



March 21, 2017

Ms. Juli Lucky
Senate Finance Committee Aide
State Capitol Room 516
Juneau, AK 99801

Dear Ms. Lucky:

Thank you for your interest in the Alaska Industrial Development and Export Authority and our programs and projects. This letter is to provide examples of items that are required as 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) | CURRENT Statutory Net Income Revenue (Expense) | PROPOSED Statutory Net Income 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) | CURRENT Statutory Net Income Revenue (Expense) | PROPOSED Statutory Net Income Revenue (Expense) |
|-----------------|--|---|--|
| Pension Expense | (\$2.6 million) | (\$2.6 million) | (700,000) |

3. 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) | CURRENT Statutory Net Income Revenue (Expense) | PROPOSED Statutory Net Income Revenue (Expense) |
|--------------|--|---|--|
| OPEB Expense | (\$1,000,000) | (\$1,000,000) | (\$500,000) |

Kind Regards,



John Springsteen
CEO/Executive Director