



## 2011 ANNUAL REPORT

PO BOX 110405  
JUNEAU, ALASKA 99811-0405

## LETTER FROM THE CHAIRPERSON

To all Alaskans:

2011 marks the 36th year of operations of the Alaska Municipal Bond Bank Authority (Bond Bank). Since its inception the Bond Bank has saved Alaskans an estimated \$95 million by helping Alaskan communities secure over \$1.1 billion dollars in financing for a wide range of public works projects.

The Bond Bank helps Alaskan communities issue bonds at the lowest cost available. Some communities rely on the Bond Bank due to a lack of familiarity with the financial markets, while others are driven by the goal of seeking the lowest cost for their bonds, and some municipalities find they can get better terms on bonds issued through the Bond Bank.

The Bond Bank realizes savings for communities by, utilizing the strength of the State of Alaska to achieve high credit ratings, combining smaller community bonds into larger more economic bond issues, and negotiating lower costs to issue bonds.

The Bond Bank is self supporting with investment income from Bond Bank assets providing for annual operations and an annual dividend to the State. Over the past 36 years the Bond Bank has transferred \$27.8 million to the State's general fund.

Over the past 10 years the Alaska Legislature has increased the borrowing limit of the Bond Bank three times from \$300 million to \$1 billion. This increase reflects the value and strengths of the Bond Bank in providing for Alaska's communities' financing needs. As of June 30, 2011 the Bond Bank had \$713.5 million of debt outstanding.

During fiscal year 2011, the Bond Bank approved 13 municipal loan applications totaling \$115.6 million for projects in 11 Alaskan communities. Bond Bank participation in these financings is estimated to have saved \$13.6 million for the borrowing communities, directly reducing local taxpayer burden. These savings are the reason the Bond Bank exists.

In accordance with Alaska Statute 44.85.100, we respectfully submit the attached year 2011 report of the activities and financial condition of the Bond Bank.

We hope you share with us our pride in the Bond Bank's accomplishments this past year.

Sincerely,



Mark Pfeffer

## THE ALASKA MUNICIPAL BOND BANK AUTHORITY

The Bond Bank is a public corporation of the State of Alaska created in 1975 to save Alaskan communities money when they borrow for capital projects. The Bond Bank achieves this by purchasing municipalities' general obligation bonds, revenue bonds, or other obligations at interest rates that are lower than the communities could obtain otherwise.

The Bond Bank has a legal existence independent of and separate from the State of Alaska. Bonds issued by the Bond Bank are payable only from pledged Bond Bank funds. The State requires the maintenance of a debt service reserve for all of the Bond Bank's bonds to create a State of Alaska moral obligation for the bonds' repayment. *(For more information please see Notes to Financial Statements.)*

The powers of the Bond Bank are vested in its Board of Directors. The membership of the Board consists of five directors representing

both the public and private sector. The three private sector board members are appointed by the Governor and serve four-year terms. They are joined on the Board by the Commissioner of Revenue and the Commissioner of Commerce, Community & Economic Development (or their assigned representatives).

The Board of Directors operates in accordance with the Bond Bank Act (AS 44.85), its published regulations (15 AAC144) and its by-laws. The Board's main responsibility is to consider municipal loans and approve bond issues.

The Bond Bank may not issue revenue bonds in excess of \$75 million in any fiscal year unless the Alaska Legislature approves a greater amount. The Bond Bank is further restricted to a limit of \$1 billion of bonds or notes outstanding. As of June 30, 2011, obligations totaled \$713.5 million, allowing for additional bond issuances of \$286.5 million.



### AN IDEA THAT WORKS

The Bond Bank's operation is funded by the investment earnings on assets of the corporation. The statutory earnings from its investment accounts exceeded expenses by \$86,814 during the fiscal year ending June 30, 2011. Statutory earnings are available for appropriation by the State or if not appropriated have automatically flowed into the State's general fund. Since 1977 the Bond Bank has transferred \$27.8 million to the State, which is over \$9.2 million more than the general fund transfers to the Bond Bank. Due to program growth, earnings over the last four years of \$1.8 million have been retained by the Bond Bank through State appropriations.

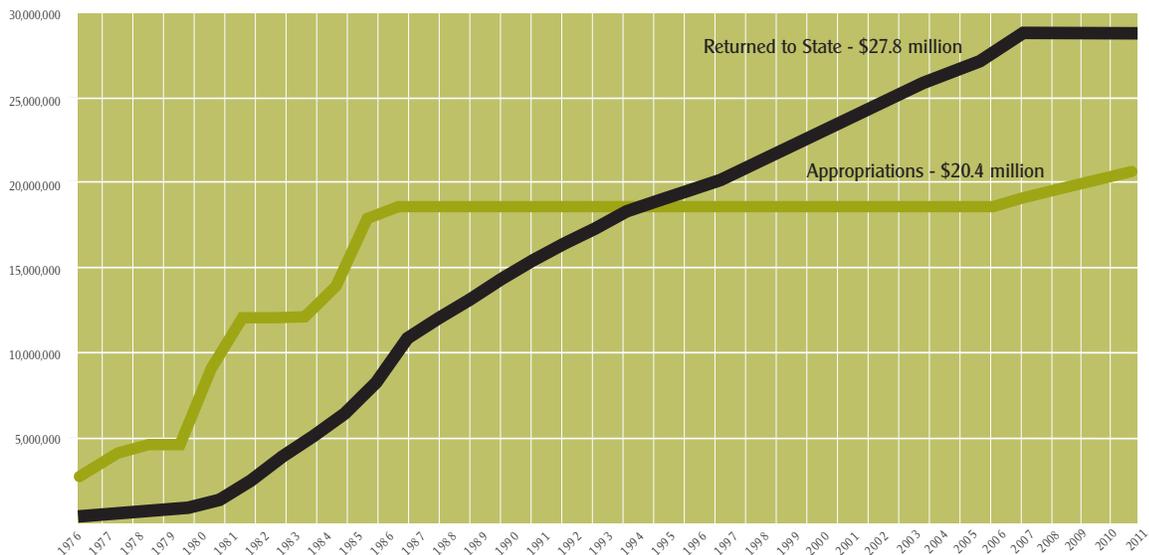
In addition to direct monetary transfers, Alaska's investment in the Bond Bank is realized in reduced payments in other programs as well as lower local tax requirements in Alaskan communities. The State manages reimbursement programs for school projects through the Alaska Department of Education and certain other capital projects through the Alaska Department of Transportation. As communities are

borrowing at lower interest rates through the Bond Bank the State of Alaska pays less money in reimbursements to the communities eligible for these programs.

Alaskan communities taking advantage of the Bond Bank program realize considerable savings. These communities may have low bond ratings, or although credit worthy have not issued bonds, or have little outstanding debt, and lack investor familiarity. The Bond Bank has high credit ratings and frequently issues bonds and uses these attributes to meet the capital needs of Alaska. The Bond Bank is efficient enough that some larger communities, that routinely issue their own bonds, find that the Bond Bank's services result in less expense, especially for small bond issues.

The Bond Bank operates efficiently with Alaska Department of Revenue staff serving as executive director, providing accounting expertise and administrative support. Where economies of scale dictate, the Bond Bank hires outside professional staff.

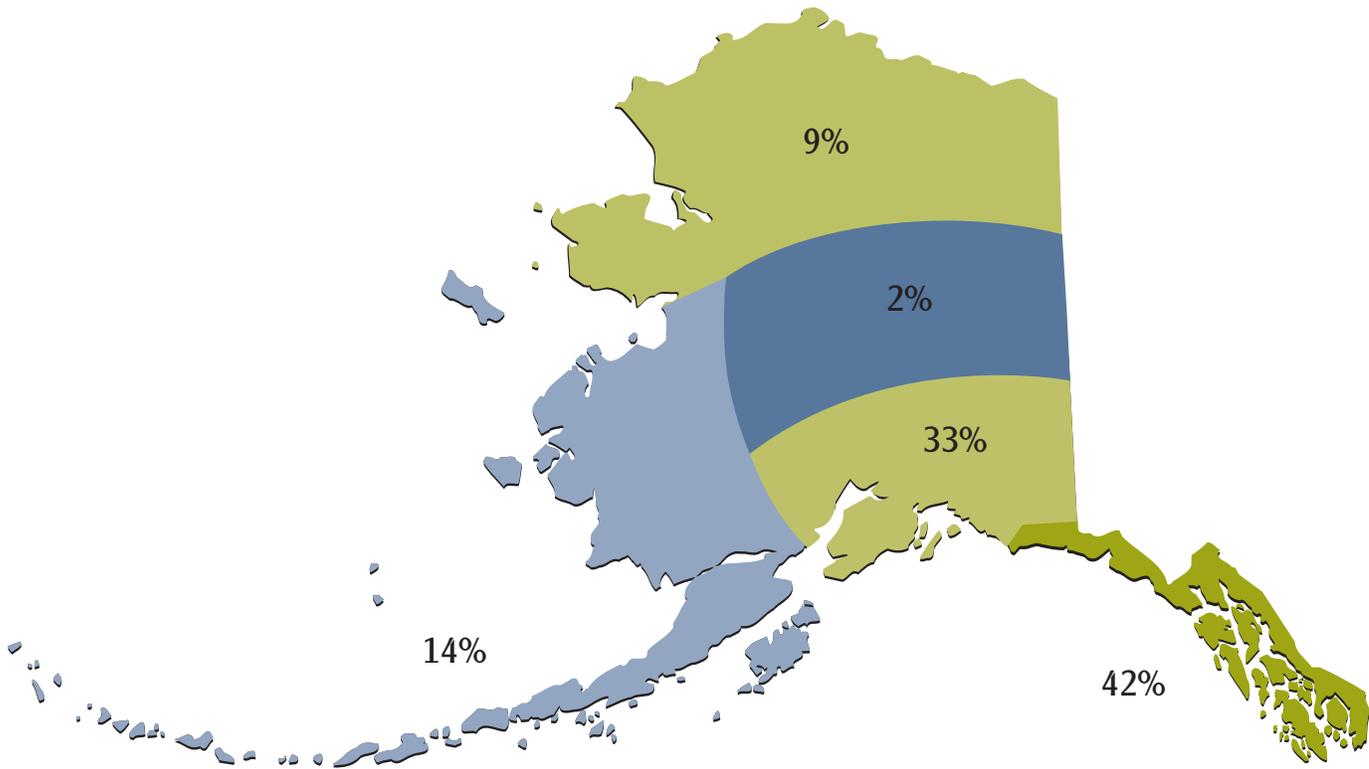
CUMULATIVE APPROPRIATIONS COMPARED TO CUMULATIVE EXCESS EARNINGS RETURNED TO STATE



## HELPING ALASKAN COMMUNITIES

The Bond Bank is organized to work with all Alaska's municipalities in funding their capital needs at the lowest cost. From the time a municipality contacts the Bond Bank, legal and financial professionals with extensive experience in Alaska financing begin working with municipal managers to identify and develop the most advantageous financing program for the community.

In most instances the Bond Bank is able to relieve municipalities from paying certain costs of issuing bonds. For this reason, even large communities often seek the services provided by the Bond Bank.



ALL BOND PROCEEDS DISTRIBUTION  
BY AREA PERCENTAGES

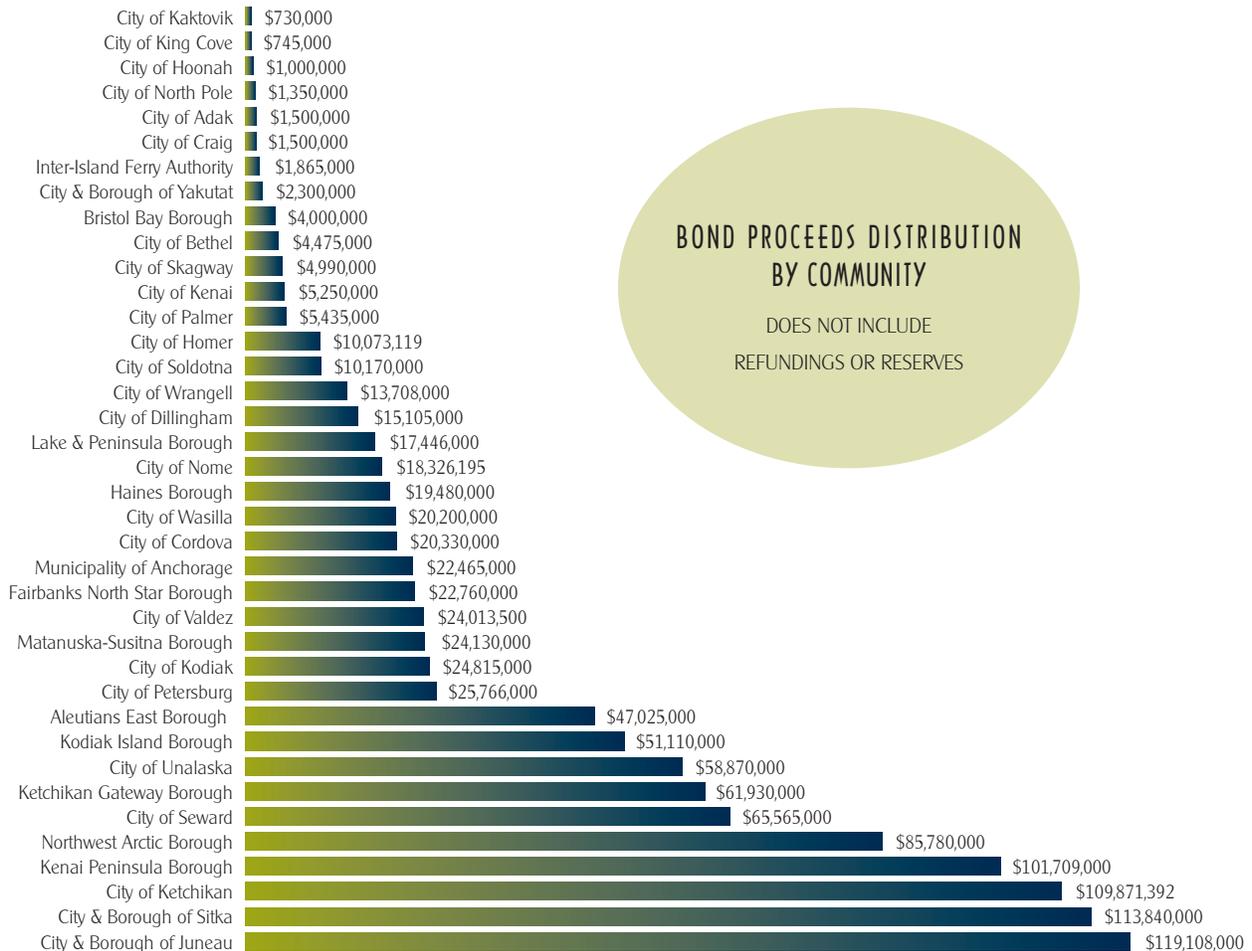
**ISSUING BONDS**

The Bond Bank issues both taxable and tax exempt bonds. Purchasers of these bonds include bond mutual funds, institutional investors, insurance companies, and private individual investors. Purchasers of tax exempt bonds do not have to pay federal income taxes on the interest income received.

The Bond Bank has historically pooled municipal general obligation bond issues into a single issue. This is accomplished by selling one larger Bond Bank bond issue to fund a number

of smaller community bond issues. Starting in 2005 the Bond Bank began pooling both general obligation and revenue bonds, and thereby further increased the efficiency of the program.

Bond issues of the Bond Bank are typically reviewed by two of the national rating agencies. The 2005 general obligation bond resolution program of the Bond Bank is rated by both Moody's Investors Service and Fitch Ratings. These bonds receive an AA rating from Fitch and an Aa2 rating from Moody's. Both of these ratings are considered "investment grade". Maintenance of these high ratings is crucial to achieving the mission of the Bond Bank, as it directly correlates to the ability to borrow money at lower interest rates.



## LEVERAGING STATE DOLLARS

An important reason for the Bond Bank's favorable bond rating and lower borrowing costs is that it secures its bonds with reserve funds supported by the "moral obligation" of the State of Alaska. The State has demonstrated the depth of this pledge, by appropriating an unlimited amount in the FY 2012 budget to satisfy this moral obligation.

The reserve funds are available to cure defaults, should they occur, and sized to an amount equal to 125% of average debt service over the life of all bond issues in the specific program. For the 1976 loan program, at least two-thirds of the reserve must be funded from bond bank assets and up to one-third funded from the proceeds of new bond issues, for older revenue bond issues Bond Bank assets funded the entire reserve, and with the 2005 loan program there is flexibility to use any combination of bond bank assets, bond proceeds, or surety policies to satisfy reserve requirements. For both the 1976 and the 2005 loan program the reserve is pooled, meaning that the reserve that is in place is equivalent to many years of debt payments on even the largest of borrower loans.

## GENERAL OBLIGATION BONDS

The majority of the Bond Bank's bonds have been issued to fund general obligation loans. Communities typically issue general obligation bonds to finance facilities that do not generate revenue, such as schools, roads, public safety and municipal buildings. Such bonds must be approved by the municipal voters.

## REVENUE BONDS

The Bond Bank also funds loans for community revenue bonds that are used to finance revenue-producing capital improvements such as utility or port facilities. Because they are not secured by a municipality's taxing power, such bonds do not normally require municipal voter approval.

## CURRENT FINANCINGS FY 2011 BONDS ISSUES

\$11,430,000

General Obligation 2010 Series Three  
\$4,530,000 Series A & \$6,900,000 Series B (taxable)  
Aleutians East Borough – Akutan Airport Project &  
King Cove / Cold Bay Access Project  
City of Unalaska – Electric System Generation &  
Distribution Improvements  
King Cove – King Cove boat harbor supporting  
infrastructure  
20 Year: True Interest Cost After Subsidy 2.77%

\$78,665,000

General Obligation 2010 Series Four  
\$26,725,000 Series A & \$51,940,000 Series B  
(taxable)  
Kenai Peninsula Borough – School improvements  
City of Ketchikan – New fire station  
Ketchikan Gateway Borough – School improvements  
City and Borough of Sitka – Refund/Defeasement debt &  
Blue Lake Hydroelectric Expansion Project  
City of Soldotna – Library improvements  
20 year: True Interest Cost after subsidy 3.18%

\$4,765,000

General Obligation 2010 Series A-1 / A-2  
\$1,065,000 Series A-1 & \$3,700,000 Series A-2  
(taxable)  
Ketchikan Gateway Borough – Portion of acquisition  
costs associated with the White Cliff Office Building  
25 year: True Interest Cost after subsidy 3.57%

\$8,635,000

General Obligation 2011 Series One  
Kodiak Island Borough – School improvements  
City & Borough of Wrangell – School improvements  
20 year: True Interest Cost 4.57%

\$12,130,000

General Obligation 2011 Series Two  
City & Borough of Juneau – School improvements  
City & Borough of Sitka – School improvements  
20 year: True Interest Cost after subsidy 3.27%

**ISSUED AMOUNTS ARE INCLUSIVE OF**

**RESERVE OBLIGATIONS**

### 2005 BOND INDENTURE

In Fiscal Year 2006 the Bond Bank created the 2005 lending program that allows both general obligation bond and revenue bond loans through the issuance of general obligation bonds of the Bond Bank. Of the five bond issuances in Fiscal Year 2011, four were issued under the 2005 bond indenture. The ability to pool communities' bonds provides greater operational efficiency for the Bond Bank and provides additional flexibility and savings to communities. The 2005 lending program is the primary mechanism for all issues of the Bond Bank.

### 2010 BOND INDENTURE

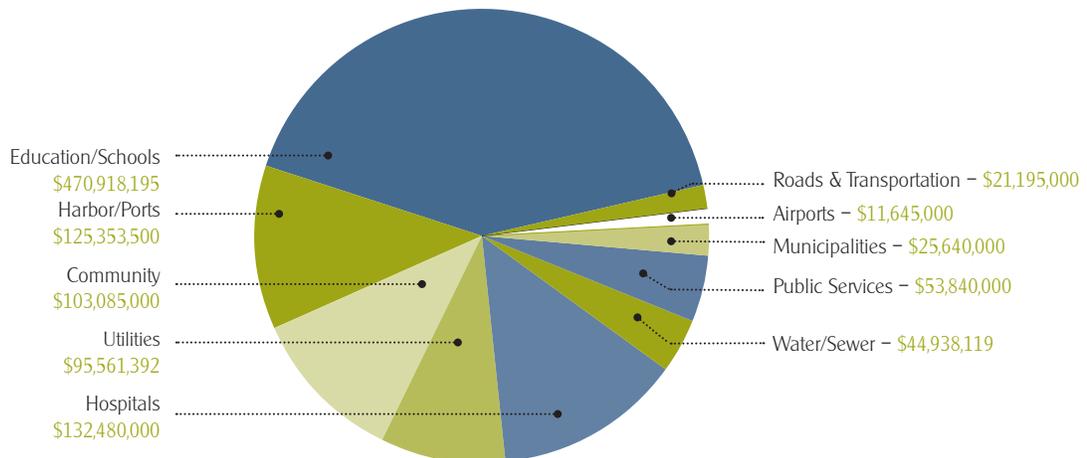
In Fiscal Year 2011 the Bond Bank created the 2010 lending program that allows general obligation bond, revenue bond, and other municipal commitment loans through the issuance of general obligation bonds of the Bond Bank. In Fiscal Year 2011, one bond issue with two series was sold under the 2010 bond indenture - Series 2010 A-1 & Series 2010 A-2. This was the first issue under the 2010 bond indenture. The 2010 lending program will be used for targeted future issues of the Bond Bank.

Bonds issued by the Bond Bank to purchase municipal general obligation bonds are secured by:

- For general obligation loans the full faith and credit of each respective community with no taxing limitation.
- For revenue bond loans the revenues for the facility or enterprise being financed.
- The Bond Bank's general obligation debt service reserve fund.
- All unobligated Bond Bank assets.
- The statutory right of the Bond Bank, in the event of default, to demand and receive any funds held by a state agency which are payable to the defaulting municipality.
- The moral obligation of the State of Alaska to maintain the debt service reserves at their required levels.
- The commitment to seek current year funding for reserve replenishment for the 2005 G.O. program. This is currently funded in the State's FY2012 operating budget.

### USES OF BOND PROCEEDS — INCEPTION TO DATE

DOES NOT INCLUDE REFUNDINGS



## SUMMARY OF DEBT SERVICE SCHEDULE OF TOTAL DEBT SERVICE BY CLASSIFICATION AT JUNE 30, 2011

1976 GENERAL BOND RESOLUTION FUND	PRINCIPAL	INTEREST	TOTAL
1998 Series B	\$ 135,000	9,705	144,705
2000 Series E	265,000	47,115	312,115
2001 Series B	2,595,000	769,395	3,364,395
2002 Series A	2,935,000	132,075	3,067,075
2002 Series B	8,260,000	2,537,773	10,797,773
2003 Series A	6,525,000	2,014,818	8,539,818
2003 Series C	2,010,000	112,538	2,122,538
2003 Series D	10,330,000	3,504,448	13,834,448
2003 Series E	6,900,000	1,471,731	8,371,731
2003 Series F	150,000	2,625	152,625
2003 Series G	17,410,000	6,443,450	23,853,450
2004 Series A	11,170,000	2,660,418	13,830,418
2004 Series B	10,035,000	2,977,594	13,012,594
2004 Series C	11,035,000	3,815,126	14,850,126
2004 Series D	9,880,000	3,494,988	13,374,988
2005 Series A	29,345,000	7,197,028	36,542,028
2005 Series B	18,375,000	5,753,388	24,128,388
2005 Series C	26,740,000	9,088,028	35,828,028
2006 Series A	12,775,000	2,716,996	15,491,996
	<u>186,870,000</u>	<u>54,749,237</u>	<u>241,619,237</u>
2005 SERIES GENERAL BOND RESOLUTION PROGRAM	PRINCIPAL	INTEREST	TOTAL
2005 Series ONE	12,545,000	2,829,550	15,374,550
2006 Series ONE	6,205,000	2,463,825	8,668,825
2006 Series TWO	37,595,000	29,850,588	67,445,588
2007 Series ONE	23,790,000	6,208,039	29,998,039
2007 Series TWO	24,545,000	13,388,969	37,933,969
2007 Series THREE	13,720,000	8,215,953	21,935,953
2007 Series FOUR	14,170,000	6,306,769	20,476,769
2007 Series FIVE	5,825,000	4,689,590	10,514,590
2008 Series ONE	58,975,000	35,031,420	94,006,420
2008 Series TWO	18,245,000	11,002,100	29,247,100
2009 Series ONE	26,700,000	20,010,175	46,710,175
2009 Series TWO	25,850,000	11,653,375	37,503,375
2009 Series THREE	12,310,000	2,200,475	14,510,475
2009 Series FOUR	27,815,000	23,425,728	51,240,728
2010-A Series ONE	18,335,000	2,799,700	21,134,700
2010-B Series ONE	7,415,000	6,972,175	14,387,175
2010-A Series TWO	3,385,000	267,650	3,652,650
2010-B Series TWO	11,405,000	6,611,451	18,016,451
2010-A Series THREE	4,530,000	788,513	5,318,513
2010-B Series THREE	6,900,000	5,323,616	12,223,616
2010-A Series FOUR	26,725,000	7,251,398	33,976,398
2010-B Series FOUR	51,940,000	40,321,295	92,261,295
2011 Series ONE	8,635,000	4,583,331	13,218,331
2011 Series TWO	12,130,000	3,540,485	15,670,485
	<u>459,690,000</u>	<u>255,736,168</u>	<u>715,426,168</u>
2010 Series A-1	1,065,000	170,464	1,235,464
2010 Series A-2	3,700,000	4,248,493	7,948,493
	<u>4,765,000</u>	<u>4,418,957</u>	<u>9,183,957</u>
COASTAL ENERGY IMPACT PROGRAM AND REVENUE BONDS	PRINCIPAL	INTEREST	TOTAL
Coastal Energy Reserve Loan fund	10,779,588	2,995,051	13,774,638
2000B Revenue Bond Resolution	140,000	3,675	143,675
2001A Revenue Bond Resolution	1,010,000	205,700	1,215,700
2001B Revenue Bond Resolution	1,495,000	321,573	1,816,573
2002A Revenue Bond Resolution	2,390,000	226,338	2,616,338
2003B Revenue Bond Resolution	15,435,000	5,136,994	20,571,994
2004A Revenue Bond Resolution	26,165,000	19,437,650	45,602,650
2004B Revenue Bond Resolution	4,745,000	3,293,770	8,038,770
	<u>62,159,588</u>	<u>31,620,749</u>	<u>93,780,337</u>
	<u>\$ 713,484,588</u>	<u>346,525,111</u>	<u>1,060,009,699</u>
SUMMARY OF TOTAL DEBT SERVICE REQUIREMENTS BY FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
2012	\$ 45,057,061	32,893,257	77,950,318
2013	42,616,032	30,865,077	73,481,109
2014	40,505,165	29,091,830	69,596,995
2015	40,579,468	27,499,940	68,079,408
2016	42,728,946	25,797,659	68,526,605
2017-2021	194,314,463	102,623,902	296,938,369
2022-2026	153,751,452	61,439,157	215,190,60
2027-2031	102,306,033	27,815,189	130,121,222
2032-2036	44,569,368	7,813,562	52,382,930
2037+	7,056,599	685,537	7,742,136
	<u>\$ 713,484,588</u>	<u>346,525,111</u>	<u>1,060,009,699</u>

THE BOND BANK HAS FIVE DIRECTORS CONSISTING OF THREE PUBLIC MEMBERS APPOINTED BY THE GOVERNOR, THE COMMISSIONER OF REVENUE, AND THE COMMISSIONER OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT.

THE COMMISSIONERS MAY APPOINT DELEGATES TO SERVE IN THEIR PLACE.

## THE BOARD OF DIRECTORS

MARK PFEFFER  
Chairman  
Term expires July 15, 2013

Mr. Pfeffer was appointed October 10, 2001. Mr. Pfeffer is a registered architect who has owned and led an architectural practice in Alaska for over 25 years. He is active in the development, design and management of commercial real estate projects, many of which include public/private partnerships. He is a partner in the firms Koonce Pfeffer Bettis, Inc. and Venture Development Group, LLC. Mr. Pfeffer received a Bachelor of Architecture Degree from the University of Nebraska in 1980.

LUKE WELLES  
Vice Chairman  
Term expires July 15, 2015

Mr. Welles was appointed on May 16, 2008. Mr. Welles is Chief Financial Officer for the Yukon Kuskokwim Healthcare Corporation which administers healthcare in 52 rural communities, including a hospital located in Bethel, Alaska. He has management experience in healthcare, civil construction and commercial real estate. Over the past 17 years he has served on several economic development commissions in the State, a city council member in Homer, Alaska and multiple boards. Mr. Welles received a Bachelor of Arts in Foreign Service and International Business from Baylor University in 1989.



GREGORY GURSEY

Member

Term expires July 15, 2014

Mr. Gursey was appointed to the board on June 22, 2009. Mr. Gursey became President of Benefit Brokers, Inc in 2001, after working as Vice President of Investments for Wedbush Morgan Securities for 11 years. Benefit Brokers has been providing investment advisory services to clients for over 30 years. Mr. Gursey also serves as a FINRA industry arbitrator in both civil and industry arbitration cases. After graduating from the University of Alaska Anchorage with a degree in finance, Mr. Gursey became involved with the University of Alaska Foundation. He served as the first Chairman of the UAA College of Fellows, currently is a member of the Investment Committee and serves as a Trustee to the UA Foundation. Mr. Gursey has served on the U.S. Treasury's Department, Taxpayer Advocacy Panel, State of Alaska Dental Examiner's Board, the Investment Commission for the Municipality of Anchorage, as well as numerous other boards.

JERRY BURNETT

Member

Mr. Burnett is the first delegate for Bryan Butcher, Commissioner of the Department of Revenue. Mr. Burnett was appointed Deputy Commissioner in January 2009, after acting since August 2008. He previously was the Administrative Services Director and Legislative Liaison, for the Department of Revenue. Other state service includes two years as Administrative Services Director at the Department of Corrections and twelve years as Finance Committee and Budget and Audit Committee staff to the Alaska Legislature. From 1983 to 2002 Mr. Burnett was an adjunct professor of business at the University of Alaska Southeast and during this time also worked as a Real Estate Broker and Life and Health Insurance Agent. He has a Masters of Business Administration and a Masters of Public Administration from the University of Alaska and a Bachelor of Science in Occupational Safety and Health from Central Washington University.

TED LEONARD

Member

Mr. Leonard is the first delegate for Susan Bell, Commissioner of the Department of Commerce, Community & Economic Development. Mr. Leonard was appointed Executive Director of the Alaska Industrial Development and Export Authority (AIDEA) on May 19, 2008. He was most recently the Deputy Commissioner of the Department of Commerce, Community and Economic Development. In the Deputy Commissioner capacity, he oversaw the regulatory divisions of the department which included the Division of Insurance, Division of Banking and Securities and the Division of Corporations, Business and Professional Licensing. He served as the Commissioner's designee on the boards of the Alaska Housing Finance Corporation, Alaska Aerospace Development Corporation and the Alaska Community Service Commission. Mr. Leonard has worked for the last 19 years in both the government and private sector in the areas of finance and accounting in Alaska, including the Mat-Su and Lower Kuskokwim School Districts as well as the City of Dillingham. He also served as the Director of Finance and Administrative Services for the city of Wasilla. He received his undergraduate degree from the College of Idaho and a Masters in Management from Willamette University. He is a Certified Management Accountant and Senior Professional in Human Resources.

THE STATE'S DEPARTMENT OF REVENUE-TREASURY DIVISION (DOR-TREASURY) FULFILLS ADMINISTRATIVE AND MANAGEMENT RESPONSIBILITIES FOR THE BOND BANK.

**DEVEN MITCHELL**

*Executive Director, appointed April 7, 1998*

Mr. Mitchell also serves as the State Debt Manager and Investment officer in Department of Revenue-Treasury. Mr. Mitchell has worked for the State of Alaska Department of Revenue since 1992. He previously held several positions in Alaskan financial institutions. Mr. Mitchell holds a Bachelor of Science in Business Administration from Northern Arizona University.

**PAMELA LEARY, CPA**

*Deputy Treasurer, appointed October 15, 2007*

Ms. Leary is the Comptroller for the State of Alaska Department of Revenue, Treasury Division. Ms. Leary started her career as an auditor with Price Waterhouse. She became partner in the firm PricewaterhouseCoopers, advising and consulting clients on various disciplines, including securities litigation and bankruptcy. Prior to joining Treasury, Ms. Leary worked for the Alaska Permanent Fund Corporation. Ms. Leary holds a Bachelor of Science degree in Economics from the Wharton School, University of Pennsylvania and is a Certified Public Accountant in the State of Alaska.

RATHER THAN EMPLOY STAFF, THE BOND BANK CONTRACTS IN THE PRIVATE SECTOR FOR A WIDE RANGE OF PROFESSIONAL SERVICES. THE EXECUTIVE DIRECTOR COORDINATES THE ACTIVITIES OF THESE PROFESSIONALS INCLUDING BOND COUNSEL, FINANCIAL ADVISOR, ACCOUNTANTS, AUDITORS, FUND TRUSTEES, BOND TRUSTEES AND CLERICAL SUPPORT.

**FINANCIAL ADVISOR**

**WESTERN FINANCIAL GROUP, LLC**

Provides loan analysis services, including recommendations as to the adequacy of loan applications, credit worthiness, projected capability to repay, and the overall effect a proposed loan will have on the credit of the Bond Bank. Assists in preparation of the official statements, recommends type and timing of bond sales, negotiates with underwriters and assists with investment of various funds. Also coordinates financial reviews with bond rating houses and prepares other general financial reviews and analyses required by the Bond Bank.

**BOND COUNSEL**

**WOHLFORTH BRECHT CARTLEDGE & BROOKING**

Prepares for the authorization, sale, issuance and delivery of Bond Bank bonds. Prepares series resolutions, notices of sale; assists in preparation of official statements; renders necessary opinions as required; and provides other general legal services.

**TRUSTEE/PAYING AGENT**

**BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**

Acts as custodian of the bond proceeds and supervises the investment of funds for the purposes specified in the bond resolutions. The trustee oversees debt service funds and maintenance of certain reserve accounts required in the contract with the bondholders. As paying agent, makes all necessary interest and principal payments to the bondholders.

**INVESTMENT MANAGER**

**ALASKA PERMANENT CAPITAL MANAGEMENT**

Supervises and controls the investment of the custodial funds and the trustee funds. Also provides analyses of investments, advice on investment guidelines, and directs the investment of all funds in accordance with Bond Bank procedures and guidelines.

**CUSTODIAL BANK**

**FIRST NATIONAL BANK ALASKA**

Acts as the Authority's bank for processing all fund transactions.

## FINANCIAL STATEMENTS

JUNE 30, 2011

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis (MD&A) is required by GASB 34, a rule established by the Governmental Accounting Standards Board. This section is intended to make the financial statements more understandable to the average reader who is not familiar with traditional accounting terminology.

This financial report has two integral parts: this MD&A and the financial statements with the accompanying notes that follow. Together, they present the Alaska Municipal Bond Bank Authority's (Bond Bank) financial performance during the fiscal year ended June 30, 2011. Summarized prior fiscal year information is shown within this MD&A, as needed, for comparative purposes.

### REQUIRED FINANCIAL STATEMENTS

GASB 34 requires two types of financial statements: the Statement of Net Assets and Governmental Fund Balance Sheets and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance. These statements report financial information about the Bond Bank's activities using generally accepted accounting principles.

### FINANCIAL HIGHLIGHTS

During fiscal year 2011, the Bond Bank approved 13 municipal loan applications for projects in 11 communities, resulting in \$115.6 million in bonds being issued. Bond Bank bond activity in FY2011 resulted in approximate savings of \$13.6 million to the borrowing communities. In comparison, the Bond Bank's activity level and community benefit in FY2010 was an issuance of \$85.1 million to fund 12 community projects and provided savings of \$9.6 million to borrowing communities.

The financial position of the Bond Bank remains strong. All reserves are fully funded and invested. Fiscal year 2011 investment earnings funded fiscal year 2011 operations and will provide for \$86,814 in excess earnings that is appropriated back to the Bond Bank. The Bond Bank holds unrestricted reserves adequate to make up shortfalls in FY2012 if investment earnings are not sufficient to fund operations.

### STATEMENT OF NET ASSETS

The Statement of Net Assets, reports assets, liabilities and net assets of the Bond Bank.

### ASSETS

Assets represent 1) the value of the Bond Bank's investments and investment income receivable on the financial statement dates, recorded at fair market value, and 2) bond principal and interest payments receivable from municipalities. The investments generate income for the Bond Bank, used to meet reserve requirements and pay operating costs. Historically excess operating account earnings have been appropriated to the State of Alaska's (State) general fund each year. House Bill 108, however, for the fiscal year ending June 30, 2011, appropriated the excess earnings of the operating account to the Bond Bank's reserve fund. Interest received on bonds purchased from municipalities is used to pay the Bond Bank's corresponding interest payments on the bonds that it has issued.

**LIABILITIES**

Liabilities represent claims against the fund for 1) goods and services provided before the financial statement date but not yet paid for at that date, and 2) interest and bond payments due to purchasers of the Bond Bank's bonds after the financial statement date.

**RESTRICTED AND UNRESTRICTED NET ASSETS**

Net assets are comprised of two components. The restricted portion reflects monies maintained in separate trust accounts where their use is limited by applicable bond covenants for repayment of bonds. The unrestricted portion reflects the accumulated excess of the Bond Bank's share of earnings on investments held over those earnings distributed to the State as well as investment income that has not been realized and therefore is not yet subject to distribution to the State's general fund.

The following table shows the value of Bond Bank assets summarized as of June 30, 2011 and 2010 as well as liabilities and net assets.

	As of June 30		Change from 2010 to 2011 Increase (Decrease)	
	2011	2010	Dollars	Percent
<b>ASSETS:</b>				
Cash and investments	\$ 77,932,565	\$ 69,760,349	\$ 8,172,216	11.71%
Bonds and bond interest receivable	698,660,518	617,734,421	80,926,097	13.10%
Total assets	<u>776,593,083</u>	<u>687,494,770</u>	<u>89,098,313</u>	<u>12.96%</u>
<b>LIABILITIES:</b>				
Accounts payable and accrued liabilities	1,762,218	1,656,128	106,090	6.41%
Bonds and bond interest payable	728,569,043	641,574,660	86,994,383	13.56%
Total liabilities	<u>730,331,261</u>	<u>643,230,788</u>	<u>87,100,473</u>	<u>13.54%</u>
<b>NET ASSETS:</b>				
Restricted	32,337,958	32,401,674	(63,716)	-0.20%
Unrestricted	13,923,864	11,862,308	2,061,556	17.38%
Total net assets	<u>\$ 46,261,822</u>	<u>\$ 44,263,982</u>	<u>\$ 1,997,840</u>	<u>4.51%</u>

The increase in cash and investments reflects realized and unrealized investment income. The Bond Bank's investments are all held in U.S. Government securities.

The increase in bonds and bond interest receivable, as well as in bonds and bond interest payable, reflects the issuance of approximately \$115.6 million in new bonds during the year, net of principal payments on bonds previously issued of approximately \$35.8 million. The increase is also due to a \$6.0 million loan secured from the State of Alaska General Fund in FY11 to satisfy reserve funding requirements of 2011 bond issuances.

Included in the restricted net assets is the State's original appropriation to fund the Bond Bank, as well as Bond Bank funds placed into separate accounts in accordance with the reserve requirements of each bond indenture. The State's original 1986 appropriation of \$18,601,414, has increased by supplemental appropriations, of \$855,347, \$819,843, \$32,628, \$86,814 for FY08, FY09, FY10 and FY11, respectively. As of June 30, 2011 \$86,814 was unallocated to specific reserve accounts and was held in the Custodian account.

Unrestricted net assets represent accumulated earnings on Bond Bank investments, not used to fund reserves, and unrealized gains that are segregated until realized. The increase in unrestricted net assets is due primarily to the 2011 State of Alaska General Fund appropriation to the Bond Bank to fund a \$2.5 million direct loan to the City of Galena.

### STATEMENTS OF ACTIVITIES

The statement of activities shows the activity that occurred during each of the last fiscal years.

#### Revenues

Revenues include total return on investments and interest payments received from municipalities. Earnings on investments include interest on fixed income marketable securities and the change in fair market value of those investments.

#### Expenses

Expenses include interest payments made to bond holders who purchased the Bond Bank's bonds, payments made to the State of Alaska and operating expenses. Operating expenses include all expenditures required to issue bonds during the current year and include in-house expenses, as well as external consultant fees. Expenses are subtracted from revenues.

The following is a condensed statement of AMBBA's changes in net assets:

	As of June 30		Change from 2010 to 2011 Increase (Decrease)	
	2011	2010	Dollars	Percent
<b>REVENUES:</b>				
Interest income on bonds receivable	\$ 28,778,591	\$ 27,797,779	\$ 980,812	3.53%
Investment earnings	1,359,347	2,329,330	(969,983)	-41.64%
Total income	<u>30,137,938</u>	<u>30,127,109</u>	<u>10,829</u>	<u>0.04%</u>
<b>EXPENSES:</b>				
Interest expense on bonds payable	29,926,821	28,844,623	1,082,198	3.75%
Operating expenses	663,277	742,160	(78,883)	-10.63%
Payments to primary government	86,814	32,628	54,186	166.07%
Total expenses	<u>30,676,912</u>	<u>29,619,411</u>	<u>1,057,501</u>	<u>3.57%</u>
Other financing source - transfer from primary government	<u>2,536,814</u>	<u>32,628</u>	<u>2,504,186</u>	<u>7674.96%</u>
<b>CHANGE IN NET ASSETS</b>	1,997,840	540,326	1,457,514	269.75%
Net assets, beginning of period	<u>44,263,982</u>	<u>43,723,656</u>	<u>540,326</u>	<u>1.24%</u>
Net assets, end of period	<u>\$ 46,261,822</u>	<u>\$ 44,263,982</u>	<u>\$ 1,997,840</u>	<u>4.51%</u>

Interest income and expense on bonds receivable and payable are a function of the total amount of bonds outstanding, the age of the bonds and the interest rates at which they are issued. The increases in both these line items are consistent with the increase in bond interest receivable and payable of \$1.1 million and \$1.1 million, respectively. Net assets increased a total of \$2.0 million and \$0.54 million, at June 30, 2011 and 2010, respectively.

Investment earnings are a function of market conditions. The Bond Bank uses other assets to subsidize debt service during times of low investment returns in bond reserve funds.

**GOVERNMENTAL FUNDS**

The governmental funds include the General Fund, which accounts for the primary operations of the Bond Bank, and the Debt Service Fund, which accounts for the resources accumulated and payments made on the long-term debt of the Bond Bank. The primary difference between the governmental funds balance sheet and the statement of net assets is the elimination of inter-fund payables and receivables. Bond proceeds are reported as other financing source in the governmental funds statement of revenues and expenses and this contributes to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of debt principal is recorded as expenditure in the governmental funds statement of revenues and expenses and reduces the liability in the statement of net assets.

The following tables show the changes in governmental funds.

GENERAL FUND	As of June 30		Change from 2010 to 2011 Increase (Decrease)	
	2011	2010	Dollars	Percent
<b>ASSETS:</b>				
Cash, investments and related accrued interest	\$ 6,068,050	\$ 7,007,592	\$ (939,542)	-13.41%
Bonds and bond interest receivable	2,615,097	47,524	2,567,573	5402.69%
Interfund receivable	5,570,612	5,009,188	561,424	11.21%
Total assets	<u>14,253,759</u>	<u>12,064,304</u>	<u>2,189,455</u>	<u>18.15%</u>
<b>LIABILITIES:</b>				
Accounts payable and accrued liabilities	<u>61,881</u>	<u>138,292</u>	<u>(76,411)</u>	<u>-55.25%</u>
<b>FUND BALANCE:</b>				
Restricted for debt service	86,814	299,064	(212,250)	-70.97%
Unassigned	<u>14,105,064</u>	<u>11,626,948</u>	<u>2,478,116</u>	<u>21.31%</u>
Total fund balance	<u>14,191,878</u>	<u>11,926,012</u>	<u>2,265,866</u>	<u>19.00%</u>
Total liabilities and fund balance	<u>\$ 14,253,759</u>	<u>\$ 12,064,304</u>	<u>\$ 2,189,455</u>	<u>18.15%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

DEBT SERVICE FUND

	As of June 30		Change from 2010 to 2011 Increase (Decrease)	
	2011	2010	Dollars	Percent
<b>ASSETS:</b>				
Cash, investments and related accrued interest	\$ 71,864,515	\$ 64,085,099	\$ 7,779,416	12.14%
Bonds and bond interest receivable	<u>696,045,421</u>	<u>616,354,555</u>	<u>79,690,866</u>	<u>12.93%</u>
Total assets	<u>767,909,936</u>	<u>680,439,654</u>	<u>87,470,282</u>	<u>12.85%</u>
<b>LIABILITIES:</b>				
Accounts payable and accrued liabilities	1,700,337	1,517,836	182,501	12.02%
Interfund payables	<u>5,570,614</u>	<u>5,009,188</u>	<u>561,426</u>	<u>11.21%</u>
Total liabilities	<u>7,270,951</u>	<u>6,527,024</u>	<u>743,927</u>	<u>11.40%</u>
<b>FUND BALANCE:</b>				
Restricted for debt service	<u>760,638,985</u>	<u>673,912,630</u>	<u>86,726,355</u>	<u>12.87%</u>
Total liabilities and fund balance	<u>\$ 767,909,936</u>	<u>\$ 680,439,654</u>	<u>\$ 87,470,282</u>	<u>12.85%</u>

GENERAL FUND

	As of June 30		Change from 2010 to 2011 Increase (Decrease)	
	2011	2010	Dollars	Percent
<b>REVENUES:</b>				
Interest income	\$ 144,104	\$ 270,376	\$ (126,272)	-46.70%
<b>EXPENDITURES:</b>				
Operating expenses	663,277	742,160	(78,883)	-10.63%
Payments to primary government	<u>86,814</u>	<u>32,628</u>	<u>54,186</u>	<u>166.07%</u>
Total expenditures	<u>750,091</u>	<u>774,788</u>	<u>(24,697)</u>	<u>-3.19%</u>
Excess (deficiency) of revenues over expenditures	(605,987)	(504,412)	(101,575)	-20.14%
Other financing sources (uses) - transfers	<u>2,871,853</u>	<u>(372,681)</u>	<u>3,244,534</u>	<u>870.59%</u>
Excess (deficiency) of revenues and transfers over expenditures	2,265,866	(877,093)	3,142,959	358.34%
Fund balance, beginning of period	<u>11,926,012</u>	<u>12,803,105</u>	<u>(877,093)</u>	<u>-6.85%</u>
Fund balance, end of period	<u>\$ 14,191,878</u>	<u>\$ 11,926,012</u>	<u>\$ 2,265,866</u>	<u>19.00%</u>

DEBT SERVICE FUND

	As of June 30		Change from 2010 to 2011 Increase (Decrease)	
	2011	2010	Dollars	Percent
<b>REVENUES:</b>				
Interest income on bonds receivable	\$ 28,725,941	\$ 27,713,943	\$ 1,011,998	3.65%
Investment earnings	1,267,893	2,142,790	(874,897)	-40.83%
Total revenues	<u>29,993,834</u>	<u>29,856,733</u>	<u>137,101</u>	<u>0.46%</u>
<b>EXPENDITURES:</b>				
Interest payments	28,789,194	26,465,454	2,323,740	8.78%
Principal payments	<u>35,768,246</u>	<u>38,729,582</u>	<u>(2,961,336)</u>	<u>-7.65%</u>
Total expenditures	64,557,440	65,195,036	(637,596)	-0.98%
Excess (deficiency) of revenues over expenditures	(34,563,606)	(35,338,303)	774,697	2.19%
Other financing sources (uses):				
Bond proceeds	115,625,000	85,135,000	30,490,000	35.81%
Loan proceeds	6,000,000	-	6,000,000	100.00%
Transfers	<u>(335,039)</u>	<u>405,309</u>	<u>(740,348)</u>	<u>-182.66%</u>
Total other financing sources (uses):	121,289,961	85,540,309	35,749,652	41.79%
Excess of revenues and transfers over expenditures	86,726,355	50,202,006	36,524,349	72.75%
Fund balance, beginning of period	<u>673,912,630</u>	<u>623,710,624</u>	<u>50,202,006</u>	<u>8.05%</u>
Fund balance, end of period	<u>\$ 760,638,985</u>	<u>\$ 673,912,630</u>	<u>\$ 86,726,355</u>	<u>12.87%</u>

DEBT

At year end the Bond Bank had \$719,484,588 of bonds and notes outstanding up 13.6% from \$633,627,834 at June 30, 2010. This debt is secured by the assets of the Bond Bank, except for the Coastal Energy notes payable, see note (5) to the financial statements. The outstanding balance is comprised of the following table of bonds issued for loans and \$1.64 million in bonds issued for reserve deposits:

	As of June 30		Change from 2010 to 2011 Increase (Decrease)	
	2011	2010	Dollars	Percent
O bonds payable	\$ 651,325,000	\$ 568,900,000	\$ 82,425,000	14.49%
Revenue bonds payable	51,380,000	53,855,000	(2,475,000)	-4.60%
Coastal Energy notes payable	10,779,588	10,872,834	(93,246)	-0.86%
Due to primary government	<u>6,000,000</u>	<u>-</u>	<u>6,000,000</u>	<u>100.00%</u>
	<u>\$ 719,484,588</u>	<u>\$ 633,627,834</u>	<u>\$ 85,856,754</u>	<u>13.55%</u>

CONTACTING THE BOND BANK'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, investors, and creditors with a general overview of the Bond Bank's finances and to demonstrate the Bond Bank's accountability of its assets. If you have any questions about this report or need additional financial information, contact the Executive Director of the Bond Bank at (907) 465-3409.

# ELGEE REHFELD MERTZ, LLC

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
Alaska Municipal Bond Bank Authority  
Juneau, Alaska

We have audited the accompanying financial statements of the governmental activities and each major fund of Alaska Municipal Bond Bank Authority (the Authority), a component unit of the State of Alaska, as of and for the year ended June 30, 2011, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Authority. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Alaska Municipal Bond Bank Authority, as of June 30, 2011, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14 through 19 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's financial statements as a whole. The Supplemental Schedule of Statutory Reserve Accounts – Assets, Liabilities and Account Reserves, on pages 39 and 40, are presented for purposes of additional analysis and are not a required part of the financial statements. This Supplementary Schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*ERM*

October 10, 2011

STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUNDS BALANCE SHEETS

June 30, 2011

	General Fund	Debt Service Fund	Total	Adjustments (Note 7)	Statement of Net Assets
<b>ASSETS</b>					
Cash and cash equivalents	\$ 614,447	9,083,684	9,698,131	-	9,698,131
Investments, at fair value (note 4)	5,430,268	62,386,709	67,816,977	-	67,816,977
Accrued interest receivable:					
Bonds receivable	16,371	8,753,833	8,770,204	-	8,770,204
Investment securities	23,335	394,122	417,457	-	417,457
Bonds receivable (note 5)	2,598,726	687,291,588	689,890,314	-	689,890,314
Interfund receivables	5,570,612	-	5,570,612	(5,570,612)	-
Total assets	<u>\$ 14,253,759</u>	<u>767,909,936</u>	<u>782,163,695</u>	<u>(5,570,612)</u>	<u>776,593,083</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 61,881	-	61,881	-	61,881
Deferred revenue	-	1,700,337	1,700,337	-	1,700,337
Accrued interest payable	-	-	-	9,084,455	9,084,455
Interfund payables	-	5,570,614	5,570,614	(5,570,614)	-
Long-term liabilities (notes 5 and 6):					
Portion due or payable within one year:					
General obligation bonds payable	-	-	-	38,955,000	38,955,000
Revenue bonds payable	-	-	-	2,605,000	2,605,000
Other long-term debt	-	-	-	3,497,061	3,497,061
Portion due or payable after one year:					
General obligation bonds payable	-	-	-	612,370,000	612,370,000
Revenue bonds payable	-	-	-	48,775,000	48,775,000
Due to primary government	-	-	-	6,000,000	6,000,000
Other long-term debt	-	-	-	7,282,527	7,282,527
Total liabilities	<u>61,881</u>	<u>7,270,951</u>	<u>7,332,832</u>	<u>722,998,429</u>	<u>730,331,261</u>
<b>FUND BALANCES/NET ASSETS</b>					
Fund balances:					
Restricted for debt service	86,814	760,638,985	760,725,799	(760,725,799)	-
Unassigned	14,105,064	-	14,105,064	(14,105,064)	-
Total fund balances	<u>14,191,878</u>	<u>760,638,985</u>	<u>774,830,863</u>	<u>(774,830,863)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 14,253,759</u>	<u>767,909,936</u>	<u>782,163,695</u>		
Net assets:					
Restricted for debt service				32,337,958	32,337,958
Unrestricted				13,923,864	13,923,864
Total net assets				<u>\$ 46,261,822</u>	<u>46,261,822</u>

See accompanying notes to financial statements.

ALASKA MUNICIPAL BOND BANK AUTHORITY (A Component Unit of the State of Alaska)

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENTS OF REVENUES,  
EXPENSES AND CHANGES IN FUND BALANCE/NET ASSETS**

For the year ended June 30, 2011

	General Fund	Debt Service Fund	Total	Adjustments (Note 7)	Statement of Activities
<b>REVENUES</b>					
Investment earnings	\$ 91,454	1,267,893	1,359,347	-	1,359,347
Interest income on bonds receivable	52,650	28,725,941	28,778,591	-	28,778,591
Total revenues	<u>144,104</u>	<u>29,993,834</u>	<u>30,137,938</u>	<u>-</u>	<u>30,137,938</u>
<b>EXPENDITURES / EXPENSES:</b>					
Debt service:					
Principal payments	-	35,768,246	35,768,246	(35,768,246)	-
Interest payments / expense	-	28,789,194	28,789,194	1,137,627	29,926,821
Payments to primary government	86,814	-	86,814	-	86,814
Professional services	475,370	-	475,370	-	475,370
Personal services	119,839	-	119,839	-	119,839
Administrative travel	25,027	-	25,027	-	25,027
Printing and advertising	18,700	-	18,700	-	18,700
Office expense	1,400	-	1,400	-	1,400
Arbitrage interest	22,928	-	22,928	-	22,928
Miscellaneous expenses	13	-	13	-	13
Total expenditures / expenses	<u>750,091</u>	<u>64,557,440</u>	<u>65,307,531</u>	<u>(34,630,619)</u>	<u>30,676,912</u>
Excess (deficiency) of revenues over expenditures / expenses	<u>(605,987)</u>	<u>(34,563,606)</u>	<u>(35,169,593)</u>	<u>34,630,619</u>	<u>(538,974)</u>
Other financing source / (uses):					
Proceeds of bonds payable	-	115,625,000	115,625,000	(115,625,000)	-
Proceeds of loans payable	-	6,000,000	6,000,000	(6,000,000)	-
Transfers from primary government	2,536,814	-	2,536,814	-	2,536,814
Transfers to/from Custodial Fund	(309,980)	309,980	-	-	-
Transfers- internal activities	645,019	(645,019)	-	-	-
Total other financing sources / (uses)	<u>2,871,853</u>	<u>121,289,961</u>	<u>124,161,814</u>	<u>(121,625,000)</u>	<u>2,536,814</u>
Excess (deficiency) of revenues and transfers in over expenditures / expenses and transfers out	<u>2,265,866</u>	<u>86,726,355</u>	<u>88,992,221</u>	<u>(86,994,381)</u>	<u>1,997,840</u>
<b>FUND BALANCES / NET ASSETS:</b>					
Beginning of the year	<u>11,926,012</u>	<u>673,912,630</u>	<u>685,838,642</u>	<u>(641,574,660)</u>	<u>44,263,982</u>
End of the year	<u>\$ 14,191,878</u>	<u>760,638,985</u>	<u>774,830,863</u>	<u>(728,569,041)</u>	<u>46,261,822</u>

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS

For the year ended June 30, 2010

**NOTE 1 ► HISTORY/REPORTING ENTITY**

The Alaska Municipal Bond Bank Authority (Authority or Bond Bank) was created pursuant to Alaska Statute, Chapter 85, Title 44, as amended, (Act) as a public corporation and instrumentality of the State of Alaska (State), but with a legal existence independent of and separate from the State. The Authority is a discretely presented component unit of the State of Alaska for purposes of financial reporting.

The Authority was created for the purpose of making moneys available to municipalities within the State to finance capital projects or for other authorized purposes by means of issuance of bonds by the Authority and use of proceeds from such bonds to purchase from the municipalities their general obligation and revenue bonds. The Authority commenced operations in August 1975.

The bonds are obligations of the Authority, payable only from revenues or funds of the Authority, and the State of Alaska is not obligated to pay principal or interest thereon, and neither the faith and credit nor the taxing power of the State is pledged to the bonds. The municipal bonds and municipal bond payments, investments thereof and proceeds of such investments, if any, and all funds and accounts established by the bond resolution to be held by the Trustee (with the exception of the Coastal Energy Loan Debt Service Program, which is administered by the Authority) are pledged and assigned for the payment of bonds.

The Authority may not issue revenue bonds in excess of \$75 million in any fiscal year unless the State of Alaska Legislature approves a greater amount. Revenue refunding bonds are not included in the \$75 million fiscal year limitation.

AS 44.85.180(c) was enacted in 1975, limiting Bond Bank outstanding bonds at any time to \$150 million. This Statute has been periodically amended to raise the limit. In fiscal year 2011, the limit is \$1 billion. Total Bond Bank bonds and notes outstanding as of June 30, 2011 are approximately \$713.5 million. Thus, the limit on additional bond issuance as of June 30, 2011 is approximately \$286.5 million.

**NOTE 2 ► SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the Authority's accounting policies are described below.

**(A) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The statement of net assets and the statement of activities report information on all of the activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. The balance sheet and statement of revenues, expenditures and changes in fund balances are provided for governmental funds.

## Summary of Significant Accounting Policies, continued

## (B) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Authority reports the following major governmental funds:

The *General Fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund. The Authority adopts an annual budget for the operating account only.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of the Authority. The Authority does not adopt a budget for the Debt Service Fund because it is not legally required to do so.

The purposes of each of these funds are described in the following paragraphs:

**GENERAL FUND**

The General Fund is comprised of a Custodian Account and an Operating Account. The Custodian Account is established to account for appropriations by the State of Alaska Legislature available to fund the Special Reserve Accounts. The Operating Account is established to account for the ordinary operations of the Authority. Moneys are derived from the following sources: (a) amounts appropriated by the Legislature, (b) fees and charges collected, (c) income on investments of the Statutory Reserve Account in excess of required debt service reserves required by bond resolutions and (d) any other moneys made available for purposes of the General Fund from any other source.

Amounts in the Operating Account may be used to pay (a) administrative expenses of the Authority, (b) fees and expenses of the Trustee and paying agents, (c) financing costs incurred with respect to issuance of bonds and (d) any expenses in carrying out any other purpose then authorized by the Act. The excess revenues of the Operating Account are returned to the State of Alaska. The State of Alaska may appropriate the excess revenues to the Bond Bank Custodian Account to fund Reserve Accounts.

**DEBT SERVICE FUND**

Within the Debt Service Fund, separate Debt Service Programs have been established for each bond resolution to account for the portion of bond sale proceeds used to purchase obligations of the municipalities and for the payment of interest and principal on all bonds of the Authority issued under its resolutions. Each program is comprised of an "interest account" and a "principal account", both of which are maintained by a trustee.

The receipts of interest and principal from the municipalities and the Statutory Reserve Account are deposited in these programs and are used to pay interest and principal on the Authority bonds. One additional Debt Service Program has been established to account for transactions not involving bond resolutions. This is the Coastal Energy Loan Debt Service Program. The Coastal Energy Loan Debt Service Program is not maintained by a trustee. Payments of interest and principal by municipalities having coastal energy loans are made directly to the federal government by the municipalities and are accounted for in the Coastal Energy Loan Debt Service Program.

Each debt service fund program contains a Statutory Reserve Account established to account for (a) money available to fund debt service reserves required by future bond sales under various bond resolutions (Custodian Account) and (b) debt service reserves which have already been established under various bond resolutions which are to be used in the case of deficiency in a Debt Service Program in accordance with its respective bond resolution (reserve accounts). Separate reserve accounts exist under each bond resolution as follows:

*1976 General Bond Resolution* – The amount on deposit in the reserve account is to be the greater of the maximum annual debt service requirement or 10% of all municipal loan obligations outstanding. The reserve account is comprised of an ordinary reserve sub-account and a special reserve sub-account. The ordinary reserve sub-account is created as a result of the Authority increasing each bond issue by the amount necessary to fund up to one-third of the required debt service reserve or with a transfer from the Custodian Account. The special reserve sub-account is created and funded from the Custodian Account at an amount equal at least to two-thirds of the required debt service reserve. Both sub-accounts are maintained by a trustee.

On August 23, 1999, the Authority amended the debt service reserve requirement for the 1976 bond resolution that takes effect when all bonds outstanding as of the date of the resolution are retired. Under this new requirement, the reserve must be the least of: (i) 10% of the original stated principal amount of all bonds outstanding; (ii) the maximum annual principal and interest requirements on all bonds then outstanding; (iii) 125% of the average principal and interest requirements on all bonds then outstanding; or (iv) such lesser amount as shall be required to maintain the exemption of interest of all bonds outstanding from inclusion in gross income for federal income tax purposes under the Internal Revenue Code. *1999 Revenue Bond Resolution* – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

*2000, 2001, 2002A, 2003B, 2004 A, 2004 B Revenue Bond Resolutions* – Under these resolutions special reserve accounts were created at amounts equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

*2005 General Bond Resolution* – The reserve must be the least of: (i) 10% of the initial principal amount of each Series of Bonds outstanding; (ii) the maximum annual principal

## Summary of Significant Accounting Policies, continued

and interest requirements on all bonds outstanding; (iii) 125% of the average annual debt service on all bonds then outstanding; or (iv) such lower amount as may be allowed by law.

The reserve fund may be funded with transfers from the custodian account, surety policies, bond proceeds, or other funds available to the Bond Bank.

*2010 General Bond Resolution* – The reserve must be the least of: (i) 10% of the initial principal amount of each Series of Bonds then outstanding; (ii) Maximum Annual Debt Service with respect to all Bonds outstanding; (iii) 125% of Average Annual Debt Service on all Bonds outstanding; or (iv) such lower amount as may be required by law.

The Reserve Fund Requirement may be satisfied with (i) moneys made available by the State and paid to the Bank for the purpose of the Alaska Municipal Bond Bank Reserve Fund created by Section 44.85.270 of the Act in the amount provided by a Series Resolution; (ii) all moneys paid to the Bank pursuant to the Act for the purpose of restoring the Reserve Fund to the amount of the Required Debt Service Reserve; (iii) such portion of the proceeds of sale of Bonds, if any, as shall be provided by any Series Resolution; (iv) Credit Enhancement; (v) any other moneys which may be made available to the Bank for the purposes of the Reserve Fund from any other source or sources; or (vi) any combination of the foregoing.

Amounts in excess of the required debt service are transferred to the Operating Account.

## (C) RESTRICTED ASSETS

Certain resources set aside for the repayment of the Authority's bonds, net of certain proceeds from additional bonds issued, are classified as restricted net assets on the statement of net assets because they are maintained in separate trust accounts and their use is limited by applicable bond covenants. Cash and cash equivalents and investments include \$32,337,958 of restricted assets. These assets were funded from transfers from the Custodial Account to reserve accounts of Bond Bank equity of \$11,941,912 and \$20,309,232 of State appropriated equity, as well as \$86,814 of unallocated State appropriated excess earnings residing in the Custodian Account. Of the original State appropriation of \$18,601,414 and fiscal year 2008, 2009, 2010 and 2011 appropriations of \$855,347, \$819,843, \$32,628 and \$86,814, respectively, \$86,814 was unallocated to a reserve account at June 30, 2011, and was in the Custodial account available to fund future reserves.

## (D) LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

## (E) FUND EQUITY

Generally, fund equity represents the difference between the current assets and current liabilities and is classified as fund balance. Bond Bank has reclassified fund balances in accordance with GASB Statement No. 54 provisions, which require classification of fund balance as nonspendable, restricted, committed, assigned or unassigned. As of June 30, 2011, Bond Bank had fund balances in restricted and unassigned categories.

*Restricted Fund Balance* – Restricted fund balance is that portion of fund equity that has constraints placed upon the use of the resources either by an external party or imposed by law.

*Unassigned Fund Balance* – this classification represents fund balance that has not been restricted, committed or assigned to specific purposes within the general fund.

The Authority does not have a policy for its use of unrestricted fund balance amounts, therefore, it considers that committed amounts are reduced first (if any), followed by assigned amounts (if any), and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

In the government-wide financial statements, restrictions of net assets are reported when constraints placed on net assets are either externally imposed by creditors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

(F) INTEREST ARBITRAGE REBATE

Bonds issued and funds segregated into reserves after August 15, 1986 are subject to Internal Revenue Service income tax regulations which require rebates to the U.S. Government of interest income earned on investments purchased with the proceeds from the bonds or any applicable reserves in excess of the allowable yield of the issue. Amounts owed are expensed when paid and refunds are recorded when received.

(G) INCOME TAXES

The Authority is exempt from paying federal and state income taxes.

(H) REFUNDING GAINS/LOSSES

The Authority reports gains or losses recognized from the refunding of bonds in interest revenue or expense.

**NOTE 3 ► CASH**

The Authority considers all highly liquid investments purchased with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents at June 30, 2011 consist of money market accounts held with various financial institutions.

The bank balance of all of the Authority’s cash and cash equivalents are collateralized by securities held in the Authority’s name by its custodial agent. At June 30, 2011, the amounts recorded in the Authority’s general ledger equaled its bank balances.

**NOTE 4 ► INVESTMENTS**

The fair value as of June 30, 2011 of the Authority’s investments is \$67,816,977. At June 30, 2011 the investments held in the reserve accounts total \$62,386,709, and the Custodian account total \$5,430,268.

The fair value of debt security investments by contractual maturity as of June 30, 2011 is shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

	Investment Maturities (in Years)				Total
	Less than 1	1-5	6-10	More than 10	
U.S. Treasury securities	\$ 2,243,531	49,803,100	485,000	–	52,531,631
U.S. Government agencies securities	483,123	14,802,223	–	–	15,285,346
Total investments	\$ 2,726,654	64,605,323	485,000	–	67,816,977

Investments, continued

## (A) INVESTMENT POLICIES

The Authority has distinct investment objectives and policies associated with the Custodian Account, Reserve Funds, and municipal debt payments. The three classes of funds are listed below:

- Custodian Account — The Custodian Account investment portfolio is designed with the objective of attaining the highest market rate of return subject to the required use of the Custodian Account for operation, funding transfers to the state, and funding reserves. When the Custodian Account balance allows, a longer investment horizon is implemented for the Custodian Account, accepting the limited probability of short-term loss in exchange for higher yield on investments. The Custodian Account balance must exceed \$15 million, and be forecasted to exceed \$15 million for the subsequent six-month period, and an analysis of risk profile and historical benefit between the varying strategies must be undertaken before any shift in the investment strategy of the Account. The Custodian Account has to maintain sufficient liquidity to meet operating requirements, provide the prior fiscal year's state dividend, and to allow transfers to reserves as needed for bond issuance activity. Long-term preservation of principal is the third objective of the Custodian Account's investment program. Investments shall be undertaken in a manner that minimizes the probability of long-term loss.
  - ▶ The Custodian Account balance is a critical component in determining anticipated life, ability to diversify, and investment policy in this account. Accordingly, when the account balance is above \$15 million a more aggressive policy will be implemented. When the account balance is below \$15 million a more conservative policy will be used.
  - ▶ Shifting from one asset allocation to another may be approved by the Investment Committee when there is a projection of a continued trend in account balance justifying the shift.
  - ▶ There are no arbitrage restrictions.
  - ▶ When the Custodian Account balance is less than \$15 million, the following policies apply:
    - 20% Money Market Fund and 80% government agencies and U.S. Treasuries with maturities of less than 5 years.
    - Performance benchmark for the 20%: Three month U.S. Treasury Bill.
    - Performance benchmark for the 80%: Merrill Lynch 1-5 Government Index.
  - ▶ When the Custodian Account balance exceeds and is expected to remain in excess of \$15 million, the following policies apply:
    - Greater of 10% or a percentage equal to \$750,000 in market value: Money Market Fund.
    - Up to 90%: Broad U.S. Bond Market Fund.

- Performance benchmark for the greater of 10% or the percentage of the fund invested that is benchmarked to Money Market Fund: Three-month U.S. Treasury Bill.
- Performance benchmark for the up to 90%: Barclays Capital Aggregate Index.
- ▶ The following transactions are prohibited with the Custodian Account unless those transactions have the prior written consent of the Investment Committee:
  - Short sale of securities (the sale and settlement of a security not currently owned by the Authority and a formal agreement to borrow the security to facilitate the settlement of the short sale);
  - Purchases of futures, forwards or options for the purpose of speculating (currency futures, forwards and options are permitted only for hedging or to facilitate otherwise permissible transactions);
  - Borrowing to leverage the return on investments. Extended settlement of securities purchases executed to facilitate or improve the efficiency of a transaction will not be considered borrowing, provided that sufficient cash equivalent securities or receivables are available to facilitate the extended settlement;
  - Purchases of “private placement” or unrated corporate bonds.

- **Bond Reserve Funds** - Preservation of principal is the foremost objective of the Bond Reserve Funds investment program. These funds shall be managed to ensure that the corpus is preserved. These funds will not be expended until the final maturity of the bond issue they secure, unless there is a failure to pay debt service by a community. As there is limited benefit in maximizing return it is the least important objective of the Bond Reserve Funds. It is anticipated that the Reserve Funds cumulative average return should target the blended arbitrage yield limit of the bond issues secured.

Bond resolutions limit allowed investment of these funds. Investment risk is examined on an annual basis to ensure that no greater than the minimum level of risk required to achieve the highest probability of earning the arbitrage yield limit on the bonds is incurred.

The bond resolutions limit investments to:

- ▶ 100% government agencies and U.S. Treasuries with maturities of less than 5 years.
- ▶ Performance benchmark is Merrill Lynch 1-5 Government Index.
- **Municipal Debt Payments** - Preservation of principal and liquidity are the foremost objectives of the Municipal Debt Payments investment program, as these funds will be expended within seven business days of receipt. Return on investment is a benefit of holding these funds for the advance payment period, but not the focus of investing the funds. The bond resolutions limit investments to:
  - ▶ 100% Money Market Fund.
  - ▶ Performance benchmark is three-month U.S. Treasury Bill.

## Investment Policies, continued

It is the policy of the Authority to diversify its investments and to ensure the safety and liquidity of the investments by observing the following sound investment practices:

- Not more than 5% of the Custodian Account may be invested in the corporate debt of any one issuer, at the time of purchase.
- In the event of a credit downgrade which reduces a security below the required rating written notification will be made to the Investment Committee setting forth the particulars of the downgrade and recommending a course of action.
- Not more than 50% of the Custodian Account may be invested in corporate securities, at the time of purchase.
- The duration of the Custodian Account must remain within 80 to 120 percent of the duration of the Barclays Capital Aggregate Index.
- Purchases of more than 10% of a corporate bond issue shall not be made.

**(B) CONCENTRATION RISK**

Concentration risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer. Concentration limits are not established in the bond indentures and governing agreements for pledged investments. The Authority's policies set out maximum concentration limits for investments managed by the external investment manager.

**(C) CREDIT RISK**

Credit risk is the risk of loss due to the failure of the security or backer. The Authority mitigates its credit risk by limiting investments permitted in the investment policies. U.S. Treasury securities and securities of agencies that are explicitly guaranteed by the U.S. government total \$67,816,977, and are not considered to have credit risk.

**(D) CUSTODIAL CREDIT RISK**

The Authority assumes levels of custodial credit risk for its deposits with financial institutions, bank investment agreements, and investments. For deposits, custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Authority has not established a formal custodial credit risk policy for its investments. The Authority had no investments registered in the name of a counterparty.

**(E) INTEREST RATE RISK**

Interest rate risk is the risk that the market value of investments will decline as a result of changes in general interest rates. For non-pledged investments, the Authority mitigates interest rate risk by structuring its investments' maturities to meet cash requirements, thereby avoiding the need to sell securities in the open market prior to maturity. For investments held in trust, investment maturities are structured to meet cash requirements as outlined in its bond indentures and contractual and statutory agreements.

(F) MODIFIED DURATION

Modified duration estimates the sensitivity of an investment to interest rate changes. The following table shows the Authority's investments with their weighted average modified duration as of June 30, 2011 by investment type:

	<u>Investment Fair Value</u>	<u>Modified Duration</u>
U.S. Treasury securities	\$ 52,531,631	3.65
U.S. Government agency	<u>15,285,346</u>	<u>3.66</u>
Total portfolio	<u>\$ 67,816,977</u>	<u>3.66</u>

**NOTE 5** ► **BOND AND NOTES RECEIVABLE**

The General Fund includes \$2,598,726 of bonds receivable with interest rates varying from 1% to 5%. due from the Cities of Yakutat, Galena and Sitka that mature through 2025.

Under the Coastal Energy Loan Program (Program), the Authority issued \$5,000,000 1986 Series A Coastal Energy Bonds (Bonds) payable to the National Oceanic and Atmospheric Administration (NOAA). The proceeds of these bonds were used to purchase port revenue bonds from the City of Nome. The City of Nome entered into a tripartite agreement with NOAA and the Authority effective August 2, 1994 to defer payment of the principal and accrual of interest for ten years. Effective January 29, 2009 a second amendment to the tripartite agreement was executed. The amendment authorized the issuance of 2009A Bonds for the purpose of refunding by exchange the outstanding City of Nome, Alaska, Port Revenue Bond 1986 Series A. The related loan payable does not represent a general obligation of the Authority as it is payable only from proceeds received from the City of Nome.

Also under the Program, the Authority issued \$6,563,000 1987 Series A Coastal Energy Bonds payable to NOAA. The proceeds of these bonds were used to purchase port revenue bonds from the City of St. Paul. The City of St. Paul entered into a tripartite agreement with NOAA and the Authority effective December 14, 2000 to modify and amend the repayment terms including principal and interest. On April 18, 2005, the City of St. Paul asked for NOAA's recommendation for loan forgiveness which was denied on January 24, 2006. Subsequently, on March 17, 2009, NOAA issued another determination on request for recommendation of CEIP loan forgiveness but a final agreement has not been reached between the City of St. Paul and NOAA as of June 30, 2011.

The related loan payables do not represent a general obligation of the Authority as they are payable only from proceeds received from the City of Nome and St. Paul, respectively. Payment of principal and interest on the Bond Bank's Coastal Energy Bond is not secured by a pledge of any amounts held by or payable to the Bond Bank under the General Bond Resolution, including the Reserve Account, and is not in any way a debt or liability of the Bond Bank. The Coastal Energy Bonds and related accounts are included in the Bond Bank's statutory limit for total bonds outstanding and therefore included in the Bond Bank's financial statements.

ALASKA MUNICIPAL BOND BANK AUTHORITY (A Component Unit of the State of Alaska)

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Bond and Notes Receivable, continued

Bonds and notes receivable by debt service program at June 30, 2011 mature in varying annual installments as follows:

Year ending June 30	1976 General	2005 General	2010 General	2000B Seward Revenue
2012	\$ 16,720,000	20,863,000	65,000	140,000
2013	15,925,000	21,625,000	130,000	-
2014	14,875,000	21,595,000	135,000	-
2015	14,605,000	20,920,000	140,000	-
2016	14,454,000	20,075,000	140,000	-
2017-2021	66,285,000	106,040,000	790,000	-
2022-2026	36,255,000	102,310,000	930,000	-
2027-2031	-	89,145,000	1,110,000	-
2032-2036	-	32,300,000	1,325,000	-
2037 and after	-	6,375,000	-	-
	<u>\$ 179,119,000</u>	<u>441,248,000</u>	<u>4,765,000</u>	<u>140,000</u>

Year ending June 30	2001A Ketchikan Revenue	2001B Ketchikan Revenue	2002A Ketchikan Revenue	2003B Valdez Revenue
2012	\$ 105,000	155,000	560,000	935,000
2013	110,000	165,000	585,000	1,000,000
2014	115,000	175,000	610,000	1,070,000
2015	125,000	180,000	635,000	1,135,000
2016	130,000	190,000	-	1,195,000
2017-2021	425,000	630,000	-	6,910,000
2022-2026	-	-	-	3,190,000
2027-2031	-	-	-	-
2032-2036	-	-	-	-
2037 and after	-	-	-	-
	<u>\$ 1,010,000</u>	<u>1,495,000</u>	<u>2,390,000</u>	<u>15,435,000</u>

Year ending June 30	2004A CBI Revenue	2004B Anchorage Revenue	Coastal Energy Loan	Total Principal
2012	\$ 595,000	115,000	3,497,061	43,750,061
2013	620,000	120,000	551,032	40,831,032
2014	650,000	125,000	555,165	39,905,165
2015	680,000	130,000	559,468	39,109,468
2016	705,000	135,000	563,946	37,587,946
2017-2021	4,065,000	760,000	1,449,463	187,354,463
2022-2026	5,265,000	945,000	786,452	149,681,452
2027-2031	6,790,000	1,205,000	961,033	99,211,033
2032-2036	6,795,000	1,210,000	1,174,368	42,804,368
2037 and after	-	-	681,600	7,056,600
	<u>\$ 26,165,000</u>	<u>4,745,000</u>	<u>10,779,588</u>	<u>687,291,588</u>

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 6 ► LONG TERM LIABILITIES

ISSUE	Debt Service Account		Statutory Reserve Account Ordinary Reserve Sub-Account	
	Interest Rate	Principal Outstanding	Interest Rate	Principal Outstanding
1976 General Bond Resolution Program:				
1998 Series A	4.625%-6%	\$ -	-	-
Aleutians East, City of				
1998 Series B - Cordova, City of	4%-4.75%	135,000	-	-
2000 Series C - Northwest Arctic Borough	4.53%-5.75%	-	-	-
2000 Series D - Petersburg	4.55%-5.70%	-	-	-
2000 Series E:	4.75%-5.375%	219,000	5.00%-5.375%	46,000
Kenai				
Kodiak Island Borough				
Lake and Peninsula				
Wrangell				
Nome				
2000 Series F - Kodiak Island Borough	6.9%-9%	-	-	-
2001 Series A - Northwest Arctic Borough	4.4%-5%	-	-	-
2001 Series B - Aleutians East Borough	3.875%-4.75%	2,310,000	3.875%-4.75%	285,000
2002 Series A - Wasilla, City of	2.5%-4.5%	2,180,000	2.50%-4.50%	755,000
2002 Series B	3.875%-4.80%	7,735,000	3.875%-4.80%	525,000
Wrangell, City of				
Northwest Arctic Borough				
2003 Series A - Ketchikan Gateway Borough	3.70%-4.80%	6,220,000	4.80%	305,000
2003 Series C	2.00%-3.625%	1,800,000	2.00%-3.625%	210,000
Kenai Peninsula Borough				
Lake & Peninsula Borough				
2003 Series D - Kenai	4.90%-6.00%	9,965,000	4.90%-6.00%	365,000
2003 Series E	2.00%-5.25%	6,900,000	-	-
Aleutians East Borough				
Kenai Peninsula Borough				
2003 Series F - Seward	2.00%-3.5%	150,000	-	-
2003 Series G - NW Arctic Borough	2.00%-5.00%	17,410,000	-	-
2004 A Series	3.00%-4.40%	11,170,000	-	-
Fairbanks				
Sitka				
2004 B Series	2.00%-4.00%	9,810,000	2.00%-4.00%	225,000
Nome				
Valdez				
Petersburg				
Craig				
Seward				
2004 C Series	4.00%-5.00%	11,035,000	-	-
Kodiak Island Borough				
Palmer				
Petersburg				
2004 D Series	3.00%-5.00%	9,880,000	-	-
Adak				
Kodiak Island Borough				
2005 A Series	2.50%-5.00%	27,910,000	2.75%-5.00%	1,435,000
Cordova				
Fairbanks				
Ketchikan Gateway Borough				
Northwest Arctic Borough				
Sitka				
Unalaska				
2005 B Series	3.00%-5.00%	17,910,000	5.00%	465,000
Haines				
Ketchikan Gateway Borough				
North Pole, City of				
Palmer				
Sitka				
2005 C Series	4.00%-5.00%	24,555,000	5.00%	2,185,000
Haines				
Petersburg				
Northwest Arctic Borough				

ALASKA MUNICIPAL BOND BANK AUTHORITY (A Component Unit of the State of Alaska)

Long Term Liabilities, continued

ISSUE	Debt Service Account		Statutory Reserve Account Ordinary Reserve Sub-Account	
	Interest Rate	Principal Outstanding	Interest Rate	Principal Outstanding
2006 A Series	4.00%-4.35%	11,825,000	4.00%	950,000
Aleutians East Borough				
Ketchikan Gateway Borough				
Lake & Peninsula Borough				
Nome				
Wrangell				
Total 1976 General Bond Resolution Fund		<u>179,119,000</u>		<u>7,751,000</u>
2005 Series General Bond Resolution Program:				
2005-One Series	3.00%-5.00%	12,195,000	3.00%-5.00%	350,000
Ketchikan, City of				
Nome				
Seward				
2006- One Series	4.00%-6.00%	5,815,000	4.50%-6.00%	390,000
Kenai Peninsula Borough				
Seward				
2006-Two Series - Ketchikan, City of	4.25%-4.75%	35,830,000	5.00%	1,765,000
2007-One Series	4.00%-5.50%	22,500,000	4.00%-5.50%	1,290,000
Kenai Peninsula Borough				
Inter-Island Ferry Authority				
Nome, City of				
NW Arctic Borough				
Petersburg				
Seward, City of				
Sitka, City of				
Wasilla, City of				
2007-Two Series	3.75%-5.00%	23,860,000	4.50%	685,000
Kenai Peninsula Borough				
Aleutians East Borough				
2007-Three Series	4.25%-5.50%	13,305,000	4.00%	415,000
Bethel, City of				
Juneau, City and Borough of				
2007-Four Series - Kenai Peninsula Borough	4.25%-5.00%	13,100,000	4.25%-4.50%	1,070,000
2007-Five Series - Kodiak, City of	4.00%-6.00%	5,825,000	-	-
2008-One Series	4.00%-5.00%	54,725,000	5.00%	4,250,000
Dillingham				
Kodiak Island Borough				
Kodiak, City of				
Seward				
2008-Two Series	4.40%-6.00%	16,685,000	4.75%-6.00%	1,560,000
Seward				
Sitka, City of				
Skagway				
2009-One Series	3.00%-5.625%	25,970,000	4.00%-5.50%	730,000
Kodiak, City of				
Unalaska, City of				
2009-Two Series	4.00%-6.00%	24,025,000	4.00%-6.00%	1,825,000
Cordova				
Nome, City of				
Unalaska, City of				
Kodiak Island Borough				
2009-Three Series - Juneau, City and Borough of	2.00%-4.00%	11,335,000	2.00%-4.00%	975,000
2009-A-Four Series	3.00%-4.00%	6,550,000	3.00%-4.00%	840,000
Kenai Peninsula Borough				
Ketchikan, Gateway Borough				
2009-B-Four Series - Ketchikan, Gateway Borough	4.625%-5.40%	20,425,000	-	-
2010-A-Series One	2.00%-5.00%	18,000,000	3.00%	335,000
Ketchikan, City of				
Ketchikan, Gateway Borough				
Kenai, City of				
Northwest Arctic Borough				
Petersburg				
Unalaska, City of				

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Long Term Liabilities, continued

ISSUE	Debt Service Account		Statutory Reserve Account Ordinary Reserve Sub-Account	
	Interest Rate	Principal Outstanding	Interest Rate	Principal Outstanding
2010-B Series One Kenai, City of Northwest Arctic Borough Petersburg Unalaska, City of	5.993%-6.341%	7,415,000	-	-
2010-A Series Two Juneau, City and Borough of Cordova King Cove, City of	2.00%-3.00%	3,060,000	3.00%	325,000
2010-B Series Two Juneau, City and Borough of Cordova King Cove, City of	3.741%-4.907%	11,405,000	-	-
2010-A Series Three Aleutians East Borough Unalaska, City of King Cove, City of	2.00%-4.00%	4,125,000	2.000%-4.000%	405,000
2010-B Series Three Aleutians East Borough Unalaska, City of King Cove, City of	4.925%-5.432%	6,900,000	-	-
2010-A Series Four Kenai Peninsula Borough Ketchikan, City of Ketchikan Gateway Borough Sitka Sitka (Refunding) Soldotna	2.00%-5.00%	26,725,000	-	-
2010-B Series Four Kenai Peninsula Borough Ketchikan, City of Ketchikan Gateway Borough Sitka Soldotna	1.422%-6.256%	51,940,000	-	-
2011 Series One Kodiak Island Borough Wrangell, City of	3.000%-5.125%	8,220,000	3.00%	415,000
2011 Series Two Juneau, City and Borough of Sitka	2.000%-4.375%	11,313,000	2.00%	817,000
Total 2005 Series General Bond Resolution Fund		<u>441,248,000</u>		<u>18,442,000</u>
2010 Series General Bond Resolution Program:				
2010 A-1 Series One Ketchikan, City of	3.000%-4.000%	1,065,000	-	-
2010 A-2 Series One Kenai Peninsula Borough	5.781%-6.863%	3,700,000	-	-
Total 2010 General Bond Resolution Fund		<u>4,765,000</u>		<u>-</u>
2000B Seward Revenue Bond Resolution Program	4.35%-5.50%	140,000	-	-
2001A Ketchikan Revenue Bond Resolution Program	4.50%-4.90%	1,010,000	-	-
2001B Ketchikan Revenue Bond Resolution Program	4.50%-4.90%	1,495,000	-	-
2002A Ketchikan Revenue Bond Public Utilities	3.00%-5.00%	2,390,000	-	-
2003B Valdez, City of Bond Resolution Program	2.75%-5.25%	15,435,000	-	-
2004A Juneau, City and Borough of Bond Resolution Program	6.25%-4.375%	26,165,000	-	-
2004B Anchorage Bond Resolution Program	4.00%-4.75%	4,745,000	-	-
Total Revenue Bonds		<u>51,380,000</u>	-	<u>-</u>

ALASKA MUNICIPAL BOND BANK AUTHORITY (A Component Unit of the State of Alaska)

Long Term Liabilities, continued

ISSUE	Debt Service Account		Statutory Reserve Account Ordinary Reserve Sub-Account	
	Interest Rate	Principal Outstanding	Interest Rate	Principal Outstanding
Coastal Energy Reserve Loan Account:				
City of Nome Port Facility Revenue Bond	8.50%	4,773,710	-	-
City of Saint Paul – Fuel Dock	5.00%	6,005,878	-	-
Total Coastal Energy Reserve Loan Account		10,779,588		-
Due to Primary Government				
Due to Primary Government SoA – 2010 Reserve	*	393,085	-	-
Due to Primary Government SoA – 2005 Reserve	*	5,606,915	-	-
Total Due to Primary Government		6,000,000		-
		<u>\$ 693,291,588</u>		<u>\$ 26,193,000</u>

\*this loan will bear interest at the rate earned by the SoA General Fund over the term of the loan.

During the year ended June 30, 2011 the Authority's long-term liabilities changed as follows:

	Beginning of year	New debt	Repayments	End of year
General obligation bonds payable	\$ 568,900,000	115,625,000	33,200,000	651,325,000
Revenue bonds payable	53,855,000	-	2,475,000	51,380,000
Other long-term debt	10,872,834	-	93,246	10,779,588
Due to primary government	-	6,000,000	-	6,000,000
Total	<u>\$ 633,627,834</u>	<u>121,625,000</u>	<u>35,768,246</u>	<u>719,484,588</u>

General obligation bonds are secured by bonds receivable and by amounts in the ordinary reserve account. The Act further provides that if a municipality defaults on its principal and/or interest payments, upon written notice by the Authority, the State of Alaska must pay to the Authority all funds due from the defaulting municipality from the State in an amount sufficient to clear the default.

During fiscal 2011, pursuant to a Memorandum of Understanding between the State of Alaska and the Authority, dated November 20, 2010, the Authority secured a loan from the State of Alaska General Fund to satisfy reserve funding requirements associated with the Authority's 2011 bond issuances. The loan is secured by the expected 1976 GO Reserve funds releases during subsequent years.

If the Alaska Municipal Bond Bank Authority must draw on the Alaska municipal bond bank authority reserve fund (AS 44.85.270), 2005 General Bond Resolution Reserve, because of a default by a borrower, an amount equal to the amount drawn from the reserve is appropriated from the State of Alaska General Fund to the Authority reserve fund (AS 44.85.270).

Loans made under the Coastal Energy Loan Program are payable only from proceeds received from the municipalities to which the loans were made.

The above bonds mature in varying annual installments. The maturities at June 30, 2011 are as follows:

Year ending June 30	1976		2005		2010	
	General	Reserve	General	Reserve	General	Reserve
2012	\$ 16,720,000	1,225,000	20,863,000	82,000	65,000	-
2013	15,925,000	435,000	21,625,000	1,350,000	130,000	-
2014	14,875,000	5,000	21,595,000	595,000	135,000	-
2015	14,605,000	245,000	20,920,000	1,225,000	140,000	-
2016	14,454,000	3,181,000	20,075,000	1,960,000	140,000	-
2017-2021	66,285,000	1,180,000	106,040,000	5,780,000	790,000	-
2022-2026	36,255,000	1,480,000	102,310,000	2,590,000	930,000	-
2027-2031	-	-	89,145,000	3,095,000	1,110,000	-
2032-2036	-	-	32,300,000	1,765,000	1,325,000	-
2037 and after	-	-	6,375,000	-	-	-
	<u>\$ 179,119,000</u>	<u>7,751,000</u>	<u>441,248,000</u>	<u>18,442,000</u>	<u>4,765,000</u>	<u>-</u>

Year ending June 30	2000B Seward Revenue	2001A Ketchikan Revenue	2001B Ketchikan Revenue	2002A Ketchikan Revenue	2003B Valdez Revenue	2004A CBJ Revenue
2012	\$ 140,000	105,000	155,000	560,000	935,000	595,000
2013	-	110,000	165,000	585,000	1,000,000	620,000
2014	-	115,000	175,000	610,000	1,070,000	650,000
2015	-	125,000	180,000	635,000	1,135,000	680,000
2016	-	130,000	190,000	-	1,195,000	705,000
2017-2021	-	425,000	630,000	-	6,910,000	4,065,000
2022-2026	-	-	-	-	3,190,000	5,265,000
2027-2031	-	-	-	-	-	6,790,000
2032-2036	-	-	-	-	-	6,795,000
2037 and after	-	-	-	-	-	-
	<u>\$ 140,000</u>	<u>1,010,000</u>	<u>1,495,000</u>	<u>2,390,000</u>	<u>15,435,000</u>	<u>26,165,000</u>

Year ending June 30	2004B Anchorage Revenue	Coastal Energy Loan	Due to Primary Government	Total Principal	Total Interest
2012	\$ 115,000	3,497,061	-	45,057,061	32,893,257
2013	120,000	551,032	-	42,616,032	30,865,077
2014	125,000	555,165	-	40,505,165	29,091,830
2015	130,000	559,468	-	40,579,468	27,499,940
2016	135,000	563,946	6,000,000	48,728,946	25,797,659
2017-2021	760,000	1,449,463	-	194,314,463	102,623,902
2022-2026	945,000	786,452	-	153,751,452	61,439,157
2027-2031	1,205,000	961,033	-	102,306,033	27,815,189
2032-2036	1,210,000	1,174,368	-	44,569,368	7,813,562
2037 and after	-	681,600	-	7,056,600	685,537
	<u>\$ 4,745,000</u>	<u>10,779,588</u>	<u>6,000,000</u>	<u>719,484,588</u>	<u>346,525,110</u>

**NOTE 7 ► ADJUSTMENTS**

Certain adjustments are considered to be necessary to the governmental funds in order to present the Authority's financial position and the results of its operations. These adjustments include the elimination of inter-fund payables and receivables. Additionally, bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds and reduces the liability in the statement of net assets.

**NOTE 8 ► COMMITMENTS**

During 2011 State Legislature appropriated \$2,450,000 to Bond Bank to issue a 15-year, one percent interest loan to the City of Galena to retire existing debt obligations and make certain utility improvements. The intent of the legislature was that loan repayments made for the loan be paid into the State of Alaska General Fund in accordance with the provisions of the AS 44.85.270(h). The amount of receipts appropriated to the Authority during fiscal 2011 as discussed in Note 2(c), included \$163,322 of City of Galena loan repayments for the year ended June 30, 2011.

The amount of Authority receipts determined under AS 44.85.270(h) and as discussed in Note 2(c), available for transfer by the Authority for fiscal year 2011, were appropriated to the Bond Bank Authority Reserve Fund (AS 44.85.270(a)), increasing the cumulative state appropriated amount to \$20,396,046 at June 30, 2011.

The entire Custodian Account balance is available for appropriation, at any time, by the State Legislature.

**NOTE 9 ► SUBSEQUENT EVENTS**

Subsequent to June 30, 2011, the Authority has issued a preliminary statement for the potential upcoming 2011-Series Three Bond Issuance. The 2011-Series Three Bond will be approximately \$80 million in size and will require a reserve deposit of an estimated \$7.2 million. This bond will be loaned to the City of Cordova, City of Hoonah, Kenai Peninsula Borough, Kodiak Island Borough City of Seward and the Municipality of Skagway and will be used to cover various capital improvements. A portion of the 2011-Series Three Bond proceeds will be used to refund and redeem certain outstanding bonds of the Bond Bank.

On August 17, 2011, Bond Bank entered into a Memorandum of Understanding (MOU) with the State of Alaska regarding a loan in the amount of \$7 million dollars to potentially cover the reserve requirements for the 2011-Series Three Bond Issuance. The executed MOA would be effective September 1, 2011, with a five year term, bearing interest at a rate earned by the general fund over the term of the loan. There would be no prepayment penalty, and it may be paid in periodic installments, or in full at the end of the term of the loan.

SUPPLEMENTAL SCHEDULE OF STATUTORY RESERVE ACCOUNTS — ASSETS, LIABILITIES AND ACCOUNT RESERVES

For the year ended June 30, 2011

	1976 General "Ordinary"	1976 General "Special"	2005 Series Resolution	2000B Seward
<b>ASSETS</b>				
Cash	\$ 32,017	161,965	501,250	149,441
Accrued interest receivable	62,818	155,024	176,296	-
Marketable securities	9,335,492	20,763,205	32,288,012	-
Interaccount receivables	-	4,309,921	-	7,788
	<u>\$ 9,430,327</u>	<u>25,390,115</u>	<u>32,965,558</u>	<u>157,229</u>
<b>LIABILITIES</b>				
Interaccount payables	\$ 1,867,955	6,597,821	314,156	-
Due to primary government	-	-	5,606,915	-
Bond payable	7,751,000	-	18,442,000	-
Accrued interest payable	92,547	-	235,427	-
	<u>9,711,502</u>	<u>6,597,821</u>	<u>24,598,498</u>	<u>-</u>
<b>RESERVES</b>				
Special Reserve - State Appropriated	-	15,663,302	4,113,674	147,711
Special Reserve - Unappropriated	-	3,243,579	4,075,589	-
Special Reserve - Unrealized gain (loss)	-	(114,587)	177,797	9,518
Ordinary Reserve- Unallocated	(316,661)	-	-	-
Ordinary Reserve - Unrealized gain (loss)	35,486	-	-	-
	<u>(281,175)</u>	<u>18,792,294</u>	<u>8,367,060</u>	<u>157,229</u>
	<u>\$ 9,430,327</u>	<u>25,390,115</u>	<u>32,965,558</u>	<u>157,229</u>

	2001A Ketchikan	2001B Ketchikan	2002A Ketchikan	2003B Valdez
<b>ASSETS</b>				
Cash	\$ 154,678	229,874	625,012	1,780,097
Accrued interest receivable	-	-	-	-
Marketable securities	-	-	-	-
Interaccount receivables	-	-	-	29,642
	<u>\$ 154,678</u>	<u>229,874</u>	<u>625,012</u>	<u>1,809,739</u>
<b>LIABILITIES</b>				
Interaccount payables	\$ 3	4	12	-
Bond payable	-	-	-	-
Accrued interest payable	-	-	-	-
	<u>3</u>	<u>4</u>	<u>12</u>	<u>-</u>
<b>RESERVES</b>				
Special Reserve - State Appropriated	154,675	229,870	-	-
Special Reserve - Unappropriated	-	-	625,000	1,780,063
Special Reserve - Unrealized gain (loss)	-	-	-	29,676
Ordinary Reserve - Unallocated	-	-	-	-
Ordinary Reserve - Unrealized gain (loss)	-	-	-	-
	<u>154,675</u>	<u>229,870</u>	<u>625,000</u>	<u>1,809,739</u>
	<u>\$ 154,678</u>	<u>229,874</u>	<u>625,012</u>	<u>1,809,739</u>

See Independent Auditors' Report

ALASKA MUNICIPAL BOND BANK AUTHORITY (A Component Unit of the State of Alaska)

SUPPLEMENTAL SCHEDULE OF STATUTORY RESERVE ACCOUNTS — ASSETS, LIABILITIES AND ACCOUNT RESERVES

For the year ended June 30, 2011

	<u>2004A CBJ</u>	<u>2004B Anchorage</u>	<u>2010 Series Reserve</u>	<u>Total</u>
<b>ASSETS</b>				
Cash	\$ 1,875,786	341,936	404,744	6,256,800
Accrued interest receivable	-	-	-	394,138
Marketable securities	-	-	-	62,386,709
Interaccount receivables	114	68	-	4,347,533
	<u>1,875,900</u>	<u>342,004</u>	<u>404,744</u>	<u>73,385,180</u>
<b>LIABILITIES</b>				
Interaccount payables	\$ -	-	11,659	8,791,610
Due to primary government	-	-	393,085	6,000,000
Bond payable	-	-	-	26,193,000
Accrued interest payable	-	-	2,653	330,627
	<u>-</u>	<u>-</u>	<u>407,397</u>	<u>41,315,237</u>
<b>RESERVES</b>				
Special Reserve - State Appropriated	-	-	-	20,309,232
Special Reserve - Unappropriated	1,875,750	341,931	-	11,941,912
Special Reserve - Unrealized gain (loss)	150	73	(2,653)	99,974
Ordinary Reserve - Unallocated	-	-	-	(316,661)
Ordinary Reserve - Unrealized gain (loss)	-	-	-	35,486
	<u>1,875,900</u>	<u>342,004</u>	<u>(2,653)</u>	<u>32,069,943</u>
	<u>\$ 1,875,900</u>	<u>342,004</u>	<u>404,744</u>	<u>73,385,180</u>