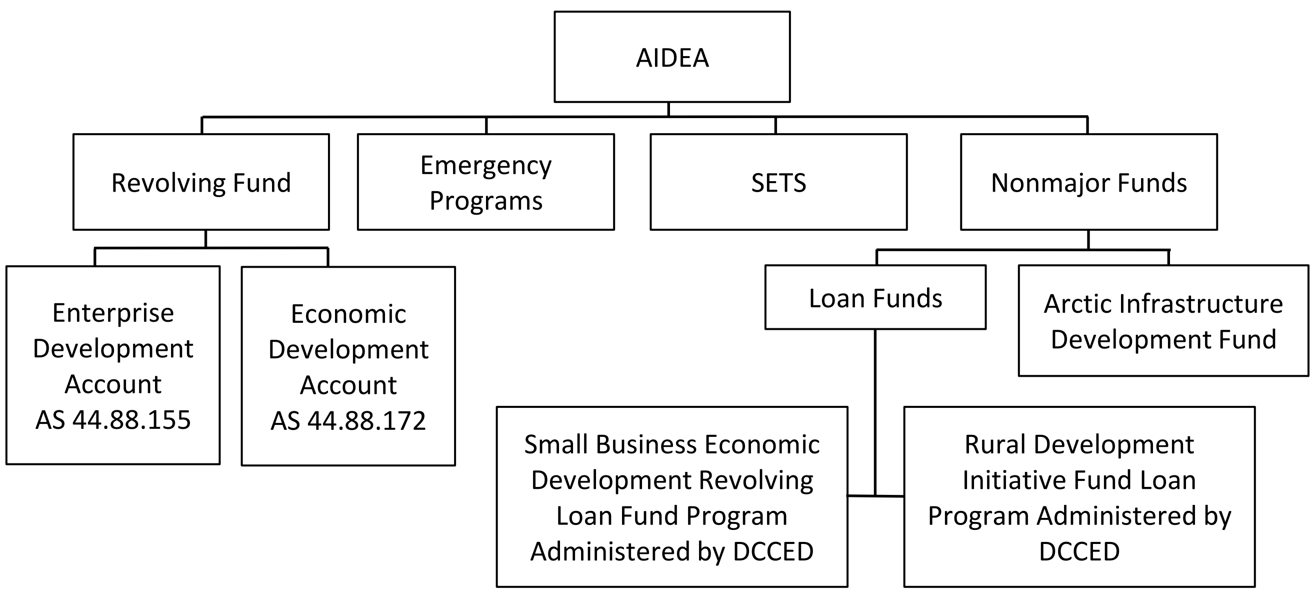
	Major Funds				Total	
	Revolving Fund	Emergency Programs	SETS Fund	Aggregate Nonmajor Funds	2021	2020
Reconciliation to statements of net position						
Unrestricted cash and cash equivalents	$ 86,440	$ 24,985	$ 4,400	$ 21,968	$ 137,792	$ 107,112
Restricted cash and cash equivalents - current	42,855	792	1,514	-	45,162	158,449
Restricted cash and cash equivalents - noncurrent	-	-	-	-	-	5,082
Restricted cash and cash equivalents - Snettisham	12,946	-	-	-	12,946	10,972
Cash and cash equivalents, end of year	142,241	25,777	5,914	21,968	195,900	281,615
Reconciliation of operating income to net cash from (used for) operating activities:						
Operating income (loss)	996	(6)	492	5	1,487	50,428
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:						
Principal collected on loans	44,061	-	-	1,501	45,562	48,456
Loans originated	(59,498)	-	(29,200)	(666)	(89,364)	(58,242)
Investment interest income	(9,796)	-	-	-	(9,796)	(12,956)
Net amortization of income from operating companies	-	-	-	-	-	-
Amortization of unearned income on direct financing leases	(5,742)	-	-	-	(5,742)	(7,106)
Amortization of unearned income on direct financing lease - Snettisham	(2,251)	-	-	-	(2,251)	2,728
Bond interest expense		-	-	-	-	1,140
Bond interest expense – Snettisham	2,592	-	-	-	2,592	(2,728)
Provision for loan losses (recovery)	(18,985)	-	-	-	(18,985)	10,150
Depreciation on projects	3,183	-	-	-	3,183	3,324
Depreciation on administrative building	141	-	-	-	141	203
Loan amount transferred	14,563	-	-	-	14,563	-
Impairment loss on capital assets	19,091	-	-	-	19,091	-
Interest on loans	(871)	-	-	-	(871)	-
Net change in fair value of investments	10,853	-	-	-	10,853	(26,770)
Interest on loans	-	-	-	-	-	(4,426)
Capitalized loan interest	-	-	-	-	-	-
Other	-	-	-	59	59	-
Changes in assets and liabilities						
Other assets	(2,090)	218	267	(73)	(1,678)	2,141
Other liabilities	-	(949)	-	373	(576)	(393)
Net OPEB asset	(797)	-	-	-	(797)	(21)
Deferred outflows related to pensions	(731)	-	-	-	(731)	714
Deferred outflows related to OPEB	484	-	-	-	484	(132)
Accrued interest receivable and other assets	3,340	-	-	-	3,340	(200)
Net pension liability	(841)	-	-	-	(841)	1,472
Net OPEB liability	(354)	-	-	-	(354)	(1,678)
Accounts payable and other liabilities	2,939	-	-	-	2,939	849
Unspent CARES funds	-	(142,178)	-	-	(142,178)	142,994
Deferred inflows related to pensions	(378)	-	-	-	(378)	207
Deferred inflows related to OPEB	281	-	-	-	281	(386)
Net Cash from (used for) Operating Activities	$ 190	$ (142,915)	$ (28,441)	$ 1,199	$ (169,967)	$ 149,768

(in thousands)

	Major Funds				Total	
	Revolving Fund	Emergency Programs	SETS Fund	Aggregate Nonmajor Funds	2021	2020
Noncash investing, capital, and financing activities:						
Net unrealized loss (gain) on investments	$ 10,853	$ -	$ -	$ -	$ 10,853	$ (15,902)
Impairment loss	19,091	-	-	-	19,091	-
Accounts payable for development project additions	-	-	-	-	-	832
Contributed capital assets	-	-	-	-	-	-
Loans transferred to capital assets	14,563	-	-	-	14,563	-
Capital asset from loans transferred	34,549	-	-	-	34,549	-

Note 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 as follows:



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

The Arctic Infrastructure Development Fund was established by legislation effective October 2014 and was first capitalized during fiscal year 2020.

Blended Component Unit: The Mustang Holding LLC is a legal separate organization. The Authority is financially accountable for Mustang Holding LLC.

Enterprise Development Account (Alaska Statute (AS) 44.88.155)

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

- Loan Participation Program, we purchase portions of loans (participations) made by financial institutions to their customers. Participations generally must be limited to the lesser of 90% of the permanent financing total for qualifying facilities, or $25.0 million.
- Business and Export Assistance Program, we guarantee up to 80% of the principal balance and a guarantee of interest to the financial institution making a qualifying loan. The maximum guarantee amount of any loan is $1.0 million.

The following project is included in the Enterprise Development Account:

- Ambler Mining District Industrial Access Project (AMDIAP) which consists of work related to an anticipated industrial access road to support mineral exploration and development on the south side of the Brooks Range in northwest Alaska. The AIDEA board declared AMDIAP an Arctic Infrastructure Development Project under board resolution G20-11.

Economic Development Account (AS 44.88.172)

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

- **DeLong Mountain Transportation System project** (DMTS, aka Red Dog project) consists of a 52-mile gravel industrial access road and port facilities to serve regional supply needs, enable the export of raw materials and supplies for the Red Dog Mine and other potential mines, and enable the export of lead and zinc concentrates and other metal concentrates from these mines. Located in the DeLong Mountains in northwestern Alaska, the Red Dog Mine is one of the world's largest zinc-producing mines. The DMTS was financed with a combination of AIDEA funds and bond issues; the current outstanding refunding bonds related to the project were issued in February 2010 and defeased in October 2019.
- **Skagway Ore Terminal project** (Skagway Terminal) is an ore terminal port facility for public use in Skagway, Alaska. The terminal acquisition was originally financed with bonds; a major facility reconstruction (ore shed, tank farm and vehicle fueling facility) was financed with AIDEA funds. There are no longer bonds outstanding for this project.
- **Federal Express project**, which consists of a maintenance, repair and overhaul aircraft hangar and an associated fire suppression facility (for the hangar) at the Ted Stevens Anchorage International Airport. We partially financed this project with a June 2002 bond issue; AIDEA called all remaining outstanding bonds in April 2012.

- **Ketchikan Shipyard project** (Shipyard), located in Ketchikan, Alaska, was transferred to AIDEA in July 1997, under an agreement with the State Department of Transportation and Public Facilities (AKDOT&PF). Capital appropriations from the State legislature, local municipal/borough contributions and federal grant funds enabled the completion of a new Assembly Hall and other improvements in the facility without AIDEA financing.
- **Snettisham Hydroelectric project** (Snettisham), located in southeast Alaska near Juneau, which we acquired from the Alaska Power Administration, a federal agency, in August 1998. We issued $100.0 million of revenue bonds to buy the project and provide funds to buy and install a submarine cable system. The 1998 bonds were refunded in August 2015. We also have agreements with Alaska Electric Light and Power (AEL&P), the sole Juneau electric utility, which enable us to sell the project's entire electrical output capacity to AEL&P and requires it to operate and maintain the project, with an option to buy.
- **State of Alaska Department of Military and Veterans Affairs** (DMVA) project is an expansion to the existing National Guard Armory on Joint Base Elmendorf-Richardson (JBER). Construction of the Camp Denali Readiness Center Addition Project was performed under a license between the State and the U.S. Air Force and was financed with AIDEA funds. The facility is leased by the DMVA to the U.S. Coast Guard.

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

- **Blue Crest Drill Rig** in which we financed the procurement of a new high-horsepower, extended reach, onshore drilling rig that is being used for the installation and development of numerous wells to produce oil from the Cosmopolitan lease blocks in the lower Cook Inlet and we financed the construction of man camp facilities for workers on the project.
- **Blood Bank of Alaska, Inc.** in which we financed the acquisition, delivery and installation of furniture, fixtures and equipment for a laboratory and collection facility building.
- **MOC1 Acquired Loan** in which AIDEA acquired the lender's position in the existing loan between Mustang Operations Center 1 LLC (MOC1) and the State of Alaska Department of Revenue (DOR). As a result of a September 2020 non-judicial foreclosure, we acquired the equity interests of MOC1 and will therefore receive payment for oil and gas tax credit certificates originally issued to MOC1 by the State of Alaska Department of Revenue once those payments are made.
- **AK SHIP Program** in which we provide financing in the form of direct loans supporting Alaska's shipyards.
- **HEX LLC** in which we financed the acquisition of the Kitchen Lights unit offshore Cook Inlet Alaska.

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

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

Conduit Revenue Bond Program

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

- Up to $185.0 million (collective amount) to finance building power transmission interties that electric utilities will own. We have not issued any bonds under this authorization.

By the end of fiscal year 2021, we had issued conduit revenue bonds for 321 projects (not including bonds issued to refund other bonds). At June 30, 2021, the outstanding principal amount of conduit revenue bonds issued after July 1, 1995 was $471.4 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 $1.68 billion issued through June 30, 2021 (not including bonds issued to refund other bonds).

Small Business Economic Development Revolving Loan Fund Program and Rural Development Initiative Fund Loan Program

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

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

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

Sustainable Energy Transmission and Supply Development (SETS) Program

The 2012 State legislature passed Senate Bill 25 establishing the SETS Program and the SETS Fund. This program was created so AIDEA could promote and finance qualified energy developments in Alaska to reduce unemployment and contribute to economic diversity and development in the State. 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 (leaving $67.5 million in capitalization of the SETS Fund) for the Interior Energy Project (IEP). The SETS Fund received an additional $125.0 million in capitalization from the State General Fund in FY14 in accordance with legislation passed by the 2013 legislature. Effective June 30, 2014, the legislature re-appropriated an additional $50.0 million of the initial funding for the University of Alaska, leaving $142.5 million in capitalization of the SETS Fund.

The legislature has authorized issuing SETS bonds for the IEP. The $150.0 million bond authorization through the SETS Fund is for the development, construction, and installation of, and the startup costs of operation and maintenance for a liquefied natural gas production plant and system and affiliated infrastructure on the North Slope and a natural gas distribution system and affiliated infrastructure in Interior Alaska. Effective as of July 1, 2015, the bonding authorization was amended to allow the liquefied natural gas production plant and system to be located anywhere in the state to provide natural gas to Interior Alaska as a primary market. This bonding authorization expires June 30, 2023 if we do not issue bonds before that date.

In December of 2020, AIDEA loaned Alaska Energy Authority $17,000,000 from SETS to acquire a transmission line for incorporation into the Bradley Lake hydroelectric project.

Arctic Infrastructure Development Program and Fund (AS 44.88.800)

The Arctic Infrastructure Development Fund (AIDF) was established by legislation effective October 2014 as a separate fund independent of the Revolving Fund established to promote and provide financing for Arctic infrastructure development.

The following projects are included in the AIDF:

- Ambler Mining District Industrial Access Project (AMDIAP) which consists of current work related to an anticipated industrial access road to support mineral exploration and development on the south side of the Brooks Range in northwest Alaska.
- Section 1002 consist of intangible assets acquired in January 2021 under the U.S. Department of Interior (DOI) Bureau of Land Management (BLM) Coastal Plain Oil and Gas Leasing Program.

Alaska Energy Authority

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

Note 2 - Summary of Significant Accounting Policies

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.

Fair Value Measurement and Application

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

Cash and Cash Equivalents

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

Investments

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

Loans and Related Interest Income

Revolving Fund loans funded from our Enterprise Development Account 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. Revolving Fund loans funded from our Economic Development Account are secured by assets of the project being financed. SETS Fund loans are secured by the assets being financed. 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 loan participations or borrower for loans we funded directly, and Loan Fund loans as needed.
- Analyze Revolving Fund and SETS Fund loans for possible impairment if the loan is more than 90 days past due, have been restructured, or have an area of specific concern.
- 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 and SETS Fund loans when foreclosure or deed in lieu of foreclosure is completed, or we have determined no economic benefit will result from pursuing legal remedies.
- Charge off Loan Fund loans when we have 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. Loans funded by our Enterprise Development Account except the Power Project Fund loan portfolio held by the Revolving 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. The current portion of other loans is the legal amount due within the next year.

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.

Development Projects – Capital Assets

Our development projects accounted for as capital assets are carried at cost, net of depreciation, adjusted for impairments of value that are not temporary. Depreciation begins on these development projects when they are available for use. In addition, these development projects are considered investments for purposes of impairments, so impairment losses are recognized whenever the fair value of the asset has declined below the carrying value and the decline is determined to not be 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.

Capital Asset Additions and Retirements

Additions of capital assets are at original cost. Cost consists of contracted services, materials and other direct costs. When capital assets are disposed of or otherwise retired, the original cost of retirement, less salvage value is charged against the net book value of the asset. Any gain or loss is recognized as income or expense in the year of disposition or retirement. Maintenance, repairs and renewals are charged to expense when incurred. Renewals extending the useful life of the property are capitalized. Capital assets are depreciated or amortized utilizing the straight-line method over their estimated useful lives.

The estimated economic lives and capitalization thresholds of the assets are as follows:

	Life in Years	Capitalization Amounts
Software and intangibles	3-15	$500,000 or greater
Machinery and equipment	3-30	$100,000 or greater
Building and building improvements	15-20	$1,000,000 and $100,000 or greater
Infrastructure	20-40	$1,000,000 or greater

Intangible Assets

AIDEA recognizes intangible assets per the guidance of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Intangible assets are assets that 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 multi-year project, continue development of the intangible asset.

AIDEA recognizes impairment losses for long lived assets whenever there is a significant unexpected decline in service utility.

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.

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.

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, 2021.

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.

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 fiscal year 2021, 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.

Operating Revenue and Expense

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

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

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 that are not expended, are repaid to the State and are, therefore, reflected as a liability in our financial statements.

Income Taxes

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

Depreciation

Depreciation for capital assets is charged to operations by use of the straight-line method at an annual rate ranging from 2 - 28%, depending on type of asset.

Nonexchange Payments

Nonexchange 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.

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.

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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position reports 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 three items that qualify for reporting in this category:

- Deferred outflows of resources related to our participation in the Public Employees' Retirement System (PERS) including pension and other postemployment benefits (OPEB).
- Deferred outflows of resources related to the Snettisham restricted direct financing lease.

In addition to liabilities, the statements of net position reports 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 that qualifies for reporting in this category. It is a deferred inflow of resources related to our participation in PERS, including pension and OPEB.

Pension and Other Postemployment Benefits

For purposes of measuring the net pension liability and OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by 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 net pension liability, deferred outflows of resources and deferred inflows of resources related to PERS. A revenue and expense is recognized for the nonemployer (State) portion of pension expense for the reporting period.

We follow the guidance in GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (Statement 75). We recognize the employer portion of net OPEB liability, deferred outflows of resources and deferred inflows of resources related to PERS. A revenue and expense is recognized for the nonemployer (State) portion of OPEB expense for the reporting period.

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 fiscal year 2021, from which the summarized information was derived. Certain reclassifications were made to prior year information to conform to current year presentation.

Recently Issued Accounting Pronouncements

GASB Statement No. 87, *Leases* (Statement 87) was issued by GASB in June 2017. The objective of Statement 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The provisions of this Statement are required to be implemented for the reporting periods beginning after June 15, 2021. We have not implemented Statement 87 and are currently evaluating the impact on future financial statements.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (Statement 89) was issued by GASB in June of 2018. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Per-November 30, 1989 FASB and AICPA Pronouncements,* which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included the historical cost of a capital asset reported in a business-type activity or enterprise fund. This Statement also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. We have not implemented Statement 89 and are currently evaluating the impact on future financial statements.

GASB Statement No. 91, *Conduit Debt Obligations* (Statement 91) was issued by GASB in May 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers’ conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021. We have not implemented Statement 91 and are currently evaluating impact on the financial statements.

GASB Statement No. 92, *Omnibus 2020* (Statement 92) was issued by GASB in January 2020. This statement addresses a variety of topics with an objective to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. We have not implemented Statement 92 and are currently evaluating impact on the financial statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates* (Statement 93) was issued by GASB in March 2020. This statement addresses a scheduled replacement of interbank offered rate (IBOR) with a new reference rate and an impact of the replacement on derivative instruments and lease contracts in which variable payments made or received depend on IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021. We have not implemented Statement 93 and are currently evaluating impact on the financial statements.

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* (Statement 94) was issued by GASB in March 2020. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). The requirements of this Statement are effective for reporting periods beginning after June 15, 2022. We have not implemented Statement 94 and are currently evaluating impact on the financial statements.

In light of the COVID-19 pandemic, on May 8, 2020, the GASB issued Statement No. 95, *Postponement of the Effect Dates of Certain Authoritative Guidance, to Provide Relief to Governments,* (Statement 95). This Statement, which was effective upon issuance, postpones the effective dates of certain provisions in the above noted pronouncements for one year, except for Statement 87 and provisions related to leases in Statement 92 are excluded from Statement 95. Additionally, Statement 95 excludes provisions in Statement 93 related to lease modifications and excludes Statement 94 since GASB considered the pandemic in determining effective dates. Earlier application of the standards is encouraged and is permitted to the extent specified in each pronouncement as originally issued.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* (Statement 96) is effective for year-end June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This statement, among other things, defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides capitalization criteria for outlays other than subscription payments, and requires note disclosures regarding a SBITA. The Authority has not implemented Statement 96 and will evaluate the impact on future financial statements.

GASB Statement No. 97, *Certain Components Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* (Statements 97) is effective for year-end June 30, 2022, except the portion of the pronouncement related to component unit criteria, which is effective for year -end June 30, 2020. This statement modifies certain guidance contained in Statement 84 and enhances the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. We determined that the portion of Statement 97 that is related to component unit criteria has no impact on the presentation of the financial statements for the year ended June 30, 2021. We have not implemented the remaining pronouncements of Statement 97 and will evaluate the impact on future financial statements.

Note 3 - Cash and Investment Securities

Revolving Fund

Cash and Cash Equivalents

Following is a summary of the Revolving Fund’s cash and cash equivalents at June 30, 2021 (in thousands):

Current - unrestricted	$	86,440
Current - restricted		42,855
Noncurrent - restricted - Snettisham		12,946
Carrying amount	$	142,241
Bank balance	$	142,241

Cash equivalents include $31.04 million invested in the Alaska Municipal League Investment Pool (Pool). The Pool was rated a principal stability rating of AAAm by Standard & Poor's (S&P). Stand-alone financial statements can be obtained by writing to the Alaska Permanent Capital Management Co., 900 West Fifth Avenue, Suite 601, Anchorage, Alaska 99501 or visiting www.amlip.org.

Alaska Statute (AS) 37.23 provides for regulatory oversight of the Pool. The Statute provides requirements regarding authorized investments and reporting. The Pool is incorporated in Alaska as a nonprofit corporation and reports to a board of directors. AS 37.23.050 requires retention of an investment manager. The manager is required to produce monthly disclosure statements for the Pool. An investment advisor monitors the performance of the investment manager to ensure compliance with investment policies. The Pool must maintain a dollar-weighted average maturity of 90 days or less, and only purchase instruments having remaining maturities of 397 days or less. The fair value of the investments in the Pool are reviewed monthly by an independent pricing service. The Pool meets the standards for reporting investments at amortized cost with regard to portfolio requirements including maturity, quality, diversification, liquidity and shadow price. There are no restrictions or limitations on withdrawals from the Pool. As of June 30, 2021, 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, 2021 (in thousands):

Current - unrestricted	$ 6,850
Noncurrent - unrestricted	367,925
	$ 374,775

Fair Value Measurement

We categorize our fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Following is a summary of the Revolving Fund portfolio, organized by major investment type and the recurring fair value measurement at June 30, 2021 (in thousands):

	Level 2
Municipal Bonds	$ 2,504
US Agency Bonds	13,625
Corporate Securities	150,091
Asset-Backed Securities	10,113
Foreign Securities	687
US Treasury Bonds	89,714
Commercial Mortgage-Backed	890
Mortgage-Backed	107,151
	$ 374,775

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, 2021, there were no portfolios investing in non-U.S. dollar denominated instruments). AIDEA believes it meets the investment policy's requirements for maturity and duration of the externally managed fixed-income portfolios.

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

We have shown below the weighted average effective duration in years for Revolving Fund cash equivalents and investments at June 30, 2021. 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 Portfolio
Municipal Bonds	-	2.80
Money Market	0.15	0.15
US Agency Bonds	-	4.68
Corporate Securities	-	9.75
Asset-Backed Securities	-	0.59
Foreign Securities	-	15.11
US Treasury Bonds	-	4.06
Mortgage-Backed	-	15.66

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. Mortgage-backed securities guaranteed by Federal agencies or GSE are permitted, as are asset-backed securities, including collateralized mortgage-backed securities and collateralized mortgage obligations. AIDEA believes it is in compliance with the requirement of the investment policy regarding the credit quality of the portfolio.

The quality ratings of AIDEA Revolving Fund cash equivalent and investment portfolio at June 30, 2021 are stated in the table below as a percentage of the total portfolio. U.S. Treasury securities and securities of agencies and corporations explicitly guaranteed by the U.S. government are not considered to have credit risk and are reported as such in the table. On September 6, 2008, the Federal National Mortgage Association and Federal Home Loan Mortgage Corporation were placed into conservatorship by the Federal Housing Finance Agency. Prior to this, both corporations were considered GSEs with an implicit backing of the U.S. government. Ratings used are S&P's rating scale unless not rated by S&P or rated lower by Moody's, in which case Moody's is used. Rate modifiers are not disclosed.

Investment Type	Rating Agency	Rating	Percentage of Total
Money Market	S&P	AAA	27.00%
U.S. Government agency and GSEs	S&P	AA	3.00%
Mortgage-Backed	S&P	AA	21.00%
Corporate Securities	S&P	AA	1.00%
Corporate Securities	S&P	A	11.00%
Corporate Securities	S&P	BBB	15.00%
Corporate Securities*	Moody	AAA	2.00%
Corporate Securities*	Moody	Ba	1.00%
Asset-Backed Securities	S&P	AAA	2.00%
No Credit exposure (U.S Treasuries)			17.00%
			100%

* Moody's ratings

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 $101 million at June 30, 2021, are held in the Pool or other money market funds. Funds held in the Pool are registered in the name of the trust department of a commercial bank and are held by a third-party custodian. Money market funds are held by the trust department of a custodial bank and are registered in the bank's name. The investments in the Pool are owned by the Pool. All other investment securities in the Revolving Fund are registered in our name and are held by our custodian, the trust department of a commercial bank; therefore, no custodial credit risk exists for these securities.

Concentration of Credit Risk

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

On June 30, 2021, we had more than 5% of the combined portfolios invested in the following GSEs (dollar amounts in thousands):

	Revolving Fund	Percent of Combined Portfolio
Mortgage-Backed Freddie Mac	$ 27,437	7%
Mortgage-Backed Fannie Mae	72,544	19%

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, 2021, is as follows (in thousands):

	Allowable Usage	
Red Dog Project Sustaining Capital Fund	Project costs	$ 15,000
West Susitna Access Road Project	Project costs	5
AK SAFE Program	Payment of guarantees	3,234
Ketchikan Shipyard restricted funds	Project costs	2
Ketchikan Shipyard Repair and Replacement Fund	Project costs	304
Advances from State of Alaska	Project costs	9
Cominco	Project costs	24,178
Markair	Project costs	123
Snettisham Hydroelectric Project Funds	Various costs relating to the project	12,946
		$ 55,801

Nonmajor Funds

Cash and Cash Equivalents

A summary of the Nonmajor Funds' cash and cash equivalents at June 30, 2021, is as follows (in thousands):

Unrestricted – Loan Funds	$	8,375
Unrestricted - Arctic Infrastructure Development Fund		13,593
Carrying amount	$	21,968
Bank balance	$	21,968

Emergency Programs

Cash and Cash Equivalents

A summary of the Emergency Program cash and cash equivalents at June 30, 2021, is as follows (in thousands):

Unrestricted cash and cash equivalents	$	24,985
Restricted cash and cash equivalents		792
Carrying amount	$	25,777
Bank balance	$	25,777

SETS Fund

Cash and Cash Equivalents

A summary of the SETS cash and cash equivalents at June 30, 2021, is as follows (in thousands):

Unrestricted cash and cash equivalents	$	4,400
Restricted cash and cash equivalents		1,514
Carrying amount	$	5,914
Bank balance	$	5,914

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

Note 4 - Loans (Enterprise Development Account and Nonmajor Funds)

Loans outstanding on June 30, 2021, are classified as follows (dollar amounts in thousands). Loans funded under AS 44.88.172 are considered development projects and are excluded from the table below:

	Number	Amount
Revolving Fund – Enterprise Development Account		
Loan participation		
Internally funded	277	$ 445,276
Bond sale	1	9,551
OREO sale financing	1	100
Purchased loans	14	8,933
Revolving Fund loans	293	463,860
SETS Fund		
SSQ Line Loan	1	17,000
IEP Loans	5	137,487
SETS Fund	6	154,487
Nonmajor Funds	78	10,145
Less allowance for loan loss		(10,623)
Less current portion		(31,263)
	377	$ 586,606

Revolving Fund – Enterprise Development Account

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 current portion of Enterprise Development Account 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 Enterprise Development Account Revolving Fund loans contractually due in fiscal year 2022 is $28.1 million compared to $30.9 million recorded as the current portion. The difference of $2.8 million represents 1.5% of the Revolving Fund current assets.

The COVID-19 pandemic had a significant impact on the portfolio. AIDEA granted principal deferral on 50 loans, representing $114.4 million, or approximately 25% of total loans, and also granted principal and interest deferral on 18 loans, representing $31.3 million, or approximately 7% of total loans.

SETS Fund

The loans include a loan from our SETS fund which was a product of our financing of the IEP in fiscal year 2018. The per annum stated interest rate for the loan is zero percent (0%) during the deferral period unless the default rate of interest of three percent (3%) has been imposed as provided by the Financing Agreement. Upon expiration of the deferral period and continuing until the maturity date, the interest rate for the term note is one quarter of one percent (0.25%). The deferral period is fifteen years after the closing date of June 13, 2018. The loan maturity date is fifty (50) years after the closing date.

The loan is classified as noncurrent in the Statement of Net Position at June 30, 2021.

In December 2020, AEA borrowed $17 million to acquire an approximately 39.3 mile 115 kV electricity transmission line system between the Sterling Substation and Quartz Creek Substation (“SSQ Line”) from Homer Electric Association and to incorporate as part of the Bradley Lake Hydroelectric Project. The loan, bearing interest at 3.5%, requires semi-annual interest and annual principal payments with a final maturity date of July 2040. The first principal payment is scheduled for July 2022.

The loan is classified as noncurrent in the Statement of Net Position at June 30, 2021. The SETS Fund’s aging of loans is 100% current at June 30, 2021 in the amount of $154.5 million

Nonmajor Funds

The aging of loans relating to the Loan Funds at June 30, 2021, are as follows (dollar amounts in thousands):

	Percent	Amount
Current	99.3%	$ 10,070
Past due		
61-90 days	0.3%	33
Over 90 days	0.4%	42
	100%	$ 10,145

Note 5 - Allowance for Loan Losses

Following is an analysis of changes in the allowance for loan losses for fiscal year 2021 (in thousands):

	Revolving Fund	SETS Fund	Nonmajor Funds	Total
Balance, beginning of year	$ 11,309	$ -	$ 710	$ 12,019
Provision for loan loss (recovery)	(1,514)	-	118	(1,396)
Balance, end of year	$ 9,795	$ -	$ 828	$ 10,623

Note 6 - Development Projects

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, 2021 (in thousands):

	Minimum Lease Payments Receivable	Unearned Income	Net Investment In Direct Financing Leases
Red Dog project	$ 248,367	$ (186,338)	$ 62,029
DMVA project	25,314	(12,584)	12,730
	$ 273,681	$ (198,922)	74,759
Less current portion			(4,995)
			$ 69,764

Following are the future minimum lease payments receivable for fiscal year 2022 through fiscal year 2026 (dollars in thousands):

Fiscal Years Ending June 30,	Amount
2022	$ 18,794
2023	18,794
2024	18,794
2025	18,794
2026	18,794

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

Capital Assets

Our net investment in the Ketchikan Shipyard at June 30, 2021, was $64.2 million. Capital activity related to the Ketchikan Shipyard is noted below (in thousands):

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated				
Land	$ 1,995	$ -	$ -	$ 1,995
Construction work in progress	2,625	554	-	3,179
Total capital assets not being depreciated	4,620	554	-	5,174
Capital assets being depreciated				
Buildings	58,574	-	-	58,574
Infrastructure	34,106	-	-	34,106
Total capital assets being depreciated	92,680	-	-	92,680
Less accumulated depreciation				
Buildings	(16,985)	(2,035)	-	(19,020)
Infrastructure	(13,377)	(1,289)	-	(14,666)
Total accumulated depreciation	(30,362)	(3,324)	-	(33,686)
Total capital assets being depreciated, net	62,318	(3,324)	-	58,994
Capital assets, net	$ 66,938	$ (2,770)	$ -	$ 64,168

Depreciation expense totaled $3.32 million for development projects - capital assets for the fiscal year ended June 30, 2021, and is included in depreciation on projects in our Statement of Revenues, Expenses and Changes in Net Position.

Restricted Direct Financing Lease

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

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

Fiscal Years Ending June 30,	Amount
2022	$ 304
2023	274
2024	245
2025	219
2026	194
2027-2031	626
2032-2034	123
	$ 1,985

Following is our net investment in the Snettisham project on June 30, 2021 (in thousands):

Minimum lease payments receivable	$ 68,218
Less unearned income	(17,938)
	$ 50,280

Development Projects Loans

Following is the breakout of our net investment in development projects accounted for as loans at June 30, 2021, (in thousands):

Blood Bank of Alaska, Inc.	$ 3,866
BlueCrest*	13,194
MOC1 Acquired Loan	14,739
Duck Point	2,636
Duck Point Development II, LLC	9,671
Drake Investments	1,150
Hex Cook Inlet	4,510
	49,766
Less current portion, net of allowance for loan losses	(26,477)
	$ 23,289

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

Following is an analysis of changes in the allowance for loan losses on development projects accounted for as loans at June 30, 2021 (in thousands):

	Revolving Fund
Balance at beginning of year	$ 19,100
Provision for development projects loan losses (recovery)	(17,471)
Balance at end of year	$ 1,629

Component Unit - Mustang

As a result of a September 2020 non-judicial foreclosure, we acquired the equity interests of MOC1 which include the assets of oil reserves, land lease, overriding royalty interest, and land in the amount of $34,549,000.

Note 7 - Capital Assets

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated				
Land	$ 1,170	$ -	$ -	$ 1,170
Construction work in progress	682	109	(319)	472
Total capital assets not being depreciated	1,852	109	(319)	1,642
Intangible assets not being depreciated				
AMDIAP	18,622	1,257	-	19,879
Section 1002 Coastal Plain	-	12,913	-	12,913
Total intangible assets not being depreciated	18,622	14,170	-	32,792
Capital assets being depreciated				
Administrative building	4,036	319	-	4,355
Infrastructure - IEP	5,638	-	-	5,638
Total capital assets being depreciated	9,674	319	-	9,993
Less accumulated depreciation				
Administrative building	(3,061)	(141)	-	(3,202)
Infrastructure - IEP	(5,638)	-	-	(5,638)
Total accumulated	(8,699)	(141)	-	(8,840)
Total capital assets being depreciated, net	975	178	-	1,153
Capital assets, net	$ 21,449	$ 14,457	$ (319)	$ 35,588

Depreciation expense of $141 thousand for our administrative building is included in Nonproject personnel, general and administrative expense in the Statement of Revenues, Expenses and Changes in Net Position for the fiscal year ended June 30, 2021.

Capital assets include capitalized costs for the IEP and the AMDIAP. AIDEA became the project sponsor for these infrastructure projects in fiscal year 2013.

- IEP – We received a $57.5 million capital appropriation effective June 30, 2013, and an authorization to finance up to a principal amount of $275.0 million (which may include up to $150 million in bonds and the remainder from the SETS Fund) for the development, construction, and installation of, and the start-up costs of operation and maintenance for, a liquefied natural gas production system and affiliated infrastructure on the North Slope and a natural gas distribution system and affiliated infrastructure in Interior Alaska from a direct State appropriation and bond authorization. During fiscal year 2015 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.
- AMDIAP – Effective July 1, 2013, we received an $8.5 million capital appropriation for the AMDIAP, with an additional $8.5 million capital appropriation effective 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 fiscal year 2015 we were directed by the Governor to limit spending on this project. Scope was also limited to work relating to scoping and environmental impact studies. During fiscal year 2019 both the funding and scope limitations were lifted. We have continued development.

Note 8 - Bonds Payable

In August 1998, AIDEA issued $100.0 million of Power Revenue Bonds to finance the purchase of Snettisham. In August 2015, we issued $65.72 million of fixed rate Power Revenue Refunding Bonds for the purpose of refunding $69.955 million of Power Revenue Bonds, First Series (together the Snettisham Bonds). The refunded bonds were redeemed September 25, 2015. The refunding bonds bear interest at rates ranging from 4.0% to 5.0%, mature in varying amounts on January 1 of each year through 2034 and are special and limited obligations of AIDEA, payable solely from project revenues, currently received from AEL&P pursuant to a power sales agreement, and from other project funds.

The following is a summary of changes in long-term obligations:

	Balance July 1, 2020	Additions	Deletions	Balance June 30, 2021	Due within one year
Power Revenue Bond	$ 54,550	$ -	$ (2,800)	$ 51,750	$ 2,935
Bond original issue premium	2,324	-	(339)	1,985	305
	$ 56,874	$ -	$ (3,139)	$ 53,735	$ 3,240

Following are the minimum payments for the Power Revenue Refunding Bonds after June 30, 2021 (without considering earlier call provisions) (in thousands):

Fiscal Years Ending June 30,	Principal	Interest	Total
2022	$ 2,935	$ 2,522	$ 5,457
2023	3,085	2,375	5,460
2024	3,235	2,221	5,456
2025	3,400	2,059	5,459
2026	3,565	1,888	5,453
2027-2031	20,625	6,660	27,285
2032-2034	14,905	1,471	16,376
	$ 51,750	$ 19,196	$ 70,946

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.

The following are Events of Default under the Snettisham Power Revenue Bond Resolution:

i. Late payment or non-payment of principal on the Snettisham Bonds or any parity obligation whether at maturity or upon call for redemption;
ii. Late payment or non-payment of interest or on the unsatisfied balance of any sinking fund installment;
iii. Non-performance or non-observance by AIDEA of any of the other covenants, agreements or conditions of the Snettisham Power Revenue Bond Resolution, the Bonds, the Power Sales Agreement, the Operations and Maintenance Agreement or the Project Sale Agreement, and such default continues for 60 days after written notice to AIDEA by the Trustee or to AIDEA and the Trustee by the Holders of not less than 25% in principal amount of the bonds and parity obligations outstanding (or if cure cannot be completed within the 60-day period we may have 180 days to cure if we have commenced work on the cure within the 60 day period and it is reasonable to anticipate a cure within the 180 days);
iv. Dissolution or liquidation of AIDEA, or filing by or against AIDEA of a petition in bankruptcy, or the commission by AIDEA of any act of bankruptcy, or adjudication of AIDEA as bankrupt, or assignment by AIDEA for the benefit of its creditors, or the entry by AIDEA into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to AIDEA in any proceedings for its reorganization instituted under the provisions of the federal bankruptcy act, as amended, or under any similar act in any jurisdiction effective now or in the future;
v. Late payment or non-payment of project costs payable under the Power Sales Agreement and/or installment payments payable under the Project Sale Agreement;

vi. Non-performance or non-observance by the Purchaser or Project Purchaser (Purchasers), as defined in the Snettisham Power Revenue Bond Resolution, of any other of the covenants, agreements or conditions on its part contained in the Power Sales Agreement, the Operations and Maintenance Agreement or the Project Sale Agreement other than payments described in clause (v) above, and such default continues for 60 days after written notice to AIDEA by the Trustee or to AIDEA and to the Trustee by the Holders of not less than 25% in principal amount of the bonds and parity obligations outstanding (or if cure cannot be completed within the 60-day period the Purchasers may have 180 days to cure if we have commenced work on the cure within the 60 day period and it is reasonable to anticipate a cure within the 180 days);

vii. Dissolution or liquidation of the Purchasers, or filing by or against the Purchasers of a petition in bankruptcy, or the commission by the Purchasers of any act of bankruptcy, or adjudication of the Purchasers as bankrupt, or assignment by the Purchasers for the benefit of its creditors, or the entry by the Purchasers into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Purchasers in any proceedings for its reorganization instituted under the provisions of the federal bankruptcy act, as amended, or under any similar act in any jurisdiction effective now or in the future;

viii. If an order or decree is entered with the consent or acquiescence of AIDEA or the Purchasers, appointing a receiver(s) of the Snettisham Project, in all or part, or of the Snettisham Project rents, fees, charges or other Revenues (as defined in the Snettisham Bond Resolution), or the order or decree is entered without the consent or acquiescence of AIDEA or the Purchasers, and is not vacated or discharged or stayed within 90 days after the entry;

ix. If a judgement for the payment of money shall be rendered against AIDEA or the Purchasers resulting from the construction, improvement, ownership, control or operation of the Snettisham Project, and the judgement is not discharged within 90 days, or an appeal or decree to set aside or stay the execution or levy of the judgement is not filed.

If an Event of Default is not remedied, upon the demand of the Trustee, AIDEA shall pay over or cause to be paid over to the Trustee (i) all moneys, securities and funds then held by AIDEA in any Fund or Account under the Snettisham Bond Resolution, and (ii) all Revenues (as defined in the Snettisham Bond Resolution) as promptly as practicable after receipt.

The Snettisham Power Revenue Bond Resolution provides that during the continuance of an Event of Default, the trustee shall apply all moneys, securities, funds and revenues received by the Trustee in the following order:

- Expenses of fiduciaries
- Operating expenses
- Principal or redemption price and interest

Under the occurrence of any Event of Default , other than clause (iii) or clause (vi) described above, the Trustee may declare the principal on all Bonds and Parity Obligations outstanding plus accrued interest due and payable immediately. Acceleration of the debt is subject to conditions further defined in the Snettisham Power Revenue Bond Resolution.

Note 9 - Retirement Plan - PERS

Defined Benefit (DB) Pension Plan

Plan Description

The Authority participates in the Alaska Public Employees' Retirement System (PERS). PERS is a cost-sharing multiple-employer plan which covers eligible State and local government employees, other than teachers. The Plan was established and is administered by the State of Alaska Department of Administration. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

The Plan is included in annual comprehensive financial report that includes financial statements and other required supplemental information. That report is available via the internet at http://doa.alaska.gov/drb/pers. Actuarial valuation reports, audited financial statements, and other detailed plan information are also available on this website.

The Plan provides for retirement, death and disability, and postemployment healthcare benefits. There are three tiers of employees, based on entry date. For all tiers within the Defined Benefit (DB) plan, full retirement benefits are generally calculated using a formula comprised of a multiplier times the average monthly salary (AMS) times the number of years of service. The multiplier is increased at longevity milestone markers for most employees. Police/Fire employees accrue benefits at an accelerated rate. The tiers within the plan establish differing criteria regarding normal retirement age, early retirement age, and the criteria for calculation of AMS, COLA adjustments, and other OPEB benefits. A complete benefit comparison chart is available at the website noted above.

The PERS DB Plan was closed to new entrants effective June 30, 2006. New employees hired after that date participate in the PERS Defined Contribution (DC) Plan described later in these notes.

Historical Context and Special Funding Situation

In April 2008, the Alaska legislature passed legislation converting the previously existing PERS plan from an agent-multiple-employer plan to a cost-sharing plan with an effective date of July 1, 2008. In connection with this conversion, the State of Alaska passed additional legislation which statutorily capped the employer contribution rate, established a state funded “on-behalf” contribution (subject to funding availability), and required that employer contributions be calculated against all PERS eligible wages, including wages paid to participants of the PERS Tier IV defined contribution plan described later in these notes. The Alaska Legislature has the power and authority to change the aforementioned statute through the legislative process.

Alaska Statute 39.35.255 requires the State of Alaska to contribute to the DB Plan an amount such that, when combined with the employer contribution, is sufficient to pay the Plan's past service liability contribution rate as adopted by the Alaska Retirement Management Board. As such, the DB Plan is considered to be in a special funding situation as defined by GASB, and management has recorded all pension related liabilities, deferred inflows/outflows, and disclosures on this basis.

AIDEA recorded the related on-behalf contributions as revenue and expense or expenditures as prescribed by GAAP, pursuant to the relevant basis of accounting based on fund type.

It is important to note that the Alaska legislature has the power and authority to change the aforementioned statute through the legislative process.

Employee Contribution Rates

Regular employees are required to contribute 6.75% of their annual covered salary. Police and firefighters are required to contribute 7.50% of their annual covered salary.

Employer and Other Contribution Rates

There are several contribution rates associated with the pension and healthcare contributions and related liabilities. These amounts are calculated on an annual basis.

Employer Effective Rate: This is the contractual employer pay-in rate. Under current legislation, this rate is statutorily capped at 22% of eligible wages, subject to a wage floor, and other termination events. This 22% rate is calculated on all PERS participating wages, including those wages attributable to employees in the defined contribution plan. Contributions derived from the defined contribution employees are referred to as the Defined Benefit Unfunded Liability or DBUL contribution.

ARM Board Adopted Rate: This is the rate formally adopted by the Alaska Retirement Management Board (ARM). This rate is actuarially determined and used to calculate annual Plan funding requirements, without regard to the statutory rate cap of 22%. Effective July 1, 2015, the legislature requires the ARM Board to adopt employer contribution rates for past service liabilities using a level percent of pay method over a closed 25-year term that ends in 2039. This change results in lower ARM Board Adopted Rates than previously adopted.

On-behalf Contribution Rate: This is the rate paid in by the State as an on-behalf payment under the current statute. The statute requires the State to contribute, based on funding availability, an on-behalf amount equal to the difference between the ARM Board Rate and the Employer Effective Rate. On-behalf amounts are reflected as revenue and expense only during the measurement period in which the Plan recognizes the payments, resulting in a significant timing difference between the cash transfers and revenue and expense recognition.

Contribution rates for the year ended June 30, 2021 were determined in the June 30, 2020 actuarial valuation.

	Employer Effective Rate	ARM Board Adopted Rate	State Contribution Rate
Pension	14.57%	26.58%	8.85%
Postemployment benefits	7.43%	4.27%	0.00%
	22.00%	30.85%	8.85%

In 2021, AIDEA was credited with the following contributions to the pension plan (in thousands):

Employer contributions (including DBUL)	$	674
Nonemployer contributions (on-behalf)		556
	$	1,230

In addition, employee contributions to the Plan totaled approximately $155,000 during the fiscal year.

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

At June 30, 2021, AIDEA reported a liability for its proportionate share of the net pension liability (NPL) that reflected a reduction for State pension support provided to AIDEA. The amount recognized by AIDEA for its proportional share, the related State proportion, and the total were as follows (in thousands):

AIDEA proportionate share of NPL	$	10,403
State's proportionate share of NPL associated with AIDEA		4,305
	$	14,708

The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019 rolled forward to June 30, 2020. AIDEA's proportion of the net pension liability was based on AIDEA's actual contributions to the pension plan relative to the actual contributions of the State. At June 30, 2021, AIDEA's proportion 0.502%, which was an increase of 0.068% from its proportion measured as of the prior measurement date, June 30, 2019.

For the year ended June 30, 2021, AIDEA recognized a net adjustment for pension expense of approximately $1,392,000 including AIDEA's portion of nonemployer contributions provided by the State. This includes approximately $674,000 paid by AIDEA during the fiscal year and approximately $556,000 in pension related adjustments including the on-behalf portion allocated to AIDEA as a PERS employer. At June 30, 2021, 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
Difference between expected and actual experience	$ 33	$ -
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	423	-
Changes in proportion and differences between AIDEA contributions and proportionate share of contributions	-	(74)
AIDEA contributions subsequent to the measurement date	780	-
	$ 1,236	$ (74)

The $780,000 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2022.

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):

Fiscal Years Ending June 30,	
2022	$ (34)
2023	149
2024	157
2025	110
2026	-
Thereafter	-

Actuarial Assumptions

The total pension liability for the measurement period ended June 30, 2020 (AIDEA fiscal year 2021) was determined by an actuarial valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2020.

Actuarial Cost Method	Entry age normal; level percentage of payroll
Amortization Method	Level dollar, closed
Investment/Discount Rate	7.38% net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.88%.
Projected Salary Increase	For peace officers/firefighters, increases range from 7.75% to 2.75% based on service. For all others, increases range from 6.75% to 2.75% based on age and years of service.
Inflation	2.50%
Mortality	Pre-termination and post-termination mortality rates were based upon the 2013-2017 actual mortality experience. Pre-termination mortality rates were based on 100% of the RP-2014 table with MP-2017 generational improvement. Post-termination mortality rates were based on 91% of male and 96% of female rates of the RP-2014 table with MP-2017 generational improvement. Disability are assumed to be occupational 75% of the time for peace officers/firefighters; 40% of the time for all others.

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020 are summarized in the following table (note that the rates shown below exclude the inflation component):

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	26%	6.24%
Global equity (non-U.S.)	18%	6.67%
Aggregate bonds	24%	-0.16%
Opportunistic	8%	3.01%
Real assets	13%	3.82%
Private equity	11%	10.00%
Cash equivalents	0%	-1.09%

Discount Rate

The discount rate used to measure the total pension liability was 7.38%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy that meets State statutes. 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 plan members. 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.

Discount Rate Sensitivity

The following presents AIDEA's proportionate share of the net pension liability calculated using the discount rate of 7.38%, as well as what AIDEA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.38%) or one-percentage-point higher (8.38%) than the current rate (in thousands):

	1% Decrease in Discount Rate (6.38%)	Discount Rate (7.38%)	1% Increase in Discount Rate (8.38%)
AIDEA's proportionate share of the net pension liability	$ 13,527	$ 10,403	$ 7,784

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Defined Contribution (DC) Pension Plan

Plan Description

Employees hired after July 1, 2006 participate in PERS Tier IV, a defined contribution plan. This Plan is administered by the State of Alaska, Department of Administration, in conjunction with the defined benefit plan noted above. Benefit and contribution provisions are established by State law and may be amended only by the State legislature. The Alaska Retirement Management Board 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. This Plan is included in the comprehensive annual financial report for PERS, and at the following website, as noted above, http://doa.alaska.gov/drb/pers.

Contributions to the DC plan consist solely of employer and employee contributions with no special funding or other nonemployer contributions. In addition, actual remittances to the PERS system require that AIDEA contribute at 22%. After deducting the DC plan contributions (and related OPEB contributions), the remaining remittance (the DBUL) is deposited into the DB plan as noted earlier.

Benefit Terms

Employees are immediately vested in their own contributions and vest 25% with two years of service, plus an additional 25% per year thereafter for full vesting at five years of service.

Employee Contribution Rate

Employees are required to contribute 8% of their annual covered salary. This amount goes directly to the individual's account.

Employer Contribution Rate

For the year ended June 30, 2021, AIDEA was required to contribute 5% of covered salary into the DC Plan which represent pension share of the total 8% contribution of covered salary.

AIDEA and employee contributions to PERS for pensions for the year ended June 30, 2021 were $195,000 and $311,000, respectively. AIDEA contribution amount was recognized as pension expense/expenditures.

Defined Benefit OPEB Plan

Plan Description

As part of its participation in the PERS DB Plan (Tiers I, II, III), which is a cost-sharing multiple-employer plan, AIDEA participates in the Alaska Retiree Healthcare Trust (ARHCT), Retiree Medical Plan (RMP) and Occupational Death and Disability Plan (ODD). The ARHCT is self-funded and provides major medical coverage to retirees of the DB Plan. Benefits vary by Tier level. The RMP provides major medical coverage to retirees of the PERS DC Plan (Tier IV). The ODD provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within PERS. The Plan is administered by the State of Alaska, Department of Administration.

Employer Contribution Rate

AIDEA's contribution rates are actuarially determined and adopted by and may be amended by the Board. Employees do not contribute. Employees do not contribute.

	Other	Police/Fire
ARHCT	6.28%	6.28%
RMP	1.32%	1.32%
ODD	0.26%	0.72%
	7.86%	8.32%

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued PERS financial report.

Defined Contribution OPEB Plans

Defined Contribution Pension Plan participants (PERS Tier IV) participate in the Occupational Death and Disability Plan (ODD), and the Retiree Medical Plan. Information on these plans is included in the comprehensive annual financial report for the PERS Plan noted above. These plans provide for death, disability, and postemployment healthcare benefits.

In addition, PERS defined contribution members also participate in the Health Reimbursement Arrangement. Alaska Statute 39.30.370 establishes this contribution amount as "three percent of the average annual employee compensation of all employees of all employers in the plan." As of July 1, 2019, for actual remittance, this amount is calculated as a flat rate for each full-time or part-time employee per pay period and approximates $2,122 per year for each full-time employee, and $1.36 per hour for part-time employees.

Annual Postemployment Healthcare Cost

In 2021, AIDEA contributed $91,000 in DC OPEB costs. These amounts have been recognized as expense.

Note 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 $5.3 million for providing these services during fiscal year 2021. As of June 30, 2021, AIDEA had $5.07 million receivable from AEA for services and short-term borrowings. These amounts are recorded as part of income from state agencies and component units.

In December 2020, AEA borrowed $17 million to acquire an approximately 39.3-mile 115 kV electricity transmission line system between the Sterling Substation and Quartz Creek Substation ("SSQ Line") from Homer Electric Association and to incorporate as part of the Bradley Lake Hydroelectric Project. The loan, bearing interest at 3.5%, requires semiannual interest and annual principal payments with a final maturity date of July 2040. The first principal payment is scheduled for July 2022.

AIDEA recorded a net pension liability of $10.4 million, OPEB liability of $17 thousand, and OPEB asset of $866 thousand as of June 30, 2021. AEA's annual payments to AIDEA for personnel services supporting AEA activities includes a PERS contribution component. Receipts from AEA funds over half of AIDEA's personnel services.

Note 11 - Commitments, Contingencies, Subsequent Events and Other

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 $13.95 million dividend to be paid from the Revolving Fund and a $525 thousand dividend to be paid from the SETS Fund in the year ending June 30, 2021. The actual transfer of the dividend requires a legislative appropriation that may be line item vetoed by the Governor.

Alaska Insurance Guaranty Association

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

Potential Development Projects

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

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, 2021, we had extended the following commitments funded by the Revolving Fund:

- Loan participation purchase commitments of $1.2 million and pending applications of $6.4 million
- Loan guarantees of $4.5 million

AIDEA has also entered into funding agreements with Ambler Metals, LLC to support Ambler Access Project, developing an industrial road to the Ambler Mining District. The agreements entail Interim Funding Agreement and Full Funding Agreement and through each agreement, AIDEA will provide funds up to $1 million and $35 million, respectively.

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

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

Commitments and Contingencies – SETS Fund

AIDEA had extended commitments to fund a loan to IGU not to exceed $139 million from the SETS Fund for the IEP. At June 30, 2021, we have funded approximately $137.5 million, resulting in a remaining commitment of approximately $1.5 million.

Commitment and Contingencies – Snettisham Project

On September 27, 2017, the U.S. Department of the Interior, Interior Board of Land Appeals (IBLA) issued a decision related to an appeal of an original decision of the U.S. Bureau of Land Management (BLM) that was issued on December 11, 2014. The BLM decision related to a high-voltage transmission line to Juneau for the Snettisham Project. The U.S. Army Corps of Engineers relocated the line in the 1970s across lands claimed as a Native allotment land totaling 160 acres.

The BLM decided that the allotment is not subject to the Snettisham Project Easement. The Easement was declared null and void where it crossed the Native allotment land. We appealed this decision to the IBLA. On September 27, 2017, the IBLA affirmed the BLM decision. No significant development has occurred at this time. Any adverse impact to AIDEA is unknown.

Risk Management

AIDEA is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; and natural disasters. AIDEA covers that risk through the purchase of commercial insurance and participation in the State's Risk-Management Pool. The Risk Management Pool administers a self-insurance program for each State agency, which covers all sudden and accidental property and casualty claims. Annual assessments allocated by Risk Management are the maximum each agency is called upon to pay, forestalling the need for supplemental appropriation or distribution of vital State services after a major property loss, adverse civil jury award, or significant worker compensation claim. In consultation with the State's Division of Risk Management, we ensure our Development Projects using commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three fiscal years.

AIDEA is the policyholder under the terms of an Owner Controlled Insurance Program related to the Healy Clean Coal Project. AIDEA sold the project in fiscal year 2014 but continues to be responsible for claims filed under the policy. Premiums under this policy are based on actual loss experience during the period of coverage. AIDEA is not aware of any outstanding premium adjustments under this policy.

Subsequent Events

In August 2021, the AIDEA Board passed a resolution authorizing the AIDEA executive director to start the sale process for the Mustang project.

Note 12 - Prior Period Adjustment

The Authority determined a reserve account and the corresponding liability of $23.0 million should have been reported in the prior year which resulted in cash and liabilities to be understated as of June 30, 2020. Accordingly, the amount reported for the cash and liabilities have been restated as of June 30, 2020.

Schedule of Authority's Share of Net Pension Liability – Alaska Public Employees' Retirement System
(in thousands)
Last Ten Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Proportion of the net pension liability	0.18%	0.21%	0.20%	0.19%	0.29%	0.26%	0.18%	0.18%	N/A	N/A
Proportionate share of the net pension liability	$ 10,403	$ 11,244	$ 9,772	$ 9,843	$15,941	$12,606	$ 8,595	$ 9,287	N/A	N/A
State's proportionate share of the net pension liability	4,305	4,465	2,830	3,667	2,009	3,563	7,439	8,542	N/A	N/A
	$ 14,708	$ 15,709	$12,602	$13,510	$17,950	$16,169	$16,034	$17,829	N/A	N/A
Covered-employee payroll	$ 6,192	$ 6,746	$ 6,804	$ 6,697	$ 7,525	$ 8,468	$ 9,213	$ 8,595	N/A	N/A
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	168%	167%	144%	147%	212%	149%	93%	108%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	62%	63%	65%	63%	60%	64%	62%	N/A	N/A	N/A
Statutorily required contribution	$ 674	$ 770	$ 828	$ 858	$ 1,282	$ 871	$ 971	$ 1,017	$ 983	N/A
Contributions recognized by the plan in relation to the statutorily required contribution	674	770	828	858	1,282	871	971	1,017	983	N/A
	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	N/A
Statutorily required contribution as a percentage of covered-employee payroll	11%	11%	12%	13%	17%	10%	11%	12%	N/A	N/A

*GASB Statement No. 74 requires ten years of information to be presented in this table. However, until ten years of data is available, the Plan will present information only for those year for which information is available.

Information in this table is presented based on the Plan measurement date. For June 30, 2021, the Plan measurement date is June 30, 2020, except for AIDEA's statutorily required contributions and contributions recognized by the Plan in relation to the statutorily required contributions which are on a current fiscal year basis. There were no changes in benefit terms from the prior measurement period. There were no changes in assumptions from the prior measurement period. There were no changes in allocation methodology.

The table above reports AIDEA's pension and OPEB contributions to PERS during fiscal year 2019 for comparison purposes. Contributions were not tracked separately for pension and OPEB for years prior to fiscal year 2018. Amounts represent combined contributions.

Schedule 1 – Combining Statement of Net Position – Nonmajor Funds
(in thousands)
June 30, 2021

	Loan Funds	Arctic Infrastructure Development Fund	Aggregate Nonmajor Funds
Assets			
Current assets			
Unrestricted cash and cash equivalents	$ 8,375	$ 13,593	$ 21,968
Loans - current portion less allowance for loan losses	338	-	338
Accrued interest receivable	225	-	225
Due from other funds	-	27,369	27,369
Total current assets	8,938	40,962	49,900
Noncurrent assets			
Loans - noncurrent portion less allowance for loan losses	8,979	-	8,979
Capital assets	-	14,135	14,135
Total noncurrent assets	8,979	14,135	23,114
Total assets	$ 17,917	$ 55,097	$ 73,014
Liabilities and Net Position			
Current liabilities			
Accounts payable	$ 14	$ 375	$ 389
Other liabilities	11	-	11
Total liabilities	25	375	400
Net position			
Unrestricted	17,892	54,722	72,614
Total liabilities and net position	$ 17,917	$ 55,097	$ 73,014

Schedule 2 – Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Funds
(in thousands)
Year Ended June 30, 2021

	Loan Funds	Arctic Infrastructure Development Fund	Aggregate Nonmajor Funds
Operating revenues			
Interest on loans	$ 416	$ -	$ 416
Federal grant revenue	393	-	393
Other income	8	-	8
Total operating revenues	817	-	817
Operating expenses			
Nonproject personnel, general and administrative	113	-	113
Provision for loan recovery	118	-	118
Other project expenses	-	580	580
Total operating expenses	231	580	811
Operating income (loss)	586	(580)	6
Nonoperating revenues			
Investment interest	5	2	7
Contributed capital	-	239	239
Operating funds transfer	-	60	60
Capital fund transfer	-	20,000	20,000
Total nonoperating revenues	5	20,301	20,306
Change in net position	591	19,721	20,312
Net position, beginning of year	17,301	35,001	52,302
Net position, end of year	$ 17,892	$ 54,722	$ 72,614

(in thousands)

	Loan Funds	Arctic Infrastructure Development Fund	Aggregate Nonmajor Funds
Operating Activities			
Interest received on loans	$ 313	$ -	$ 313
Principal collected on loans	1,501	-	1,501
Loans originated	(666)	-	(666)
Federal funds recived	393	-	393
Payments to suppliers and employees for services	(195)	(206)	(401)
Payments from (to) primary government	-	59	59
Net Cash from (used for) Operating Activities	1,346	(147)	1,199
Noncapital and Related Financing Activities			
Cash received from other funds	-	131	131
Capital and Related Financing Activities			
Investment in capital asset	-	(13,894)	(13,894)
Capital contributions	-	20,000	20,000
Net Cash from Capital and Related Financing Activities	-	6,106	6,106
Investing Activities			
Interest collected on investments	5	2	7
Net Change in Cash and Cash Equivalents	1,351	6,092	7,443
Cash and Cash Equivalents, Beginning of Year	7,024	7,501	14,525
Cash and Cash Equivalents, End Of Year	$ 8,375	$ 13,593	$ 21,968

(in thousands)

	Loan Funds	Arctic Infrastructure Development Fund	Aggregate Nonmajor Funds
Reconciliation of operating income (loss) to net cash from (used for) operating activities			
Operating income (loss)	$ 586	$ (581)	$ 5
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities			
Principal collected on loans	1,501	-	1,501
Loans originated	(666)	-	(666)
Payments from primary government	-	59	59
Change in			
Accued interest receivable and other assets	(73)	-	(73)
Accounts payable and other liabilities	(2)	375	373
Net Cash from (used for) Operating Activities	$ 1,346	$ (147)	$ 1,199

(in thousands)

History of dividends paid and declared	Revolving Fund	SETS Fund	Arctic Infrastructure Development Fund	Total
Fiscal Year Payable				
1997	$ 15,000	$ -	$ -	$ 15,000
1998	16,000	-	-	16,000
1999	16,000	-	-	16,000
2000	26,000	-	-	26,000
2001	18,500	-	-	18,500
2002	17,500	-	-	17,500
2003	20,150	-	-	20,150
2004	18,176	-	-	18,176
2005	22,000	-	-	22,000
2006	8,812	-	-	8,812
2007	16,650	-	-	16,650
2008	10,000	-	-	10,000
2009	23,800	-	-	23,800
2010	22,720	-	-	22,720
2011	23,423	-	-	23,423
2012	29,400	-	-	29,400
2013	20,400	-	-	20,400
2014	20,745	-	-	20,745
2015	10,665	-	-	10,665
2016	17,650	-	-	17,650
2017	6,328	-	-	6,328
2018	12,883	-	-	12,883
2019	4,597	195	-	4,792
2020	10,000	285	-	10,285
2021	13,950	525	-	14,475
Total dividends to State of Alaska as of June 30, 2021	421,349	1,005	-	422,354
Declared for 2022	17,097	207	1	17,305
Total dividends to State of Alaska paid or declared	$ 438,446	$ 1,212	$ 1	$ 439,659

Direct Financing Leases

- *DeLong Mountain Transportation System project (DMTS, aka Red Dog project)*. AIDEA receives minimum annual toll fees for the use of the DeLong Mountain Transportation System (DMTS) by Teck Alaska, Inc. (TAK) in support of the Red Dog zinc and lead mine. The DMTS went into service in 1990 and was expanded in 1997. The agreement between AIDEA and TAK provides for capital cost repayment, through a toll fee structure based on an annual rate of return of 6.5% on the net investment base. Toll fees for the DMTS will remain in effect through the end of the term of the agreement (2040). However, a minimum annual assessment is due regardless of toll fees and mine operations.

  TAK mined the “Main” or “Red Dog” deposit since start-up (1989). This deposit was depleted in 2012 and mining was shifted to the nearby Aqqaluk deposit. Mining of the smaller Qanaiyaq deposit also started in 2016. TAK estimates that the Aqqaluk and Qanaiyaq deposits will extend the mine’s life to 2031 based on current mine rates and known reserves. Ongoing exploration for both of these deposits and other nearby prospects may enable further mine life extensions.

- In April 2018, the Northwest Arctic Borough (NWAB) and TAK announced the successful negotiation of a new ten-year (2016-2025) payment in lieu of taxes (PILT) agreement. Under borough ordinances, this agreement supersedes the borough’s mining severance tax that would have significantly increased mine expenses. In conjunction with reaching agreement on the PILT, TAK agreed to drop its lawsuit over the borough severance tax that was filed in early 2016.

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

Capital Assets

- *Ketchikan Shipyard project.* On October 17, 2005, we entered into an amended and restated operating agreement for the shipyard with Alaska Ship & Drydock, Inc. The ten-year term began December 1, 2005, with two ten-year extensions possible. The first ten-year extension began in December 2015. During 2012, Alaska Ship & Drydock, Inc. converted into an LLC, Alaska Ship & Drydock, LLC, and transferred ownership of the LLC to Vigor Industrial, LLC, a large Pacific Northwest-based shipbuilder and maritime services company. 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 (i) a minimum maintenance requirement and (ii) payment of a percentage of revenue, which is applied in three ways:

- Reimbursement to AIDEA for administrative costs up to $18,000 annually, adjusted for inflation.
- Repair and Replacement (R&R) Account contributions established under the agreement, up to 125% of the amount required under the R&R project schedule defined in the agreement. Vigor Alaska LLC minimum R&R annual obligation is $420,013.76 through 2023.
- Any remaining funds are to be distributed to AIDEA and the local Ketchikan governments.

The shipyard has seen significant facility improvements since 2009, these include:

- A second ship lift was constructed and placed into service in 2009. The project was financed with a grant from the U.S. Economic Development Agency and matching funds provided by the Ketchikan Gateway Borough and the State of Alaska.
- A new assembly hall and related projects were completed in 2014, utilizing a grant from Federal SAFETEA-LU funds and matching State of Alaska funds and other support provided by the Ketchikan borough and city governments.
- Electrical infrastructure improvements were started in 2014, and the project was completed in October 2020. Funds were provided by the State of Alaska.
- Dry Dock #2 was coated with an industrial strength marine-grade coating to extend its working life. This project was completed September 2020 using funds provided by the State of Alaska and Federal SAFETEA-LU funds.

- *Skagway Ore Terminal Project* In July 1990, AIDEA purchased the Skagway Ore Terminal, using funds appropriated to AIDEA by the state legislature. AIDEA was identified as the agency that could provide responsible environmental oversight, bring ownership stability to the terminal, and potentially create opportunities for economic growth by marketing the terminal to new users. The Skagway Ore Terminal is located on land the Municipality of Skagway owns that is subleased to AIDEA through agreements with the Pacific and Arctic Railway and Navigation Company (PARN). In January 2007, AIDEA entered into a Facilities User Agreement with Capstone Mining Corporation, a Canadian mining company for its use of the facility. AIDEA made improvements to the facility, including the construction of a new ore storage shed, an enclosure for the ship loading conveyor, and an air filtration system. Capstone now uses a portion of the terminal for storage and shipment of copper ore concentrates. In FY 14, the Capstone-AIDEA agreement was extended to March 2023, concurrent with the end of our land sublease, and a new user fee was negotiated. Effective June 3, 2019, Capstone entered into a definitive share purchase agreement with Pembridge Resources for the ownership of the Minto Mine. As part of this agreement, AIDEA entered into a joinder and assignment agreement with Capstone and Pembridge allowing Pembridge the use of the terminal facilities through March 2023. AIDEA is currently evaluating options with regard to the future of the Ore Terminal in Skagway. AIDEA's lease with PARN expires in March 2023 - at the same time that PARN's lease expires with the Municipality of Skagway.

- *Federal Express Project* The Federal Express project consists of a hangar facility capable of accommodating one wide-body aircraft for maintenance, repair, and operations activities. The facility also includes the associated ramp, taxiway, access road, building utilities, and landscaping. A ground lease at the Ted Stevens Anchorage International Airport was conveyed to AIDEA in 1993 to enable construction. AIDEA financed the construction through the issuance of bonds based on the 20-year lease agreement signed in 1992 with Federal Express for the aircraft maintenance facility and its adjacent/supporting fire suppression facility. Construction was completed in 1995. During FY15 the user paid off the direct financing lease related to the facility, negotiated a new user fee, and signed a new lease expiring in July 2023. Several maintenance and refurbishment projects are included in the new lease; these projects began in FY 16 and were completed in early FY 18.

- *West Susitna Access Project* Board resolution G20-20 authorized the Authority to expend up to $162,500 from the Revolving Fund Economic Development Account to proceed with the second phase of the West Susitna Access project for pre-development and pre-engineering work.

  AIDEA, in cooperation with the Matanuska-Susitna Borough and private industry partners, contracted with a firm to develop preliminary cost estimates for road development and construction, verify wetlands mapping, acquire digital data, develop a communications plan to engage project stakeholders, and advance preliminary engineering in preparation of potential EIS filing with the federal government. This work was completed in March of 2021 and the project team is currently working on a potential scope and budget to progress the project to the next pre-development phase.

- *Interior Energy Project Financing Agreement* On December 13, 2017 the Authority entered into a Financing Agreement with the Interior Gas Utility (IGU). The ultimate intention of the Financing Agreement was to provide financing for IGU to purchase AIDEA's ownership interest in Pentex Alaska Natural Gas Company, LLC, refinance loans to IGU and Fairbanks Natural Gas (FNG) and further the establishment of an integrated utility to provide natural gas to the Fairbanks North Star Borough.

  The financing was authorized by the 2013 Legislature in Senate Bill 23. The financing was consistent with the legislative intent that the tools provided to the Authority by the legislature be used for the development, construction and installation of, and the start-up costs and operation and maintenance for, a liquefied natural gas production plant and system and affiliated infrastructure which will provide natural gas to interior Alaska as a primary market and natural gas delivery and distribution systems and affiliated infrastructure that will provide natural gas to interior Alaska. The Financing Agreement closed on June 13, 2018.

  The financing package included a loan commitment of up to $125 million from the SETS fund. Loan proceeds were disbursed at closing for the following:

  - Approximately $55.9 million to refinance the existing IGU and FNG lines of credit into a single loan with IGU as the borrower.
  - Approximately $21.1 million to partially finance IGU's purchase of the membership interest of Pentex.

- At June 30, 2021 the Authority has reflected $13.1 million as restricted in the SETS fund to complete the funding of the IEP SETS loan. IEP SETS loan terms included the following:

    - No interest accrued or payments due for 15 years from the closing date
    - Interest accrual of 0.25% for the next 35 years
    - Payments may be deferred further if demand for natural gas does not meet projections
    - $13.1 million of SETS funds restricted to reflect remaining loan commitment

- Resolution NO. G20-03 authorizes AIDEA to issue up to $78,000,000 in conduit revenue bonds to finance IGU projects located in the Matanuska-Susitna Borough and Fairbanks North Star Borough.

  Given market conditions and turmoil related to the COVID-19 pandemic, IGU reviewed fuel price and demand forecasts, economic studies and assumptions and continues to pause the Fairbanks Investment Decision (FID) on the Titan LNG Plant expansion; however, IGU remains focused on providing the Fairbanks North Star Borough with clean burning natural gas.

  The IGU decided to move forward with a smaller financing package consisting of issuing $11,790,000 of conduit revenue bonds in September of 2020 to fund a portion of IGU's capital improvement plan. This issuance of bonds is being used for:

    - A portion of the costs of the acquisition, construction, expansion, furnishing, and equipping of natural gas mains, residential and commercial natural gas service lines, and customer meter sets to be located in the Fairbanks North Star Borough
    - A portion of the costs of advancing the design of the acquisition, expansion, renovation, and equipping of natural gas liquefaction facilities in the Matanuska-Susitna Borough
    - Capitalized interest on the bonds
    - Funding of a debt service reserve account and costs of issuance

- *Section 1002* In 1980 Congress enacted the Alaska National Interest Lands Conservation Act (ANILCA). Section 1002 of ANILCA authorized exploratory activity within the "Coastal Plain" area of the Arctic National Wildlife Refuge (ANWR). Section 1002 Area refers to a 1.56 million acres area specifically set aside for oil and natural resource development and excluded from the 19.3 million acre wilderness designation.

  The Section 1002 Area contains an estimated 7.6 billion barrels of recoverable oil and 7 trillion cubic feet of natural gas. The exploration, development, and production of which is predicted to generate thousands of jobs, promote new infrastructure development, and sustain existing Alaska infrastructure including the Trans-Alaska Pipeline System by adding a projected 1.4 million barrels per day to Alaska's oil production.

  The Tax Cuts and Jobs Act enacted by Congress in 2017 required the U.S. Department of Interior (DOI) Bureau of Land Management (BLM) to conduct two sales in the Coastal Plain offering at least 400,000 acres of high-potential hydrocarbon lands for bid by 2024 to be managed similar to the administration of lease sales under the Naval Petroleum Reserves Production Act of 1976.

AIDEA board resolution G20-31 approved the Coastal Plain Oil and Gas Development project within the Arctic Infrastructure Development Fund and authorized AIDEA to participate in the BLM's Section 1002 Area Oil and Gas Leasing Program. In January 2021 BLM executed leases with AIDEA for an initial 10-year term on seven tracts totaling 365,775 acres. The leases grant AIDEA exclusive rights of access for exploration activities and development of the tracts.

On January 20, 2021, President Biden signed Executive Order 13990 (EO 13990) placing a temporary moratorium on activities of the Federal Government relating to implementation of the Coastal Plain Oil and Gas Leasing Program. In ordering the temporary moratorium, EO 13990 included specific instruction to the Secretary of the Interior that actions resulting from EO 13990 were limited to those "appropriate and consistent with applicable law." In response to EO 13990, the Secretary of the Department of the Interior (DOI) issued Secretarial Order (SO) 3398 in April 2021 which revoked 12 previously issued SO's, instructed a review of DOI policies and instructions for consistency with EO 13990.

In June 2021, SO 3401 was issued and asserted deficiencies supporting the leases including insufficient analysis under the National Environmental Policy Act and instructed publishing notice of intent in the Federal Register to initiate the process to conduct a comprehensive environmental analysis, complete necessary consultation, and correct purported legal deficiencies.

AIDEA's position is that the Section 1002 leases represent legally enforceable obligations of the federal government. To that end, following a competitive procurement process AIDEA issued a notice of intent to award in August 2021 for contractors to perform pre-development permitting and planning work on its Section 1002 Area Oil & Gas Leases. Activities will support a phased, multi-year seismic acquisition program targeted to begin in 2022 to identify prime areas for exploration.

Lines of Credit or Term Loans

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

  An original LOC was converted to a term loan, with monthly interest only payments from January l, 2017 through November l, 2017. Principal and interest payments began on December l, 2017 and were to continue through the maturity date of July 24, 2022. In March 2020, AIDEA's board passed Resolution G20-09 authorizing a modification to the loan permitting interest-only payments through March 2021. As of June 30, 2020, all payments have been received on time. Given economic conditions and the on-going Covid-19 Pandemic the AIDEA board passed Resolution G21-07 authorizing a modification to the loan permitting interest-only payments through July 2021. As of June 30, 2021, all payments have been received on time. In August 2021 the board passed Resolution G21-21 authorizing a modification to the loan. The modification permits interest-only payments through July 2022.

The loan is secured by the following:

- All materials, transportation, tools, equipment, initial drill piping, services, permits, utilities, design, and other items necessary or incidental to the construction, fabrication, assembly, testing, certification and other preparation of the drill rig and the installation of the rig, its design, and all associated fixtures, including contract rights and manufacturer warranties as specified in the Loan Agreement.
- All materials, transportation, tools, equipment, fixtures, and furnishings associated with the rig camp, including contract rights and manufacturer warranties of the rig camp as specified in the Loan Agreement.
- A Reserve Account, which was funded at the end of January 2017 in the amount of approximately $6.062 million to cover any payment or collateral shortfall. Per Loan amendment executed on July l, 2019, the reserve account was released and applied to the outstanding loan balance, decreasing the balance by $6.06 million. The new loan balance was re-amortized.

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

  Collateral for the financing is:

  - A deed of trust against the property financed.
  - A deed of trust against the existing main office and collection facilities.
  - A UCC security interest against all of the furniture, fixtures and equipment as defined in the Loan Agreement.

  The LOC converted to a term note on February 14, 2017. Monthly payments are due on the term loan until the maturity date of February 14, 2052. In March 2020, AIDEA’s board passed Resolution G20-12 recognizing the borrower was experiencing reduced cash flow resulting from the COVID-19 pandemic and Governor’s Health Mandate 005 which temporarily postponed elective or non-urgent medical procedures to preserve personal protective equipment. The Resolution authorized AIDEA to amend the loan to defer principal and interest payments through September 2020. The loan was current at June 30, 2021.

- *Mustang Development Project* Under the terms of a Purchase and Sale Agreement, AIDEA agreed to sell its membership interests in Mustang Operations Center 1 LLC (MOC1) and Mustang Road LLC (MRLLC) to Caracol Petroleum (Caracol). The purchase was financed in May 2019 with a $64 million direct financing loan. As part of an overall restructuring of the Mustang Project (Mustang Assets), AIDEA's MOC1 partner, Charisma Energy Services Ltd. (CES), agreed to sell its interest in MOC1 to Caracol. The loan was to accrue interest at 8% and mature April 1, 2026. Quarterly payments were scheduled to begin October 1, 2019.

  Under a separate loan AIDEA financed capitalized interest on the loan totaling $6,119,000 (Mustang Development Loan-capitalized interest). The loan was to accrue interest at a rate of 8% and be due in a single balloon payment on April 1, 2026.

  On October 1, 2019 Caracol failed to make a loan payment in the amount of $3,099,000 within the time specified in the Loan Agreement and the Promissory Note (Non Capitalized Interest) dated May 24, 2019 (the "Note"). One week later AIDEA issued a Notice of Events of Default and Demand for Cure.

  - While the loans were in default the Southern Miluveach unit (SMU) operating company, Brooks Range Petroleum Corporation (BRPC), commenced to produce oil for a period of 23 days. During that time a total of 10,999 barrels of oil were produced. Oil production ceased due to the expiration of a temporary natural gas flaring permit and the field was placed into a 'warm shutdown' status. Sustained production from the SMU may only occur if produced natural gas is captured, compressed and re-injected into the reservoir under State of Alaska regulations.
  - On November 5, 2019 AIDEA exercised its right to accelerate repayment of all BRPC indebtedness pursuant to the non-capitalized and capitalized loans.
  - On January 15, 2020 the AIDEA Board approved a modification to the loans. The amended agreement and term sheet required Alpha Energy Holdings to commit $60 million in new funding for the project by April 15, 2020. This funding requirement was not met.
  - As result of the failure to secure and provide evidence of funding AIDEA, issued notices of default and sale on May 1, 2020, providing notification that AIDEA elected to sell the Mustang Assets to satisfy AIDEA's indebtedness to the highest bidder at public auction.
  - The assets subject to the Notices consisted of the Gravel Pad, the Mustang Road, as well as all leases held by Caracol, TP North Slope Development (TPNS), Brooks Range Petroleum Corporation (BRPC), MOC1, and MRLLC, in relation to the Mustang Assets.

  During May 2020, AIDEA worked with Project vendors and secured lien holders to transition the Project into a "cold storage" status with AIDEA and Thyssen Petroleum participating in cold storage costs under the terms of a standstill agreement.

  On September 15, 2020, reflecting serval months of discussions, the AIDEA Board passed a resolution authorizing the AIDEA executive director to enter into a Debt Settlement and Restructuring Agreement ("DSRA") with other project creditors and working interest owners to settle various outstanding debts and restructure the project into a viable enterprise.

The foreclosure scheduled to occur July 31, 2020 was postponed to September 23, 2020. On that date a newly organized AIDEA subsidiary, Mustang Holding LLC acquired, by offset bid, as beneficiary pursuant to assignment of the beneficial interests under the deeds of trust referenced in the Trustee's Deed and Assignment documents, and related loan documents, all of the rights, title and interests of Caracol Petroleum LLC, TP North Slope Development, Brooks Range Petroleum Corporation, Mustang Operations Center I LLC and Mustang Road LLC in the leases comprising the Mustang Project, along with all associated personal property and MRLLC's interest in the Mustang Road and Pad (collectively, the "Mustang Assets"). In addition, Mustang Holding LLC acquired working interests in certain additional leases and acquired an overriding royalty interest (ORRI) in certain additional leases.

On December 4, 2020 the Alaska Department of Natural Resources approved Mustang Holding LLC as the new named operator of the SMU and that "until further written approval is received by the Division, the SMU must be maintained by Mustang Holding LLC or its successor operator in its current "cold shutdown" status – providing for the protection of all surface equipment, wellbores, pipelines, roadways, well pads, and any and all related equipment and infrastructure."

Mustang Holding LLC, through 3rd party subject matter experts, JC Minge Energy Services, has completed a comprehensive assessment and development plan for the project. AIDEA continues to maintain the SMU in its current status while working with creditors to make the project viable.

Subsequently, in August 2021 the AIDEA board passed Resolution G21-17 authorizing the executive director to commence a competitive sale process for the project. A virtual data room has been established and a bid & sale process letter has been provided to a directed set of qualified investors under a non-disclosure agreement.

- *MOC1 Acquired Loan* As a part of the MOC1 and MR LLC purchase and sale transaction, AIDEA agreed to guarantee a line of credit the Alaska Department of Revenue (DOR) had extended to MOC1. Soon thereafter AIDEA acquired the lender's position on the loan from DOR for a total of $16.4 million plus accrued interest.

  As a result of the foreclosure previously discussed, AIDEA acquired the equity interest in MOC1. The loan is secured by oil and gas tax credits due to MOC1 by the DOR.

- *Duck Point Development, ISP Uplands II Project* Resolution G19-14 authorized AIDEA to extend financing of up to $15 million to Duck Point Development II LLC (DPDII), a subsidiary of Huna Totem Corporation (HTC), for development of a second cruise ship dock and associated uplands improvements at Icy Strait Point near Hoonah, Alaska. The original loan of $15 million was comprised of a $9 million construction loan and a $6 million expansion capital fund available for up to 3 years post-closing. The uplands construction was substantially completed July 2020.

  The construction loan was set to convert to term loan at completion of construction. Due to the COVID-19 pandemic and cancellation of the 2020 cruise ship season, the HTC requested modifications to the loan. Resolution G20-27 provided the Authority with authorization to increase the construction loan to approximately $9.2 million; allow use of the expansion loan up to $6 million for current drawdowns, bridge expenses, and defer payment of principal until July 2021.

During the modification period starting October 1, 2020 and ending on July 1, 2021, the term loan shall be paid in quarterly installments of interest only. Quarterly installments of principal and interest will resume beginning October 1, 2021. The requirements for accessing expansion loan funds will require the borrower to submit to the authority a detailed Use of Funds, subject to approval by AIDEA. Monthly advances are not to exceed $1,000,000 during the modification period. Post modification period, the expansion loan funds may be requested once per quarter.

The loan is secured by the following:

- First priority lien on all revenues and assets, including the new dock
- First priority lien on all assets of the Guarantors used in Phase II of the project (with the exclusion of Alaska Native Claims Settlement Act (ANSCA) property);
- Assignment of all HTC's interests in DPDII; and
- Negative pledge by DPDII over all assets.

- *HEX Cook Inlet, LLC* In June 2020, AIDEA entered into a $7.5 million direct financing loan agreement with HEX, LLC. The funding will be used for acquiring and developing the Beluga and Sterling Formations within the Kitchen Lights Unit, along with existing infrastructure including a 15-mile subsea pipeline, an on-shore production facility, and off-shore production platform.

  The loan is secured by the following:

  - All pledged securities and all dividends, all interest, profits and other income, cash, instruments, rights to subscribe, purchase or sell and all other rights and personal property
  - A first priority Lien of record on all real property
  - A membership pledge from HEX, LLC
  - A reserve account, which was funded at closing in the amount of approximately $1.6 million to cover any payment or collateral shortfall.

  HEX and their operating company, Furie Alaska, continue to focus on development through the following activities:

  - Obtain the Sterling formation water permit for overboard discharge and construct equipment on the platform per the February 2020 approved construction permit
  - Recover the obstruction “fish” in Well #A-4 to add additional Beluga perforations to increase production
  - Conduct development operations specific to the #A-1 and #A2A wells to increase production, including adding perforations
  - Update the Joint Operating Agreement.