

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

Financial Statements

For the Year Ended June 30, 2013

Together with Independent Auditor's Report Thereon

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

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ALASKA MUNICIPAL BOND BANK AUTHORITY

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Management's Discussion and Analysis

Year Ended June 30, 2013

This Management's Discussion and Analysis (MD&A) is required by GASB Statement 34, a standard 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, 2013. 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 Position and Governmental Fund Balance Sheets and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances/Net Position. These statements report financial information about the Bond Bank's activities using accounting principles generally accepted in the United States of America. In addition to the basic financial statements, the Notes to Financial Statements provide information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Highlights

During fiscal year 2013, the Bond Bank entered into 17 municipal loan agreements for projects in 10 communities, resulting in \$153.5 million in bonds being issued. \$25 million of the current year issuances were used to defease older general obligation and revenue bonds. Bond Bank bond activity in FY2013 resulted in approximate present value savings of \$19.8 million to the borrowing communities. In comparison, the Bond Bank's activity level and community benefit in FY2012 was an issuance of \$149.4 million to fund 19 community projects and provided present value savings of \$17.2 million to borrowing communities.

During Fiscal Year 2013, the Bond Bank defeased the remaining principal reserve obligations of the 1976 Resolution reserves and released the excess funds to its custodial account. The total transfer of excess funds to the Bond Bank's custodial account in August 2012 was approximately \$16 million.

Statement of Net Position

The Statement of Net Position reports assets, liabilities and net position 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 were transferred to the State of Alaska's (State) general fund each year. The fiscal year ending June 30, 2013 marked the sixth consecutive year that the State operating budget has appropriated any excess earnings of the operating account to the Bond Bank's reserve fund (HB 65, Sec. 28). 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.

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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 Position

Net position is 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 monies that are available for any authorized purpose of the Bond Bank.

The following table shows the value of Bond Bank assets summarized as of June 30, 2013 and 2012, as well as liabilities and net position:

	As of June 30,		Changes from 2012 to 2013	
	2013	2012	Increase/(Decrease) Dollars	Percent
Assets:				
Cash and investments	\$ 76,930,862	\$ 86,872,475	\$ (9,941,613)	-11.44%
Bonds and bond interest receivable	804,503,292	720,187,057	84,316,235	11.71%
Total assets	881,434,154	807,059,532	74,374,622	9.22%
Liabilities:				
Accounts payable and accrued liabilities	1,106,446	1,762,342	(655,896)	-37.22%
Bonds and bond interest payable	822,928,810	744,497,389	78,431,421	10.53%
Total liabilities	824,035,256	746,259,731	77,775,525	10.42%
Net Position:				
Restricted	43,084,377	46,808,431	(3,724,054)	-7.96%
Unrestricted	14,314,521	13,991,370	323,151	2.31%
Total net position	\$ 57,398,898	\$ 60,799,801	\$ (3,400,903)	-5.59%

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 \$153.5 million in new bonds and loans during the year, net of principal payments on bonds previously issued of approximately \$52 million, and bond defeasances of approximately \$25 million.

Included in the restricted net position are Bond Bank funds placed into separate accounts in accordance with the reserve requirements of each bond indenture. A portion of the decrease represents the diminishment in reserve requirement due to an amendment to the 1976 Resolution.

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Statement of Activities

The statement of activities shows how the Bond Banks' net position changed during the most recent fiscal year.

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 the Bond Banks' changes in net position:

	As of June 30,		Changes from 2012 to 2013	
	2013	2012	Increase/(Decrease) Dollars	Percent
Revenues:				
Interest income on bonds receivable	\$ 33,822,568	\$ 31,546,543	\$ 2,276,025	7.21%
Investment earnings	74,580	1,829,271	(1,754,691)	-95.92%
Total income	33,897,148	33,375,814	521,334	1.56%
Expenses:				
Interest expense on bonds payable	35,329,425	32,806,291	2,523,134	7.69%
Operating expenses	723,116	531,544	191,572	36.04%
Total expenses	36,052,541	33,337,835	2,714,706	8.14%
Other financing sources				
Loan forgiveness - IFA bonds	(1,245,510)	-	(1,245,510)	-100.00%
Transfers from primary government	-	14,500,000	(14,500,000)	-100.00%
Change in net position	(3,400,903)	14,537,979	(17,938,882)	-123.39%
Net position, beginning of period	60,799,801	46,261,822	14,537,979	31.43%
Net position, end of period	\$ 57,398,898	\$ 60,799,801	\$ (3,400,903)	-5.59%

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 of these line items of \$2.3 million (interest income) and \$2.5 million (interest expense) are consistent with the increase in bond receivable and payable balances, 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. The decrease in net position is

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primarily due to lower investment earnings, IFA bond loan forgiveness, and increased interest expense due to new bond issuances and cash defeasance of reserve obligations.

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 position 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 position, 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 governmental funds' condensed balance sheets and statements of revenues, expenditures and changes in fund balances.

General Fund

	As of June 30,		Changes from 2012 to 2013	
	2013	2012	Increase/(Decrease) Dollars	Percent
Assets:				
Cash, investments and related accrued interest	\$ 23,423,264	\$ 7,568,286	\$ 15,854,978	209.49%
Bonds and bond interest receivable	2,102,377	2,639,101	(536,724)	-20.34%
Interfund receivable	3,307,959	5,641,565	(2,333,606)	-41.36%
Total assets	<u>28,833,600</u>	<u>15,848,952</u>	<u>12,984,648</u>	<u>81.93%</u>
Liabilities:				
Accounts payable and accrued liabilities	<u>299,699</u>	<u>97,007</u>	<u>202,692</u>	<u>208.95%</u>
Fund Balance:				
Restricted for debt service	13,016,771	1,689,200	11,327,571	670.59%
Unassigned	<u>15,517,130</u>	<u>14,062,745</u>	<u>1,454,385</u>	<u>10.34%</u>
Total fund balance	<u>28,533,901</u>	<u>15,751,945</u>	<u>12,781,956</u>	<u>81.15%</u>
Total liabilities and fund balance	<u>\$ 28,833,600</u>	<u>\$ 15,848,952</u>	<u>\$ 12,984,648</u>	<u>81.93%</u>

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Debt Service Fund

	As of June 30,		Changes from 2012 to 2013	
	2013	2012	Increase/(Decrease)	
			Dollars	Percent
Assets:				
Cash, investments and related accrued interest	\$ 53,507,598	\$ 79,304,189	\$ (25,796,591)	-32.53%
Bonds and bond interest receivable	802,400,915	717,547,956	84,852,959	11.83%
Total assets	855,908,513	796,852,145	59,056,368	7.41%
Liabilities:				
Accounts payable and accrued liabilities	806,747	1,665,335	(858,588)	-51.56%
Interfund payables	3,307,959	5,641,565	(2,333,606)	-41.36%
Total liabilities	4,114,706	7,306,900	(3,192,194)	-43.69%
Fund Balance:				
Restricted for debt service	851,793,807	789,545,245	62,248,562	7.88%
Total liabilities and fund balance	\$ 855,908,513	\$ 796,852,145	\$ 59,056,368	7.41%

General Fund

	As of June 30,		Changes from 2012 to 2013	
	2013	2012	Increase/(Decrease)	
			Dollars	Percent
Revenues:				
Interest income	\$ 22,221	\$ 120,837	\$ (98,616)	-81.61%
Expenditures:				
Operating expenses	723,116	531,544	191,572	36.04%
Excess (deficiency) of revenues over expenditures	(700,895)	(410,707)	(290,188)	-70.66%
Other financing sources (uses) - transfers	13,482,851	1,970,774	11,512,077	584.14%
Excess (deficiency) of revenues and transfers over expenditures	12,781,956	1,560,067	11,221,889	719.32%
Fund balance, beginning of period	15,751,945	14,191,878	1,560,067	10.99%
Fund balance, end of period	\$ 28,533,901	\$ 15,751,945	\$ 12,781,956	81.15%

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Year Ended June 30, 2013

Debt Service Fund

	As of June 30,		Changes from 2012 to 2013	
	2013	2012	Dollars	Percent
Revenues:				
Interest income on bonds receivable	\$ 33,760,463	\$ 31,516,916	\$ 2,243,547	7.12%
Investment earnings	114,464	1,738,061	(1,623,597)	-93.41%
Total revenues	33,874,927	33,254,977	619,950	1.86%
Expenditures:				
Interest payments	33,406,972	33,020,882	386,090	1.17%
Principal payments	52,031,032	57,902,061	(5,871,029)	-10.14%
Total expenditures	85,438,004	90,922,943	(5,484,939)	-6.03%
Excess (deficiency) of revenues over expenditures	(51,563,077)	(57,667,966)	6,104,889	10.59%
Other financing sources (uses):				
Bond proceeds	153,490,000	149,405,000	4,085,000	2.73%
Loan proceeds	-	7,000,000	(7,000,000)	-100.00%
Payments to Bond Escrow Agent	(24,950,000)	(82,360,000)	57,410,000	69.71%
Loan forgiveness - IFA bonds	(1,245,510)	-	(1,245,510)	-100.00%
Transfers	(13,482,851)	12,529,226	(26,012,077)	-207.61%
Total other financing sources (uses):	113,811,639	86,574,226	27,237,413	31.46%
Excess of revenues and transfers over expenditures	62,248,562	28,906,260	33,342,302	115.35%
Fund balance, beginning of period	789,545,245	760,638,985	28,906,260	3.80%
Fund balance, end of period	\$ <u>851,793,807</u>	\$ <u>789,545,245</u>	\$ <u>62,248,562</u>	<u>7.88%</u>

Long-term Debt

At June 30, 2013 the Bond Bank had \$812,136,495 of bonds and notes outstanding up 10.4% from \$735,627,527 at June 30, 2012. 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.

As discussed in the previous sections, net increase in 2013 long term debt balances is due to new bond issuances for loans to communities.

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Outstanding long term debt is comprised of the following bonds and loans at year end:

	As of June 30,		Changes from 2012 to 2013	
	2013	2012	Dollars	Percent
GO bonds payable	\$ 783,545,000	\$ 677,075,000	\$ 106,470,000	15.72%
Revenue bonds payable	18,010,000	47,870,000	(29,860,000)	-62.38%
Coastal Energy notes payable	10,581,495	10,682,527	(101,032)	-0.95%
	<u>\$ 812,136,495</u>	<u>\$ 735,627,527</u>	<u>\$ 76,508,968</u>	<u>10.40%</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.



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Independent Auditor's Report

To the Board of Directors
Alaska Municipal Bond Bank Authority
Juneau, Alaska

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Alaska Municipal Bond Bank Authority (the Authority), a component unit of the State of Alaska, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Alaska Municipal Bond Bank Authority, as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages I-VII 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alaska Municipal Bond Bank Authority's basic financial statements. The supplemental schedule of statutory reserve accounts - assets, liabilities and account reserves are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BDO USA, LLP

September 30, 2013
Anchorage, Alaska

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Statement of Net Position and
Governmental Funds Balance Sheets

June 30, 2013

	General Fund	Debt Service Fund	Total	Adjustments (Note 7)	Statement of Net Position
ASSETS					
Cash and cash equivalents	\$ 1,625,090	\$ 5,413,938	\$ 7,039,028	\$ -	\$ 7,039,028
Investments, at fair value (note 4)	21,740,707	47,866,436	69,607,143	-	69,607,143
Accrued interest receivable:					
Bonds receivable	1,867	10,564,420	10,566,287	-	10,566,287
Investment securities	57,467	227,224	284,691	-	284,691
Bonds receivable (note 5)	2,100,510	791,836,495	793,937,005	-	793,937,005
Interfund receivables	3,307,959	-	3,307,959	(3,307,959)	-
Total assets	<u>\$ 28,833,600</u>	<u>\$ 855,908,513</u>	<u>\$ 884,742,113</u>	<u>(3,307,959)</u>	<u>881,434,154</u>
LIABILITIES					
Accounts payable	\$ 299,699	\$ -	\$ 299,699	-	299,699
Principle and interest payments received in advance	-	806,747	806,747	-	806,747
Accrued interest payable	-	-	-	10,792,315	10,792,315
Interfund payables	-	3,307,959	3,307,959	(3,307,959)	-
Long-term liabilities (notes 5 and 6):					
Portion due or payable within one year:					
General obligation bonds payable	-	-	-	42,980,000	42,980,000
Revenue bonds payable	-	-	-	1,195,000	1,195,000
Other long-term debt	-	-	-	4,405,166	4,405,166
Portion due or payable after one year:					
General obligation bonds payable	-	-	-	740,565,000	740,565,000
Revenue bonds payable	-	-	-	16,815,000	16,815,000
Other long-term debt	-	-	-	6,176,329	6,176,329
Total liabilities	<u>299,699</u>	<u>4,114,706</u>	<u>4,414,405</u>	<u>819,620,851</u>	<u>824,035,256</u>
FUND BALANCES/NET POSITION					
Fund balances:					
Restricted (note 2)	13,016,771	851,793,807	864,810,578	(864,810,578)	-
Unassigned	15,517,130	-	15,517,130	(15,517,130)	-
Total fund balances	<u>28,533,901</u>	<u>851,793,807</u>	<u>880,327,708</u>	<u>(880,327,708)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 28,833,600</u>	<u>\$ 855,908,513</u>	<u>\$ 884,742,113</u>		
Net position:					
Restricted (note 2)				43,084,377	43,084,377
Unrestricted				14,314,521	14,314,521
Total net position				<u>\$ 57,398,898</u>	<u>\$ 57,398,898</u>

The accompanying notes to the financial statements are an integral part of these statements.

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Statement of Activities and
Governmental Funds Statements of Revenues, Expenditures, and
Changes in Fund Balances/Net Position

For the Year Ended June 30, 2013

	General Fund	Debt Service Fund	Total	Adjustments (Note 7)	Statement of Activities
Revenues:					
Investment earnings	\$ (39,884)	\$ 114,464	\$ 74,580	\$ -	\$ 74,580
Interest income on bonds receivable	62,105	33,760,463	33,822,568	-	33,822,568
Total revenues	<u>22,221</u>	<u>33,874,927</u>	<u>33,897,148</u>	-	<u>33,897,148</u>
Expenditures / expenses:					
Debt service:					
Principal payments	-	52,031,032	52,031,032	(52,031,032)	-
Interest payments / expense	-	33,406,972	33,406,972	1,922,453	35,329,425
Professional services	524,913	-	524,913	-	524,913
Personal services	154,190	-	154,190	-	154,190
Administrative travel	29,227	-	29,227	-	29,227
Office expense	14,786	-	14,786	-	14,786
Total expenditures / expenses	<u>723,116</u>	<u>85,438,004</u>	<u>86,161,120</u>	<u>(50,108,579)</u>	<u>36,052,541</u>
Excess (deficiency) of revenues over expenditures / expenses	<u>(700,895)</u>	<u>(51,563,077)</u>	<u>(52,263,972)</u>	<u>50,108,579</u>	<u>(2,155,393)</u>
Other financing source / (uses):					
Proceeds of bonds payable	-	128,585,000	128,585,000	(128,585,000)	-
Proceeds from bond refunding	-	24,905,000	24,905,000	(24,905,000)	-
Payments to bond escrow agent	-	(24,950,000)	(24,950,000)	24,950,000	-
Loan forgiveness - IFA bonds	-	(1,245,510)	(1,245,510)	-	(1,245,510)
Transfers to/from Custodial Fund	13,258,081	(13,258,081)	-	-	-
Transfers - internal activities	224,770	(224,770)	-	-	-
Total other financing sources / (uses)	<u>13,482,851</u>	<u>113,811,639</u>	<u>127,294,490</u>	<u>(128,540,000)</u>	<u>(1,245,510)</u>
Net change in fund balance / net position	12,781,956	62,248,562	75,030,518	(78,431,421)	(3,400,903)
Fund balances / net position:					
Beginning of the year	<u>15,751,945</u>	<u>789,545,245</u>	<u>805,297,190</u>	<u>(744,497,389)</u>	<u>60,799,801</u>
End of the year	<u>\$ 28,533,901</u>	<u>\$ 851,793,807</u>	<u>\$ 880,327,708</u>	<u>\$ (822,928,810)</u>	<u>\$ 57,398,898</u>

The accompanying notes to the financial statements are an integral part of these statements.

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Notes to Financial Statements

For the Year Ended June 30, 2013

(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.

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 2013, the limit is \$1 billion. Total Bond Bank bonds and notes outstanding as of June 30, 2013 are approximately \$812.1 million. Thus, the limit on additional bond issuance as of June 30, 2013 is approximately \$187.9 million.

(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 government-wide statement of net position 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.

(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

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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 which does not encompass entire operations of the General Fund, therefore, budgetary comparison information for the General Fund is not presented.

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.

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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 reserve account is comprised of an ordinary reserve sub-account and a special reserve sub-account. The ordinary reserve sub-account may fund up to one-third of the required debt service reserve and can be funded with bond proceeds or with a transfer from the Custodian Account. The special reserve sub-account must fund at least two-thirds of the required debt service reserve and must be funded with transfers from the Custodian Account. 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 from the greater of the maximum annual debt service requirement of 10% of all municipal loan obligations outstanding to the current test of 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. The amendment took effect at the beginning of fiscal 2013 when all bonds outstanding as of the date of the resolution were retired. The shift in the reserve requirement significantly reduced the 1976 Resolution reserve requirement. However per the 1976 resolution the Bond Bank cannot remove principal from the reserve (special or ordinary) until all reserve obligations are paid off. Consequently, during fiscal 2013 AMBBA defeased the remaining principal reserve obligations of the 1976 resolution reserves and released excess funds to the Custodial Account.

2002A, 2003B, 2004B Revenue Bond Resolutions – The reserve funds may be funded with transfers from the custodian account, bond proceeds, or other funds available to the Bond Bank.

2005 General Bond Resolution – 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 fund may be funded with transfers from the custodian account, surety policies, bond proceeds, or other funds available to the Bond Bank.

At June 30, 2013 the *1976 General Bond Resolution, 2002A, 2003B, 2004B Revenue Bond Resolutions, 2005 General Bond Resolution, and 2010 General Bond Resolution* reserves must be the least of: (i) 10% of the initial principal amount of each Series of Bonds outstanding; (ii) the maximum annual principal 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. Amounts in excess of the required debt service in any reserve are transferred to the Operating Account on a periodic basis.

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(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 on the statement of net position because they are maintained in separate trust accounts and their use is limited by applicable bond covenants. Cash and cash equivalents and investments include \$43,084,377 of restricted assets. These assets were funded as follows:

Original State of Alaska appropriation	\$ 18,601,414
2008 appropriation of excess earnings	855,347
2009 appropriation of excess earnings	819,843
2010 appropriation of excess earnings	32,628
2011 appropriation of excess earnings	86,814
2012 appropriation for loan forgiveness	<u>13,000,000</u>
Total State of Alaska appropriated equity	<u>\$ 33,396,046</u>
Restricted for Debt Service:	
Appropriated amounts residing in reserve accounts	\$ 20,379,275
Appropriated amounts residing in Custodial account	<u>13,016,771</u>
Total State of Alaska appropriated equity	33,396,046
Bond Bank equity residing in reserve accounts	<u>9,688,331</u>
Total restricted for debt service/net position	<u>\$ 43,084,377</u>

(d) Bond Receivables

Bond receivables are secured by the revenues or are general obligations of the municipalities. Interest rates correspond with the interest rates on the related bonds payable by the Authority. The bonds receivables mature during the same period as the related bonds payables. Bond receivables are recorded at the par amount of the bond issued.

(e) 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 position. Any premium or discount on bond issuance or refunding is not recorded by the Authority as the premium or discount is recorded by the municipalities associated with the issuance and amortized by them, therefore, bonds payable are presented at par. Bond issue costs are generally paid by the municipality but when a portion is paid by the Authority they are paid from the General Account and considered operating expenses.

(f) Fund Equity

Generally, fund equity represents the difference between the current assets and current liabilities and is classified as fund balance. Bond Bank, in accordance with GASB Statement No. 54 provisions,

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which require classification of fund balance as nonspendable, restricted, committed, assigned or unassigned, 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 position are reported when constraints placed on net position are either externally imposed by creditors or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

(g) 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 at the five year anniversary date of the bond issue or upon final repayment. Beginning for FY 2013 the Bond Bank's arbitrage rebate consultant will update all general obligation bond rebate analysis as of June 30. As of June 30, 2013 the Bond Bank's net arbitrage rebate liability was \$836.

(h) Income Taxes

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

(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, 2013 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.

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(4) Investments

The fair value of debt security investments by contractual maturity as of June 30, 2013 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.

	Less than 1	1-5	6-10	More than 10	Total
General Fund					
U.S. Treasury securities	\$ 496,135	\$ 13,656,174	\$ -	\$ -	\$ 14,152,309
U.S. Government agencies securities	228,048	7,360,350	-	-	7,588,398
	<u>724,183</u>	<u>21,016,524</u>	<u>-</u>	<u>-</u>	<u>21,740,707</u>
Debt Service Fund					
U.S. Treasury securities	10,927,314	27,188,268	-	-	38,115,582
U.S. Government agencies securities	2,094,993	7,655,861	-	-	9,750,854
	<u>13,022,307</u>	<u>34,844,129</u>	<u>-</u>	<u>-</u>	<u>47,866,436</u>
Total investments	<u><u>\$ 13,746,490</u></u>	<u><u>\$ 55,860,653</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 69,607,143</u></u>

(a) Investment Policies

The Authority has distinct investment objectives and policies associated with funds held in the Custodian Account, Reserve Funds, and municipal debt payments received prior to scheduled debt service payment dates. 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 twelve-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 may be implemented. When the account balance is below \$15 million a more conservative policy may be used.

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- 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 and 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

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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.

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 prevailing performance benchmark.
- 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.

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The Authority tracks loan concentration for market dissemination and credit strength. The 2005 General Bond Resolution requires market disclosure of the governmental units with an amount of bonds outstanding equal to or greater than 10 percent of all bonds outstanding under the Resolution. At June 30, 2013 the governmental units with equal to or greater than 10 percent of the bonds outstanding under the 2005 General Bond Resolution were the City and Borough of Sitka, the City and Borough of Juneau, and the Kenai Peninsula Borough.

(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 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.

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(5) Bond and Notes Receivable

The General Fund includes bonds receivable with interest rates varying from 1% to 5% due from the Cities of Yakutat and Galena with maturities as follow:

Year ending June 30	General Fund Bonds Receivable
2014	\$ 250,664
2015	160,436
2016	162,047
2017	163,675
2018	165,319
2019-2023	851,845
2024-2028	346,524
	\$ 2,100,510

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, 2013.

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.

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Bonds and notes receivable by debt service program at June 30, 2013 mature in varying annual installments as follows:

Year ending June 30	1976 General	2005 General	2010 General	2003B Valdez Revenue
2014	\$ 11,710,000	\$ 30,540,000	\$ 135,000	\$ 1,070,000
2015	9,125,000	38,040,000	140,000	1,135,000
2016	6,650,000	39,930,000	140,000	1,195,000
2017	5,710,000	41,175,000	145,000	1,260,000
2018	5,930,000	40,190,000	150,000	1,315,000
2019-2023	18,950,000	196,100,000	850,000	7,525,000
2024-2028	7,080,000	147,870,000	995,000	-
2029-2033	-	100,315,000	1,190,000	-
2034-2038	-	34,790,000	825,000	-
2039-2043	-	12,955,000	-	-
2044-2048	-	11,615,000	-	-
	<u>\$ 65,155,000</u>	<u>\$ 693,520,000</u>	<u>\$ 4,570,000</u>	<u>\$ 13,500,000</u>

Year ending June 30	2004B Anchorage Revenue	Coastal Energy Loan	Total Principal
2014	\$ 125,000	\$ 4,405,165	\$ 47,985,165
2015	130,000	559,468	49,129,468
2016	135,000	563,946	48,613,946
2017	140,000	618,607	49,048,607
2018	145,000	429,338	48,159,338
2019-2023	825,000	697,321	224,947,321
2024-2028	1,040,000	852,116	157,837,116
2029-2033	1,335,000	1,041,273	103,881,273
2034-2038	635,000	997,132	37,247,132
2039-2043	-	417,129	13,372,129
2044-2048	-	-	11,615,000
	<u>\$ 4,510,000</u>	<u>\$ 10,581,495</u>	<u>\$ 791,836,495</u>

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(6) Long-Term Liabilities

Bond Bank's long term liabilities consist of the following as of June 30, 2013:

Issue	Debt Service Account		Statutory Reserve Account Ordinary Reserve Sub-Account	
	Interest rate	Principal outstanding	Interest rate	Principal outstanding
1976 General Bond Resolution Program:				
2003 Series E	2.00%-5.25%	\$ 725,000	-	\$ -
Aleutians East Borough				
Kenai Peninsula Borough				
2003 Series G - NW Arctic Borough	2.00%-5.00%	1,110,000	-	-
2004 A Series	3.00%-4.40%	855,000	-	-
Fairbanks				
Sitka				
2004 B Series	2.00%-4.00%	930,000	2.00%-4.00%	-
Nome				
Valdez				
Petersburg				
Craig				
Seward				
2004 C Series	4.00%-5.00%	1,315,000	-	-
Kodiak Island Borough				
Palmer				
Petersburg				
2004 D Series	3.00%-5.00%	2,090,000	-	-
Adak				
Kodiak Island Borough				
2005 A Series	2.50%-5.00%	21,560,000	2.75%-5.00%	-
Cordova				
Fairbanks				
Ketchikan Gateway Borough				
Northwest Arctic Borough				
Sitka				
Unalaska				
2005 B Series	3.00%-5.00%	5,660,000	-	-
Haines				
Ketchikan Gateway Borough				
North Pole, City of				
Palmer				
Sitka				
2005 C Series	4.00%-5.00%	22,115,000	5.00%	-
Haines				
Petersburg				
Northwest Arctic Borough				
2006 A Series	4.00%-4.35%	8,795,000	4.00%	-
Aleutians East Borough				
Ketchikan Gateway Borough				
Lake & Peninsula Borough				
Nome				
Wrangell				
Total 1976 General Bond Resolution Fund		65,155,000		-

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Issue	Debt Service Account		Statutory Reserve Account Ordinary Reserve Sub-Account	
	Interest rate	Principal outstanding	Interest rate	Principal outstanding
2005 Series General Bond Resolution Program:				
2005 - One Series	3.00%-5.00%	9,170,000	3.00%-5.00%	350,000
Ketchikan, City of				
Nome				
Seward				
2006 - One Series	4.00%-6.00%	5,240,000	4.50%-6.00%	335,000
Kenai Peninsula Borough				
Seward				
2006-Two Series - Ketchikan, City of	4.25%-4.75%	34,315,000	5.00%	1,765,000
2007-One Series	4.00%-5.50%	18,325,000	4.00%-5.50%	1,265,000
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%	23,245,000	4.50%	685,000
Kenai Peninsula Borough				
Aleutians East Borough				
2007-Three Series	4.25%-5.50%	12,510,000	4.00%	415,000
Bethel, City of				
Juneau, City and Borough of				
2007-Four Series - Kenai Peninsula Borough	4.25%-5.00%	12,020,000	4.25%-4.50%	1,070,000
2007-Five Series - Kodiak, City of	4.00%-6.00%	5,640,000	-	-
2008-One Series	4.00%-5.00%	51,240,000	5.00%	3,260,000
Dillingham				
Kodiak Island Borough				
Kodiak, City of				
Seward				
2008-Two Series	4.40%-6.00%	15,565,000	4.75%-6.00%	1,200,000
Seward				
Sitka, City of				
Skagway				
2009-One Series	3.00%-5.63%	24,665,000	4.00%-5.50%	730,000
Kodiak, City of				
Unalaska, City of				
2009-Two Series	4.00%-6.00%	19,265,000	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%	9,125,000	2.00%-4.00%	975,000
2009-A-Four Series	3.00%-4.00%	3,660,000	3.00%-4.00%	840,000
Kenai Peninsula Borough				
Ketchikan, Gateway Borough				
2009-B-Four Series - Ketchikan, Gateway Borough	4.63%-5.40%	20,425,000	-	-
2010-A-Series One	2.00%-5.00%	11,450,000	3.00%	335,000
Ketchikan, City of				
Ketchikan, Gateway Borough				
Kenai, City of				
Northwest Arctic Borough				
Petersburg				
Unalaska, City of				
2010-A Series Two	2.0%-3.0%	1,895,000	3.00%	325,000
Juneau, City and Borough of				
Cordova				
King Cove, City of				

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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	5.99%-6.34%	7,415,000	-	-
2010-B Series Two Juneau, City and Borough of Cordova King Cove, City of	3.75%-4.91%	11,405,000	-	-
2010-A Series Three Aleutians East Borough Unalaska, City of King Cove, City of	2.00%-4.00%	3,310,000	2.00%-4.00%	405,000
2010-B Series Three Aleutians East Borough Unalaska, City of King Cove, City of	4.93%-5.43%	6,900,000	-	-
2010-A Series Four Kenai Peninsula Borough Ketchikan, City of Ketchikan Gateway Borough Sitka Sitka (Refunding) Soldotna	2.00%-5.00%	22,980,000	-	-
2010-B Series Four Kenai Peninsula Borough Ketchikan, City of Ketchikan Gateway Borough Sitka Soldotna	1.42%-6.26%	50,605,000	-	-
2011 Series One Kodiak Island Borough Wrangell, City of	3.00%-5.13%	7,620,000	3.00%	415,000
2011 Series Two Juneau, City and Borough of Sitka	2.00%-4.38%	9,820,000	2.00%	815,000
2011 Series Three Wrangell, City of Aleutians East Borough Northwest Arctic Borough Ketchikan Gateway Borough Kenai Peninsula Borough Cordova Hoonah Skagway Seward Kodiak Island Borough	2.00%-5.00%	75,860,000	2.00%-5.00%	1,390,000
2012 Series One Juneau, City and Borough of (Wildflower Court) Juneau, City and Borough of	2.00%-5.00%	16,330,000	-	-
2012 Series Two Juneau, City and Borough of Ketchikan, City of Ketchikan Gateway Borough Kodiak Island Borough Nome, City of North Pole, City of Palmer, City of Petersburg Sitka Valdez	1.75%-5.00%	50,030,000	2.00%-4.00%	1,900,000

(continued)

ALASKA MUNICIPAL BOND BANK AUTHORITY
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Notes to Financial Statements

Issue	Debt Service Account		Statutory Reserve Account Ordinary Reserve Sub-Account	
	Interest rate	Principal outstanding	Interest rate	Principal outstanding
2012 Series Three	1.50%-5.00%	21,190,000	-	-
Juneau, City and Borough of (School)				
Juneau, City and Borough of (REF)				
Petersburg, City of				
Haines, City of				
2013 Series One	2.00%-5.00%	96,045,000	-	-
Juneau, City and Borough of (Hospital Rev Ref)				
Juneau, City and Borough of (GO, New Money)				
Kenai Peninsula Borough				
Ketchikan Gateway Borough				
Ketchikan Island Borough				
Sand Point, City of				
Sitka, City of (Harbor)				
Sitka, City of (Electric)				
2013 Series Two A	2.00%-4.00%	19,145,000	-	-
Homer, City of				
Ketchikan, City of				
Ketchikan, City of (REF)				
Skagway				
2013 Series Two B				
Kodiak Island Borough	3.00%-4.00%	17,110,000	-	-
		<u>693,520,000</u>		<u>20,300,000</u>
Total 2005 Series General Bond Resolution Fund				
2010 Series General Bond Resolution Program:				
2010 A-1 Series One	3.00%-4.00%	870,000	-	-
Ketchikan, City of				
2010 A-2 Series One	5.78%-6.86%	3,700,000	-	-
Kenai Peninsula Borough				
		<u>4,570,000</u>		<u>-</u>
Total 2010 Series General Bond Resolution Program				
2003B Valdez, City of Bond Resolution Program	2.75%-5.25%	13,500,000	-	-
2004B Anchorage Bond Resolution Program	4.00%-4.75%	4,510,000	-	-
		<u>18,010,000</u>		<u>-</u>
Total Revenue Bonds				
Coastal Energy Reserve Loan Account:				
City of Nome Port Facility Revenue Bond	8.50%	4,575,617	-	-
City of Saint Paul - Fuel Dock	5.00%	6,005,878	-	-
		<u>10,581,495</u>		<u>-</u>
Total Coastal Energy Reserve Loan Account				
		<u>\$ 791,836,495</u>		<u>\$ 20,300,000</u>

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Notes to Financial Statements

During the year ended June 30, 2013 the Authority's long-term liabilities changed as follows:

	Beginning of year	New debt	Repayments	End of year
General obligation bonds payable	\$ 677,075,000	\$ 153,490,000	47,020,000	\$ 783,545,000
Revenue bonds payable	47,870,000	-	29,860,000	18,010,000
Other long-term debt	10,682,527	-	101,032	10,581,495
Total	<u>\$ 735,627,527</u>	<u>\$ 153,490,000</u>	<u>\$ 76,981,032</u>	<u>\$ 812,136,495</u>

All bonds are secured by bonds receivable and by amounts in the 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 consider paying to the Authority all funds due from the defaulting municipality from the State in an amount sufficient to clear the default. The Bond Bank Executive Director is obligated per resolution to seek and the State may provide an appropriation annually to replenish reserves.

In March 2013 the Authority issued \$96.05 million in general obligation and refunding bonds with interest rates ranging between 3.35% and 5%. The Authority issued the bonds to advance refund \$24,950,000 of the outstanding 2004A CBJ Revenue bonds with interest rates ranging between 4.38% and 6.25%. The Authority used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the series bonds listed above. As a result, these bonds are considered defeased, and the Authority has removed the liability from its financial statements. The outstanding principal of the defeased bonds is \$24,950,000 at June 30, 2013.

The advance refunding reduced total debt service payments over the next 22 years by nearly \$5.1 million. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$3.8 million.

In June 2013, the Authority issued \$36.3 million in general obligation and refunding bonds with interest rates ranging between 2% and 5%. The Authority issued the bonds to currently refund \$1,245,000 of the outstanding 2002A Ketchikan Revenue bonds with interest rates ranging between 4.375% and 5%. The Authority used the net proceeds along with other resources to provide for all future debt service on the refunded bonds which were called within 90 days for the refunding. As a result, these bonds were considered defeased as part of a current refunding transaction and the Authority has removed the liability from its financial statements. The outstanding principal of the defeased bonds is \$1,245,000 at June 30, 2013.

The current refunding reduced total debt service payments over the next two years by \$37,163. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$37,038.

In July 2012, the Authority refunded \$1,060,00 of its 2007-One Inter-Island Ferry Authority bonds with the State of Alaska FY12 SB 160 appropriation. The Authority also recognized loan forgiveness on the respective bonds receivable.

In December 2012, the Authority redeemed \$1,175,000 of outstanding 2001B Ketchikan Revenue bonds using cash on hand as a direct investment of the Authority's General Fund. In May 2013, the community paid off the remaining balance of the bonds using cash on hand.

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Notes to Financial Statements

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, 2013 are as follows:

Year ending June 30	1976		2005		2010	
	General	Reserve	General	Reserve	General	Reserve
2014	\$ 11,710,000	\$ -	\$ 30,540,000	\$ 595,000	\$ 135,000	\$ -
2015	9,125,000	-	38,040,000	1,225,000	140,000	-
2016	6,650,000	-	39,930,000	1,960,000	140,000	-
2017	5,710,000	-	41,175,000	425,000	145,000	-
2018	5,930,000	-	40,190,000	4,805,000	150,000	-
2019-2023	18,950,000	-	196,100,000	5,445,000	850,000	-
2024-2028	7,080,000	-	147,870,000	2,710,000	995,000	-
2029-2033	-	-	100,315,000	1,370,000	1,190,000	-
2034-2038	-	-	34,790,000	1,765,000	825,000	-
2039-2043	-	-	12,955,000	-	-	-
2044-2048	-	-	11,615,000	-	-	-
	<u>\$ 65,155,000</u>	<u>\$ -</u>	<u>\$ 693,520,000</u>	<u>\$ 20,300,000</u>	<u>\$ 4,570,000</u>	<u>\$ -</u>

Year ending June 30	2003B Valdez Revenue	2004B Anchorage Revenue	Coastal Energy Loan	Total Principal	Total Interest
2014	\$ 1,070,000	\$ 125,000	\$ 4,405,165	\$ 48,580,165	\$ 36,383,737
2015	1,135,000	130,000	559,468	50,354,468	34,984,905
2016	1,195,000	135,000	563,946	50,573,946	32,939,033
2017	1,260,000	140,000	618,607	49,473,607	30,860,989
2018	1,315,000	145,000	429,338	52,964,338	28,776,105
2019-2023	7,525,000	825,000	697,321	230,392,321	111,539,248
2024-2028	-	1,040,000	852,116	160,547,116	64,864,870
2029-2033	-	1,335,000	1,041,273	105,251,273	30,032,279
2034-2038	-	635,000	997,132	39,012,132	11,188,298
2039-2043	-	-	417,129	13,372,129	4,832,908
2044-2048	-	-	-	11,615,000	1,487,250
	<u>\$ 13,500,000</u>	<u>\$ 4,510,000</u>	<u>\$ 10,581,495</u>	<u>\$ 812,136,495</u>	<u>\$ 387,889,622</u>

(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 positions, 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 position.

(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 \$155,825

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Notes to Financial Statements

of City of Galena loan repayments for the year ended June 30, 2012. There were no excess receipts appropriated to the Authority during fiscal years 2012 or 2013.

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 2013, were appropriated to the Bond Bank Authority Reserve Fund (AS 44.85.270(a)), increasing the cumulative state appropriated amount to \$33,396,046 at June 30, 2013.

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

(9) Subsequent Events

In July 2013, the Authority released 2002A Bond Resolution program reserve to the custodian account due to the defeasance on the 2002A Resolution bonds. The amount released was approximately \$627,000.

ALASKA MUNICIPAL BOND BANK AUTHORITY
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Supplemental Schedule of Statutory Reserve Accounts - Assets, Liabilities and Account Reserves

For the Year Ended June 30, 2013

	1976 General "Ordinary"	1976 General "Special"	2005 Resolution	2002A Ketchikan Revenue
Assets				
Cash	\$ 37,744	\$ 119,505	\$ 2,168,831	\$ 27,121
Accrued interest receivable	2,933	33,869	189,779	127
Marketable securities	852,528	5,863,548	38,098,992	600,282
Interaccount receivables	-	-	2,771,345	-
	<u>\$ 893,205</u>	<u>\$ 6,016,922</u>	<u>\$ 43,228,947</u>	<u>\$ 627,530</u>
Liabilities				
Interaccount payables	\$ 1,856,992	\$ 2,061,816	\$ -	\$ 1,920
Bond payable	-	-	20,300,000	-
Accrued interest payable	-	-	227,895	-
	<u>1,856,992</u>	<u>2,061,816</u>	<u>20,527,895</u>	<u>1,920</u>
Reserves				
Special Reserve - State Appropriated	-	815,871	19,170,320	-
Special Reserve - Unappropriated	-	3,243,579	3,695,105	625,000
Special Reserve - Unrealized gain (loss)	-	(104,344)	(164,373)	610
Ordinary Reserve - Unallocated	(967,452)	-	-	-
Ordinary Reserve - Unrealized gain (loss)	3,665	-	-	-
	<u>(963,787)</u>	<u>3,955,106</u>	<u>22,701,052</u>	<u>625,610</u>
	<u>\$ 893,205</u>	<u>\$ 6,016,922</u>	<u>\$ 43,228,947</u>	<u>\$ 627,530</u>

(continued)

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Supplemental Schedule of Statutory Reserve Accounts - Assets, Liabilities and Account Reserves

For the Year Ended June 30, 2013

	2003B Valdez Revenue	2004B Anchorage Revenue	2010 Resolution	Total
Assets				
Cash	\$ 35,927	\$ 18,083	\$ 29,305	\$ 2,436,516
Accrued interest receivable	371	69	79	227,227
Marketable securities	1,750,763	325,147	375,176	47,866,436
Interaccount receivables	24,182	-	-	2,795,527
	<u>\$ 1,811,243</u>	<u>\$ 343,299</u>	<u>\$ 404,560</u>	<u>\$ 53,325,706</u>
Liabilities				
Interaccount payables	\$ -	\$ 990	\$ 11,095	\$ 3,932,813
Bond payable	-	-	-	20,300,000
Accrued interest payable	-	-	-	227,895
	<u>-</u>	<u>990</u>	<u>11,095</u>	<u>24,460,708</u>
Reserves				
Special Reserve - State Appropriated	-	-	393,084	20,379,275
Special Reserve - Unappropriated	1,780,063	341,931	2,653	9,688,331
Special Reserve - Unrealized gain (loss)	31,180	378	(2,272)	(238,821)
Ordinary Reserve - Unallocated	-	-	-	(967,452)
Ordinary Reserve - Unrealized gain (loss)	-	-	-	3,665
	<u>1,811,243</u>	<u>342,309</u>	<u>393,465</u>	<u>28,864,998</u>
	<u>\$ 1,811,243</u>	<u>\$ 343,299</u>	<u>\$ 404,560</u>	<u>\$ 53,325,706</u>

See auditor's report