



March 27, 2018

Representative Neal Foster  
Co-Chair, House Finance Committee  
State Capitol Building, Room 410  
Juneau, AK 99801

Dear Representative Foster:

This letter is to provide examples of items that are required per various GASB statements and treatment under the current dividend statute and proposed statute for the calculation of statutory net income.

**1. GASB31 example:**

As an example of an unrealized gain on investments, at June 30, 2016 AIDEA held a US Treasury in the investment portfolio that was purchased at a cost of \$4.91 million during FY16. At June 30, 2016 the investment had a market value of \$5.16 million, creating an unrealized gain of approximately \$250,000 (\$5.16 million less \$4.91 million). The various impacts are as follows:

Description	Financial Statement Income Impact- Revenue (Expense)	Statutory Net Income-Current- Revenue (Expense)	Statutory Net Income-Proposed- Revenue(Expense)
Unrealized gain on investments	\$250,000	\$250,000	0

**2. GASB68 example:**

As required under Generally Accepted Accounting Principles (GAAP), AIDEA implemented GASB68 in FY15. We recognized approximately \$2.6 million in pension expense for FY16 and paid approximately \$700,000 to the State in contributions for pensions. The various impacts are as follows:

Description	Financial Statement Income Impact- Revenue (Expense)	Statutory Net Income-Current- Revenue (Expense)	Statutory Net Income-Proposed- Revenue(Expense)
Pension Expense	(\$2.6 million)	(\$2.6 million)	(700,000)

**3. GASB72 example:**

As required under GAAP, AIDEA implemented GASB72 in FY16. After careful evaluation we concluded there were no assets held at June 30, 2016 requiring adjustment because of the implementation of the new guidance. GASB72 only applies to assets that meet the definition of an investment under the new guidance and AIDEA already adjusts assets currently considered to be investments to market value under other accounting rules (for example GASB31 in #1). GASB72 did require additional disclosure in the Authority's financial statements relating to its investment portfolio in #1 above.

**4. GASB75 example:**

AIDEA will implement GASB75 for the fiscal year ending June 30, 2018. Currently, AIDEA recognizes an expense for contributions paid to PERS for post-employment benefits other than pensions (OPEB). After implementing GASB 75 AIDEA will be required to record an expense equal to its share of the total expense allocated to the State for OPEB as calculated by the actuary and separate from actual contributions.

For example, assume AIDEA paid \$500,000 in a fiscal year to the State for OPEB and AIDEA's proportionate share of the actuary calculated cost of those benefits for the year was \$1,000,000. The various impacts are as follows:

Description	Financial Statement Income Impact- Revenue (Expense)	Statutory Net Income-Current- Revenue (Expense)	Statutory Net Income-Proposed- Revenue(Expense)
OPEB Expense	(\$1,000,000)	(\$1,000,000)	(\$500,000)

Kind Regards,

John Springsteen  
CEO/Executive Director