ALASKA MUNICIPAL BOND BANK AUTHORITY

BOARD OF DIRECTOR'S MEETING

TO BE HELD AT
AIDEA Building
813 W Northern Lights Boulevard
Anchorage, AK 99503

November 15, 2016

2:30 P.M. ADT

333 Willoughby Avenue, 11th Floor
P.O. Box 110405
Juneau, Alaska 99811-405

Phone: (907) 465-2388
Fax: (907) 465-2902
dor.trs.ambba@alaska.gov

AGENDA FOR BOARD OF DIRECTOR'S MEETING

Meeting Place:
AIDEA Building
813 W Northern Lights Boulevard
Anchorage, AK 99503

November 15, 2016 at 2:30 p.m. ADT

I. **Call to Order**

II. **Roll Call**

III. **Public Meeting Notice**

IV. **Approval of Agenda**

V. **Minutes of the September 6, 2016 Meeting of the Board of Directors**

VI. **General Business**

- **A.** **Yukon-Kuskokwim Health Corporation (YKHC) – Presentation and Loan Analysis**
- **B.** **2016 Series Three and Four - Post Sale Summary**
- **C.** **FY2016 Bond Bank Audited Financials & Finance Director's Report**
- **D.** **Executive Director's Report**

VII. **Public Comments**

VIII. **Board Comments**

IX. **Adjournment**

NOTICE OF MEETING: Alaska Municipal Bond Bank Authority Board of Director's Meeting

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Attachments, History, Details

Attachments
AGENDA 11-15-2016 FINAL.pdf

Revision History
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Details

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Archive Date:	11/16/2016
Events/Deadlines:	

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MINUTES for the BOARD OF DIRECTORS MEETING

ALASKA MUNICIPAL BOND BANK AUTHORITY

September 6, 2016

I. CALL TO ORDER

Mark Pfeffer called the meeting to order at 2:03 PM, Alaska Daylight Time. Members participated at the AIDEA Building, 813 W Northern Lights Blvd., Anchorage, AK 99503, and by telephone.

II. ROLL CALL

Mark Pfeffer
Greg Gursey
Michael Lamb
Luke Welles
Pam Leary

OTHERS IN ATTENDANCE:

- Deven Mitchell, Executive Director, Alaska Municipal Bond Bank
- Ryan Williams, Finance Director, Alaska Municipal Bond Bank
- Chip Pierce, Financial Advisor, Western Financial Group
- Susan Barry, Bond Counsel – AMBBA, Orrick, Herrington & Sutcliffe, LLP
- Leslie Krusen, Bond Counsel – AMBBA, Orrick, Herrington & Sutcliffe, LLP
- Bob Bartholomew, Finance Director, City & Borough of Juneau
- Tom Yang, Managing Director, RBC Capital Markets
- Laura Janke, Director, RBC Capital Markets
- Eric Whaley, Director, BAML, Pierce, Fenner & Smith, Inc.

III. PUBLIC MEETING NOTICE

A copy of the Online Public Notice concerning the date, location, and purpose of the meeting was reviewed for the record. The public notice was officially published on August 26, 2016 on the official Alaska Online Public Notice website.

IV. APPROVAL OF AGENDA

The agenda was reviewed by the board. The agenda was approved unanimously as written without objection.

V. MINUTES of the May 5, 2016 Board of Directors Meeting

The May 5, 2016 minutes of the AMBBA Board of Directors was reviewed by the board and approved as written without objection.

VI. GENERAL BUISNESS

City & Borough of Juneau – Loan Application and Analysis

Mr. Pierce provided a general description of the application credit review for the City and Borough of Juneau's (CBJ) request for approximately $22,000,000 to refund prior CBJ general obligation bonds authorized by voters in 2006 and to fund approximately $3,000,000 of new money projects authorized by voters in 2012 for a variety of CBJ capital improvements. CBJ's 2006 GO bonds will be currently refunded with the Bond Bank loan. The 2006 bonds were part of a larger bond authorization approved by voters for the design, site preparation and construction of Thunder Mountain High School in the Dimond Park area. The proposed term of the loan is 5 years for the refunding, and 10 years for the new money capital bonds, with estimated maximum annual debt service of $4.3 million. With total FY2016 debt service of approximately $22 million, and most recent State-shared revenues of $66.9 million, the debt service coverage is approximately 3.05 times. Estimated present value savings to result from the loan is $1.4 million. Mr. Pierce mentioned that the Bond Bank has received the no litigation letter. These are both general obligation loans of CBJ with property tax revenue pledged (and full faith and taxing authority of CBJ). Mr. Pierce depicted a three year history of General Fund revenues, and in 2015, 41.9% was derived from ad valorem property taxes, 29.9% sales taxes, 20.3% intergovernmental revenues, and 4.3% charges for services. Sales tax revenues are reported in CBJ's CAFR under the Sales Tax Special Revenue Fund, and the bulk of those revenues were transferred to the General Fund via interfund transfer, in 2014, and this was further described by Mr. Pierce with ending fund balances of the General and Sales Tax Funds from 2013 through 2015. In 2011 the Mayor of CBJ formed a task force to discuss reserves, resulting in a recommendation that 2 months of general governmental operation revenues be set aside each year. Mr. Pierce also presented a breakdown of ending General Fund balances by restricted, non-spendable, assigned, emergency response, and unassigned, with total balance of $27.5 million as of fiscal year-end 2015. Additionally, on October 2, 2012 CBJ voters approved a five year 1% sales tax to fund $10 million of bond debt payments, $5 million to replenish the general government budget reserves, and to fund various capital projects throughout the Borough. The tax will be in effect through September 30, 2018. CBJ will have approximately $5.9 million of authorization remaining after the $3 million for capital improvements from the 2012 authorization, and CBJ expects to use the remaining authorization for airport terminal improvements. Mr. Pierce presented total revenues of CBJ subject to intercept compared to FY2016 debt service, with coverage of approximately 3.05 times. Mr. Pierce mentioned that FY2017 State-aid data and updated debt service is currently being compiled where information is available, and that CBJ has approximately $4 million in reduced state funding in FY2017. Mr. Pfeffer questioned how the $4 million reduction, when added to potential additional decreases in revenues subject to intercept would affect CBJ's debt coverage ratio moving into future fiscal years. Mr. Mitchell noted that the FY17 decrease would still potentially leave the coverage ratio above 2.5 times, and still a significant credit strength of the Bond Bank, especially taking into the consideration the savings that CBJ is achieving through these proposed refundings. Mr. Pierce stated that based on the assessment, the security offered by CBJ, as set forth in the CBJ's loan application and supplemental materials, provides sufficient security to justify approval of the application. Mr. Welles made a motion to approve the loan application from CBJ for approximately $22,000,000, and Mr. Lamb seconded the motion. Mr. Williams conducted a roll call vote, and the motion passed unanimously with five yes votes.

RESOLUTION NO. 2016-05 – GO and Refunding Bonds, 2016 Series Three and 2016 Series Four of the Bond Bank

Ms. Barry, Bond Bank Bond Counsel with Orrick, introduced resolution 2016-05, a series resolution authorizing the issuance of general obligation and refunding bonds, 2016 Series Three and 2016 Series Four, of AMBBA, in an amount not to exceed $95 million for the Series Three, and in an amount not to exceed $36 million for the Series Four bonds. Ms. Barry mentioned that the 2016 Series Three and Four bonds include a significant refunding component, and all or a portion of the following outstanding bonds that the Chairman or the Executive Director designates to be refunded pursuant to Section 304 shall be considered: the 2006 Series Two, 2007 Series One, 2007 Series Two, 2007 Series Three, 2007 Series Five, 2008 Series One, 2008 Series Two, and 2009 Series One. Ms. Barry noted that the 2016 Series Three and Four bonds of each series shall be sold to one or more underwriters by negotiated sale pursuant to the terms of one or more Bond Purchase Agreements, and the aggregate principal amount shall not exceed $131 million, and the true interest cost shall not exceed four percent and the debt service savings requirement of 3% of their principal amount shall be met. Mr. Pierce mentioned that there was also a copy of the preliminary refunding numbers from a point in time, and a draft POS was included in the packet. Mr. Mitchell noted that the schedule shows a pricing in mid-October, and closing at the beginning of November. Ms. Barry reiterated that the Chairman and Executive director are authorized to designate which of the bonds shall be refunded during pricing given market conditions at that time. Mr. Welles made a motion to approve Resolution 2016-05, and Mr. Lamb seconded the motion. Mr. Williams conducted a roll call vote and the motion passed unanimously with five yes votes.

WFG Post Sale Summary for the Series 2016A (2016 Master Resolution)

Mr. Pierce presented a summary for the most recent pricing on May 24, 2016 – $44,135,000 General Obligation Bonds, Series 2016A, the first series to be issued under the 2016 Master Resolution. The Series 2016A bonds were sold by negotiated sale to the Bank of America Merrill Lynch. The Bond Bank received a resulting TIC on the transaction of 2.2861%, average life of 4.853 years, and an underwriter cost of $3.54 per $1,000. Mr. Pierce noted underwriter compensation remains at very low levels, and after a run up during the summer of 2013, interest rates have traded in a relatively narrow range. The tone leading up to the sale wasn't particularly good, with concerns over rate hikes by the Federal Reserve, especially inside of 10 years, dominated the market. At the conclusion of the order period, there were orders for approximately $23 million of the $44.1 million in par. The BAML underwriting team recommended yield adjustments that ranged from 3 basis points to 10 basis points, and with those adjustments

BAML would underwrite the issue, including the two-thirds of which was unsubscribed. With advice from Mr. Pierce, BAML lowered adjustments by 1 basis points for 2023 and 2024 and they still underwrote the remaining maturities. The proceeds of the Series 2016A bond sale was provided to the Tanana Chiefs Conference to defease 2011 revenue bonds for substantial savings. The 2011 bonds carried interest rates that ranged from 7.00% to 7.75%. As a result of the Bond Bank's bond issue, the TCCC achieved present value savings of over $45 million.

FY2016 Returns & Discussion

Mr. Williams presented a summary of where the Bond Bank stood in the audit process. It was noted that the Bond Bank is expected to see a decrease in net position year over year, resulting from subdued investment returns on reserves and the custodian, as well as expenses associated with payment of interest on reserve obligations. Mr. Williams depicted fund performance from the investment advisor that included portfolio market values and returns through 6/30/16 for each reserve and custodian fund. Mr. Williams noted that the new 2016 Master resolution, recently used to issue bonds related to the Regional Health Organization program, has a single surety policy satisfying the reserve requirement, and other statistics of the new reserve will be analyzed and presented to the Board once available. A schedule of authorized borrower concentration for each Master Resolution program was presented in the report.

Executive Director's Report

Mr. Mitchell reported on the following items that were not covered in the September 6, 2016 Agenda:

Travel Memos (included in board packet) - The State's travel policy remains in place and for each in-state trip we need to obtain the Commissioner of Revenue's approval, and for out of state trips both the Commissioner and the Governor's office. I've attached three travel memos for activity since the last meeting. The June 29 memo travel was denied, the August 2 memo travel was approved, and the August 16 travel memo has not yet been fully considered. The restrictions do limit the ability of Ryan and me to fully meet the mission of the Bond Bank due to less contact with Alaska's communities.

Finance Director Williams' involvement with the AGFOA has continued to build. He has become a well-recognized part of the organization's leadership and is currently considering becoming the President Elect.

On July 28, 2016 I signed a Bond Bank consent letter for the City of King Cove to issue parity revenue bonds for purchase by the Alaska Energy Authority for the continued funding of the Waterfall Creek hydroelectric project. To further facilitate the City's efforts to obtain funding from the Alaska Energy Authority Ialso signed a certificate of consent for the Alaska Energy Authority.

On the morning of September 7 Ryan and I will be travelling with Fitch Rating analysts Marcy Block and Doug Offerman to Bethel to tour the town and Yukon Kuskokwim Health Consortium facilities. We will return to Anchorage on the afternoon of the 7th and meet with the manager of the Anchorage Airport to discuss their operation. On September 8 we plan to meet with AIDEA staff and the Municipality of Anchorage staff in the morning and then take them on a short excursion to Girdwood.

Ryan and I have responded to multiple requests for information on the Bond Bank or to provide current interest rates and projected amortization schedules. Based on these interactions , and pending the outcome of the fall election we anticipate the need for another bond issue for municipal funding in the first several months of 2017.

VII. PUBLIC COMMENTS

There were none.

VIII. <u>BOARD COMMENTS</u>

There were none.

IX. <u>ADJOURNMENT</u>

Mr. Pfeffer adjourned the meeting without objection at 3:06 p.m. ADT.

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Mark Pfeffer, Chairman

Alaska Municipal Bond Bank Authority ("AMBBA")
Application Credit Review Summary Page

Applicant:	Yukon-Kuskokwin Health Corporation (the "Corporation")
Loan Amount:	Approximately $102,500,000
Project Type:	Health Care Facility Refinancing
Project Description:	The Corporation is the only full service health provider in the Bethel/Wade Hampton region of Alaska. It operates the central Yukon-Kuskokwim Delta Regional Hospital and residential/specialty services in Bethel, Alaska, as well as five sub-regional clinics and 44 village clinics in the surrounding service area. The 50-bed hospital was built in 1978, and the Corporation assumed operation from the Indian Health Service (IHS) in 1991. The existing building is inadequate to meet service and provider space needs for current use. It is less than 38% of the size needed to meet projected space needs in 2025. The total project is expected to cost approximately $308 million and will include, in addition to AMBBA's loan, a loan of approximately $165 million from the U.S. Department of Agriculture, $21.9 million of equipment financing and $17.6 million of Y-K equity funding. Total estimated costs include project costs, reserves, capitalized interest and contingencies.
Term of the loan:	Approximately 30 years
Transaction Security:	A pledge of Patient Revenues, including Medicare, Medicaid and private insurance.
FY 2015 Patient Revenues:	$86.3 million
Estimated Annual Debt Service:	Approximately $6.10 million
Total AMBBA Annual Debt Service:	Approximately $6.10 million
Total Forecast Annual Parity Debt Service:	Approximately $18.21 million
Parity Debt Service Coverage Ratio (by 2015 Pledged Revenues):	4.74x
Most Recent FY State-Shared Revenues (SSR):	N/A
Subject to State Debt Service Reimbursement:	No
Estimated Borrower Savings (Gross):	$7.84 million
Estimated Borrower Savings (Present Value):	$4.08 million
No Litigation Letter Received:	no

Application Evaluation
Yukon-Kuskokwim Health Corporation

Introduction

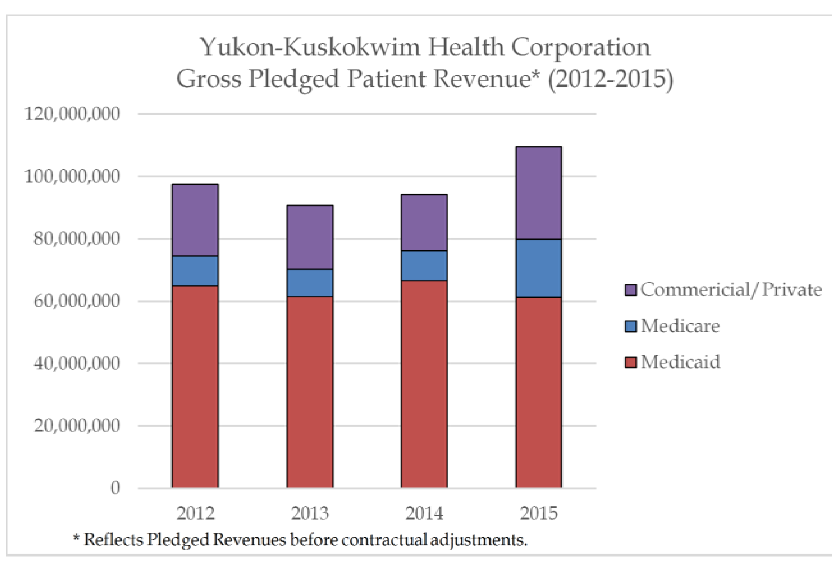
The Yukon-Kuskokwim Health Corporation (the "Corporation") has submitted an application to the Alaska Municipal Bond Bank (the "AMBBA") for a loan totaling not to exceed $102,500,000. The AMBBA funds will be used for construction of a new primary care clinic. The following is our review of the project and security provisions of this transaction.

The Project

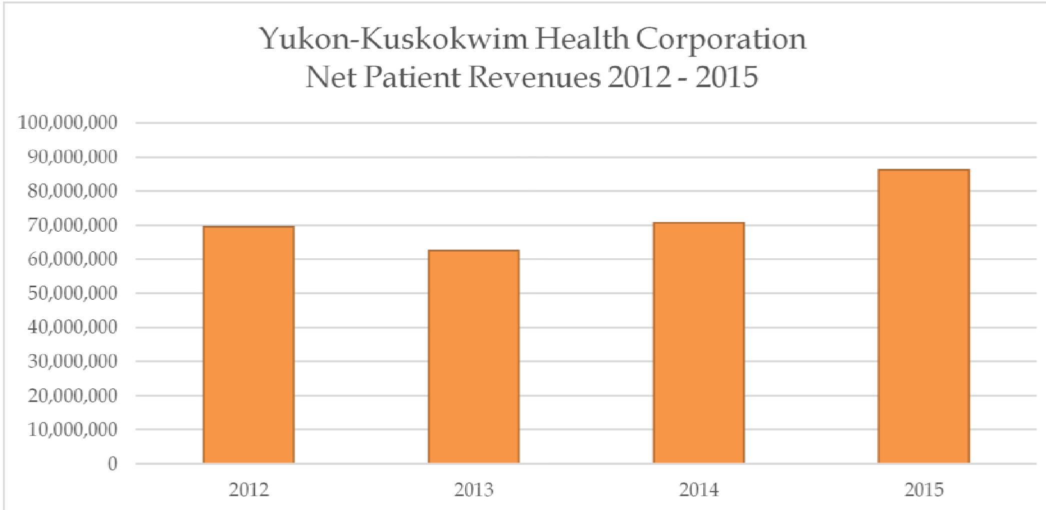
The current hospital building was originally constructed in 1978 by IHS and began operations as an inpatient facility with an ambulatory clinic to accommodate regular medical patient visits, a laboratory, and a pharmacy. The facility, which includes three separate buildings, has long outgrown its capacity as an outpatient clinic and has been forced to make numerous renovations to accommodate the increased burden in ambulatory care. Continuous maintenance and replacements occur to keep the building operational. The building design is inadequate as an ambulatory clinic and inhibits productivity of providers, limits expansion of necessary or desired services, and results in awkward patient flow. Dental and eye care are located across the street from the current hospital, which is inefficient for patient care. The pharmacy and laboratory are undersized for the workload and have limited storage, equipment, and provider workspace. The preliminary gross size of the health care facility is 264,638 square feet (131,468 sq. ft. for the new primary care clinic, renovation of 86,500 sq. ft. of existing hospital space, and construction of new hospital space in the amount of 46,670 sq. ft.). The replacement facility will be a modern, technologically advanced facility with the required staff to provide an extended level of health care services specifically designed to meet the health care needs of the Corporation's customer base. The facility will include 24 acute care beds and 8 birthing/post-partum beds.

Corporation Financial Position

The Corporation's gross operating revenues are derived primarily from Medicaid, which has accounted for approximately 52.2% of revenues over the past four years, followed by IHS beneficiary payments (which accounted for approximately 24.1% over the same period, but are not pledged to the AMBBA loan), commercial and private sources (15.6%) and Medicare (8.1%). When contractual adjustments are applied to the Corporation's revenues and IHS revenues are deducted, a clearer picture of the revenues pledged to AMBBA and parity lenders emerges.



The graph to the right presents net patient revenues for fiscal years 2012 through 2015. The Corporation's financial position has improved significantly from 2013, when a variety of cost saving and efficiency improvements began to be implemented. As a result, revenues that will be pledged to the AMBBA loan, as well as other loans related to the Bethel hospital project, have grown 38% from 2013 to 2015.



Recent Financial Results

The Corporation's 2015 statement of net position shows an increase of 14% in total net assets, a 54% increase in current assets, a 32% decrease in current liabilities and a 1,628% increase in working capital. The increase in current assets is primarily due to an increase in cash and cash equivalents and an increase in investments. The Corporation received a large settlement of approximately $40 million in 2015 from the IHS, which significantly increased current assets. The money was deposited in the Corporation's Permanent Fund, which was initially established in 2007 following the receipt of an IHS settlement of similar magnitude. The decrease in current liabilities has primarily occurred due to a decrease in accounts payable and accrued expenses, and decrease in long term debt, mainly related to the repayment of an $8 million state loan in 2015. The increase in working capital can be primarily attributed to improvements that the Corporation has implemented in recent years related to billing and records retention.

The statement of revenues, expenses and changes in net position reflects an overall increase in net position of 14%, or $27.8 million for 2015. Major factors contributing to these changes include an increase in net patient care revenues of $15.6 million and an increase of funding agreement revenues by $3.0 million. Total operating expenses for 2015 decreased by $17.5 million. Contributing factors included a decrease in net fringe benefits of $12.6 million primarily due to a change from self insurance to Federal Employee Health Benefit Insurance, and salary decreases of $4.2 million as a result of the reduction in force from the last quarter of fiscal year 2014. Staffing levels were reduced by approximately 5% beginning in late 2014 to address operational concerns. The Corporation has subsequently added back critical staff following the 2014-15 cut backs.

Permanent Fund

The Corporation's Permanent Fund held a balance of approximately $80 million at the end of fiscal year 2015. This is an increase from $38.4 million at the end of fiscal year 2012 and reflected the IHS settlement referred to above. Use of the Permanent Fund investments are not restricted; however, it is the intent of YKHC to maintain the corpus of the fund intact in perpetuity. The Permanent Fund is not pledged to the AMBBA loan, but is will serve as security for the interim construction loans. The Permanent Fund does provide the Corporation with financial flexibility and stability that it would otherwise lack.

Joint Venture Construction Program

The Joint Venture Construction Program (JVCP) is authorized by 25 U.S.C. § 1680h(e), which establishes joint venture demonstration projects between IHS and Indian Tribes. Under this program, selected American Indian or Alaska Native Tribes or tribal organizations enter into an agreement with IHS under which the Tribe or tribal organization constructs or acquires a tribally-owned health care facility at its own expense and, in return, IHS agrees "to provide the equipment, supplies, and staffing for the operation and maintenance of such a health facility" for 20 years under a no-cost lease. The Joint Venture Agreement will acknowledge that the Corporation will own and operate the facility directly and will use the facility to provide IHS programs and other health care services. At the core of the Joint Venture Agreement is IHS's agreement to annually provide funding for the cost of staffing, operating, and maintaining the facility according to IHS funding formulas. The additional funding provided by IHS is added to the Corporation's Compact and funding agreements. Once these staffing funds are added to the funding agreement, they are by law considered recurring funds that are part of the Corporation's base funding amount and which cannot be reduced from year to year absent a reduction in overall Congressional appropriations. IHS's obligation to maintain these program funds in the Corporation's contract is, under the terms of the Indian Self-Determination and Education Assistance Act, perpetual and will only cease if the Corporation stops operating the facility.

Future Capital Plans

Other than normal capital equipment replacements and the major capital investments related to the hospital and clinic projects in Bethel, the Corporation does not have any plans for projects that will require bonding at this time.

State Aid Intercept

There are no interceptable state-shared revenues available to AMBBA related to its loan to the Corporation.

Estimated Borrower Savings

Savings to the Corporation as a result of borrowing through AMBBA are estimated at approximately $7.84 million or $4.08 million on a present value basis. Savings are a result of lower interest rates that the Corporation will face as a result of issuing through AMBBA.

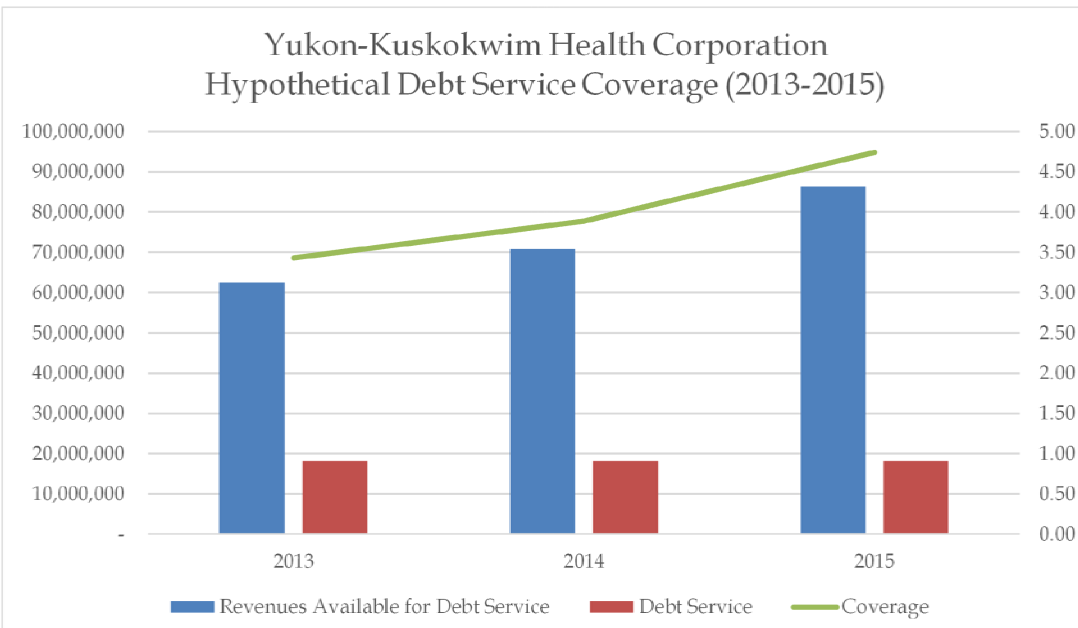
Security and Repayment

The Corporation will deposit Net Patient Revenue upon receipt with the Trustee pursuant to the Master Trust Indenture in a "Lockbox" fund for the purposes of paying parity debt service. "Net Patient Revenue" will be defined in the Master Indenture to mean all of the Corporation's net patient care revenue and other operating revenue, excluding all proceeds paid or payable by the Indian Health Service and all State or Federal Grants. The Lockbox fund is a modification of the patient account collection system currently in place at the Corporation. Currently, all of the payments from Medicaid, Medicare, other third-party payors, and self-pay collections for patient accounts receivable are delivered directly (electronically, by mail, or by bank deposit) to the Lockbox account, held in the Corporation's name and custody, for patient care revenue. Deposit de-

Under the Master Trust Indenture, the Lockbox account will be held in the custody and control of the Master Trustee subject to the provisions of the Master Trust Indenture. The Patient Net Revenue required for funding the debt issued subject to the Master Trust Indenture will be retained and invested by the Master Trustee as directed by the Master Trust Indenture with all excess funds being transferred to the Corporation operating cash account after current debt service requirements are met.

The Corporation will covenant to pay debt service on the AMBBA loan and other parity loans prior to paying any and all costs and expenses, including but not limited to, operating expenses and maintenance costs. Aggregate principal and interest payments will be advance funded with monthly deposits to a lockbox in the amount of 1/6 of the next semiannual interest payment and 1/12 of the next annual principal payment.

The graph below presents a comparison of Net Patient Revenues for fiscal years 2013 through 2015 to estimated maximum annual debt service on all parity debt related to the project. In addition, the graph presents the estimated debt service coverage ratio of fiscal years 2013 through 2015 from pledged revenues against forecast maximum annual debt service on all parity debt.



Project Plan of Finance

The project financing includes revenue bonds issued by AMBBA, a conduit loan from the Alaska Industrial Development and Export Authority, a USDA Community Facility Direct Loan (the "USDA Direct Loan"), and equity contributed by the Corporation. During the start of the construction period, Corporation equity contributions and AMBBA will provide initial project capital.

During the construction period, interim financing will be necessary until the completion of the clinic component of the project. The interim financing is forecasted to begin in 2017 and continue through 2019. Interest on the interim financing proceeds will be capitalized during the forecast construction period. Interim financing components are anticipated to be retired with the proceeds on the issuance of the USDA Direct Loan.

The USDA Direct Loan is forecasted to be advanced upon completion of the clinic component of the project in December 15, 2019 (fiscal 2020) with interest only for 30 months, for a term of 40 years, maturing December 15, 2059. Equipment lease financing is expected to be used to finance the equipment included in the project. Equipment lease financing will commence during fiscal 2018 and fiscal 2020 in $5,000,000 increments, respectively. The financing leases are scheduled to mature after 10 years in fiscal 2028 and fiscal 2029, respectively.

Financing Conditions

The following are the terms under which the Corporation will borrow from AMBBA and may issue additional debt. These conditions will be formalized in the loan documents between AMBBA, other lenders, and the Corporation.

Debt Service Coverage Ratio: The Corporation will be required to maintain a debt service coverage ratio of not less than 1.25 times on maximum annual parity debt service, tested annually as of the end of each fiscal year. A coverage ratio of less than 1.25 times will result in the requirement that Corporation hire an independent consultant to make recommendations regarding improvement of the debt service coverage ratio.

Days Cash on Hand: The Corporation will maintain at least 50 days cash on hand and will report this figure to AMBBA semi-annually. Cash on hand of less than 50 days will result in the requirement that Corporation hire an independent consultant to make recommendations regarding improvement of the liquidity position. It is important to note that the Corporation's Permanent Fund, which currently holds approximately $80 million, is available for use at the Board's discretion.

Additional Bonds: The Corporation may issue additional debt, as long as the Corporation demonstrates that the coverage ratio of maximum annual debt service on existing and proposed new debt is at least 1.25 times based on pledged revenues reported in the most recent audited financial statements. Alternatively, the Corporation may issue additional debt based on a coverage ratio of at least 1.50 times of maximum annual debt service on existing and proposed new debt based on a forecast of pledged revenues reported by a consulting engineer or certified public accountant approved by AMBBA staff with expertise in health care finance. No debt will be allowed which has a senior pledge to that of the AMBBA loan.

Negative Pledge: The Corporation will covenant not to pledge or otherwise encumber or transfer or assign the Corporation's Net Patient Revenues. On a monthly basis, following receipt of one-sixth of the next interest payment and one-twelfth of the next principal payment due to the master trustee, the excess pledged revenues will be transferred to the Corporation.

Debt Service Reserve Fund: The Corporation will provide a cash funded Debt Service Reserve Fund in an amount equal to the lesser of (a) maximum annual debt service, (b) 125% of average annual debt service, and (c) 10% of the par amount of the proposed financing with AMBBA. The Corporation's reserve will be held by AMBBA's Trustee.

Statement of No Litigation

Staff of the Corporation have delivered letters from two outside attorneys and one letter from the Corporation General Counsel related to the status of litigation, if any, related to the Corporation. Each of those letters, however, were written during January 2016. As such, a letter from the Corporation related to the status of any litigation in the form contained in AMBBA's application materials needs to be provided as a condition of the AMBBA loan.

Issues Remaining to be Resolved

The Corporation's proposed financing plan is complicated and involves a number parties. Consequently, several issues are as yet unresolved, and will require resolution prior to an unqualified recommendation for AMBBA to move forward with the contemplated loan. The following is a list of some of the most significant issues that remain to be resolved:

● The Wells Fargo note and agreement will need to be amended to restrict the security pledge to assets of the Permanent Fund and to permit, without Wells' consent, additional financing secured by other assets, securities and accounts;

● Financing documents related to the AIDEA conduit bond anticipation notes (the Raymond James Notes) have not yet been drafted, but the assumption is that payment of the BANs will be made and secured solely by proceeds of one or more USDA loans. If one or more USDA loans are not made, payment of the BANs would be made from the same revenues pledged to AMBBA, but at what level they would be secured (parity or subordinate) has not been determined;

● The financing documents will need to address the issue of lease-financed equipment, and the remedies in the event that equipment essential to Corporation operations is repossessed;

● The Corporation has outstanding debt obligations, and the nature of the pledge to those obligations is still being investigated;

● AMBBA's bond counsel is working with the Corporation to have the Corporation and the IHS provide a certificate satisfactory AMBBA's counsel that neither party intends that IHS would ever physically occupy or otherwise use the Project, a necessary representation if bond counsel is to conclude that interest on the AMBBA loan is exempt from federal income tax;

● The parties are still developing a parity agreement to deal with issues such as cross-defaults and remedies, differing covenants and the need for separate contacts with the Corporation;

● Financial and other covenants have not yet been finalized and, because they will be vary by lender, additional issues will arise and need to be resolved.

Summary

Based on our assessment, the pledge of Patient Net Revenues of the Yukon-Kuskokwim Health Corporation, conditioned upon the satisfactory resolution of outstanding issues detailed in this credit summary, will provide sufficient security to justify approval of the application. This security is augmented by the Corporation's cash-funded debt service reserve held by AMBBA's trustee, as well as the deposits to the lockbox which will be transferred monthly to the Master trustee.

We will report back to the Board at a meeting in January the working group's progress at addressing the issues raised in this report. If you or any of the Board members have any questions regarding our analysis, please feel free to call me at (503) 719-6113.

For Western Financial Group, LLC

Chip Pierce

Yukon-Kuskokwim Supplemental Information

The Yukon-Kuskokwim Delta, or Y-K Delta, covers 75,000 square miles in southwestern Alaska. It is located where the Yukon and Kuskokwim rivers empty into the Bering Sea on the west coast of Alaska. The delta, which mostly consists of tundra, is protected as part of the Yukon Delta National Wildlife Refuge.

Bethel is the commercial center of the Y-K Delta and is located at the mouth of the Kuskokwim River, 40 miles inland from the Bering Sea. It lies in the Yukon Delta National Wildlife Refuge, 400 air miles west of Anchorage.

Bethel was first established by Yup'ik Eskimos. There were 41 people in Bethel during the 1880 U.S. Census. At that time, it was an Alaska Commercial Company Trading Post. The Moravian Church established a mission in the area in 1884. The community was moved to its present location due to erosion at the prior site. A post office was opened in 1905. In the early 20th century, Bethel began serving as a trading, transportation and distribution center for the region, which attracted Natives from surrounding villages. The City was incorporated in 1957. Over time, federal and state agencies established regional offices in Bethel. A federally-recognized tribe is located in the community -- the Orutsararmuit Native Council.

The population of the community consists of 68% Alaska Native or part Native. The traditional Yup'ik Eskimo practices and language remain predominant in the area. Subsistence activities and commercial fishing are major contributors to residents' livelihoods.

Bethel serves as the regional center for 56 villages in the Yukon-Kuskokwim Delta. Food, fuel, transportation, medical care, and other services for the region are available in Bethel. Approximately half of the jobs in Bethel are in government positions. Commercial fishing is an important source of income; 200 residents hold commercial fishing permits, primarily for salmon and herring roe net fisheries. Subsistence activities contribute substantially to villager's diets, particularly salmon, freshwater fish, game birds and berries.

The State-owned Bethel Airport is the regional transportation center, and is served by a number of passenger airlines, cargo carriers, and numerous air taxi services. It offers a 6,398 foot long by 150 foot wide asphalt runway and 1,850 foo long by 75 foot wide gravel crosswind runway. Two float plane bases are nearby, Hangar Lake and H Marker Lake. The Port of Bethel includes a small boat harbor, dry land storage, and up to 5,000 feet of transient moorage on the seawall. River travel is the primary means of local transportation in the summer, and it becomes a 150-mile ice road to surrounding villages in the winter. A barge service based in Bethel provides goods to the Kuskokwim villages. There are 16 miles of graded dirt roads maintained by the City and 22 miles of paved roads maintained by the State DOT.

The City contains several retail establishments, including two large supermarkets, two bulk grocery stores and several convenience stores and restaurants. This concentration of retail activity is a function of the role of the City as a hub city of Western Alaska.

Several state organizations use the City as a base of operations. Bethel is the regional center for the State of Alaska Court System and serves as a base for the District Attorney's office, the Attorney General's office and other Court affiliated enterprises. There is also a Legislative Information Office located in Bethel and the Alaska State Troopers are located in the community.

In addition to the Yukon-Kuskokwim Delta Regional Hospital in Bethel, the Corporation has five sub-regional clinics that can provide many of the same services found at the Bethel Hospital site. The clinics are located in: 1) Aniak – located on the south bank of the Kuskokwim River and at the head of the Aniak Slough, 92 miles northeast of Bethel; 2) Emmonak – 10 miles from the Bering Sea, located on the north bank of the Kwiguk Pass at the mouth of the Yukon River; 3) Hooper Bay, the westernmost sub-regional clinic, the Hooper Bay clinic, which is located 152 miles west of Bethel; 4) St. Mary's, site of the St. Mary's sub-regional clinic, which offers residents of both St. Mary's and Andreafsky the wide range of services and treatments the predominantly Yup'ik community relies on throughout the year. This clinic is located just 5 miles from the confluence of the Yukon and Andreafsky Rivers and 100 miles northwest of Bethel; and 5) Toksook Bay – the Corporations's only sub-regional clinic not on the mainland, the Toksook Bay clinic is located on the 33 square mile Nelson Island, 115 miles northwest of Bethel.

The Corporation also operates 41 village clinics staffed by community health aides that are supervised by doctors and mid-level in Bethel or in the sub-regional clinics.

Appendix:

Yukon-Kuskokwim Health Corporation
Statements of Revenues, Expenses
and Changes in Net Position

2013 - 2015

Yukon-Kuskokwim Health Corporation

Statements of Revenues, Expenses and Changes in Net Position

Years Ended September 30,	2013	2012
Operating Revenues:		
Patient Care Revenue	$ 122,130,913	$ 125,156,465
Less Contractual Allowance	(58,563,358)	(52,536,077)
Less Provision for Bad Debt	(4,748,348)	(3,116,440)
Net Patient Care Revenue	58,819,207	69,503,948
Funding Agreement	69,741,141	72,524,932
Operating Grant Revenue	18,856,970	19,626,975
Other Revenue	3,164,866	4,255,990
Total Operating Revenues	150,582,184	165,911,845
Operating Expenses:		
Total Salaries	72,953,332	71,771,494
Net Fringe Benefits	25,450,529	23,585,918
Contracts and Fees	17,089,049	14,206,770
Supplies	10,770,163	12,277,110
Utilities	8,938,984	8,387,523
Travel	6,982,581	7,325,109
Depreciation and Amortization	6,618,359	5,142,716
Rental Fees	3,815,655	3,721,012
Furniture and Equipment	1,606,808	1,851,193
Government Labor	1,402,949	981,767
Freight and Postage	1,271,829	1,403,313
Repairs and Maintenance	1,023,189	1,175,185
Insurance	1,021,710	894,985
Dues and Subscriptions	705,906	946,491
Relocation	655,972	490,078
Education, Advertising and Licensing	631,965	814,549
Miscellaneous	1,382,665	1,819,562
Total Operating Expenses	162,321,645	156,794,775
Operating Income (Loss)	(11,739,461)	9,117,070
Nonoperating Revenue (Expense):		
Equity in Loss of LifeMed (note 5)	(2,006,922)	(279,455)
Equity in Loss of YK Technologies (note 5)	-	(11,093)
Investment Income (note 2)	2,295,227	3,437,005
Gain (Loss) on Disposal of Assets	(187,231)	912
Interest Expense	(625,266)	(653,584)
Total Nonoperating Income (Loss)	(524,192)	2,493,785
Income (Loss) before Capital Contributions	(12,263,653)	11,610,855
Contributed Capital Assets	12,853,861	8,961,155
Increase in Net Position	590,208	20,572,010
Net Position at Beginning of Year	144,462,030	123,890,020
Net Position at End of Year	$ 145,052,238	$ 144,462,030

See accompanying notes to financial statements.

Yukon-Kuskokwim Health Corporation

Statements of Revenues, Expenses and Changes in Net Position

Years Ended September 30,	2014	2013
Operating revenues:		
Patient care revenue	$ 125,552,644	$ 122,130,913
Less provision for contractual	(52,473,544)	(54,842,224)
Less provision for bad debt	(2,357,986)	(4,748,348)
Net patient care revenue	70,721,114	62,540,341
Funding agreement	70,709,783	69,741,141
Operating grant revenue	21,616,399	18,856,970
Other revenue	4,805,774	3,164,866
Total operating revenues	167,853,070	154,303,318
Operating expenses:		
Total salaries	73,445,712	72,953,332
Net fringe benefits	29,900,309	29,171,663
Contracts and fees	18,104,282	17,089,049
Supplies	14,026,181	10,770,163
Utilities	8,377,976	8,938,984
Depreciation and amortization (note 4)	7,470,498	6,618,359
Travel	6,584,581	6,982,581
Rental fees	3,130,980	3,815,655
Furniture and equipment	1,945,726	1,606,808
Government labor	1,886,117	1,402,949
Freight and postage	1,768,219	1,271,829
Dues and subscriptions	1,112,731	705,906
Insurance	1,091,012	1,021,710
Repairs and maintenance	1,056,200	1,023,189
Education, advertising and licensing	771,288	631,965
Relocation	365,513	655,972
Miscellaneous	2,831,739	1,382,665
Total operating expenses	173,869,064	166,042,779
Operating income (loss)	(6,015,994)	(11,739,461)
Nonoperating revenue (expense):		
Equity in loss of LifeMed (note 5)	(625,734)	(2,006,922)
Investment income (note 2)	3,050,938	2,295,227
Non-recurring (note 8)	40,765,018	-
Gain (Loss) on disposal of assets	11,632	(187,231)
Interest expense	(617,743)	(625,266)
Total nonoperating income (loss)	42,584,111	(524,192)
Income (Loss) before capital contributions	36,568,117	(12,263,653)
Contributed capital assets	10,691,118	12,853,861
Increase in net position	47,259,235	590,208
Net Position, beginning of year	145,052,238	144,462,030
Net Position, end of year	$ 192,311,473	$ 145,052,238

See accompanying notes to financial statements.

Yukon-Kuskokwim Health Corporation

Statements of Revenues, Expenses and Changes in Net Position

Years Ended September 30,	2015	2014
Operating revenues:		
Patient care revenue	$ 159,188,375	$ 125,552,644
Less provision for contractual	(69,851,879)	(50,869,081)
Less uncompensated care	(1,831,957)	(1,604,463)
Less provision for bad debt	(1,198,643)	(2,357,986)
Net patient care revenue	86,305,896	70,721,114
Funding agreement	73,673,463	70,709,783
Operating grant revenue	19,485,682	21,616,399
Other revenue	4,286,576	4,805,774
Total operating revenues	183,751,617	167,853,070
Operating expenses:		
Total salaries	69,241,887	73,445,712
Net fringe benefits	17,320,525	29,900,309
Contracts and fees	17,851,971	18,104,282
Supplies	14,378,215	14,026,181
Utilities	8,662,367	8,377,976
Depreciation and amortization (note 4)	7,761,798	7,470,498
Travel	6,875,382	6,584,581
Rental fees	3,112,015	3,130,980
Furniture and equipment	1,211,199	1,945,726
Government labor	1,842,624	1,886,117
Freight and postage	1,315,329	1,768,219
Dues and subscriptions	1,096,894	1,112,731
Insurance	1,083,038	1,091,012
Repairs and maintenance	1,065,117	1,056,200
Education, advertising and licensing	1,082,923	771,288
Relocation	339,449	365,513
Miscellaneous	2,152,510	2,831,739
Total operating expenses	156,393,243	173,869,064
Operating income (loss)	27,358,374	(6,015,994)
Nonoperating revenue (expense):		
Equity in loss of lifeMed (note 5)	(1,036,963)	(625,734)
Investment income (loss) (note 2)	(1,962,542)	3,050,938
Non-recurring	761,292	40,765,018
Gain (Loss) on disposal of assets	80,672	11,632
Interest expense	(422,153)	(617,743)
Total nonoperating income (loss)	(2,579,694)	42,584,111
Income (Loss) before capital contributions	24,778,680	36,568,117
Contributed capital assets	3,084,092	10,691,118
Increase in net position	27,862,772	47,259,235
Net Position, beginning of year	192,311,473	145,052,238
Net Position, end of year	$ 220,174,245	$ 192,311,473

See accompanying notes to financial statements.

Regional Health Organization Application

A request for the Alaska Municipal Bond Bank Authority (the Bond Bank) to purchase obligations of the applicant. This isn't considered a commitment on the part of the applicant or the Bond Bank. Additional information may be requested before a final recommendation.

I. General Information

A. "regional health organization" as defined in AS 18.28.100(6) means a nonprofit corporation or home rule borough that provides health aide services under a contract with the Alaska Native Health Service in a rural area that is at least 4,000 square miles

B. Name of Regional Health Organization ("RHO") (Applicant):

Yukon-Kuskokwin Health Corporation

C. Main Contact Person for the RHO:

Name:	Tommy Tompkins	Title:	CFO		
Address:	P. O. Box 528	City:	Bethel	State: AK	Zip:99559
Phone:	907.543.6000	Fax:		E-mail:	tommy_tompkins@ykhc.org

D. RHO Transaction Counsel:

Main Contact Person for the RHO:

Name:	Susan Berry	Title:	Orrick, Herrington & Sutcliffe LLP		
Address:		City:	Seattle	State: WA	Zip:
Phone:	(206) 839-4345	Fax:		E-mail:	susanbarry@orrick.com

E. RHO Financial Advisor **Also:** Fred Eoff, Director, 1200 Fifth Ave., Ste. 1220, Seattle, WA 98101

Main Contact Person for the RHO: eoff@pfm.com, #206.858.5370

Name:	Errol Brick	Title:	Managing Director		
Address:	40 Wall Street, 49th Floor	City:	New York	State: NY	Zip: 10005
Phone:	212.949.6656	Fax:		E-mail:	bricke@pfm.com

E. RHO Project Feasibility Consultant:

Main Contact Person for the RHO:

Name:	Jeffrey Johnson	Title:	CPA, Partner		
Address:	201 W. North River Drive, Suite 400	City:	Spokane	State: WA	Zip: 99201
Phone:	509.232.2498	Fax:		E-mail:	jjohnson@wipfli.com

II. Issue Information	
A. Project cost: $316,193,705	
B. Bond Bank Loan Request: $102,500,000	
C. Other funding secured or delivered for the project - Attach evidence/contact information:	
Amount $165,000,000	Source: USDA
Amount $ 25,000,000	Source: AIDEA
Amount $ 8,200,000	Source: Yukon-Kuskokwin Health Corporation
Total Other Funding $ 15,000,000 lease financing and $794,000 in interest income from the project funds	
D. Desired loan term in years: 30 years	

E. Describe any desired or needed structural features of debt. See attached Plan of finance

F. Attach a copy of the project financial feasibility report. If the project is already in place at least three years of post-project operating results can be substituted for a feasibility report.

G. Provide any available credit ratings and reports of the RHO.

H. Certify that you have contacted the State Department of Health and Social Services to provide the Bond Bank with a letter declaring whether the Commissioner anticipates that the proposed project will result in a state financial benefit and increase in regional quality of care.

1. If not contact DH&SS at:

The Office of Rate Review
Department of Health and Social Services
3601 C Street (978) | Anchorage, AK 99503
office: 907.334.2447

2. Information required by DH&SS may be incorporated into the feasibility report. Information must include, but is not limited to:

a. An estimate of total population served and to be served through the proposed project. This should include a breakdown of age groups 0-21, 22-64 and 65 plus because it will help determine the array of services to be added or enhanced over the next several decades.

b. Of total population, the estimated share of AI/AN beneficiaries, AI/AN Medicaid recipients, and non-AI/AN Medicaid recipients. This should include a percentage and dollar value of other third-party liability currently generating a revenue mix along with projected revenue for future years

c. A detailed explanation from the RHO on whether the project will achieve a state financial benefit. This should include services that are being added, enhanced, etc, and whether there will be an incentive for beneficiaries to stay in region.

d. A detailed explanation from the RHO on whether the project will achieve an increase in regional quality of care. This should include how any freed or new resources realized from refinancing at a reduced interest rate will enhance care through existing and expanded services.

e. An estimate of any costs for travel and accommodations that will be avoided for Medicaid recipients as a result of the proposed project. This should include emergent and non-

f. A detailed explanation from the RHO about its strategy for outreach and enrollment efforts to ensure a wide array of benefit plans are in place for Medicaid and other third-party liability opportunities.

g. A detailed explanation from the RHO about the model of care (i.e. patient centered medical home) and divert/referral patterns it uses and will use to help keep families in region and increase effective, stable care through prevention and intervention.

I. Give a brief summary of your Organization's revenues. Describe any positive or negative trends or factors. Include an explanation of the expectation of change to the RHO's revenues or financial condition in the coming three years. (If this information is available in an annual report, provide a copy with your application.) ☐Attached

J. Summarize the RHO's means of securing the proposed loan, including a three year historical summary and a three year projection of the revenues that will be pledged to secure the Bond Bank loan. Provide all details of the security as needed in attachments.

K. Summarize the RHO's current debt outstanding and proposed future debt:

L. Provide structure detail showing amortization and interest rates of all debt outstanding and proposed. Include any optional call features.

M. Describe the priority of payment for existing, future and the proposed Bond Bank debt from RHO sources. Provide evidence of legal requirements of existing debt.

N. Any additional structural points (Additional Bonds Test, Revenue to Debt Service Ratio, Repair and Replacement Reserves, Debt Service Reserves, Payment Requirements)

O. Does the project need interim financing?

1. If applicable, provide interim financing informatior

Amount:	Maturity:	Rate:	Lender:
$100,000,000	Jun-19	1.65%	Wells Fargo & Raymond James

2. Provide information that would impact the Bond Bank's ability to retire the interim financing with permanent financing. (Attach all supporting documentation)

P. Describe project to be financed, including the information requesting in 1-8. If this information is available in a project feasibility study, you may reference and attach it, or provide the expected by date of the feasibility study.

1. Are engineering and specifications completed ❑Yes X No
2. If not, when are engineering and specifications projected for completion? Prelims complete, final to b
3. Have construction bids been awarded? X Yes ❑No
4. If so, list all contractors connected to the project, including subcontractors: **Please see attached.**
5. Are there additional state or local approvals required? X Yes ❑No
6. Describe timing/scheduling plan and where you are in the design process: YKHC is through the 35% phase of the design process and is now on to design development. The 65% completion stage will be finalized in December of 2016.
7. What is the projected completion date of the project? June 2019 for the first phase and February of 2021 for the hospital remodel.
8. What is the proposed management plan for the project? List all entities involved. Please see attached.

Q. Has your Organization ever defaulted on an obligation? ❑Yes X No

If yes, please attach an explanation. ❑Attached

R. Are there any expected changes in work force or operations?

If yes, provide an explanations. X Attached - ple

S. Provide your audited financial statements from the last three years (provide your unaudited statement if audit hasn't been performed). X Attached

T. Provide your current year's budget. X Attached

U. Provide all capital improvement plans. X Attached

V. Provide any other financial or economic information that will assist evaluation of your

IV. Legal Information

A. Attach a certificate of your legal counsel that establishes there is no litigation pending or threatened in any court in any way including:

1. affecting the existence of the Applicant, or the titles or officers to the respective offices of the Applicant, or seeking to restrain, enjoin or challenge the authority or power of the Applicant to enter into the loan transaction, or the right or authority of the Applicant to collect revenues, including federal reimbursements, pledged or to be pledged to pay the principal of and interest on the loan, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the loan or the loan agreement between the Applicant and the Bond Bank; or

2. against the Applicant or involving any of the property or assets of or under the control of the Applicant, which, whether individually or in the aggregate involves the possibility of any judgment or uninsured liability which may result in any material change in the revenues, properties, or assets, or in the condition, financial or otherwise, of the Applicant.

B. An opinion or certificate to the same effect, dated the date of the closing, shall be delivered to the Bond Bank on the date of closing.

C. If any such litigation is pending or threatened, attach a description of the litigation, including caption and case number, description of the relief requested as it pertains to the matters described, and the procedural status of the litigation

The facts and representations in this application and all attachments are true and accurate in all respects and no material facts are omitted to the best of my knowledge

Daniel J. Winkelman

President/CEO

Title

Signature

8/30/16

Date of Application

Please return all applications to:
Deven Mitchell
Alaska Municipal Bond Bank Authority
Department of Revenue
PO Box 110405
Juneau, AK 99811-0405
(907) 465-3750 phone
(907) 465-2389 fax
deven.mitchell@alaska.gov

Yukon-Kuskokwim Health Corporation

Bethel, Alaska

Historical and Forecasted Financial Statements and Supplementary Information

Years Ended September 30, 2010 Through 2015 (Historical) and
Years Ending September 30, 2016 Through 2022 (Forecasted)

Yukon-Kuskokwim Health Corporation

Historical and Forecasted Financial Statements and Supplementary Information
Years Ended September 30, 2010 Through 2015 (Historical) and Years Ending September 30, 2016 Through 2022 (Forecasted)

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Wipfli LLP
201 W. North River Drive, Suite 400
Spokane, WA 99201
509.489.4524
fax 509.489.4682
www.wipfli.com

WIPFLi LLP
CPAs and Consultants

August 16, 2016

Board of Directors
Yukon-Kuskokwim Health Corporation
Bethel, Alaska

We have prepared a financial feasibility study of the Yukon-Kuskokwim Health Corporation (the "Corporation") plan to construct a new primary care clinic, inpatient unit, and conduct significant renovations to the existing hospital in Bethel, Alaska. The study was undertaken to evaluate the ability of the Corporation to meet its operating expenses, working capital needs, and other financial requirements, including the debt service requirements associated with the proposed $165,000,000 of U.S. Department of Agriculture Community Facility Direct Loan, at an assumed annual borrowing rate of 3.625%, a $25,000,000 revenue bond issued through the Alaska Industrial Development and Export Authority (AIEDA), at an assumed borrowing rate of 5.25%, and a revenue bond issued through the Alaska Municipal Bond Bank Authority (AMBBA) in the amount of $102,500,000, at an assumed borrowing rate of 3.820%, during the period of October 1, 2016 through September 30, 2022. We issued our report on August 16, 2016 that includes assumptions that are particularly sensitive to the financial feasibility study.

Based on the results of the market demand study, it is concluded there is a market need in the Corporation's service area. The following key results of the market demand analysis have led to this overall conclusion:

- Significant opportunity to increase primary care services in the primary and secondary service area due to increased demand for services.
- Lack of accessibility for outpatient services due to space constraints.
- No other hospitals or emergency services exist in the primary or secondary service area.

This letter is intended solely for the information and use of the Board of Directors, management, the U.S. Department of Agriculture, AIEDA, and AMBBA and should be read in conjunction with the financial feasibility study dated August 16, 2016.

Sincerely,

Wipfli LLP

Wipfli LLP

Independent Accountant's Report

Board of Directors
Yukon-Kuskokwim Health Corporation
Bethel, Alaska

Report

We have examined the accompanying forecasted statements of net positon, statements of revenue, expenses, and changes in net position, and cash flows, and the schedules of ratios of Yukon-Kuskokwim Health Corporation (the "Corporation"), as of September 30, 2016 through 2022, and for the years then ending. The Corporation's management is responsible for the forecast. Our responsibility is to express an opinion on the forecast based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA) and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by management and the preparation and presentation of the forecast. We believe that our examination provides a reasonable basis for our opinion.

Opinion

In our opinion, the accompanying forecast is presented in conformity with guidelines for presentation of a forecast established by the AICPA, and the underlying assumptions provide a reasonable basis for management's forecast. However, there usually will be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. Assumptions that are particularly sensitive and for which variation in the assumption would have a significant effect on forecasted results are presented on pages 78 through 88. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

Other

We also have compiled the accompanying historical statements of net position of the Corporation as of September 30, 2010 through 2015, and the related historical statements of revenue, expenses, and changes in net position, and cash flows, and the schedules of ratios for the years then ended included on pages 4 through 10. The accompanying 2010 through 2015 financial statements were audited by other auditors and expressed an unmodified opinion on those statements.

We have not audited or reviewed the accompanying historical financial statements and schedules of ratios for 2010 through 2015 and, accordingly, do not express an opinion or provide any assurance about whether the historical financial statements are in accordance with accounting principles generally accepted in the United States (GAAP), or that the schedules of ratios is computed in accordance with their definitions.

Management is responsible for the preparation and fair presentation of the historical financial statements in accordance with GAAP and for the preparation and presentation of the schedules of ratios, and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the historical financial statements and schedules of ratios. Our responsibility is to conduct the compilation in accordance with Statements on Standards for Accounting and Review Services issued by the AICPA. The objective of a compilation is to assist management in presenting financial information in the form of historical financial statements and within the schedules of ratios without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the historical financial statements and schedules of ratios.

Management has elected to omit the management's discussion and analysis (MD&A) and substantially all of the disclosures required by GAAP in the historical financial statements. If the omitted MD&A and disclosures were included in the historical financial statements, they might influence the user's conclusion about the Corporation's financial position, results of operations, and cash flows. Accordingly, these historical financial statements are not designed for those who are not informed about such matters.

Supplementary Information

Our examination of the financial forecast was made for the purpose of forming an opinion on whether the financial forecast is presented in conformity with AICPA guidelines for presentation of a financial forecast and whether the underlying assumptions provide a reasonable basis for the forecast. The supplementary information presented on pages 89 to 101 is presented for purposes of additional analysis and is not a required part of the financial forecast. Such information has not been subjected to procedures applied in the examination of the financial forecast and, accordingly, we express no opinion or any other form of assurance on it. However, as noted in the preceding paragraph, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Wipfli LLP

Wipfli LLP

August 16, 2016
Spokane, Washington

Yukon-Kuskokwim Health Corporation

Statements of Net Position

September 30, 2010 Through 2015 (Historical) and September 30, 2016 Through 2022 (Forecasted)

	Historical						Forecasted						
Assets	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Current assets:													
Cash and cash equivalents	$ 5,444,000	$ 6,190,500	$ 3,975,100	$ 1,430,200	$ 5,353,800	$ 23,147,900	$ 23,077,700	$ 24,486,300	$ 22,500,600	$ 21,709,500	$ 28,554,100	$ 37,969,400	$ 42,477,000
Amounts receivable:													
Funding agencies	7,278,600	11,661,400	13,308,200	12,790,400	8,273,500	6,337,500	6,527,600	6,723,400	6,925,100	7,132,900	7,346,900	7,567,300	7,794,300
Patients, net of contractuals and allowances	9,632,500	10,604,000	10,684,400	14,157,100	15,279,700	11,973,300	18,082,100	15,988,200	16,321,700	16,672,000	17,128,400	17,602,900	17,902,100
Employee advances and relocation costs	66,700	110,100	278,800	323,800	371,500	764,400	787,300	810,900	835,200	860,300	886,100	912,700	940,100
Other	5,037,700	3,067,900	2,005,500	3,174,500	3,077,100	56,700	58,400	60,200	62,000	63,900	65,800	67,800	69,800
Investments	6,226,100	7,756,000	10,336,100	356,600	267,100	9,080,500	18,419,700	28,314,000	38,795,100	49,896,100	61,702,500	74,253,000	87,476,900
Prepaid expenses	691,800	529,900	598,200	1,003,200	865,800	1,422,500	1,465,200	1,509,200	1,554,500	1,601,100	1,649,100	1,698,600	1,749,600
Inventory	2,869,000	2,842,500	2,868,700	2,943,000	2,627,300	2,902,800	2,989,900	3,079,600	3,172,000	3,267,200	3,365,200	3,466,200	3,570,200
Current portion of employee home loans receivable	8,200	7,400	5,600	7,200	4,300	24,400	25,400	26,400	27,500	28,600	29,700	30,900	32,100
Current portion of student loans receivable	-	1,900	13,700	82,800	182,900	312,300	324,800	337,800	351,300	365,400	380,000	395,200	411,000
Total current assets	37,254,600	42,771,600	44,074,300	36,268,800	36,303,000	56,022,300	71,758,100	81,336,000	90,545,000	101,597,000	121,107,800	143,964,000	162,423,100
Employee home loan, less current portion	64,300	50,900	40,300	31,400	27,800	5,500	5,700	5,900	6,100	6,300	6,600	6,900	7,200
Student loans receivable	28,700	168,500	188,700	331,200	448,600	267,900	278,600	289,700	301,300	313,400	325,900	338,900	352,500
Assets limited as to use	-	-	-	-	-	-	-	48,311,600	17,526,800	11,894,200	38,784,800	29,891,500	30,811,400
Investment in Permanent Fund	34,776,100	35,154,500	38,403,100	40,657,800	81,968,200	79,998,300	62,201,800	77,322,300	80,415,200	83,631,800	86,977,100	90,456,200	94,074,400
Investment in IDD	1,005,800	-	-	-	-	-	-	-	-	-	-	-	-
Investment in LifeMed	5,188,700	8,206,300	10,851,800	8,844,900	8,219,100	7,182,200	6,557,200	5,932,200	5,307,200	4,682,200	4,057,200	3,432,200	2,807,200
Investment in YK Technologies	64,100	64,100	53,000	53,000	53,000	53,000	53,000	53,000	53,000	53,000	53,000	53,000	53,000
Capital assets -													
Net of accumulated depreciation and amortization	73,061,300	77,131,100	88,215,500	103,800,300	108,127,100	107,952,300	124,584,100	164,212,800	274,488,600	308,914,400	348,849,300	342,121,300	329,581,300
TOTAL ASSETS	$ 151,443,600	$ 163,547,000	$ 181,826,700	$ 189,987,400	$ 235,146,800	$ 251,481,500	$ 265,438,500	$ 377,463,500	$ 468,643,200	$ 511,092,300	$ 600,161,700	$ 610,264,000	$ 620,110,100

See Independent Accountant's Report.

See Summary of Significant Accounting Policies, Forecast Assumptions, and Sensitivity Analyses.

Yukon-Kuskokwim Health Corporation

Statements of Net Position (Continued)

September 30, 2010 Through 2015 (Historical) and September 30, 2016 Through 2022 (Forecasted)

Liabilities and Net Position	Historical						Forecasted						
	2010	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Current liabilities:													
Line of credit	$ -	$ -	$ -	$ 4,000,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Current portion of long-term debt - Existing	684,000	722,800	763,300	806,100	841,400	805,600	805,600	788,100	837,500	890,000	940,000	990,000	1,040,000
Current portion of long-term debt - New	-	-	-	-	-	-	-	328,400	412,100	761,600	867,500	3,796,900	5,755,500
Current portion of capital lease obligations	188,200	39,100	28,300	-	-	-	-	-	-	-	-	-	-
Accounts payable and accrued expenses	9,738,600	$ 12,806,500	11,192,000	14,754,700	9,380,100	7,488,000	9,219,200	9,314,600	9,608,700	10,578,800	10,925,100	11,406,000	11,745,600
Unearned revenue	7,010,000	6,363,100	5,502,400	5,033,100	13,027,000	4,636,400	4,775,500	4,918,800	5,066,400	5,218,400	5,375,000	5,536,300	5,702,400
Accrued salaries, leave and fringe payable	8,157,000	8,866,500	9,792,600	11,072,100	11,170,100	10,531,300	10,847,300	11,172,700	11,507,900	11,853,100	12,208,700	12,575,000	12,952,300
Total current liabilities	25,777,800	28,798,000	27,278,600	35,666,000	34,418,600	23,461,300	25,647,600	26,522,600	27,432,600	29,301,900	30,316,300	34,304,200	37,195,800
Capital lease obligations, less current maturities	29,100	-	-	-	-	-	-	-	-	-	-	-	-
Long-term debt, less current maturities - New	-	-	-	-	-	-	-	102,171,600	185,544,700	226,594,600	300,130,400	296,333,500	290,578,000
Long-term debt, less current maturities - Existing	11,592,400	10,858,900	10,086,000	9,269,200	8,416,700	7,845,700	7,040,200	6,252,100	5,414,600	4,524,600	3,584,600	2,594,600	1,554,600
Total liabilities	37,399,300	39,656,900	37,364,600	44,935,200	42,835,300	31,307,000	32,687,800	134,946,300	218,391,900	260,421,100	334,031,300	333,232,300	329,328,400
Net position:													
Net Investment in capital assets	60,567,500	65,510,300	77,337,900	93,725,000	98,869,000	99,301,000	116,738,300	102,984,200	99,806,500	88,037,800	82,111,600	68,297,800	61,464,600
Unrestricted:													
Investment in Permanent Fund	34,776,100	35,154,500	38,403,100	40,657,800	81,968,200	79,998,300	62,201,800	77,322,300	80,415,200	83,631,800	86,977,100	90,456,200	94,074,400
General operations	18,700,700	23,225,300	28,721,100	10,669,400	11,474,300	40,875,200	53,810,600	62,210,700	70,029,600	79,001,600	97,041,700	118,277,700	135,242,700
Total net position	114,044,300	123,890,100	144,462,100	145,052,200	192,311,500	220,174,500	232,750,700	242,517,200	250,251,300	250,671,200	266,130,400	277,031,700	290,781,700
TOTAL LIABILITIES AND NET POSITION	$ 151,443,600	$ 163,547,000	$ 181,826,700	$ 189,987,400	$ 235,146,800	$ 251,481,500	$ 265,438,500	$ 377,463,500	$ 468,643,200	$ 511,092,300	$ 600,161,700	$ 610,264,000	$ 620,110,100

See Independent Accountant's Report.

See Summary of Significant Accounting Policies, Forecast Assumptions, and Sensitivity Analyses.

Yukon-Kuskokwim Health Corporation

Statements of Revenue, Expenses, and Changes in Net Position

Years Ended September 30, 2010 Through 2015 (Historical) and Years Ending September 30, 2016 Through 2022 (Forecasted)

	Historical						Forecasted						
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue:													
Patient care revenue	$ 121,375,400	$ 124,163,500	$ 125,156,500	$ 122,130,900	$ 125,552,600	$ 159,188,400	$ 187,019,800	$ 193,658,000	$ 200,481,400	$ 207,494,000	$ 214,699,500	$ 222,109,800	$ 229,534,800
Less provision for contractual adjustments	(60,698,600)	(60,198,600)	(55,652,500)	(59,590,500)	(54,831,500)	(72,882,500)	(99,020,300)	(103,878,100)	(108,829,000)	(113,874,500)	(118,517,100)	(123,262,600)	(129,007,400)
Net patient care revenue	60,676,800	63,964,900	69,504,000	62,540,400	70,721,100	86,305,900	87,999,500	89,779,900	91,652,400	93,619,500	96,182,400	98,847,200	100,527,400
Funding agreement	69,062,100	69,457,800	72,524,900	69,741,100	70,709,800	73,673,500	74,041,900	74,412,100	74,784,200	84,209,500	119,554,600	145,474,300	155,025,200
Operating grant revenue	17,824,300	19,383,400	19,627,000	18,857,000	21,616,400	19,485,700	19,485,700	19,485,700	19,485,700	19,485,700	19,485,700	19,485,700	19,485,700
Other revenue	3,370,600	3,338,200	4,256,000	3,164,900	4,805,800	4,286,600	4,286,600	4,286,600	4,286,600	4,286,600	4,286,600	4,286,600	4,286,600
Total operating revenues	150,933,800	156,144,300	165,911,900	154,303,400	167,853,100	183,751,700	185,813,700	187,964,300	190,208,900	201,601,300	239,509,300	268,093,800	279,324,900
Operating expenses:													
Total salaries	69,379,100	70,835,100	71,771,500	72,953,300	73,445,700	69,241,900	76,760,000	80,963,800	83,299,300	89,110,500	102,797,400	117,888,600	122,928,100
Net fringe benefits	18,867,100	20,797,800	23,585,900	29,171,700	29,900,300	17,320,500	23,028,000	24,289,100	24,989,800	26,733,200	30,839,200	35,366,600	36,878,400
Contracts and fees	9,884,900	13,193,000	14,206,800	17,089,100	18,104,300	17,852,000	18,387,600	18,939,200	19,507,400	20,092,600	20,695,400	21,316,300	21,955,800
Supplies	11,811,100	11,898,800	12,277,100	10,770,200	14,026,200	14,378,200	17,398,700	15,795,200	16,265,000	16,748,800	17,247,000	17,760,800	18,274,300
Utilities	7,341,500	7,301,100	8,387,500	8,939,000	8,378,000	8,662,400	8,922,200	9,189,800	9,465,500	14,000,800	14,420,900	15,595,300	16,063,200
Depreciation and amortization	4,830,200	5,359,700	5,142,700	6,618,400	7,470,500	7,761,800	7,403,900	7,535,600	7,231,300	11,875,400	10,387,400	13,939,400	14,040,000
Travel	5,858,200	7,245,000	7,325,100	6,982,600	6,584,600	6,875,400	7,081,700	7,294,200	7,513,000	7,738,400	7,970,600	8,209,700	8,456,000
Rental fees	4,197,900	3,924,900	3,721,000	3,815,700	3,131,000	3,112,000	3,205,400	3,301,600	3,400,600	3,502,600	3,607,700	3,715,900	3,827,400
Furniture and equipment	1,332,100	1,673,000	1,851,200	1,606,800	1,945,700	1,211,200	1,247,500	1,284,900	1,323,400	1,363,100	1,404,000	1,446,100	1,489,500
Government labor	1,260,300	1,015,300	981,800	1,402,900	1,886,100	1,842,600	1,897,900	1,954,800	2,013,400	2,073,800	2,136,000	2,200,100	2,266,100
Freight and postage	1,657,800	1,664,800	1,403,300	1,271,800	1,768,200	1,315,300	1,354,800	1,395,400	1,437,300	1,480,400	1,524,800	1,570,500	1,617,600
Dues and subscriptions	464,200	761,500	946,500	705,900	1,112,700	1,096,900	1,129,800	1,163,700	1,198,600	1,234,600	1,271,600	1,309,700	1,349,000
Insurance	1,018,200	918,700	895,000	1,021,700	1,091,000	1,083,000	1,115,500	1,149,000	1,183,500	1,750,600	1,803,100	1,949,900	2,008,400
Repairs and maintenance	763,300	1,038,700	1,175,200	1,023,200	1,056,200	1,065,100	1,097,100	1,130,000	1,163,900	1,198,800	1,234,800	1,271,800	1,310,000
Education, advertising and licensing	1,232,600	868,500	814,500	632,000	771,300	1,082,900	1,115,400	1,148,900	1,183,400	1,218,900	1,255,500	1,293,200	1,332,000
Relocation	589,600	884,800	490,100	656,000	365,500	339,400	349,600	360,100	482,200	695,300	931,000	1,246,600	1,284,000
Miscellaneous	1,361,000	1,028,100	1,819,600	1,382,700	2,831,700	2,152,500	2,996,800	3,889,800	4,006,500	4,126,700	4,250,500	4,378,000	4,509,300
Total operating expenses	141,849,100	150,408,800	156,794,800	166,043,000	173,869,000	156,393,100	174,491,900	180,785,100	185,664,100	204,944,500	223,776,900	250,458,500	259,589,100
Operating income (loss)	9,084,700	5,735,500	9,117,100	(11,739,600)	(6,015,900)	27,358,600	11,321,800	7,179,200	4,544,800	(3,343,200)	15,732,400	17,635,300	19,735,800

See Independent Accountant's Report.

See Summary of Significant Accounting Policies, Forecast Assumptions, and Sensitivity Analyses.

Yukon-Kuskokwim Health Corporation

Statements of Revenue, Expenses, and Changes in Net Position (Continued)

Years Ended September 30, 2010 Through 2015 (Historical) and Years Ending September 30, 2016 Through 2022 (Forecasted)

	Historical						Forecasted						
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Nonoperating revenue (expenses):													
Equity in income of IDD	$ 53,400	$ 1,353,900	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Equity in income of YK Technologies	(8,500)	-	(11,100)	-	-	-	-	-	-	-	-	-	-
Equity in loss of LifeMed	(1,162,700)	(1,770,000)	(279,500)	(2,006,900)	(625,700)	(1,037,000)	(625,000)	(625,000)	(625,000)	(625,000)	(625,000)	(625,000)	(625,000)
Investment income	2,478,200	434,200	3,437,000	2,295,200	3,050,900	(1,962,500)	3,327,400	3,652,100	4,408,800	4,955,600	5,533,500	6,144,900	6,789,400
Non-recurring	-	-	-	-	40,765,000	761,300	-	-	-	-	-	-	-
Gain (loss) on disposal of assets	1,000	38,500	900	(187,200)	11,600	80,700	-	-	-	-	-	-	-
Financing expense	-	-	-	-	-	-	(960,000)	-	-	-	-	-	-
Interest expense - New	-	-	-	-	-	-	-	-	(201,900)	(224,200)	(4,891,000)	(12,019,000)	(11,974,600)
Interest expense - Existing	(752,200)	(699,600)	(653,600)	(625,300)	(617,700)	(422,200)	(488,000)	(439,800)	(392,600)	(343,300)	(290,700)	(234,900)	(175,600)
Total nonoperating income (loss)	609,200	(643,000)	2,493,700	(524,200)	42,584,100	(2,579,700)	1,254,400	2,587,300	3,189,300	3,763,100	(273,200)	(6,734,000)	(5,985,800)
Excess (deficit) of revenue over expenses before capital contributions	9,693,900	5,092,500	11,610,800	(12,263,800)	36,568,200	24,778,900	12,576,200	9,766,500	7,734,100	419,900	15,459,200	10,901,300	13,750,000
Contributed capital assets	3,627,900	4,753,300	8,961,200	12,853,900	10,691,100	3,084,100	-	-	-	-	-	-	-
Change in net position	13,321,800	9,845,800	20,572,000	590,100	47,259,300	27,863,000	12,576,200	9,766,500	7,734,100	419,900	15,459,200	10,901,300	13,750,000
Net position at beginning of year	100,722,500	114,044,300	123,890,100	144,462,100	145,052,200	192,311,500	220,174,500	232,750,700	242,517,200	250,251,300	250,671,200	266,130,400	277,031,700
Net position at end of year	$ 114,044,300	$ 123,890,100	$ 144,462,100	$ 145,052,200	$ 192,311,500	$ 220,174,500	$ 232,750,700	$ 242,517,200	$ 250,251,300	$ 250,671,200	$ 266,130,400	$ 277,031,700	$ 290,781,700

Yukon-Kuskokwim Health Corporation

Statements of Cash Flows

Years Ended September 30, 2010 Through 2015 (Historical) and Years Ending September 30, 2016 Through 2022 (Forecasted)

	Historical						Forecasted						
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Increase (decrease) in cash and cash equivalents:													
Cash flows provided by (used in) operating activities:													
Receipts from grants, contracts and compacts	$ 88,361,400	$ 84,458,400	$ 90,505,100	$ 88,646,600	$ 104,837,000	$ 86,704,600	$ 93,476,600	$ 93,845,300	$ 94,215,800	$ 103,639,400	$ 138,982,900	$ 164,900,900	$ 174,450,000
Receipts from programs, patients and third-party billings	61,614,800	62,993,300	69,423,500	55,346,500	69,598,600	89,612,300	81,890,700	91,873,800	91,318,900	93,269,200	95,726,000	98,372,700	100,228,200
Other receipts	3,713,400	5,264,600	5,149,700	1,746,600	4,855,400	6,914,100	4,262,000	4,261,200	4,260,500	4,259,600	4,258,900	4,258,000	4,257,200
Payments to vendors	(47,450,300)	(49,791,600)	(57,882,600)	(54,216,000)	(68,108,000)	(64,793,200)	(65,723,000)	(68,060,200)	(70,013,700)	(76,424,600)	(79,581,100)	(82,963,200)	(85,588,900)
Payments for salaries and benefits	(89,555,400)	(91,938,700)	(95,413,100)	(97,124,400)	(103,248,000)	(87,201,200)	(99,472,000)	(104,927,500)	(107,953,900)	(115,498,500)	(133,281,000)	(152,888,900)	(159,429,200)
Net cash provided by operating activities	16,683,900	10,986,000	11,782,600	(5,600,700)	7,935,000	31,236,600	14,434,300	16,992,600	11,827,600	9,245,100	26,105,700	31,679,500	33,917,300
Cash flows provided by (used in) capital and related financing activities:													
Purchase of capital assets	(5,539,600)	(9,429,600)	(16,227,100)	(22,389,000)	(11,804,300)	(7,602,300)	(24,035,700)	(47,164,300)	(117,507,100)	(46,301,200)	(50,322,300)	(7,211,500)	(1,500,000)
Capital contributions	3,627,900	4,753,400	8,961,200	12,853,900	10,691,100	3,084,100	-	-	-	-	-	-	-
Proceeds from sale of capital assets	1,000	38,500	900	-	-	-	-	-	-	-	-	-	-
Proceeds from issuance of long-term debt	-	-	-	-	-	-	-	102,500,000	83,785,200	41,811,500	176,880,100	-	-
Principal payments on long-term debt:													
Existing	(661,900)	(694,700)	(732,400)	(774,000)	(817,200)	(606,800)	(805,600)	(805,600)	(788,100)	(837,500)	(890,000)	(940,000)	(990,000)
New	-	-	-	-	-	-	-	-	(328,400)	(412,100)	(103,238,400)	(867,500)	(3,796,900)
Principal payments on capital lease obligations	(306,200)	(178,300)	(10,800)	(28,300)	-	-	-	-	-	-	-	-	-
Payments on debt issuance costs	-	-	-	-	-	-	(960,000)	-	-	-	-	-	-
Interest payments	(752,200)	(699,600)	(653,600)	(625,300)	(617,900)	(422,200)	(488,000)	(439,800)	(594,500)	(567,500)	(5,181,700)	(12,253,900)	(12,150,200)
Net cash used in capital and related financing activities	(3,631,000)	(6,210,300)	(8,661,800)	(10,962,700)	(2,548,300)	(5,547,200)	(26,289,300)	54,090,300	(35,432,900)	(6,306,800)	17,247,700	(21,272,900)	(18,437,100)
Cash flows provided by (used in) noncapital financing activities:													
Borrowings on line of credit	-	-	-	4,000,000	-	-	-	-	-	-	-	-	-
Payments on line of credit	-	-	-	-	(4,000,000)	-	-	-	-	-	-	-	-
Receipt of IHS Compact CSC settlement monies	-	-	-	-	40,765,000	-	-	-	-	-	-	-	-
Net cash provided by noncapital and related financing activities	-	-	-	4,000,000	36,765,000	-	-	-	-	-	-	-	-
Cash flows provided by (used in) investing activities:													
Net sales (purchases) of investments	(5,823,000)	(3,466,800)	(3,877,100)	8,881,900	(39,203,400)	(9,114,900)	8,457,400	(25,014,800)	(13,574,000)	(14,317,600)	(15,151,700)	(16,029,500)	(16,842,100)
Net (increase) decrease in ALATU	-	-	-	-	-	-	-	(48,311,600)	30,784,800	5,632,600	(26,890,600)	8,893,300	(919,900)
Member contributions to joint ventures	(4,423,300)	(4,787,500)	(2,925,000)	-	-	-	-	-	-	-	-	-	-
Proceeds from joint venture sale of IDD Building	-	2,359,700	-	-	-	-	-	-	-	-	-	-	-
Investment income	601,300	1,992,700	1,485,500	1,136,600	1,136,600	1,166,100	3,327,400	3,652,100	4,408,800	4,955,600	5,533,500	6,144,900	6,789,400
Loans granted over principal payments received	45,600	(127,300)	(19,600)	-	(161,300)	53,500	-	-	-	-	-	-	-
Net cash provided by (used in) investing activities	(9,599,400)	(4,029,200)	(5,336,200)	10,018,500	(38,228,100)	(7,895,300)	11,784,800	(69,674,300)	21,619,600	(3,729,400)	(36,508,800)	(991,300)	(10,972,600)
Net increase (decrease) in cash and cash equivalents	3,453,500	746,500	(2,215,400)	(2,544,900)	3,923,600	17,794,100	(70,200)	1,408,600	(1,985,700)	(791,100)	6,844,600	9,415,300	4,507,600
Cash and cash equivalents, beginning of year	1,990,500	5,444,000	6,190,500	3,975,100	1,430,200	5,353,800	23,147,900	23,077,700	24,486,300	22,500,600	21,709,500	28,554,100	37,969,400
Cash and cash equivalents, end of year	$ 5,444,000	$ 6,190,500	$ 3,975,100	$ 1,430,200	$ 5,353,800	$ 23,147,900	$ 23,077,700	$ 24,486,300	$ 22,500,600	$ 21,709,500	$ 28,554,100	$ 37,969,400	$ 42,477,000

See Independent Accountant's Report.

See Summary of Significant Accounting Policies, Forecast Assumptions, and Sensitivity Analyses.

Yukon-Kuskokwim Health Corporation

Statements of Cash Flows (Continued)

Years Ended September 30, 2010 Through 2015 (Historical) and Years Ending September 30, 2016 Through 2022 (Forecasted)

	Historical						Forecasted						
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:													
Operating income (loss)	$ 9,084,700	$ 5,735,500	$ 9,117,100	$ (11,739,600)	$ (6,015,900)	$ 27,358,600	$ 11,321,800	$ 7,179,200	$ 4,544,800	$ (3,343,200)	$ 15,732,400	$ 17,635,300	$ 19,735,800
Adjustments to reconcile operating income (loss) to cash provided by (used in) operating activities:													
Depreciation and amortization	4,830,200	5,359,700	5,142,700	6,618,400	7,470,500	7,761,800	7,403,900	7,535,600	7,231,300	11,875,400	10,387,400	13,939,400	14,040,000
Change in assets and liabilities that provided (used) cash:													
Amounts receivable from funding agencies	5,286,000	(4,382,800)	(1,646,800)	517,800	4,516,900	1,936,000	(190,100)	(195,800)	(201,700)	(207,800)	(214,000)	(220,400)	(227,000)
Amounts receivable from patients	937,900	(971,500)	(80,400)	(3,472,700)	(1,122,600)	3,306,400	(6,108,800)	2,093,900	(333,500)	(350,300)	(456,400)	(474,500)	(299,200)
Other receivables	342,800	1,926,400	893,700	(1,418,300)	(84,300)	2,627,500	(24,600)	(25,400)	(26,100)	(27,000)	(27,700)	(28,600)	(29,400)
Inventory and other Assets	(12,400)	188,300	(94,500)	(479,300)	453,100	(832,200)	(154,200)	(159,000)	(164,100)	(169,300)	(174,500)	(180,200)	(185,900)
Accounts payable and accrued expenses	48,900	3,067,900	(1,614,600)	3,562,700	(5,374,600)	(1,892,100)	1,731,200	95,400	294,100	970,100	346,300	480,900	339,600
Accrued salaries, leave and payroll fringe benefits	(23,100)	709,400	926,100	1,279,500	98,000	(638,800)	316,000	325,400	335,200	345,200	355,600	366,300	377,300
Deferred revenue	(3,811,100)	(646,900)	(860,700)	(469,200)	7,993,900	(8,390,600)	139,100	143,300	147,600	152,000	156,600	161,300	166,100
Net cash provided by operating activities	$ 16,683,900	$ 10,986,000	$ 11,782,600	$ (5,600,700)	$ 7,935,000	$ 31,236,600	$ 14,434,300	$ 16,992,600	$ 11,827,600	$ 9,245,100	$ 26,105,700	$ 31,679,500	$ 33,917,300

Yukon-Kuskokwim Health Corporation

Schedules of Ratios

Years Ended September 30, 2010 Through 2015 (Historical) and Years Ending September 30, 2016 Through 2022 (Forecasted)

	Historical						Forecasted						
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Profitability indicators:													
Operating margin	6.0%	3.7%	5.5%	-7.6%	-3.6%	14.9%	6.1%	3.8%	2.4%	-1.7%	6.6%	6.6%	7.1%
Total margin	8.8%	6.3%	12.4%	0.4%	28.2%	15.2%	6.8%	5.2%	4.1%	0.2%	6.5%	4.1%	4.9%
Cash flow margin	9.0%	6.7%	9.6%	-3.3%	19.2%	19.2%	9.7%	8.0%	6.3%	4.3%	11.1%	12.0%	12.4%
Return on equity	9.0%	4.3%	8.7%	-8.5%	21.7%	12.0%	5.6%	4.1%	3.1%	0.2%	6.0%	4.0%	4.8%
EBITDA	12.5%	10.2%	15.9%	5.1%	33.0%	19.6%	11.0%	9.4%	8.2%	6.4%	13.0%	13.8%	14.3%
Liquidity indicators:													
Current ratio	1.45	1.49	1.62	1.02	1.05	2.39	2.80	3.07	3.30	3.47	3.99	4.20	4.37
Days cash on hand - All sources	123	123	127	97	192	276	226	273	289	293	296	297	318
Net days revenue in accounts receivable	58	61	56	83	79	51	75	65	65	65	65	65	65
Capital structure indicators:													
Equity financing	75.3%	75.8%	79.5%	76.3%	81.8%	87.6%	87.7%	64.2%	53.4%	49.0%	44.3%	45.4%	46.9%
Debt service coverage	8.88	7.09	12.46	-3.52	31.12	26.09	14.73	13.77	8.94	7.03	4.55	2.64	2.36
Long-term debt to capitalization	9.9%	8.6%	7.0%	6.5%	4.6%	3.8%	3.3%	31.2%	43.6%	48.3%	53.6%	52.7%	51.3%
Cost indicators:													
Salaries to total expenses	48.9%	47.1%	45.8%	43.9%	42.2%	44.3%	44.0%	44.8%	44.9%	43.5%	45.9%	47.1%	47.4%
Average age of plant (years)	9.5	9.5	10.9	9.4	9.4	10.0	11.5	12.2	13.6	9.2	11.4	9.4	10.2

Note 1 Overview

History

The Yukon-Kuskokwim Health Corporation (the "Corporation"), located in Bethel, Alaska, is a nonprofit tribal organization authorized by resolution of the traditional or IRA councils of its 58 federally recognized tribal governments to provide health care services to the people of the Yukon-Kuskokwim Delta (Y-K Delta) under Title V of the Indian Self-Determination and Education Act. The Corporation is a federally recognized Tribal organization, governed by a 21-member Board of Directors elected by its members.

The Corporation is the only full-service health provider in the region. It operates the central Yukon-Kuskokwim Delta Regional Hospital (YKDRH) and residential/specialty services in Bethel, Alaska, as well as five subregional clinics and 43 village clinics in the surrounding service area. The 34-bed hospital was built in 1978, and the Corporation assumed operation from the Indian Health Service (IHS) in 1991. The Corporation provides services to a unique, isolated 75,000 square mile service area that is not connected to a road system. Access to the facility is predominantly by airplane. It represents 58 federally recognized tribes and is comprised of the cities of Akiachak, Akiak, Alakanuk, Aniak, Anvik, Atmautluak, Chefornak, Chevak, Chuathbaluk, Crooked Creek, Red Devil, Eek, Emmonak, Grayling, Holy Cross, Hooper Bay, Kasigluk, Kipnuk, Kongiganak, Kotlik, Kwethluk, Kwiglillingok, Lime Village, Lower Kalskag, Marshall, Mekoryuk, Mountain Village, Napakiak, Napaskiak, Newtok, Nightmute, Nunapitchuk, Oscarville, Pilot Station, Pitkas Point, Quinhagak, Russian Mission, St. Marys, Scammon Bay, Shageluk, Nunam Iqua, Sleetmute, Stony River, Toksook Bay, Tuluksak, Tuntutuliak, Tununak, and Upper Kalskag, which make up the Kusilvak (formerly Wade Hampton) and Bethel Census areas.

Services

The Corporation provides a range of acute care services including surgery, labor and delivery, emergency care, and acute care. The Corporation provides a basic range of ancillary services including primary care, limited specialty care, audiology, eye care, dental, diagnostic imaging, laboratory, pharmacy, respiratory therapy, physical therapy, behavioral health, preventative care, support services, and tribal programs. In addition to traditional health care services, the Corporation provides a wide variety of community, social, and population health services to all residents of the Y-K Delta.

Note 1 Overview (Continued)

Services (Continued)

Due to lack of space, programs are unable to meet their demand. For services not provided at YKDRH, patients are sent to Alaska Native Medical Center in Anchorage.

Community Impact

The Corporation is located in western Alaska in Bethel, which is located 400 miles west of Anchorage. The area is the traditional home of the indigenous Yup'ik, Cup'ik, and Athabascan people. Approximately, 89% of the service area residents are Alaska natives. The Corporation serves the medical needs of Alaska natives of The Y-K Delta, with a current population of 24,363. The 2025 projected beneficiary user population is expected to be approximately, 28,200. The Corporation currently employs 810 people in the existing hospital. The area has the highest rates of birth and unemployment in Alaska. The age of the population is significantly lower than both Alaska and national averages, but the number of children in the region is expected to decline, while the number of seniors is expected to increase.

Services have grown significantly since the hospital first opened 35 years ago, with an increase in the population and the demand for ancillary health services. Since the Corporation took over hospital operations in 1991, outpatient visits per year have increased from 130,000 to 230,000. Current trends project a continued increase in outpatient services compared to inpatient services. Expansion of the YKDRH campus will meet demands for both inpatient and outpatient services in the area, and improve patient care and services efficiencies between inpatient and outpatient services.

Approximately, 57.4% of families in the YKDRH service area live under the poverty level, and many live a subsistence lifestyle. Health care is the leading industry, and thus is the largest employer in the area. The Corporation and the Bethel Family Clinic (a federally funded community health center) are the only health care providers in the region. Currently, the Corporation employs 810 people in Bethel, and the expansion will provide space per IHS guidelines for an increase of up to 547 additional full-time equivalents, to a total of 1,357 people. The forecast includes increased IHS funding for up to 473 full-time equivalents through fiscal year 2022.

Note 1 Overview (Continued)

Facility Replacement Plan

The current hospital building was originally constructed in 1978 by IHS and began operations as an inpatient facility with an ambulatory clinic to accommodate regular medical patient visits, a laboratory, and a pharmacy. The facility, which includes three separate buildings, has long outgrown its capacity as an outpatient clinic and has been forced to make numerous renovations to accommodate the increased burden in ambulatory care. Continuous maintenance and replacements occur to keep the building operational. The 22.98 acre site currently provides enough space to accommodate a new clinic facility and associated site infrastructure.

The existing building is inadequate to meet service and provider space needs for current use. It is less than 38% of the size needed to meet projected space needs in 2025. The building design is inadequate as an ambulatory clinic and inhibits productivity of providers, limits expansion of necessary or desired services, and results in awkward patient flow.

Having primary and specialty care space split between two areas is inefficient and lacks continuity since providers and nursing staff are spread thin. Dental and eye care are located across the street from the current hospital, which is inefficient for patient care. The pharmacy and laboratory are undersized for the workload and have limited storage, equipment, and provider workspace.

Throughout the hospital, storage space is at a minimum and is often located far from the space where it is needed. Secured storage for confidential records and valuable equipment is also inadequate.

Employee facilities space is inadequate to meet the needs of the staff. Locker rooms are not big enough to store winter gear.

Note 1 **Overview** (Continued)

Facility Replacement Plan (Continued)

To meet the demands for inpatient and outpatient services, the current YKDRH campus will need to be expanded. The existing plan calls for a new Primary Care Center that would house all or most of the centralized outpatient services for the Y-K Delta. Moving most of the outpatient services to the new facility will:

- Free space within the hospital.
- Allow outpatient services to grow.
- Improve patient care and better service efficiencies between outpatient and inpatient services.

Freeing space in the hospital will also allow the start of renovations of the 35 year-old hospital to meet current and projected outpatient and inpatient needs. The proposed plan will expand existing services at YKDRH and will include additional services to provide comprehensive primary health care for the residents of the service area. Authorized health care programs and services are primary care, specialty care, audiology, dental, emergency room, diagnostic imaging, laboratory, pharmacy, rehabilitation services, respiratory therapy, surgery, behavioral health, behavioral health clinical decision unit, clinical engineering, acute care, labor and delivery/nursery, wellness center, business office, health information management, security, dietary, employee facilities, housekeeping and linen, and property and supply.

<u>The Project</u>

Through the Joint Venture Construction Program (JVCP), the Corporation proposes to build a new primary care clinic, a new inpatient unit, and renovate space in the existing YKDRH. The new clinic and inpatient unit will be located on the existing hospital site and will meet current and projected, inpatient, outpatient and ancillary support needs.

The preliminary gross size of the health care facility is 264,638 square feet (131,468 sq. ft. for the new primary care clinic, renovation of 86,500 sq. ft. of existing hospital space after demolishing 25,050 sq. ft. of the existing hospital space, and construction of new hospital space in the amount of 46,670 sq. ft.).

Note 1 **Overview** (Continued)

Facility Replacement Plan (Continued)

The proposed 264,638 square feet has been planned for the service unit workload. The clinic is projecting generating 81,217 primary care provider visits. The replacement facility will be a modern, technologically advanced facility with the required staff to provide an extended level of health care services specifically designed to meet the health care needs of the YK Service Unit. The facility will include 24 acute care beds, and 8 birthing/post-partum beds, for a total of 32 beds. New services are speech therapy, occupational therapy, and a behavioral health clinical decision unit. The existing services that will be continued are short stay acute care nursing, dietetics, emergency room, ambulatory care-medical care, dental clinic, pharmacy, optometry, audiology, laboratory, radiology-diagnostic imaging, health education, nutrition, mental health, social services, administration, contract health services, patient business office, and quality management.

<u>The Building Site</u>

The Phase I SSER indicates that 23 acres of land are needed for this project and recommends that the proposed facility be constructed on approximately 23 acres of Tribal Trust land and is located in the city of Bethel in Bethel County in the State of Alaska. The selected site is defined as the northern and eastern portions of Lot 2, U.S. Survey Number 4000, a portion of Section 17, Township 8 North, Range 71 West, Seward Meridian located at 900 Chief Eddie Hoffman Highway, Bethel, Alaska. The subject property for this assessment does not include the hospital building, but does include areas to the north and east of the building. The property encompasses approximately 18 acres, the majority of the 23-acre Lot 2. The property is currently undeveloped but is the former site of hospital housing.

Note 2 Significant Accounting Policies

In accordance with the guidance established by the American Institute of Certified Public Accountants' (AICPA) audit and accounting guide *Audits of State and Local Governments,* the Corporation is subject to accounting principles generally accepted in the United States of America applicable to state and local governments because its governing board is appointed by tribal governments.

The Corporation follows the provisions of Governmental Accounting Standards Board (GASB) Statements of Governmental Accounting Standards. These statements establish standards for external financial reporting for all state and local governmental entities which includes a management's discussion and analysis section, a statement of net position, a statement of revenue, expenses, and changes in net position and a statement of cash flows. It requires the classification of net position into three components - Net investment in capital assets, restricted, and unrestricted.

Organization

The Corporation administers a comprehensive health care delivery system for 58 federally recognized tribes in southwest Alaska. The system includes 43 community clinics, 5 sub-regional clinics, a regional hospital, dental services, inpatient and outpatient behavioral health services, including substance abuse counseling and treatment, health promotion and disease prevention programs, Skilled Nursing Facility and environmental health services. Corporation is a tribal organization authorized by each of the 58 federally recognized tribal councils in its service area to negotiate with the Federal Indian Health Service to provide health care services under Title III of the Indian Self Determination and Education Assistance Act of 1975. Corporation, along with 20 other tribal organizations, is a co-signer to the Alaska Tribal Health Compact, a consortium that secures federal funding agreements with the federal government to provide health care services to Alaska Natives and Native Americans throughout the state.

Note 2 Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

The Corporation's forecasted financial statements are presented using the flow of economic resources measurement focus, which uses the accrual basis of accounting. Forecasted revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of timing of related cash flows.

Forecasted operating revenue and expenses are distinguished from nonoperating items on the statement of revenue, expenses, and changes in net position. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. The Corporation's principal operating revenue includes grant, contract and compact revenue, and patient care revenue charges to patients and third-party payors for delivery of clinical services. All forecasted revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Capital contributions consist of federal and state grants received to construct capital assets or purchase equipment contributed to the Corporation. There are no forecasted capital contributions included in the forecast periods.

When both restricted and unrestricted resources are available for use, it is the Corporation's policy to use restricted resources first, then unrestricted resources as they are needed.

Management Estimates

The preparation of the forecasted financial statements requires management of the Corporation to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of capital assets and valuation of receivables. Actual results could differ from those estimates.

Note 2 Significant Accounting Policies (Continued)

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Corporation considers all highly liquid investment instruments to be cash equivalents.

Investments and Investments in Permanent Fund

Investments, including those in assets limited as to use, are forecasted to consist of cash and cash equivalents.

Investments are recorded at fair value based on quoted market prices. All investment income, including changes in fair value of investments, is recorded as nonoperating revenue in the statement of revenue, expenses, and changes in net position.

Amounts Receivable

Receivables from funding agencies represent amounts billed under cost reimbursable grants and amounts awarded and not yet received under the compact. Patient receivables are recorded at the amount billed to patients and third-party payors and do not bear interest. The Corporation determines the contractual adjustments based on historical experience with third-party payors based on payments to the Corporation at amounts different from its established rates. The Corporation determines the allowance based on its historical adjustment experience. The Corporation reviews its contractual adjustments and allowance for doubtful accounts monthly. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is remote.

Inventories and Supplies

Inventories and supplies are stated at the lower of cost or market using the first-in, first-out method.

Significant Accounting Policies (Continued)

Note 2

Loans Receivable

Loans receivable relate to financing arrangements made with employees to help pay for the cost of education or to assist them in purchasing a home

Investments in Joint Ventures

The investments in affiliated companies are accounted for by the equity method. The Corporation would recognize a loss when there is a loss in value in the equity method investment which is other than a temporary decline.

Assets Limited as to Use

Assets limited as to use include assets held by the trustee under terms of bond indenture agreements.

Capital Assets

Capital assets are stated at historical cost. Equipment under capital leases are stated at the present value of minimum lease payments. Maintenance, repairs, and minor replacements are charged to expense as incurred. Assets with individual costs of less than $5,000 are not capitalized; rather they are charged to expense in the year acquired. Capital assets acquired with federal and state grants for which the Corporation uses the capital assets in its activities and makes the decisions regarding when and how the capital assets will be used and managed are capitalized and recognized as contributed capital. Depreciation is computed on a straight-line basis over the estimated useful lives of assets. Equipment held under capital leases and leasehold improvements are amortized straight line over the shorter of the lease term or estimated useful life of the asset.

Note 2 Significant Accounting Policies (Continued)

Capital Assets (Continued)

The Corporation estimates the useful lives of assets to be as follows:

Buildings	20 to 35 years
Leasehold improvements	5 to 15 years
Vehicles	4 years
Computer equipment	3 to 5 years
Furnishings and equipment	3 to 10 years
Medical equipment	3 to 10 years
Major computer system	7 years

Accrued Leave

Personnel leave is recorded in the year earned. All amounts are expected to be paid or used within one year.

Revenue Recognition

Revenue from the U.S. Department of Health and Human Services Indian Health Service (IHS) Compact is recognized monthly based on the Compact amount awarded. Amounts designated for specific projects in the funding agreement are considered unearned revenue until the project is complete.

The Corporation also administers other federal, state, local, and private foundation grants and contracts which are generally of a cost reimbursement type and include provisions for advances and billings for costs incurred. Revenue and receivables are generally recorded when eligible expenses are incurred to the extent of the grant or contract amount. Amounts receivable from funding agencies at year-end include amounts relating to expenses incurred prior to year-end but not billed until after year-end. Advances from funding agencies are considered liquidated when an expense is recorded. All grant and contract receipts in excess of expenses for ongoing programs have been recorded as unearned revenue.

Note 2 Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Net patient care revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Estimated uncollectible revenue is reported as provision for bad debts in the financial statements, when material, and is included in the net patient care revenue. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Recently, federal government activity has increased with respect to investigations and allegations concerning possible violations of regulations by health care providers, which could result in the imposition of significant fines and penalties, as well as significant repayments of previously billed and collected revenue from patient services. Management believes that the Corporation is in substantial compliance with current laws and regulations.

Federal Agency Costs and Reimbursements

Certain salary and employee benefit expenses of the Corporation's IHS program are paid directly by the federal government through Memorandum of Agreement (MOA). In addition, the Corporation orders and receives supplies from the General Services Administration (GSA) as a federal contractor. These MOA and GSA costs are included as operating revenue and expenses in the forecasted statements of revenue, expenses, and changes in net position to indicate the total operating cost of the program.

Note 2 Significant Accounting Policies (Continued)

Allocation of Indirect Expenses

Indirect expenses are allocated to programs based upon an agreement negotiated with the cognizant agency which provides for allocation of indirect costs. These indirect costs are based upon total direct expenditures of each program, less certain subcontracts and equipment purchases. Indirect charges to the various programs have been made at the current negotiated provisional rates unless otherwise limited by contractual agreement.

Income Taxes

The Corporation is exempt from income taxes as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. The Corporation is subject to income taxes on certain unrelated business activities. YK Technologies, a wholly owned subsidiary of the Corporation, pays taxes and files a separate tax return.

Employee Retention Bonuses

Amounts earned under the employee retention bonus program are expensed when the employee reaches his or her anniversary date and the amount becomes payable.

Debt Financing Expense

Debt issuance costs are forecasted to be expensed as incurred.

Net Position

Net position of the Corporation is classified into three components. Net investment in capital assets consists of capital assets net of accumulated depreciation reduced by current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted, expendable net position consists of noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Corporation. Unrestricted net position is the remaining net position that does not meet the definition above. The Corporation does not have any restricted net position during the forecasted periods.

Note 3 Significant Forecast Assumptions

This financial forecast presents, to the best of management's knowledge and belief, the Corporation's expected financial position, results of operations, and cash flows for the forecast period. The forecast reflects the judgment of the Corporation's management regarding the expected conditions and expected courses of action as of August 16, 2016, the date of this forecast.

This forecast has been prepared in accordance with the following assumptions, which are those management believes are significant to the forecast. These assumptions are based on their judgment, and the assumptions may not be all-inclusive. Furthermore, even if the assumptions are significantly correct, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

Cash and Cash Equivalents

Cash and cash equivalent balances are forecasted based on the results of the forecasted cash flows. Interest earnings on cash and cash equivalents are forecasted at 0.50% of the beginning-of-year balances.

Note 3 Significant Forecast Assumptions (Continued)

Assets Limited as to Use

Assets limited as to use include investments held in escrow by trustees in accordance with financing agreements, assets designated by bond indenture for debt service, debt service reserve funds, and a short-term asset reserve fund. Amounts required to meet current liabilities are classified as current assets.

Project Fund

Project funds associated with issuance of the debt as described on page 34 will be spent beginning in January 2016 to complete the new clinic and hospital construction, purchase equipment, fund capitalized interest, and fund issuance costs.

At the completion of the project, the Project Fund will carry a balance in the amount $22,120,000 that will be used for housing projects to support staff recruitment to the community as future demand for services increases.

Debt Service Reserve Fund

Debt service reserve funds consist of funds to be used to fund any shortfalls in the Corporation's ability to make principal and interest payments on United States Department of Agriculture (USDA) and the Alaska Municipal Bond Bank Authority (AMBBA) debt as it comes due. The Corporation is expected to fund the USDA debt reserve funds equal to one year's debt service for the new USDA debt, as discussed beginning on page 34, beginning in 2020 and will be funded over a 10-year period. The AMBBA debt reserve fund will be funded at the time of loan issuance in 2017. The debt service reserve funds are not forecasted to fund any shortfalls during the forecast period.

Note 3 **Significant Forecast Assumptions** (Continued)

Assets Limited as to Use (Continued)

<u>Debt Service Reserve Fund</u> (Continued)

Funds designated for debt service include an escrow account maintained by a Trustee for debt service payments on the Alaska Industrial Development and Export Authority (AIEDA) bonds; funds designated for debt service payments on the AMBBA bonds; and funds expected to be designated for debt service payments on the USDA notes, as described on page 34.

The Corporation builds the designated funds throughout each forecasted year to meet the applicable debt service payments as they become due.

Based on the information above, assets limited as to use are forecasted as follows at September 30:

	2016	2017	2018	2019	2020	2021	2022
Project Funds							
Begining balance	$ -	$ -	$ 42,049,800	$ 11,265,000	$ 5,632,400	$ 31,713,300	$ 22,010,300
Transfers from operations	20,584,700	(12,384,700)	-	-	-	-	-
AMBBA loan permanent	-	102,500,000	-	-	-	-	-
AIDEA loan permanent	-	-	25,000,000	-	-	-	-
USDA direct loan	-	-	-	-	165,000,000	-	-
Equipment loans	-	-	5,000,000	-	5,000,000	-	-
Interim financing proceeds	-	-	53,785,200	41,811,500	(95,596,700)	-	-
Investment income	-	243,100	66,700	-	169,800	122,800	110,200
Payments to construction fund	20,584,700	90,358,400	125,901,700	53,076,500	80,205,500	31,836,100	22,120,500
Capitalized interest payments	-	(3,960,000)	(5,790,200)	(7,135,500)	(6,127,600)	-	-
Payments to debt reserve fund	-	(6,261,800)	-	-	-	-	-
Payments for financing costs	-	(580,000)	(380,000)	-	-	-	-
Payments from construction fund	(20,584,700)	(37,506,800)	(108,466,500)	(40,308,600)	(42,364,600)	(9,825,800)	-
Ending balance	-	42,049,800	11,265,000	5,632,400	31,713,300	22,010,300	22,120,500
Debt Service Reserve Fund							
Beginning balance	-	-	6,261,800	6,261,800	6,261,800	7,071,500	7,881,200
Debt reserve fund - USDA	-	-	-	-	809,700	809,700	809,700
Debt reserve fund - AMBBA	-	6,261,800	-	-	-	-	-
Other							
Ending balance	-	6,261,800	6,261,800	6,261,800	7,071,500	7,881,200	8,690,900
Assets Limited as to Use	$ -	$ 48,311,600	$ 17,526,800	$ 11,894,200	$ 38,784,800	$ 29,891,500	$ 30,811,400

Note 3 Significant Forecast Assumptions (Continued)

Assets Limited as to Use (Continued)

Revenue Fund ("Lockbox")

The Corporation intends to deposit Net Revenue upon receipt with the Trustee pursuant to the Master Trust Indenture in a "Lockbox" fund for the purposes of paying the current portion of new long-term debt service in any given year. "Net Revenue" will be defined in the Master Indenture to mean all of the Corporation's net patient care revenue and other operating revenue (as defined in AS Chapter 45.09), as are now in existence or as may be hereafter acquired and the proceeds thereof from all sources, excluding all proceeds paid or payable by the Indian Health Service and all State or Federal Grants.

The Lockbox fund is a modification of the patient account collection system currently in place at the Corporation. Currently, all of the payments from Medicaid, Medicare, other third-party payors, and self-pay collections for patient accounts receivable are delivered directly (electronically, by mail, or by bank deposit) to a Lockbox account, held in the Corporation's name and custody, for patient care revenue. Deposit detail is furnished to the Corporation for posting to individual patient accounts. Under the Master Trust Indenture, the Lockbox account would be held in the custody and control of the Trustee subject to the provisions of the Master Trust Indenture.

The Net Revenue required for funding the debt issued subject to the Master Trust Indenture will be retained and invested by the Trustee as directed by the Master Trust Indenture with all excess funds being transferred to the Corporation operating cash account.

The Corporation has agreed to provide a deposit (or surety bond) of funds with the Trustee as required by each holder of payment obligations under the Master Trust Indenture. The Corporation will maintain the required deposits, surety bond and funds for payment of principal, interest, and other payment obligations related to financing of the hospital and primary care clinic facilities project in Bethel, Alaska. These deposits will all be held as part of the Lockbox system under the custody and control of the Trustee subject to provisions of the Master Trust Indenture.

Note 3 Significant Forecast Assumptions (Continued)

Assets Limited as to Use (Continued)

The Net Revenue shall be deposited in the Lockbox held by the Master Trustee and shall be used only for the following purposes and in the following order of priority:

1. First, to pay fees and expenses of the Master Trustee.
2. Second, to make all payments required to be made into the Bond Fund.
3. Third, to make all payments required to be made into any reserve account established by a Supplemental Indenture.
4. Fourth, to the Corporation for use, without restriction, for any lawful purposes of the Corporation, except to the extent of any deficiencies in payments preceding the first, second or third order of payments as described above.

An example of the Lockbox receipts and payments to be applied for debt service is as follows:

	2016	2017	2018	2019	2020	2021	2022
Revenue Fund:							
Net patient care revenue	$ 81,890,700	$ 91,873,800	$ 91,318,900	$ 93,269,200	$ 95,726,000	$ 98,372,700	$ 100,228,200
Less: Funds applied							
Existing debt service	1,389,900	1,288,800	1,209,300	1,192,900	1,174,100	1,154,500	1,132,300
New debt service under indentures	-	3,960,000	6,320,500	7,771,800	11,780,200	12,886,500	15,771,500
Debt reserve fund deposits - USDA	-	-	-	-	809,700	809,700	809,700
Trustee payments	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total funds applied	1,399,900	5,258,800	7,539,800	8,974,700	13,774,000	14,860,700	17,723,500
Net revenue funds transferred to operations	$ 80,490,800	$ 86,615,000	$ 83,779,100	$ 84,294,500	$ 81,952,000	$ 83,512,000	$ 82,504,700

Note 3 Significant Forecast Assumptions (Continued)

Investments and Investments in Permanent Fund

Investments consist of equity and debt securities reported at fair value, as described on page 18. Interest earnings on the investments are forecasted at 4.0% of the average beginning-of-year and year-end balances.

The Corporation intends to make deposits into the investment account equivalent to 10% of the annual net patient service revenue for the purpose of repayment of future debt service.

Based on the information above, investments are forecasted as follows at September 30:

	2016	2017	2018	2019	2020	2021	2022
Beginning Balance	$ 9,080,500	$ 18,419,700	$ 28,314,000	$ 38,795,100	$ 49,896,100	$ 61,702,500	$ 74,253,000
Deposits	8,800,000	8,978,000	9,165,200	9,362,000	9,618,200	9,884,700	10,052,700
Withdrawals	-	-	-	-	-	-	-
Subtotal	17,880,500	27,397,700	37,479,200	48,157,100	59,514,300	71,587,200	84,305,700
Investment income	539,200	916,300	1,315,900	1,739,000	2,188,200	2,665,800	3,171,200
Ending Balance	$ 18,419,700	$ 28,314,000	$ 38,795,100	$ 49,896,100	$ 61,702,500	$ 74,253,000	$ 87,476,900

Contributions to the project are forecast to be funded through transfer of funds from the permanent fund to the project fund.

Based on the information above, investments in the permanent fund are forecasted as follows at September 30:

	2016	2017	2018	2019	2020	2021	2022
Beginning Balance	$ 79,998,300	$ 62,201,800	$ 77,322,300	$ 80,415,200	$ 83,631,800	$ 86,977,100	$ 90,456,200
Deposits	-	12,384,700	-	-	-	-	-
Withdrawals	(20,584,700)	-	-	-	-	-	-
Subtotal	59,413,600	74,586,500	77,322,300	80,415,200	83,631,800	86,977,100	90,456,200
Investment income	2,788,200	2,735,800	3,092,900	3,216,600	3,345,300	3,479,100	3,618,200
Ending Balance	$ 62,201,800	$ 77,322,300	$ 80,415,200	$ 83,631,800	$ 86,977,100	$ 90,456,200	$ 94,074,400

Note 3 Significant Forecast Assumptions (Continued)

Funding Agencies

Funding agencies include amounts receivable from funding agreements, grants, and contributions. Amounts receivable are forecasted based on historical levels increased 3% each year for inflation.

Patient Accounts Receivable – Net

Historical days net revenue in patient accounts receivable – net, based on internal records, were 58 days as of September 30, 2010; 61 days as of September 30, 2011; 56 days as of September 30, 2012; 83 days as of September 30, 2013; 79 days as of September 30, 2014; and 60 days as of September 30, 2015.

During fiscal 2016, management expects days in net patient accounts receivable to increase due to implementation of Medicare ICD-10 coding changes effective October 1, 2016. During 2017 and thereafter, management believes days in net patient accounts receivable will stabilize at historical levels. Day's net patient revenue in patient accounts receivable – net are forecasted as follows at September 30:

2016	2017	2018	2019	2020	2021	2022
75	65	65	65	65	65	65

Based on the information above, patient accounts receivable – net are forecasted as follows at September 30:

2016	2017	2018	2019	2020	2021	2022
$ 18,082,100	$ 15,988,200	$ 16,321,700	$ 16,672,000	$ 17,128,400	$ 17,602,900	$ 17,902,100

Employee Advances and Relocation Expenses

Employee advances and relocation expenses are forecasted based on historical levels increased 3% each year for inflation.

Note 3 Significant Forecast Assumptions (Continued)

Other Receivables

Other receivables include non-patient care amounts and are forecasted based on historical levels increased 3% each year for inflation.

Prepaid Expenses

Prepaid expenses, which include prepaid insurance, are forecasted based on historical levels increased 3% each year for inflation.

Inventory

Inventory, which includes medical and pharmacy supplies, is forecasted based on historical levels increased 3% each year for inflation.

Employee Home Loans

Employee home loans are provided to employees of the Corporation and are forecasted based on historical levels. It is anticipated that employee home loans will not increase during the forecast period.

Student Loans Receivable

Student loans are provided to employees of the Corporation and are forecasted based on historical levels increased 3% each year for inflation.

Investments in Joint Ventures

Investments in LifeMed and YK Technologies are accounted for on the equity method. Management believes that these investments are not expected to change significantly, or to have any significant impact on the Corporation's operations during the forecasted period. YK Technologies has been dormant since 2012. The investment in LifeMed is forecasted to decrease based on historical net losses incurred by the joint venture. No contributions to LifeMed are forecasted during the forecast periods.

Note 3 Significant Forecast Assumptions (Continued)

Capital Assets

The Corporation is planning a construction project for a new primary care clinic, inpatient unit, and hospital renovations, as described on page 14. The construction project is forecasted to commence in August 2016, with construction completion of all phases of the project in January 2021. The building project costs, excluding debt issuance costs, are forecasted as follows:

Land	$	1,000,000
Artwork		950,000
Building and improvements		261,367,700
Equipment and Furniture		21,800,000
Total	$	285,117,700

As described on page 34, the construction will be financed through the USDA Community Facility Direct Loans, Alaska Municipal Bond Bank Authority Loans, Alaska Industrial Development and Export Authority Loan and an equity contribution from the Corporation. There was $11,782,694 in construction in progress as of September 30, 2015, of which $2,066,029 was related to the project and $9,716,665 related to other projects including the Phillips Ayagnirvik Treatment Center which will be capitalized during fiscal 2017. The clinic project is forecasted to be completed and will be capitalized in fiscal 2019, and the hospital project is forecasted to be completed and capitalized in fiscal 2021.

Routine capital additions, including capitalization of construction in progress related to other projects existing at September 30, 2015, is forecasted as follows:

	2016	2017	2018	2019	2020	2021	2022
Artwork	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Land	-	-	-	-	-	-	-
Buildings and improvements	2,351,900	7,596,900	-	-	-	-	-
Equipment and furniture	1,258,300	2,000,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000
Construction in progress	(2,185,800)	(4,336,800)	-	-	-	-	-
Totals	$ 1,424,400	$ 5,260,100	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000	$ 1,500,000

Note 3 Significant Forecast Assumptions (Continued)

Capital Assets (Continued)

The Corporation's planned property and equipment additions relating to the building project are as follows for 2016 through 2022:

	2016	2017	2018	2019	2020	2021	2022
Artwork	$ -	$ -	$ -	$ 570,000	$ -	$ 380,000	$ -
Land	-	-	-	500,000	-	500,000	-
Buildings and improvements	-	-	-	128,314,700	-	133,053,000	-
Equipment and furniture	-	-	-	13,080,000	-	8,720,000	-
Construction in progress	22,611,300	41,904,200	116,007,100	(97,663,500)	48,822,300	(136,941,500)	-
Totals	$ 22,611,300	$ 41,904,200	$ 116,007,100	$ 44,801,200	$ 48,822,300	$ 5,711,500	$ -

The Corporation's total property and equipment additions, including the building project, routine additions, and capital leases are as follows for 2016 through 2022:

	2016	2017	2018	2019	2020	2021	2022
Artwork	$ -	$ -	$ -	$ 570,000	$ -	$ 380,000	$ -
Land	-	-	-	500,000	-	500,000	-
Buildings and improvements	2,351,900	7,596,900	-	128,314,700	-	133,053,000	-
Equipment and furniture	1,258,300	2,000,000	1,500,000	14,580,000	1,500,000	10,220,000	1,500,000
Construction in progress	20,425,500	37,567,400	116,007,100	(97,663,500)	48,822,300	(136,941,500)	-
Totals	$ 24,035,700	$ 47,164,300	$ 117,507,100	$ 46,301,200	$ 50,322,300	$ 7,211,500	$ 1,500,000

Forecasted depreciation expense was computed for existing property and equipment for assets acquired or constructed during the forecast period using the straight-line method based on the average lives of assets as described on page 20.

Note 3 Significant Forecast Assumptions (Continued)

Capital Assets (Continued)

Based on the information above, depreciation is forecasted as follows for 2016 through 2022:

	2016	2017	2018	2019	2020	2021	2022
Depreciation expense	$ 7,403,900	$ 7,535,600	$ 7,231,300	$ 11,875,400	$ 10,387,400	$ 13,939,400	$ 14,040,000

Based on the information above, capital assets are forecasted as follows at September 30:

	2016	2017	2018	2019	2020	2021	2022
Capital assets not being depreciated:							
Artwork	$ 112,800	$ 112,800	$ 112,800	$ 682,800	$ 682,800	$ 1,062,800	$ 1,062,800
Land	3,832,800	3,832,800	3,832,800	4,332,800	4,332,800	4,832,800	4,832,800
Construction in progress	32,208,200	69,775,600	185,782,700	88,119,200	136,941,500	-	-
Total capital assets not being depreciated	36,153,800	73,721,200	189,728,300	93,134,800	141,957,100	5,895,600	5,895,600
Depreciable capital assets:							
Buildings and improvements	121,975,800	129,572,700	129,572,700	257,887,400	257,887,400	390,940,400	390,940,400
Furnishings and equipment	51,566,100	53,566,100	55,066,100	69,646,100	71,146,100	81,366,100	82,866,100
Total depreciable capital assets	173,541,900	183,138,800	184,638,800	327,533,500	329,033,500	472,306,500	473,806,500
Less - Accumulated depreciation	85,111,600	92,647,200	99,878,500	111,753,900	122,141,300	136,080,800	150,120,800
Capital assets - Net	$ 124,584,100	$ 164,212,800	$ 274,488,600	$ 308,914,400	$ 348,849,300	$ 342,121,300	$ 329,581,300

Note 3 **Significant Forecast Assumptions** (Continued)

Long-Term Debt

New Debt

The project financing includes revenue bonds issued by the Alaska Municipal Bond Bank Authority (the "AMBBA Loan"), a loan from the Alaska Industrial Development and Export Authority (the "AIDEA Loan"), a USDA Community Facility Direct Loan (the "USDA Direct Loan"), and equity contributed by the Corporation. During the start of the construction period, AMBBA will provide the first of the loan proceeds. The project financing will be secured by the Corporation's revenue. Aggregate principal and interest payments will be advance funded with monthly deposits to a lockbox in the amount of 1/6 of the next semiannual interest payment and 1/12 of the next annual payment.

The Corporation funds are anticipated to be used during 2016.

AMBBA is forecasted to provide the loan proceeds during the initial construction period on October 1, 2016. Interest will be capitalized during the construction period with interest only payments through fiscal 2020. The loan proceeds will be used to reimburse the Corporation for the project, reducing the Corporation's net cash contribution to $8,200,000. The loan will be issued at an interest rate of 3.82% and is forecasted to mature on September 30, 2046. The AMBBA loan will require funding of debt service reserve fund of approximately $6,300,000 immediately upon issuance of the bonds.

The AIDEA loan is forecasted to be issued on October 1, 2017, and is anticipated to bear a forecasted interest rate of 5.25%. Interest will be capitalized during the construction period with interest only payments through fiscal 2020. The loan is forecasted to mature on September 30, 2038.

During the construction period, interim financing will be necessary until the completion of the clinic component of the project. The interim financing is forecasted to begin March 1, 2018 and commence through December 2019. The interim financing is forecasted to carry an interest rate of 2.00%. Interest on the interim financing proceeds will be capitalized during the forecast construction period. Interim financing is anticipated to be paid from the proceeds on the issuance of the USDA Direct Loan.

Note 3 **Significant Forecast Assumptions** (Continued)

Long-Term Debt (Continued)

New Debt (Continued)

The USDA Direct Loan is forecasted to be advanced upon completion of the clinic component of the project in December 15, 2019 (fiscal 2020) bearing an assumed interest rate of 3.625% with interest only for 30 months, for a term of 40 years, maturing December 15, 2059.

Equipment lease financing is expected to be used to finance the equipment included in the project. Equipment lease financing will commence during fiscal 2018 and fiscal 2020 in $5,000,000 increments, respectively, at an assumed interest rate of 5.00%. The financing leases are scheduled to mature after 10 years in fiscal 2028 and fiscal 2029, respectively.

The following schedule summarizes the forecasted source and use of funds related to the new building project:

Sources:		
AMBBA Loan Proceeds	$	102,500,000
AIDEA Loan Proceeds		25,000,000
USDA Loan Proceeds		165,000,000
Equipment Lease Financings		10,000,000
YKHC Contributed Equity		8,200,000
Project Fund Interest Income		713,000
Total Sources	$	311,413,000
Uses:		
Construction Project	$	259,057,000
Capitalized Interest		23,013,000
Contingency Funds for Housing Projects		22,121,000
AMBBA Debt Reserve/Surety Policy		6,262,000
Debt Issuance Costs		960,000
	$	311,413,000

Note 3 Significant Forecast Assumptions (Continued)

Long-Term Debt (Continued)

New Debt (Continued)

Based on the information above, balances of the new long-term debt are forecasted as follows at September 30:

	2016	2017	2018	2019	2020	2021	2022
Interim financing	$ -	$ -	$ 53,785,200	$ 95,596,700	$ -	$ -	$ -
USDA Direct Loan	-	-	-	-	165,000,000	165,000,000	165,000,000
Equipment Loans	-	-	4,671,600	4,259,500	8,497,900	7,630,400	6,718,500
AMBBA Loan Permanent	-	102,500,000	102,500,000	102,500,000	102,500,000	102,500,000	100,560,000
AIDEA Loan Permanent	-	-	25,000,000	25,000,000	25,000,000	25,000,000	24,055,000
Totals	-	102,500,000	185,956,800	227,356,200	300,997,900	300,130,400	296,333,500
Less - Current maturities	-	328,400	412,100	761,600	867,500	3,796,900	5,755,500
Long-term portion	$ -	$ 102,171,600	$ 185,544,700	$ 226,594,600	$ 300,130,400	$ 296,333,500	$ 290,578,000

Principal payments on the new long-term debt are forecasted as follows for 2016 through 2022:

	2016	2017	2018	2019	2020	2021	2022
Interim financing	$ -	$ -	$ -	$ -	$ (102,476,800)	$ -	$ -
USDA Direct Loan	-	-	-	-	-	-	-
Equipment Loans	-	-	(328,400)	(412,100)	(761,600)	(867,500)	(911,900)
AMBBA Loan Permanent	-	-	-	-	-	-	(1,940,000)
AIDEA Loan Permanent	-	-	-	-	-	-	(945,000)
Totals	$ -	$ -	$ (328,400)	$ (412,100)	$ (103,238,400)	$ (867,500)	$ (3,796,900)

Note 3 Significant Forecast Assumptions (Continued)

Long-Term Debt (Continued)

Existing Debt

The City of Emmonak and the City of St. Mary's (the "Cities") each issued revenue bonds totaling $18 million, at an interest rate of 5.99%, for the construction of an office building and equipment located in the City of Bethel, and two sub-regional clinics and equipment located in the City of Emmonak and the City of St. Mary's. These loans were refinanced through the City of Marshall for $8,857,000 in fiscal 2015. The Corporation is obligated to pay principal, premium, if any, and interest on the revenue bonds when due. Amounts are due in monthly installments of $98,398, including interest accruing at 3.91% per year. The loan is secured by building and land. The loan matures in 2024.

The Corporation has a second note payable with an original amount of $1,238,000, payable in monthly installments of $15,432, including interest accrued at 3.50% per year. The loan is secured by real property and matures in fiscal 2016.

The Corporation had a third note payable with an original amount of $400,000, payable in monthly installments of $4,356, including interest accruing at 3.25% per year. The loan was paid off in fiscal 2015.

Based on the information above, balances of the existing long-term debt are forecasted as follows at September 30:

	2016	2017	2018	2019	2020	2021	2022
Current	$ 805,600	$ 788,100	$ 837,500	$ 890,000	$ 940,000	$ 990,000	$ 1,040,000
Long-term	$ 7,040,200	$ 6,252,100	$ 5,414,600	$ 4,524,600	$ 3,584,600	$ 2,594,600	$ 1,554,600

Note 3 Significant Forecast Assumptions (Continued)

Long-Term Debt (Continued)

Interest-New Debt

The Corporation capitalizes interest during the construction period on the financing of major capital additions. The Corporation is forecasted to capitalize interest related to the project as follows for 2016 through 2022:

2016	2017	2018	2019	2020	2021	2022
$ -	$ 3,960,000	$ 5,790,200	$ 7,135,500	$ 6,127,600	$ -	$ -

There is no accrued interest payable reflected in the forecast based on the timing of interest payments.

Based on the information above, interest expense related to the new long-term debt is forecasted as follows for 2016 through 2022:

	2016	2017	2018	2019	2020	2021	2022
Interim financing	$ -	$ -	$ 267,100	$ 1,503,000	$ 495,100	$ -	$ -
USDA Direct Loan	-	-	-	-	4,485,900	5,981,300	5,981,300
Equipment Loans	-	-	201,900	224,200	405,100	405,200	360,800
AMBBA Loan Permanent	-	3,960,000	4,320,000	4,320,000	4,320,000	4,320,000	4,320,000
AIDEA Loan Permanent	-	-	1,203,100	1,312,500	1,312,500	1,312,500	1,312,500
Subtotal	-	3,960,000	5,992,100	7,359,700	11,018,600	12,019,000	11,974,600
Less: Capitalized interest	-	3,960,000	5,790,200	7,135,500	6,127,600	-	-
Totals	$ -	$ -	$ 201,900	$ 224,200	$ 4,891,000	$ 12,019,000	$ 11,974,600

Interest-Existing Debt

Interest expense related to the existing long-term debt is forecasted as follows for 2016 through 2022:

2016	2017	2018	2019	2020	2021	2022
$ 488,000	$ 439,800	$ 392,600	$ 343,300	$ 290,700	$ 234,900	$ 175,600

Note 3 Significant Forecast Assumptions (Continued)

Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are forecasted, based on historical information, at approximately 50 days of total expenses, excluding salaries, employee benefits, and depreciation for the years ending September 30, 2016 through 2022.

Based on the information above, accounts payable and accrued expenses are forecasted as follows at September 30:

2016	2017	2018	2019	2020	2021	2022
$ 9,219,200	$ 9,314,600	$ 9,608,700	$ 10,578,800	$ 10,925,100	$ 11,406,000	$ 11,745,600

Unearned Revenue

Unearned revenue is forecasted, based on historical information and is forecasted to increase 3% per year.

Unearned revenue is forecasted as follows at September 30:

2016	2017	2018	2019	2020	2021	2022
$ 4,775,500	$ 4,918,800	$ 5,066,400	$ 5,218,400	$ 5,375,000	$ 5,536,300	$ 5,702,400

Note 3 Significant Forecast Assumptions (Continued)

Accrued Salaries and Wages

Accrued salaries and wages include accrued salaries and wages, accrued payroll taxes, and other payroll-related liabilities.

Accrued salaries and wages are forecasted based on the historical accrual average salary cost per day, adjusted for overall increases in salaries and wages and the number of days of payroll outstanding at September 30.

Based on the information above, accrued salaries and wages are forecasted as follows at September 30:

2016	2017	2018	2019	2020	2021	2022
$10,847,300	$11,172,700	$11,507,900	$11,853,100	$12,208,700	$12,575,000	$12,952,300

Note 3 Significant Forecast Assumptions (Continued)

Revenue

The Corporation's patient service revenue is forecasted based on anticipated levels of revenue per patient day or unit of service adjusted for changes in utilization, pricing, and reimbursement. An analysis was completed of the Corporation's market area, population trends, the effect of the new clinic construction and hospital renovations anticipated to be completed in fiscal 2019 and fiscal 2021, respectively, and the impact of other anticipated operating changes. Based on this analysis, patient days, discharges, and significant ancillary departments were forecasted for the years ending September 30, 2016 through 2022.

The following, pages 42 through 64, describe the service area definition, patient origin, forecasted patient utilization, and patent service revenue.

Note 3 Significant Forecast Assumptions (Continued)

Service Area Definition and Patient Origin

The primary service area was developed based on several factors, including:

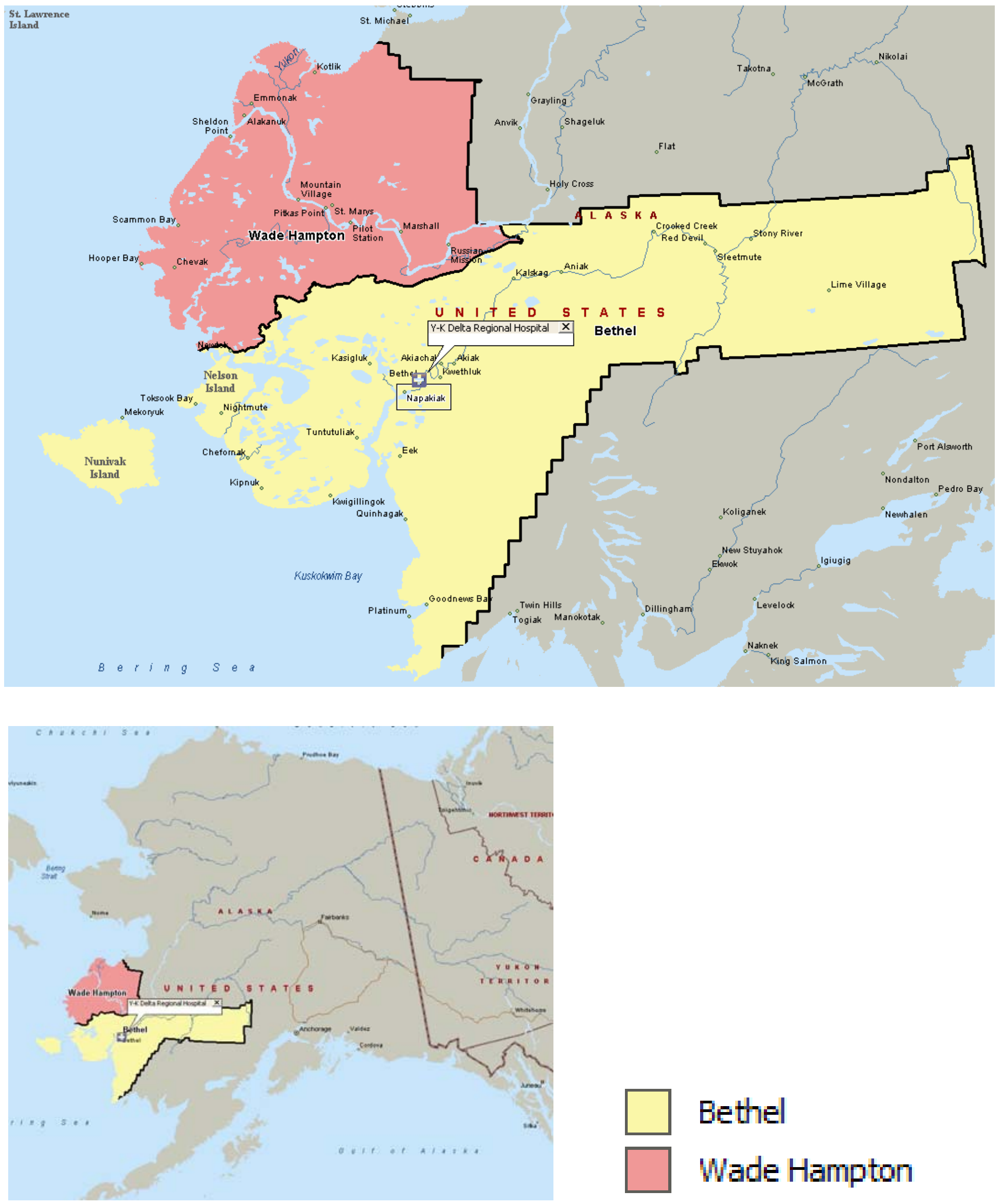
- Geography and distance of service areas and competitors in relation to the Corporation.
- The primary service area is defined below:

Primary Service Area	
Aniak, AK	Bethel, AK
Emmonak, AK	Hooper Bay, AK
St. Mary's, AK	Tooksook Bay, AK

Note 3 Significant Forecast Assumptions (Continued)

Service Area Definition and Patient Origin (Continued)

The following map shows the location of the Corporation and other area hospitals as well as the primary service area (PSA):



Note 3 Significant Forecast Assumptions (Continued)

Service Area Definition and Patient Origin (Continued)

The PSA has experienced 5.4% growth over the past six years. Many rural areas through the country are declining in population and as a result, hospitals in rural areas that are experiencing growth are rare. The PSA population changes have been as follows:

	2009	2010	2011	2012	2013	2014	2015	% Change (2009-2015)	Change (2009-2015)
Primary Service Area (PSA)									
Aniak	2,424	2,307	2,276	2,225	2,252	2,279	2,306	-4.9%	-118
Bethel	12,455	12,467	12,742	12,878	13,083	13,288	13,493	8.3%	1,038
Emmonak	2,415	2,361	2,387	2,364	2,409	2,453	2,498	3.4%	83
Hooper Bay	2,787	2,829	2,860	2,874	2,929	2,983	3,038	9.0%	251
St. Mary's	2,572	2,485	2,495	2,428	2,473	2,519	2,564	-0.3%	-8
Tooksook Bay	2,323	2,297	2,304	2,307	2,344	2,380	2,417	4.0%	94
Total PSA	***24,976***	***24,746***	***25,064***	***25,076***	***25,489***	***25,903***	**26,316**	**5.4%**	**1,340**

Source: Indian Health Services (IHS) Health Systems Planning (HSP)

Note 3 Significant Forecast Assumptions (Continued)

Service Area Definition and Patient Origin (Continued)

Population growth scenarios were developed to provide sensitivity to volume estimates. ESRI five-year population growth estimates point to a continued growth in population in the PSA. An increase of 9.3% was projected according to ESRI estimates as follows:

	Historical Reference % Change (2009-2015)	Forecasted Medium % Change (2016-2022)
Primary Service Area (PSA)		
Aniak	-4.9%	7.0%
Bethel	8.3%	9.0%
Emmonak	3.4%	10.5%
Hooper Bay	9.0%	10.6%
St. Mary's	-0.3%	10.4%
Tooksook Bay	4.0%	9.0%
Total PSA	**5.4%**	**9.3%**

Source: Indian Health Services (IHS) Health Systems Planning (HSP)

Note 3 Significant Forecast Assumptions (Continued)

Service Area Definition and Patient Origin (Continued)

Under the medium scenario, which is utilized in the forecast, total service area population is anticipated to increase by 2,481 as follows:

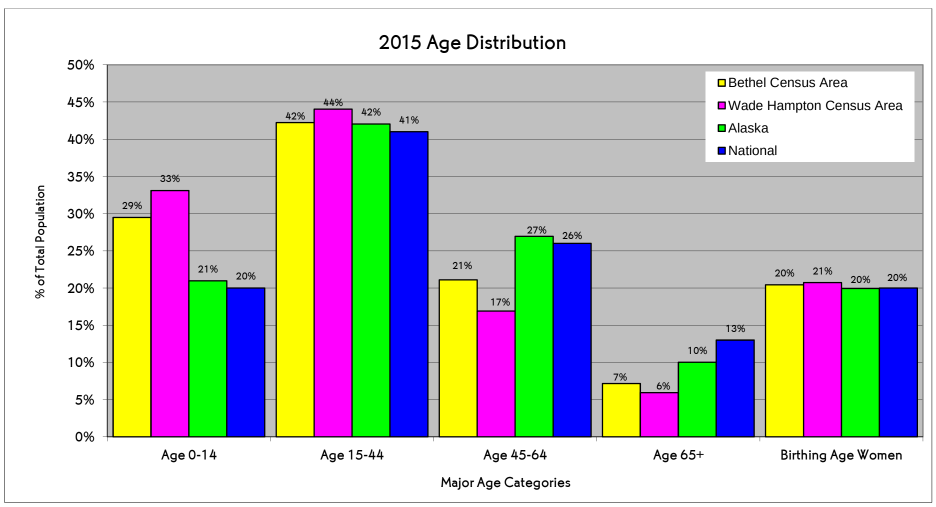
	2016 Population	2022 Population	2016-2022 Variance
Primary Service Area (PSA)			
Aniak	2,333	2,496	162
Bethel	13,699	14,930	1,231
Emmonak	2,542	2,809	267
Hooper Bay	3,093	3,421	328
St. Mary's	2,609	2,881	272
Tooksook Bay	2,454	2,674	220
Total PSA	**26,730**	**29,211**	**2,481**

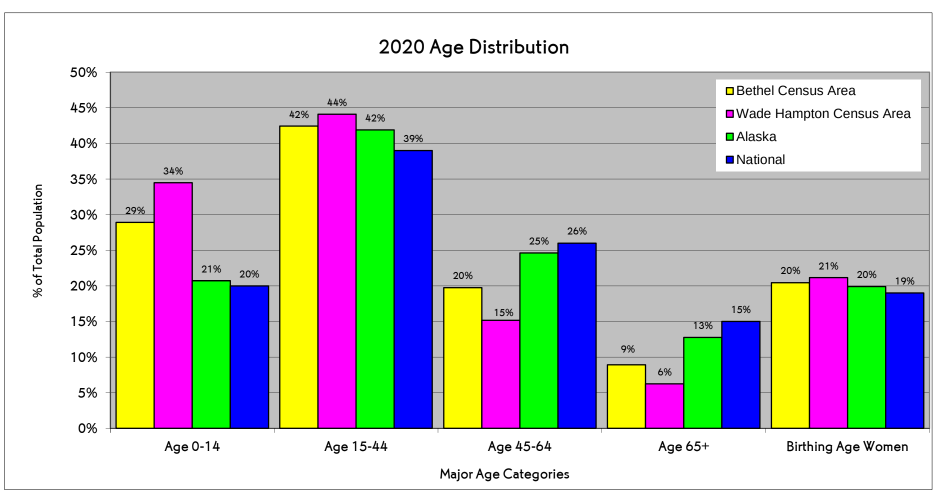
Source: Indian Health Services (IHS) Health Systems Planning (HSP)

Note 3 Significant Forecast Assumptions (Continued)

Service Area Definition and Patient Origin (Continued)

The PSA generally has a younger population than state and national averages. The population graphs reflect the 0-14 and the 15-44 categories, which are both above the state and national averages. This results in an expectation of lower utilization of inpatient and outpatient services per 1,000 population because of the lower average age (equating to lower acuity). The utilization is expected to remain flat as the younger generations compose larger portions of the population over the next six years. Demographic information for the primary service area compared to the state of Alaska and the entire nation is summarized below:





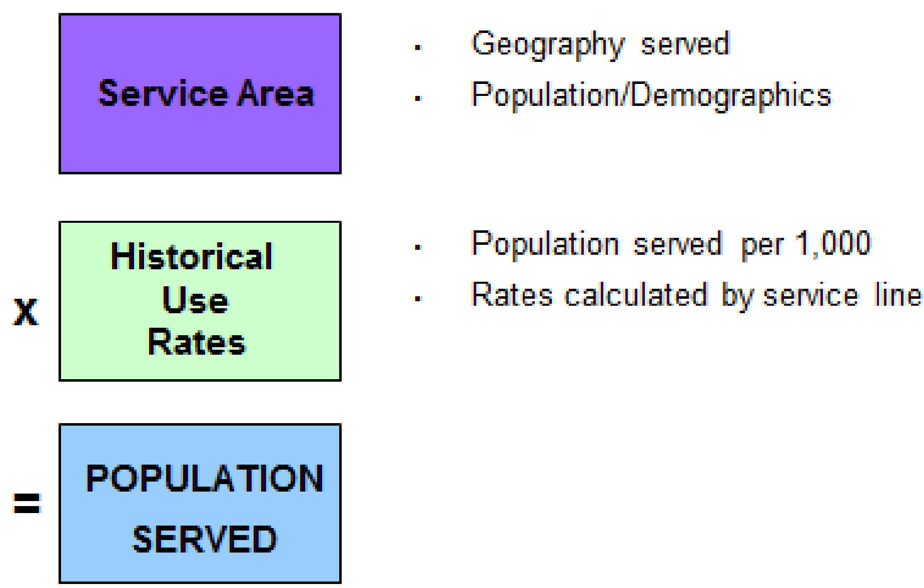
Source: Indian Health Services (IHS) Health Systems Planning (HSP)

Note 3 Significant Forecast Assumptions (Continued)

Patient Service Revenue

A combination of proven methodologies to forecast demand, patient utilization, and overall volumes was utilized for the Corporation.

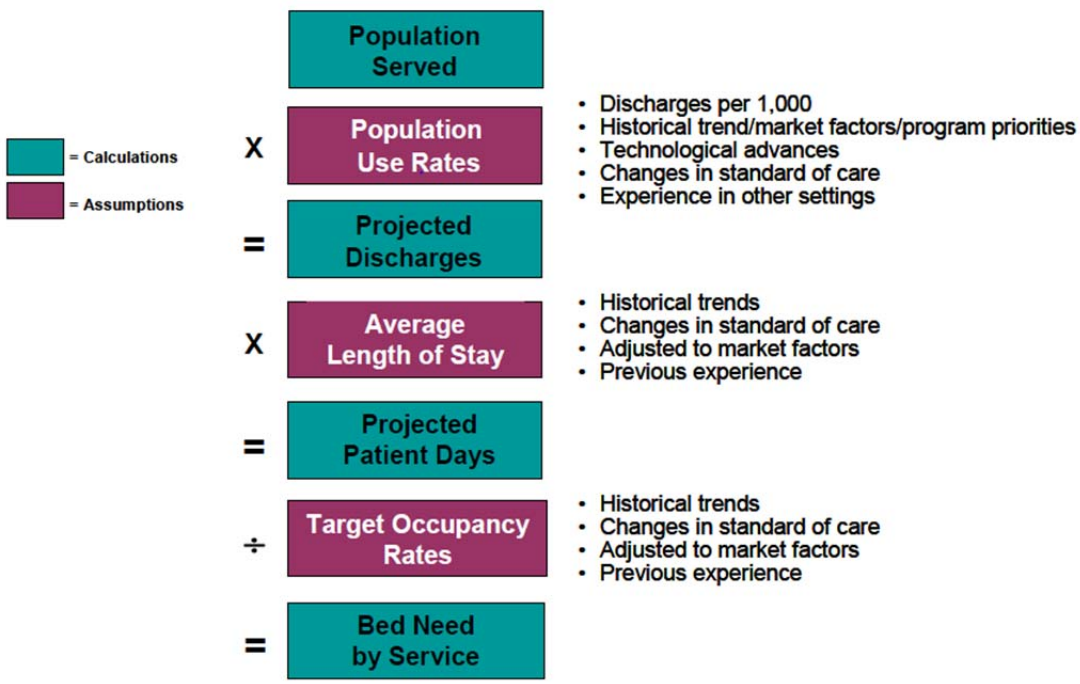
Population Served - The first methodology in forecasting future demand is performing a detailed market/demand analysis to establish a "population served" for the Corporation. The population served typically represents a subset of the total service area population who are most likely to utilize the Corporation now and in the future (population adjusted for market share percentage). However, due to the geographic isolation and distance to alternative facilities, this study assumes that the service area population is equal to the population served and calculates a historical utilization rate per 1,000 population to determine future volumes in the PSA. No changes in utilization rates are expected in the new facility. The following graphic depicts the key data elements analyzed to establish the population served:



Note 3 Significant Forecast Assumptions (Continued)

Patient Service Revenue (Continued)

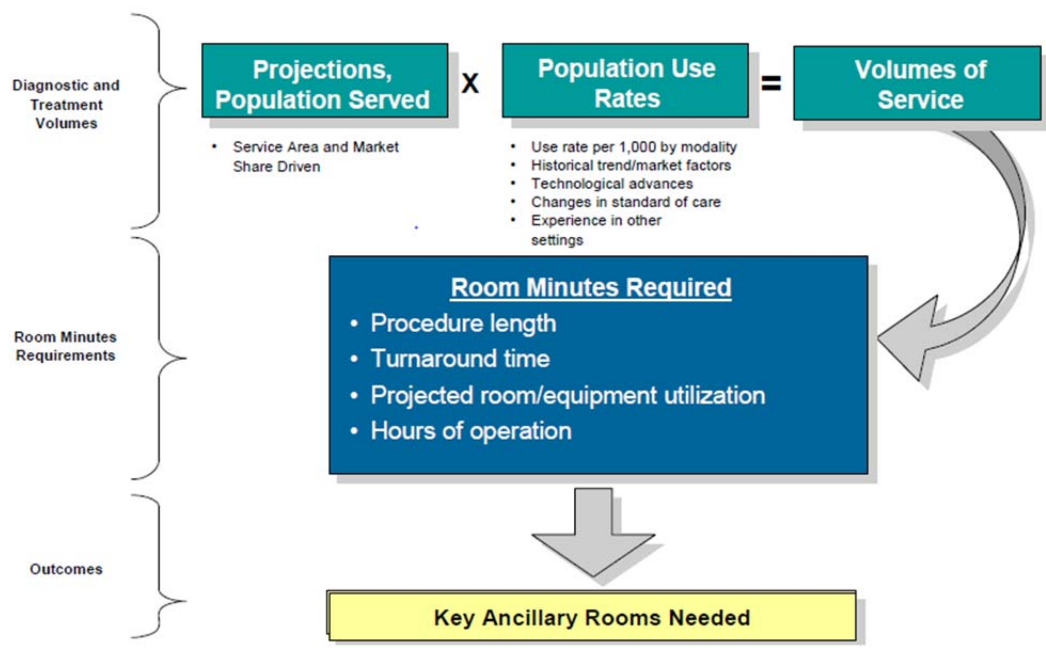
Inpatient Bed Demand - The second methodology involves establishing expected demand for inpatient services as driven by the population served. Demand for inpatient services will be established based on historical use rates, length of stay, and occupancy rates. The following methodology calculates the bed need by service:



Note 3 Significant Forecast Assumptions (Continued)

Patient Service Revenue (Continued)

Ancillary Services Demand - Demand for ancillary services will be established based on population served, historical use rates (by modality), minutes per procedure, and throughput rates as follows:



Note 3 Significant Forecast Assumptions (Continued)

Patient Service Revenue (Continued)

The historical service area use rates for the Corporation's PSA have historically been much higher than the state and region as a whole; however, 2015 showed a significant decrease in use rates. Service area utilization rates are expected to be steady over the next five years as the population remains proportionally young. It is difficult to predict the impact that health reform will have on inpatient use rates, if any. To the extent that inpatient use rates are elective, higher rates of insured will drive up inpatient use rates. However, a push to more managed care in the health care system will likely drive use rates down. Benchmark data after 2013 is currently not available.

	2012	2013	2014	2015
Discharges Per 1,000 Population				
YKHC Total Service Area	91.7	93.3	89.3	70.5
Alaska	76.7	78.4		
Washington	86.6	86.1		
Pacific Region	84.9	86.4		

Source: Regional and State benchmark data per AHA Hospital Statistics, 2015

Inpatient utilization rates are forecasted in subsequent tables within the forecasted financial statements.

Note 3 Significant Forecast Assumptions (Continued)

Patient Service Revenue (Continued)

The Corporation's forecasted "inpatient population served" calculation is as follows:

	2016	2017	2018	2019	2020	2021	2022	2022 Estimated Population Low	Medium	High
Population Served										
Total PSA Population (X)	26,730	27,143	27,557	27,970	28,384	28,797	29,211	29,211	29,211	29,211
YKHC PSA Market Share (=)	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
(A) YKHC PSA Population Served	26,730	27,143	27,557	27,970	28,384	28,797	29,211	29,211	29,211	29,211
(A) Total YKHC Population Served	26,730	27,143	27,557	27,970	28,384	28,797	29,211	29,211	29,211	29,211

The population served is used to forecast future growth in inpatient and outpatient utilization. Because of limitations in available outpatient market data in the state of Alaska, inpatient market share data was used as a proxy for both inpatient and outpatient population served estimates. This is a common approach since many states lack historical outpatient market data.

The Corporation's historical admissions are as follows:

Historical Admissions	2012	2013	2014	2015
Admissions				
Med/Surg	1,196	1,267	1,302	1,011
Obstetrics	438	411	420	423
Pediatrics	664	699	589	420
GRAND TOTAL ALL ADMISSIONS	**2,298**	**2,377**	**2,311**	**1,854**
Observation	81	116	101	93

Note 3 Significant Forecast Assumptions (Continued)

Patient Service Revenue (Continued)

The historical decrease in admissions from 2012 to 2015 is partially caused by seasonality. Nine months of FY2015 data was annualized to estimate the full year's volume, leaving out a portion of the year that is typically higher in volumes. Provider retention has also had a negative impact on volumes in FY2015.

Total inpatient admissions are projected to increase by 816 from 2015 to 2022 based on the medium scenario anticipating average historical use rates. The total inpatient admissions are expected to increase due to a combination of population growth and an increase in inpatient utilization per 1,000 population (this assumes use rates return to 2014 levels, which represent a full year of data. The decrease in 2015 is explained in the previous paragraph). Low, medium, and high scenarios were developed to add sensitivity to forecasted volumes and "pressure test" facility capacity under more aggressive (high) and less aggressive (low) scenarios. These scenarios reflect varying levels of utilization and growth. The medium scenario was utilized in the forecasted financial statements since it is considered the most likely scenario to occur. The low and high scenarios are included for reference purposes only and are based on information found in the market demand analysis utilized for the forecasted financial statements.

The Corporation's admissions are forecasted as follows:

							Estimated 2022		
	2016	2017	2018	2019	2020	2021	Low	Medium	High
Total YKHC Population Served	***26,730***	***27,143***	***27,557***	***27,970***	***28,384***	***28,797***	***29,211***	***29,211***	***29,211***
Med/Surg Admissions	**1,345**	**1,365**	**1,386**	**1,407**	**1,428**	**1,448**	**1,125**	**1,469**	**1,484**
Pop. Served Admissions per 1000	*50.3*	*50.3*	*50.3*	*50.3*	*50.3*	*50.3*	*38.5*	*50.3*	*50.8*
Obstetrics Admissions	**430**	**437**	**444**	**450**	**457**	**464**	**470**	**470**	**475**
Pop. Served Admissions per 1000	*16.1*	*16.1*	*16.1*	*16.1*	*16.1*	*16.1*	*16.1*	*16.1*	*16.3*
Pediatrics Admissions	**620**	**641**	**661**	**682**	**704**	**726**	**467**	**730**	**738**
Pop. Served Admissions per 1000	*23.2*	*23.6*	*24.0*	*24.4*	*24.8*	*25.2*	*16.0*	*25.0*	*25.3*
Total Inpatient Admissions	**2,395**	**2,443**	**2,491**	**2,540**	**2,589**	**2,638**	**2,062**	**2,670**	**2,697**
Pop. Served Admissions per 1000	*89.6*	*90.0*	*90.4*	*90.8*	*91.2*	*91.6*	*70.6*	*91.4*	*92.4*

Note 3 Significant Forecast Assumptions (Continued)

Patient Service Revenue (Continued)

The Corporation's historical days are as follows:

Historical Days	2012	2013	2014	2015
Patient Days				
Med/Surg	4,034	3,699	3,144	3,234
Obstetrics	1,009	950	956	885
Pediatrics	1,703	1,872	1,690	1,080
GRAND TOTAL ALL PATIENT DAYS	**6,746**	**6,521**	**5,790**	**5,199**
Observation	81	116	101	93

Note: Based on historical information for the Corporation.

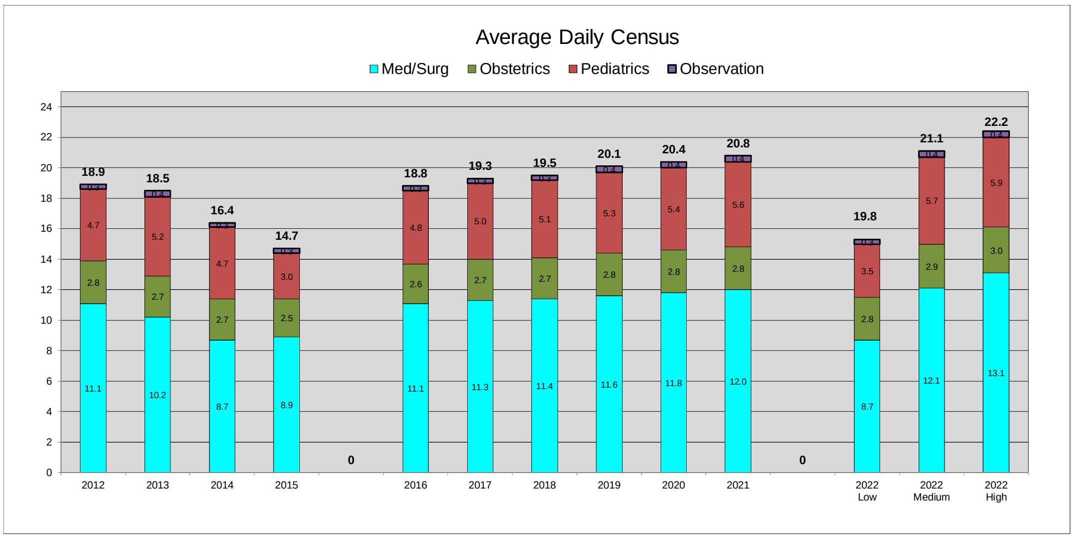
Based on the above, patient days are forecasted as follows:

							Estimated 2022		
	2016	2017	2018	2019	2020	2021	Low	Medium	High
Patient Days									
Med/Surg	4,034	4,096	4,158	4,221	4,283	4,345	3,149	4,408	4,747
Obstetrics	947	961	976	991	1,005	1,020	988	1,035	1,093
Pediatrics	1,736	1,794	1,852	1,911	1,971	2,032	1,262	2,045	2,139
GRAND TOTAL ALL PATIENT DAYS	**6,717**	**6,851**	**6,986**	**7,122**	**7,259**	**7,397**	**5,398**	**7,487**	**7,979**
Observation	99	104	108	112	117	121	105	123	124

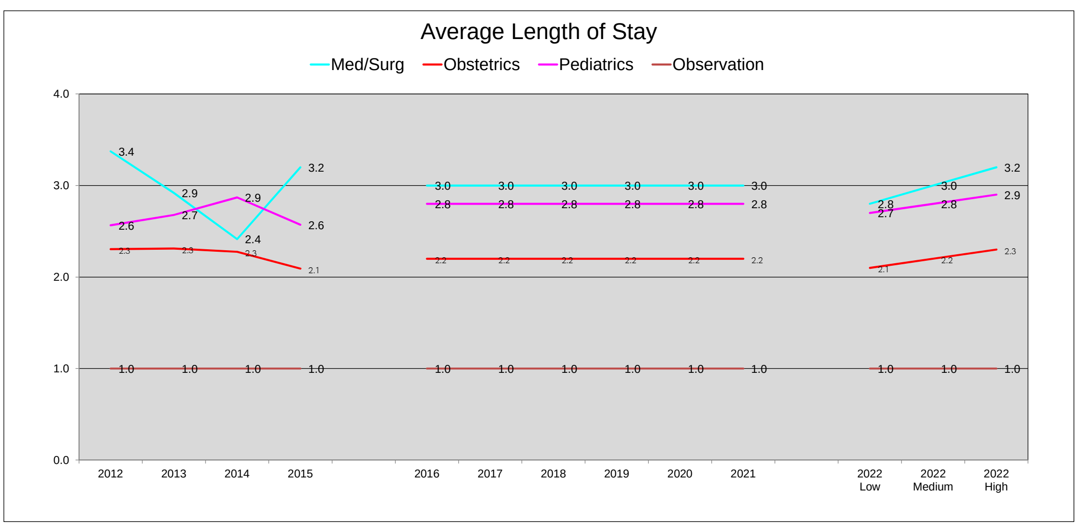
Note 3 Significant Forecast Assumptions (Continued)

Patient Service Revenue (Continued)

Average daily census (ADC) at the Corporation has declined since 2012. The Corporation anticipates recruiting additional physicians and related care teams over the forecasted period as discussed beginning on page 65. Organic population growth is expected to increase the ADC closer to 2014 levels. ADC is forecasted as follows:



Length of stay is anticipated to remain relatively flat over the next six years. Average length of stay is forecasted as follows for 2016 through 2022:



Note 3 Significant Forecast Assumptions (Continued)

Patient Service Revenue (Continued)

Growth in primary care, surgical, and medical specialties visits were based primarily on the Yukon-Kuskokwim Delta Direct Care Workload Projections by Discipline, provided by the Corporation and Innova. This is a sensitive assumption, and if they are not able to recruit the providers necessary to meet these expectations, then visits projections will not be realized.

Note 3 Significant Forecast Assumptions (Continued)

Patient Service Revenue (Continued)

Ancillary volumes are forecasted out to 2022 as follows:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Estimated 2022 Low	Estimated 2022 Medium	Estimated 2022 High
Population Served	25,064	25,076	25,489	25,903	26,316	26,730	27,143	27,557	27,970	28,384	28,797	29,211	29,211	29,211	29,211
Primary Care															
Family Practice	21,698	20,513	-	17,088	15,497	16,291	17,102	17,930	18,776	19,638	20,517	21,414	17,202	21,414	21,628
Internal Medicine	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0
Diabetes Treatment	1,156	1,173	-	4	960	959	958	957	955	952	949	946	936	946	955
Pediatric	10,424	11,137	-	7,946	6,974	7,438	7,914	8,400	8,898	9,406	9,926	10,456	7,741	10,456	10,561
Ob/Gyn	4,232	4,752	-	6,261	5,327	5,404	5,480	5,557	5,633	5,709	5,785	5,860	5,802	5,860	5,919
Primary Care Total	**37,510**	**37,575**	**-**	**31,299**	**28,758**	**30,093**	**31,455**	**32,845**	**34,261**	**35,705**	**37,177**	**38,676**	**31,681**	**38,676**	**39,063**
Emergency Care															
Emergency Care	18,500	22,500	25,000	24,288	23,374	23,572	23,764	23,951	24,133	24,310	24,481	24,647	24,401	24,648	24,894
Emergency Care Total	**18,500**	**22,500**	**25,000**	**24,288**	**23,374**	**23,572**	**23,764**	**23,951**	**24,133**	**24,310**	**24,481**	**24,647**	**24,401**	**24,648**	**24,894**
Surgical Specialties															
General Surgery	861	868	-	-	-	0	0	0	0	0	0	0	0	0	0
Orthopedics	-	-	-	157	103	338	580	829	1,086	1,349	1,620	1,898	949	1,899	1,917
Ophthalmology	-	-	-	192	224	516	817	1,127	1,446	1,773	2,110	2,455	1,228	2,456	2,480
Otolaryngology	-	-	-	318	247	251	255	259	263	266	270	274	137	274	277
Urology	-	-	-	-	-	0	0	0	0	0	0	0	0	0	0
Podiatry* (IHS approved new criteria)	-	-	-	-	-	316	642	977	1,322	1,677	2,042	2,416	1,208	2,417	2,441
Surgical Specialties Total	**861**	**868**	**-**	**667**	**574**	**1,421**	**2,293**	**3,192**	**4,116**	**5,066**	**6,042**	**7,045**	**3,522**	**7,045**	**7,115**
Medical Specialties															
Other Med Specialties	-	-	-			655	1,330	2,025	2,740	3,476	4,232	5,008	2,504	5,008	5,058
Medical Specialties Total	**-**	**-**	**-**	**-**	**-**	**655**	**1,330**	**2,025**	**2,740**	**3,476**	**4,232**	**5,008**	**2,504**	**5,008**	**5,058**
Other Ambulatory Care															
Dental	14,036	13,938	13,955	33,995	32,491	33,150	33,814	34,482	35,154	35,832	36,514	37,200	16,358	37,201	37,573
Audiology	1,050	1,331	-	365	400	406	413	419	425	431	438	444	440	444	448
Optometry	5,182	5,305	-	7,012	5,509	5,596	5,682	5,769	5,855	5,942	6,028	6,115	6,054	6,115	6,176
Other Ambulatory Care Total	**20,268**	**20,574**	**13,955**	**41,372**	**38,400**	**39,152**	**39,908**	**40,669**	**41,435**	**42,205**	**42,980**	**43,759**	**22,852**	**43,760**	**44,197**
Outpatient Lab															
CL - (General, Chemistry, Urinalysis, Hematology)	107,994	97,583	133,389	118,589	109,474	111,194	112,914	114,634	116,354	118,074	119,794	121,514	113,674	121,515	122,731
MB - Microbiology	23,370	23,834	27,935	19,508	19,735	20,045	20,355	20,665	20,975	21,285	21,595	21,905	21,687	21,906	22,125
BB - Blood Bank	1,343	1,409	3,577	1,878	1,608	1,633	1,659	1,684	1,709	1,734	1,760	1,785	1,641	1,785	1,803
Outpatient Lab Total	**132,707**	**122,826**	**164,901**	**139,975**	**130,817**	**132,872**	**134,928**	**136,983**	**139,038**	**141,093**	**143,149**	**145,204**	**137,002**	**145,206**	**146,658**
Inpatient Lab															
CL - (General, Chemistry, Urinalysis, Hematology)	1,120	4,889	22,055	24,774	10,068	10,226	10,384	10,543	10,701	10,859	11,017	11,175	5,695	11,175	11,287
MB - Microbiology	3,748	3,739	3,622	2,085	919	933	948	962	977	991	1,006	1,020	1,010	1,020	1,030
BB - Blood Bank	944	986	2,401	1,039	870	884	897	911	925	938	952	966	956	966	975
Inpatient Lab Total	**5,812**	**9,614**	**28,078**	**27,898**	**11,857**	**12,043**	**12,230**	**12,416**	**12,602**	**12,788**	**12,975**	**13,161**	**7,661**	**13,161**	**13,293**
Pharmacy															
Outpatient	202,218	217,800	203,185	212,661	191,638	194,649	197,660	200,671	203,681	206,692	209,703	212,714	204,477	212,717	214,844
Inpatient	72,728	77,045	112,452	117,017	96,267	97,779	99,292	100,804	102,317	103,829	105,342	106,854	87,633	106,856	107,924
Pharmacy Total	**274,946**	**294,845**	**315,637**	**329,678**	**287,905**	**292,428**	**296,952**	**301,475**	**305,998**	**310,522**	**315,045**	**319,568**	**292,110**	**319,573**	**322,768**
Imaging Services (Outpatient)															
Radiographic	4,982	5,108	3,549	2,802	2,450	2,488	2,527	2,565	2,604	2,642	2,681	2,719	2,483	2,719	2,747
Ultrasound	3,265	3,268	3,337	3,365	2,556	2,596	2,636	2,676	2,717	2,757	2,797	2,837	2,600	2,837	2,866
Mammography	697	671	664	530	531	539	548	556	564	573	581	589	497	589	595
Fluoroscopy	121	49	23	-	-	0	0	0	0	0	0	0	0	0	0
CT	1,332	1,109	651	558	553	562	570	579	588	596	605	614	497	614	620
Imaging Services (Outpatient) Total	**10,397**	**10,205**	**8,224**	**7,255**	**6,090**	**6,186**	**6,281**	**6,377**	**6,473**	**6,568**	**6,664**	**6,760**	**6,076**	**6,760**	**6,827**
Imaging Services (Inpatient)															
Radiographic	1,356	1,349	678	861	245	349	455	565	678	793	912	1,034	944	1,034	1,045
Ultrasound	511	567	307	247	152	186	221	257	294	332	371	411	377	411	415
Mammography	2	2	2	3	2	2	2	2	2	2	2	2	2	2	2
Fluoroscopy	5	1	3	-	-	0	0	0	0	0	0	0	0	0	0
CT	922	496	281	310	82	135	189	244	302	360	421	483	391	483	488
Imaging Services (Inpatient) Total	**2,796**	**2,415**	**1,271**	**1,421**	**481**	**671**	**867**	**1,068**	**1,275**	**1,488**	**1,707**	**1,931**	**1,714**	**1,931**	**1,950**
Imaging Services (Emergency & Other)															
Radiographic	6,451	7,291	7,987	7,107	6,833	6,940	7,048	7,155	7,262	7,370	7,477	7,584	6,925	7,585	7,660
Ultrasound	204	227	368	437	419	426	432	439	445	452	458	465	426	465	470
Mammography	3	9	2	8	3	3	3	3	3	3	3	3	3	3	3
Fluoroscopy	1	2	2	-	-	0	0	0	0	0	0	0	0	0	0
CT	2,019	2,062	1,756	1,624	1,585	1,610	1,635	1,660	1,685	1,710	1,734	1,759	1,423	1,759	1,777
Imaging Services (Emergency & Other) Total	**8,678**	**9,591**	**10,115**	**9,176**	**8,840**	**8,979**	**9,118**	**9,257**	**9,396**	**9,534**	**9,673**	**9,812**	**8,777**	**9,812**	**9,910**
Endoscopy															
OP Endo/Bronch	608	716	806	554	531	539	548	556	564	573	581	589	526	589	595
IP Endo/Bronch	40	47	56	9	30	30	31	31	32	32	33	33	26	33	34
Endoscopy Total	**648**	**763**	**862**	**563**	**561**	**570**	**579**	**587**	**596**	**605**	**614**	**623**	**552**	**623**	**629**
Surgery															
OP Surgery	152	212	401	275	324	329	334	339	344	349	355	360	292	360	363
IP Surgery	64	58	73	15	72	73	74	75	77	78	79	80	73	80	81
Surgery Total	**216**	**270**	**474**	**290**	**396**	**402**	**408**	**415**	**421**	**427**	**433**	**440**	**365**	**440**	**444**

Note 3 Significant Forecast Assumptions (Continued)

Patient Service Revenue (Continued)

The Corporation maintains rates that allow it to recover its costs and provide an operating margin to meet its financial requirements. The Corporation expects to have the freedom to set its prices without regulatory intervention throughout the forecast period. The Corporation had price increases of 0% in 2012, 0% in 2013, and 0% in 2014. The Corporation significantly increased its fees in 2015. The Corporation is forecasted to have price increases ranging from 0% to 1% in all forecasted years.

The Corporation's historical inpatient percentage by payor based on internal records was as follows for 2010 through 2015:

	2010	2011	2012	2013	2014	2015
Medicare	16.2%	17.3%	15.5%	19.3%	13.4%	18.8%
Medicaid	29.3%	34.0%	33.4%	30.5%	49.2%	48.3%
IHS Beneficiaries	35.9%	35.0%	35.7%	36.6%	31.9%	26.5%
Commercial/Other	15.9%	9.9%	11.4%	9.9%	4.4%	4.7%
Private	2.7%	3.7%	4.1%	3.7%	1.1%	1.7%
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note 3 **Significant Forecast Assumptions** (Continued)

Patient Service Revenue (Continued)

The Corporation's historical gross inpatient service revenue by payor based on internal records was as follows for 2010 through 2015:

	2010	2011	2012	2013	2014	2015
Medicare	$ 3,882,344	$ 4,387,653	$ 3,627,348	$ 4,022,981	$ 5,701,656	$ 9,777,151
Medicaid	7,041,481	8,625,507	7,824,815	6,336,270	20,879,267	25,141,879
IHS Beneficiaries	8,611,341	8,884,912	8,368,087	7,613,628	13,519,243	13,766,694
Commercial/Other	3,822,912	2,516,654	2,663,113	2,052,957	1,854,119	2,463,442
Private	645,806	946,630	962,468	773,070	472,547	892,575
Totals	$ 24,003,883	$ 25,361,356	$ 23,445,832	$ 20,798,906	$ 42,426,833	$ 52,041,740

Management utilized the September 30, 2015 percentages as a basis for forecasted payor mix, with minimal change in the future. There is no expectation of changes in the case mix index (CMI). The Corporation's inpatient percentages by payor are forecasted as follows for 2016 through 2022:

	2016	2017	2018	2019	2020	2021	2022
Medicare	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%	18.8%
Medicaid	48.3%	48.3%	48.3%	48.3%	48.3%	48.3%	48.3%
IHS Beneficiaries	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%	26.5%
Commercial/Other	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%
Private	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%	1.7%
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The Corporation's gross inpatient service revenue by payor is forecasted as follows for 2016 through 2022:

	2016	2017	2018	2019	2020	2021	2022
Medicare	$ 11,951,900	$ 12,245,300	$ 12,543,800	$ 12,847,000	$ 13,155,300	$ 13,469,900	$ 13,754,000
Medicaid	30,734,200	31,488,800	32,256,400	33,036,100	33,828,800	34,637,800	35,368,200
IHS Beneficiaries	16,828,900	17,242,000	17,662,300	18,089,200	18,523,300	18,966,300	19,366,200
Commercial/Other	3,011,400	3,085,300	3,160,500	3,236,900	3,314,600	3,393,900	3,465,400
Private	1,091,100	1,117,900	1,145,200	1,172,800	1,201,000	1,229,700	1,255,600
Totals	$ 63,617,500	$ 65,179,300	$ 66,768,200	$ 68,382,000	$ 70,023,000	$ 71,697,600	$ 73,209,400

Note 3 Significant Forecast Assumptions (Continued)

Patient Service Revenue (Continued)

The Corporation's historical outpatient percentages by payor, based on internal records, were as follows for 2010 through 2015:

	2010	2011	2012	2013	2014	2015
Medicare	6.3%	6.4%	5.8%	4.8%	4.9%	5.7%
Medicaid	55.8%	57.6%	56.1%	54.4%	54.9%	54.6%
IHS Beneficiaries	20.1%	19.7%	19.1%	23.5%	21.4%	23.0%
Commercial/Other	16.9%	15.3%	15.3%	15.5%	16.9%	16.3%
Private	0.9%	1.0%	3.7%	1.8%	1.9%	0.5%
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The Corporation's historical outpatient gross service revenue by payor, based on internal records, was as follows for 2010 through 2015:

	2010	2011	2012	2013	2014	2015
Medicare	$ 6,110,520	$ 6,354,990	$ 5,926,552	$ 4,817,665	$ 4,074,578	$ 8,878,000
Medicaid	54,331,136	56,883,808	57,081,881	55,166,456	45,632,371	85,301,400
IHS Beneficiaries	19,583,507	19,493,476	19,393,216	23,815,656	17,809,085	35,877,500
Commercial/Other	16,438,042	15,073,756	15,573,109	15,689,498	14,033,516	25,524,300
Private	908,397	996,079	3,735,874	1,842,732	1,576,101	744,100
Totals	$ 97,371,602	$ 98,802,109	$ 101,710,632	$ 101,332,007	$ 83,125,652	$ 156,325,300

The Corporation's outpatient percentages by payor, based on September 30, 2015 percentages, are forecasted as follows for 2016 through 2022:

	2016	2017	2018	2019	2020	2021	2022
Medicare	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%	5.7%
Medicaid	54.6%	54.6%	54.6%	54.6%	54.6%	54.6%	54.6%
IHS Beneficiaries	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%	23.0%
Commercial/Other	16.3%	16.3%	16.3%	16.3%	16.3%	16.3%	16.3%
Private	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Totals	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note 3 Significant Forecast Assumptions (Continued)

Patient Service Revenue (Continued)

The Corporation's gross outpatient service revenue by payor is forecasted as follows for 2016 through 2022:

	2016	2017	2018	2019	2020	2021	2022
Medicare	$ 7,008,300	$ 7,296,500	$ 7,593,800	$ 7,900,400	$ 8,216,500	$ 8,542,200	$ 8,878,000
Medicaid	67,336,400	70,106,500	72,962,800	75,908,600	78,945,100	82,074,900	85,301,400
IHS Beneficiaries	28,321,500	29,486,500	30,687,900	31,926,900	33,204,000	34,520,400	35,877,500
Commercial/Other	20,148,700	20,977,600	21,832,200	22,713,700	23,622,300	24,558,800	25,524,300
Private	587,400	611,600	636,500	662,200	688,700	716,000	744,100
Totals	$ 123,402,300	$ 128,478,700	$ 133,713,200	$ 139,111,800	$ 144,676,600	$ 150,412,300	$ 156,325,300

Deductions From Revenue

The Corporation's contractual adjustments are forecasted by applying each significant third-party reimbursement program's reimbursement methodology to forecasted revenue by payor for each year, considering the following:

Medicare - Inpatient acute care services provided by the Corporation rendered to Medicare program beneficiaries are paid primarily at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services provided to Medicare program beneficiaries are reimbursed on a prospective payment methodology, also based on a patient classification system, per diem amounts, and fee schedules.

Medicaid - Inpatient acute care services provided by the Corporation rendered to Medicaid program beneficiaries are paid primarily at prospectively determined per diem rates. Outpatient services are reimbursed at prospectively determined rates and fee schedules.

In addition to Medicare and Medicaid, the Corporation provides services to patients whose health care costs are covered by insurance companies, health maintenance organizations, and other health plans. These payors compensate the Corporation under various financial arrangements including discounts from hospital-established charges and prospectively determined rates and a cost-reimbursement methodology.

Note 3 Significant Forecast Assumptions (Continued)

Patient Service Revenue (Continued)

Because the Corporation's rates have historically been consistent with those in the region, the Corporation generally has been able to pass a significant portion of its rate increase through to these payors in the form of additional reimbursement. Consequently, the forecasted financial statements reflect the following assumptions regarding payments from these third parties:

- A stable proportion of total hospital revenue will come from patients covered by these payors.
- Contracts with these payors will be renewed with similar terms through the forecast period and will include price increases similar to historic terms.

Contractual Adjustments

The historical contractual adjustments for the Corporation's third-party payors, as a percentage of gross patient service revenue, based on internal records, were as follows for 2010 through 2015:

2010	2011	2012	2013	2014	2015
50.0%	48.5%	44.5%	48.8%	43.7%	45.8%

The contractual adjustments for the Corporation's third-party payors, as a percent of gross patient service revenue, are forecasted to be as follows for 2016 through 2022:

2016	2017	2018	2019	2020	2021	2022
52.9%	53.6%	54.3%	54.9%	55.2%	55.5%	56.2%

Note 3 Significant Forecast Assumptions (Continued)

Patient Service Revenue (Continued)

Charity Care

Due to most patients treated in the service area being eligible under IHS funding, only a nominal amount of charity care exists that is provided by the Corporation. Native Alaskans that are eligible for other third-party insurance payors are not typically required to pay coinsurance and deductibles. Therefore, there is no charity care forecasted during the forecast period.

Provision for Bad Debts

The Corporation's historical provision for bad debt has ranged from approximately, 0 to 0.02%. Due to Native Alaskan's being eligible either through IHS or under third-party insurances, bad debts are of an immaterial amount. Native Alaskans do not have to pay coinsurance or deductibles for services when billed to most third-party payors. Management anticipates health care reform, including increased eligibility for non-Native Alaskans under Alaska Medicaid programs, will further minimize the provision for bad debts. As a result, there are no provisions for bad debt included in the net patient service revenue throughout the forecast period.

Note 3 Significant Forecast Assumptions (Continued)

Patient Service Revenue (Continued)

Historical net patient service revenue, based on internal records, was as follows at September 30:

	2010	2011	2012	2013	2014	2015
Patient service revenue:						
Inpatient	$ 24,003,900	$ 25,361,400	$ 23,445,800	$ 20,798,900	$ 42,426,800	$ 52,041,700
Outpatient	97,371,600	98,802,100	101,710,600	101,332,000	83,125,700	107,146,700
Gross patient service revenue	121,375,500	124,163,500	125,156,400	122,130,900	125,552,500	159,188,400
Less: Contractual adjustments	60,698,600	60,198,600	55,652,500	59,590,500	54,831,500	72,882,500
Net patient service revenue	$ 60,676,900	$ 63,964,900	$ 69,503,900	$ 62,540,400	$ 70,721,000	$ 86,305,900

Based on the information above, net patient service revenue is forecasted as follows for 2016 through 2022:

	2016	2017	2018	2019	2020	2021	2022
Patient service revenue:							
Inpatient	$ 63,617,500	$ 65,179,300	$ 66,768,200	$ 68,382,100	$ 70,022,900	$ 71,697,500	$ 73,209,500
Outpatient	123,402,300	128,478,700	133,713,200	139,111,900	144,676,600	150,412,300	156,325,300
Gross patient service revenue	187,019,800	193,658,000	200,481,400	207,494,000	214,699,500	222,109,800	229,534,800
Less: Contractual adjustments	99,020,300	103,878,100	108,829,000	113,874,500	118,517,100	123,262,600	129,007,400
Net patient service revenue	$ 87,999,500	$ 89,779,900	$ 91,652,400	$ 93,619,500	$ 96,182,400	$ 98,847,200	$ 100,527,400

Note 3 Significant Forecast Assumptions (Continued)

Funding Agreement

The Corporation receives a significant source of revenue funded from IHS that provides for direct care including primary care, ancillary, and other healthcare services. IHS funding is not an insurance program. In general, all persons of Native American descent who belong to Native American communities are eligible for direct care at the Corporation. This revenue is recognized at the time the Corporation provides the services to which the grants and contracts are limited.

Modern federal Indian policy is encapsulated by the Indian Self-Determination and Education Assistance Act of 1975 (ISDA), Public Law 93-638, as amended. After substantial amendments to the ISDA in 1988 and 1994, many Tribes began contracting and eventually compacting with IHS to provide the health programs, services, functions, and activities the agency would otherwise provide. Many of the terms in these contracts are mandated by ISDA statutory provisions.

The Corporation is a party to the Alaska Tribal Health Compact between Certain Alaska Native Tribes and the United States of America (Compact), dated October 1, 1994, and most recently amended and restated on October 1, 2010. The Corporation first entered the Compact on September 29, 1994. The Compact allows the Corporation, as the representative of its constituent federally-recognized Indian Tribes, to directly provide health care programs, services, functions, and activities that would otherwise be provided by IHS to the 58 tribal villages in its service area. The Compact is a perpetual agreement that enables the Corporation to plan, conduct, consolidate, re-design, and administer IHS programs under the terms set forth in the Compact and as provided in Title V of the ISDA. Pursuant to the Compact's terms, Tribes and sanctioned tribal agents like the Corporation have the authority to decide how to best administer IHS programs, and this expressly includes the authority to redesign health programs and reallocate funds for programs according to tribal priorities. This authority is meant to enhance overall program effectiveness and maintain the long-term financial stability of the signatories, while simultaneously streamlining the federal IHS bureaucracy.

Note 3 Significant Forecast Assumptions (Continued)

Funding Agreement (Continued)

The funding amounts provided by IHS to the Corporation are detailed in a funding agreement that the Corporation and IHS generally negotiate each year. IHS is prohibited from reducing the annual funding levels unless Congress specifically approves reductions or rescissions in the IHS budget. Otherwise, IHS must provide the total amounts specified in each funding agreement. These amounts generally increase each year as Congress appropriates additional funds to cover inflation, population growth, and new or expanded programs. If the Corporation does not negotiate a new funding agreement each year, IHS is required to continue funding programs under the terms of the existing funding agreement. The Corporation's most recent funding agreement with IHS has been in effect for several years; it provides approximately $70 million in funding for fiscal year 2015. Under the terms of this funding agreement (and consistent with all prior funding agreements), the Corporation generally receives its annual funding amount in one lump sum payment. The Compact and applicable law also authorize the Corporation to bill third-party payors like Medicare, Medicaid and private health insurers and to utilize the proceeds for the provision of additional health services in the Corporation's region and "improvements in health care facilities." These third-party revenue funds are supplemental to the funding amounts provided by IHS, and IHS is explicitly prohibited from reducing or offsetting IHS program funding amounts because a Tribe collects third-party revenue. Third-party revenue was discussed previously beginning on page 48

The Joint Venture Construction Program (JVCP) is authorized by 25 U.S.C. § 1680h(e), which establishes joint venture demonstration projects between IHS and Indian Tribes. Under this program, selected American Indian or Alaska Native Tribes or tribal organizations enter into an agreement with IHS under which the Tribe or tribal organization constructs or acquires a tribally-owned health care facility at its own expense and, in return, IHS agrees "to provide the equipment, supplies, and staffing for the operation and maintenance of such a health facility" for 20 years under a no-cost lease.

Note 3 Significant Forecast Assumptions (Continued)

Funding Agreement (Continued)

The Corporation has been selected and will enter into a separate Joint Venture Agreement with IHS that will establish the terms and conditions of the Corporation's project. The Joint Venture Agreement will commit the Corporation to construct a facility acceptable to IHS as appropriate for providing IHS health care services, and will provide that IHS will then lease the facility under a 20-year, no cost lease. The no-cost lease is not intended to convey any real property interest in the facility or the land on which it is located. The Joint Venture Agreement will acknowledge that the Corporation will own and operate the facility directly and will use the facility to provide IHS programs and other health care services.

At the core of the Joint Venture Agreement is IHS's agreement to annually provide funding for the cost of staffing, operating, and maintaining the facility according to IHS funding formulas. The additional funding provided by IHS is added to the Corporation's Compact and funding agreements. Once these staffing funds are added to the funding agreement, they are by law considered recurring funds that are part of the Corporation's base funding amount and which cannot be reduced from year to year absent a reduction in overall Congressional appropriations.

IHS's obligation to maintain these program funds in the Corporation's contract is, under the terms of the ISDA, perpetual and will only cease if the Corporation stops operating the facility.

The Corporation's historical funding agreement revenue based on internal records was as follows for 2010 through 2015:

2010	2011	2012	2013	2014	2015
$ 69,062,100	$ 69,457,800	$ 72,524,900	$ 69,741,100	$ 70,709,800	$ 73,673,500

Note 3 Significant Forecast Assumptions (Continued)

Funding Agreement (Continued)

The Corporation has requested approval for additional funding for staffing based on the market demand study. The funding increase is based on the following:

New Construction Square Feet		89,051
RRM FTE's*		797.0
IHS RRM FTE Factor	85%	677.5
Funded FTE's		677.0
Recurring FTE's **		214.0
Additional Staffing Funded		463.0
Discretionary Adjustment Factor		100%
Adjusted Additional Staffing Funded		463.0
2010 Average Salary for Alaska or 2013 Average Salary for YK**	$	95,000
Salaries (no inflation included)	$	95,000
Geographic adjustment factor		0%
Salaries adjusted by geographic factor per staff	$	95,000
Other operating expense component per staff		40,714
Salaries and operating costs per staff	$	135,714
Contract Support Cost (CSC) add-on percentage		125%
Total cost per staff (Direct and CSC)	$	169,643

JV Impact by Year	Infl.	FTEs/YR	Cum. FTE	Cummulative Funding
2019	0%	222	222	$ 37,701,391
2020	0%	56	278	$ 47,126,739
2021	0%	185	463	$ 78,544,564
2022	0%	10	473	$ 80,240,991

Based on the information above, the funding agreement revenue is forecasted as follows for 2016 through 2022:

2016	2017	2018	2019	2020	2021	2022
$ 74,041,900	$ 74,412,100	$ 74,784,200	$ 84,209,500	$ 119,554,600	$ 145,474,300	$ 155,025,200

Note 3 Significant Forecast Assumptions (Continued)

Operating Grant Revenue

Operating grant revenue includes other federal state and local grants and contributions to provide certain health programs. Operating grant revenue is forecasted to increase by 0% per year based on historical averages.

Other Operating Revenue

Other operating revenue consists of EHR incentive, administrative revenue, mental health program revenue, cafeteria revenue, rent revenue, and other revenue.

Based on historical increases, other operating revenue is forecasted to increase by 0% per year throughout the forecast period.

Note 3 Significant Forecast Assumptions (Continued)

Expenses

Salaries

Employee compensation is based on anticipated employee rates and staffing levels. Because of a stable work force, low turnover, and minimal utilization of agency nursing, wage levels are forecasted to increase on average 2% during the forecasted years 2016 through 2022. Staffing levels were adjusted for forecasted increases in patient service volumes, adjusted for available capacity and productivity improvements.

Historical FTEs, based on internal records, were as follows for 2010 through 2015:

2010	2011	2012	2013	2014	2015
1,065.6	1,093.8	1,156.0	1,172.5	1,127.3	1,023.1

As a result of the JVCP agreement between IHS and the Corporation, additional funding as described on page 65 will allow the Corporation to recruit additional staff to support the increased demand for services. This increased staffing is forecast to begin in fiscal 2019 and continue through the forecast period.

As a result, total FTEs are forecasted as follows for 2016 through 2022:

2016	2017	2018	2019	2020	2021	2022
1,133.1	1,142.4	1,151.4	1,195.1	1,311.2	1,435.7	1,464.1

Note 3 Significant Forecast Assumptions (Continued)

Expenses (Continued)

Salaries (Continued)

Historical average salary expense per FTE, based on internal records, was as follows for 2010 through 2015:

2010	2011	2012	2013	2014	2015
$ 65,100	$ 64,800	$ 62,100	$ 62,200	$ 65,200	$ 67,700

Average salary expense per FTE is forecasted as follows for 2016 through 2022:

2016	2017	2018	2019	2020	2021	2022
$ 67,700	$ 70,900	$ 72,300	$ 74,600	$ 78,400	$ 82,100	$ 84,000

Based on the factors above, salaries are forecasted as follows for 2016 through 2022:

2016	2017	2018	2019	2020	2021	2022
$ 76,760,000	$ 80,963,800	$ 83,299,300	$ 89,110,500	$ 102,797,400	$ 117,888,600	$ 122,928,100

Employee Benefits

Benefits consist of social security and unemployment taxes, retirement plan expense, health and dental insurance, workers' compensation, and other benefits.

Social security and unemployment tax rates are forecasted to remain constant during the forecast period.

Note 3 Significant Forecast Assumptions (Continued)

Expenses (Continued)

Employee Benefits (Continued)

Retirement plan expenses are forecasted based on a percent of historical salaries and wages.

Health and dental insurance costs are forecasted based on historical levels and adjusted for changes in FTEs and 6% each year for inflation.

The Corporation will control health costs through benefit offerings and employee premium contributions. All other benefits are forecasted to increase based on a percentage of historical salaries and wages. Historical benefits as a percentage of salaries, based on internal records, were as follows for 2010 through 2015:

2010	2011	2012	2013	2014	2015
27%	29%	33%	40%	41%	25%

Based on the information above, the overall employee benefit percentage of salaries and wages is forecasted as follows for 2016 through 2022:

2016	2017	2018	2019	2020	2021	2022
30%	30%	30%	30%	30%	30%	30%

Based on the information above, total employee benefit cost is forecasted as follows for 2016 through 2022:

2016	2017	2018	2019	2020	2021	2022
$ 23,028,000	$ 24,289,100	$ 24,989,800	$ 26,733,200	$ 30,839,200	$ 35,366,600	$ 36,878,400

Note 3 Significant Forecast Assumptions (Continued)

Expenses (Continued)

Other Operating Expenses

Other operating expenses consist of contracts and fees, supplies, utilities, travel, rental fees, furniture and equipment, government labor, freight and postage, dues and subscriptions, insurance, repairs and maintenance, education, advertising, and licensing, relocation expenses, and miscellaneous operating expense.

Contracts and fees – Contract and fees consist of medical-surgical, surgery, and emergency physician fees; medical director fees; and consulting, legal and accounting, recruiting, and other professional fees. Certain expenses are volume sensitive and were adjusted to reflect fluctuations in related patient services and volume indicators for the respective department, plus an inflation factor of approximately 3%. The remaining expenses were based on historical levels and increased approximately 3% each year for inflation, with further adjustments by management.

Purchased services – Purchased services include contracted services for patient care areas including acute care, pharmacy, laboratory, radiology, and the clinics and for general service areas including plant operations, medical records, business office, and dietary. Certain expenses are volume sensitive and were adjusted to reflect fluctuations in related patient services and volume indicators for the respective department, plus an inflation factor of approximately 3%. The remaining expenses were based on historical levels and increased approximately 3% each year for inflation, with further adjustments by management.

Supplies – Supplies include medical supplies, drugs, and other supplies including food costs, laboratory supplies, maintenance supplies, and other patient service and other departmental supplies. Direct patient care supplies are volume sensitive and were adjusted to reflect fluctuations in related patient services and volume indicators for the respective department, plus an inflation factor of approximately 5%. Other supplies were forecasted based on historical levels and increased approximately 3% each year for inflation, with further adjustments by management.

Note 3 Significant Forecast Assumptions (Continued)

Expenses (Continued)

Other Operating Expenses (Continued)

Utilities – Utilities include water, gas, electricity, and telephone costs. These costs include both the YKDRH (in Bethel, AK) and subregional clinics and village clinics. It is anticipated that the square feet of the facilities located in Bethel will increase from 111,550 square feet to 264,638 when the project is completed. Therefore, utilities are forecasted based on historical levels, increased approximately 3% each year for inflation from fiscal 2016 through 2018, and an addition 45% of costs based on additional square footage and inflationary increases in the facilities located in Bethel, AK, from fiscal 2019 through 2022 as the project is completed.

Travel – Travel expenses include the costs of transporting patients from remote areas to the Corporation for health services and includes the costs of employees to travel for training to training and conference programs. Travel expenses were based on historical levels and increased approximately 3% each year for inflation, with further adjustments by management.

Rental fees – Rental fees include the costs of leases for equipment and property at villages where patient care services are provided. Rental fees are forecasted based on historical levels, increased approximately 3% for inflation, with further adjustments by management.

Furniture and equipment – Furniture and equipment includes the cost of acquiring equipment that does not qualify as a capital asset and purchases of furniture and equipment that are less than $5,000. Furniture and equipment expenses are forecasted based on historical levels, increased approximately 3% for inflation, with further adjustments by management.

Government labor – Government labor includes certain salary and benefit cost of the Corporation's IHS programs paid directly by the Federal Government through a Memorandum of Understanding (MOA). Government labor expenses were based on historical levels and increased approximately 3% each year for inflation, with further adjustments by management.

Note 3 Significant Forecast Assumptions (Continued)

Expenses (Continued)

Other Operating Expenses (Continued)

Freight and postage – Freight and postage are the costs associated with the mailing or delivering of goods to the Corporation. Freight and postage expenses were based on historical levels and increased approximately 3% each year for inflation, with further adjustments by management.

Dues and subscriptions – Dues and subscription expenses were based on historical levels and increased approximately 3% each year for inflation, with further adjustments by management.

Insurance – Insurance includes professional, general liability, property, billing errors and omissions, and privacy protection. Property insurance is forecasted based on historical levels increased for the impact of the additional square feet as of June 2019 and approximately 3% each year for inflation. The remaining insurance is forecasted based on historical levels increased approximately 3% each year for inflation, with further adjustments by management.

Repairs and Maintenance – Repairs and maintenance are forecasted based on historical levels, increased 3% each year for inflation and adjusted for new maintenance contracts anticipated to be entered into in 2015, with further adjustments by management.

Education, advertising, and licensing – Education, advertising, and licensing expenses includes the costs of continuing education for nursing and other licensed staffing. Advertising includes costs of promoting the Corporation and recruiting for professional staffing. Licensing expense includes the cost of the Corporation's professional staff that requires professional licenses and certifications. Education, advertising, and licensing expenses were based on historical levels and increased approximately 3% each year for inflation, with further adjustments by management.

Note 3 Significant Forecast Assumptions (Continued)

Expenses (Continued)

Other Operating Expenses (Continued)

Relocation – Relocation expense includes the costs of relocating employees to their field of work at the Corporation. Relocation expenses are forecasted based on historical levels increased approximately 3% each year for inflation, with further adjustments by management.

Miscellaneous – Miscellaneous expenses consists of late charges and penalties, bank fees, credit card fees, and other expenses that do not fit within any other category on the income statement. Miscellaneous other expenses are forecasted based on historical levels, increased approximately 3% each year for inflation, with further adjustments by management.

Note 3 Significant Forecast Assumptions (Continued)

Nonoperating Revenue (Expenses)

Equity in Joint Ventures

Equity in joint ventures is expected to be based on 2015 historical amounts. Investments in joint ventures are described on page 19.

Investment Income

Investment income is based on the rate of return described previously for cash and cash equivalents, investments, and the investment in the permanent fund. The investment income is forecasted as follows for 2016 through 2022:

2016	2017	2018	2019	2020	2021	2022
$ 3,327,400	$ 3,652,100	$ 4,408,800	$ 4,955,600	$ 5,533,500	$ 6,144,900	$ 6,789,400

Debt Issuance Costs

Debt issuance costs are financing expenses related to the issuance of the new USDA Direct Loan, AIEDA loan, and AMBBA loan, as described on page 34. Debt issuance costs are expected to occur in 2016 in the amount of $960,000.

Capital Contributions

No capital contributions are forecasted throughout the forecast period.

Note 4 Sensitivity Analyses

Forecast assumptions are considered particularly sensitive if there is either a relatively high probability of a sizable variation from the assumption or if the effect of virtually any variation in the assumption would have a significant effect on forecasted results.

The following assumptions are particularly sensitive, and variation in the assumption would have a significant effect on forecasted results:

Reimbursement – The Corporation's net patient service revenue is forecasted based on the forecasted payor mix and on reimbursement methods under agreements with third parties. If the method and rates of reimbursement change or the payor mix changes, Corporation net patient service revenue would be affected, and the effects could be material.

Funding Agreement – Funding agreement includes a significant increase based on proposed increases in staffing due to anticipated high demand of health care services of Native Alaskans reflected in the forecast. If the Corporation does not receive increased funding by Indian Health Services based on the levels needed to support market demands, the Corporation's funding agreement revenue would be significantly affected, and the effects could be material.

In addition, the Funding Agreement includes provisions that require the Corporation to provide adequate housing for the additional staffing anticipated to be recruited and work in Bethel. Lack of adequate housing could result in delay or reduction in staffing funds included in the Funding Agreements.

Note 4 Sensitivity Analyses (Continued)

Competition – There are no other hospitals within the Corporation's primary service area. Management is not aware of any significant strategic or operational changes planned by competitor hospitals. If competitor hospitals implement significant strategic or operational changes, the Corporation's market share, patient service volumes, and net patient and resident service revenue could be affected, and the effects could be material.

Market Share – The planned construction is forecasted to achieve a certain market share for the Corporation. If the Corporation is unable to achieve the market share included in the forecast, net patient and resident service revenue would be affected, and the effects could be material.

Physicians – The Corporation's volume and related patient service revenue for hospital services are linked to its ability to recruit and retain physicians. An inability to retain current physicians or recruit the necessary physicians and other providers could adversely affect market share, patient service volumes, and net patient and resident service revenue, and the effects could be material. In particular, the facility believes it will successfully recruit specialty care physicians beginning in 2019. Unsuccessful recruitment of these physicians and providers would have a material effect on forecasted net patient and resident service revenue.

Project Costs – Construction of the project is subject to the usual risks associated with construction projects, including but not limited to cost overruns, delays in issuance of required building permits or other necessary approvals, strikes, shortages of materials, and adverse weather conditions. It is anticipated proceeds from the new debt and other funds provided by the Corporation will be sufficient to complete the construction, furnishing, and equipping of the project. Should significant cost overruns occur or should the completion of the project be delayed, assets and revenue could be affected, and the effects could be material.

Financing – If the financing terms and conditions change from what is presented, the Corporation's change in net position would be affected, and the effects could be material.

Note 4 Sensitivity Analyses (Continued)

Laws and Regulations – The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to matters such as licensure, accreditation, government health care program participation requirements, reimbursement for patient services, and billing regulations. Government activity with respect to investigations and allegations concerning possible violations of such regulations by health care providers has increased. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of fines and penalties, as well as repayments for patient services previously billed. Management believes the Corporation will be in compliance with applicable government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory actions unknown or unasserted at this time. The financial forecast assumes the Corporation will be in substantial compliance with laws and regulations throughout the forecast period.

CMS has implemented a project using recovery audit contractors (RAC) as part of its further efforts to ensure accurate payments. The project uses RACs to search for potentially inaccurate Medicare payments that might have been made to health care providers and that were not detected through existing CMS program-integrity efforts. Once the RAC identifies a claim it believes is inaccurate, it makes a deduction from or addition to the provider's Medicare reimbursement in an amount estimated to equal the overpayment or underpayment. Certain states also have hired Medicaid Integrity Contractors (MIC) to perform audits similar to RACs. RAC and MIC reviews with the Corporation are anticipated; however, the outcome of such potential reviews are unknown and cannot be reasonably estimated at this time, and the effects could be material.

National Health Care Reform – The impact of national health care reform in the future is unknown. Depending on the impact, if any, net patient and resident service revenue could be affected, and the effects could be material.

Note 4 Sensitivity Analyses (Continued)

The following sensitivity analyses have been performed to illustrate the estimated impact if the volumes and debt terms change from what is reported in the accompanying forecast:

1. Funding agreement dollars are reduced due to inadequate housing by 10 percent:

	2016	2017	2018	2019	2020	2021	2022
As forecasted							
Increase (decrease) in net position	$ 12,576,200	$ 9,766,500	$ 7,734,100	$ 419,900	$ 15,459,200	$ 10,901,300	$ 13,750,000
Sensitivity #1 forecasted							
Increase (decrease) in net position	$ 12,737,300	$ 9,915,300	$ 7,867,900	$ (6,941,000)	$ 8,079,500	$ 3,502,000	$ 6,328,500
Change	$ 161,100	$ 148,800	$ 133,800	$ (7,360,900)	$ (7,379,700)	$ (7,399,300)	$ (7,421,500)
As forecasted							
Debt service coverage	14.73	13.77	8.94	7.03	4.55	2.64	2.36
Sensitivity #1 forecasted							
Debt service coverage	16.66	15.56	9.69	3.15	3.50	2.12	1.93
Change	1.93	1.79	0.75	(3.88)	(1.05)	(0.52)	(0.43)
As forecasted							
Days cash on hand - All sources	226	273	289	293	296	297	318
Sensitivity #1 forecasted							
Days cash on hand - All sources	226	274	290	280	272	266	277
Change	0	1	1	(13)	(24)	(31)	(41)

Note 4 Sensitivity Analyses (Continued)

2. Market share reaches high scenario by 2022:

	2016	2017	2018	2019	2020	2021	2022
As forecasted							
Increase (decrease) in net position	$ 12,576,200	$ 9,766,500	$ 7,734,100	$ 419,900	$ 15,459,200	$ 10,901,300	$ 13,750,000
Sensitivity #2 forecasted							
Increase (decrease) in net position	$ 12,782,400	$ 10,037,100	$ 8,073,900	$ 795,400	$ 15,868,400	$ 11,342,600	$ 14,225,900
Change	$ 206,200	$ 270,600	$ 339,800	$ 375,500	$ 409,200	$ 441,300	$ 475,900
As forecasted							
Debt service coverage	14.73	13.77	8.94	7.03	4.55	2.64	2.36
Sensitivity #2 forecasted							
Debt service coverage	16.69	15.67	9.82	7.67	4.66	2.68	2.40
Change	1.96	1.90	0.88	0.64	0.11	0.04	0.04
As forecasted							
Days cash on hand - All sources	226	273	289	293	296	297	318
Sensitivity #2 forecasted							
Days cash on hand - All sources	226	274	291	295	298	300	321
Change	0	1	2	2	2	3	3

Note 4 Sensitivity Analyses (Continued)

3. Market share drops to low scenario by 2022:

	2016	2017	2018	2019	2020	2021	2022
As forecasted							
Increase (decrease) in net position	$ 12,576,200	$ 9,766,500	$ 7,734,100	$ 419,900	$ 15,459,200	$ 10,901,300	$ 13,750,000
Sensitivity #3 forecasted							
Increase (decrease) in net position	$ 12,055,900	$ 7,820,100	$ 4,174,300	$ (4,091,000)	$ 10,001,700	$ 4,507,000	$ 6,452,200
Change	$ (520,300)	$ (1,946,400)	$ (3,559,800)	$ (4,510,900)	$ (5,457,500)	$ (6,394,300)	$ (7,297,800)
As forecasted							
Debt service coverage	14.73	13.77	8.94	7.03	4.55	2.64	2.36
Sensitivity #3 forecasted							
Debt service coverage	16.10	13.72	7.39	4.81	3.79	2.19	1.93
Change	1.37	(0.05)	(1.55)	(2.22)	(0.76)	(0.45)	(0.43)
As forecasted							
Days cash on hand - All sources	226	273	289	293	296	297	318
Sensitivity #3 forecasted							
Days cash on hand - All sources	227	272	282	281	280	276	291
Change	1	(1)	(7)	(12)	(16)	(21)	(27)

Note 4 Sensitivity Analyses (Continued)

4. Overall contractual allowances decrease 1% each year:

	2016	2017	2018	2019	2020	2021	2022
As forecasted							
Increase (decrease) in net position	$ 12,576,200	$ 9,766,500	$ 7,734,100	$ 419,900	$ 15,459,200	$ 10,901,300	$ 13,750,000
Sensitivity #4 forecasted							
Increase (decrease) in net position	$ 14,158,900	$ 11,393,200	$ 9,404,200	$ 2,134,100	$ 17,216,800	$ 12,703,400	$ 15,594,900
Change	$ 1,582,700	$ 1,626,700	$ 1,670,100	$ 1,714,200	$ 1,757,600	$ 1,802,100	$ 1,844,900
As forecasted							
Debt service coverage	14.73	13.77	8.94	7.03	4.55	2.64	2.36
Sensitivity #4 forecasted							
Debt service coverage	17.81	16.86	10.65	8.45	4.86	2.78	2.48
Change	3.08	3.09	1.71	1.42	0.31	0.14	0.12
As forecasted							
Days cash on hand - All sources	226	273	289	293	296	297	318
Sensitivity #4 forecasted							
Days cash on hand - All sources	229	280	299	305	310	312	335
Change	3	7	10	12	14	15	17

Note 4 Sensitivity Analyses (Continued)

5. Overall contractual allowances increase 1% each year:

	2016	2017	2018	2019	2020	2021	2022
As forecasted							
Increase (decrease) in net position	$ 12,576,200	$ 9,766,500	$ 7,734,100	$ 419,900	$ 15,459,200	$ 10,901,300	$ 13,750,000
Sensitivity #5 forecasted							
Increase (decrease) in net position	$ 11,315,800	$ 8,437,200	$ 6,331,500	$ (1,059,300)	$ 13,899,200	$ 9,257,400	$ 12,018,500
Change	$ (1,260,400)	$ (1,329,300)	$ (1,402,600)	$ (1,479,200)	$ (1,560,000)	$ (1,643,900)	$ (1,731,500)
As forecasted							
Debt service coverage	14.73	13.77	8.94	7.03	4.55	2.64	2.36
Sensitivity #5 forecasted							
Debt service coverage	15.50	14.27	8.73	6.58	4.37	2.53	2.26
Change	0.77	0.50	(0.21)	(0.45)	(0.18)	(0.11)	(0.10)
As forecasted							
Days cash on hand - All sources	226	273	289	293	296	297	318
Sensitivity #5 forecasted							
Days cash on hand - All sources	224	269	282	283	285	285	304
Change	(2)	(4)	(7)	(10)	(11)	(12)	(14)

Note 4 Sensitivity Analyses (Continued)

6. Operating expenses, excluding depreciation and amortization, increase 2% each year:

	2016	2017	2018	2019	2020	2021	2022
As forecasted							
Increase (decrease) in net position	$ 12,576,200	$ 9,766,500	$ 7,734,100	$ 419,900	$ 15,459,200	$ 10,901,300	$ 13,750,000
Sensitivity #6 forecasted							
Increase (decrease) in net position	$ 11,445,800	$ 7,296,400	$ 3,751,700	$ (5,585,600)	$ 7,563,100	$ 853,900	$ 1,511,300
Change	$ (1,130,400)	$ (2,470,100)	$ (3,982,400)	$ (6,005,500)	$ (7,896,100)	$ (10,047,400)	$ (12,238,700)
As forecasted							
Debt service coverage	14.73	13.77	8.94	7.03	4.55	2.64	2.36
Sensitivity #6 forecasted							
Debt service coverage	15.61	13.27	7.13	3.94	3.42	1.93	1.64
Change	0.88	(0.50)	(1.81)	(3.09)	(1.13)	(0.71)	(0.72)
As forecasted							
Days cash on hand - All sources	226	273	289	293	296	297	318
Sensitivity #6 forecasted							
Days cash on hand - All sources	222	263	269	261	253	244	248
Change	(4)	(10)	(20)	(32)	(43)	(53)	(70)

Note 4 Sensitivity Analyses (Continued)

7. Operating expenses, excluding depreciation and amortization, decrease 2% each year:

	2016	2017	2018	2019	2020	2021	2022
As forecasted							
Increase (decrease) in net position	$ 12,576,200	$ 9,766,500	$ 7,734,100	$ 419,900	$ 15,459,200	$ 10,901,300	$ 13,750,000
Sensitivity #7 forecasted							
Increase (decrease) in net position	$ 14,029,100	$ 12,484,400	$ 11,828,600	$ 6,316,000	$ 22,958,500	$ 20,174,100	$ 24,755,400
Change	$ 1,452,900	$ 2,717,900	$ 4,094,500	$ 5,896,100	$ 7,499,300	$ 9,272,800	$ 11,005,400
As forecasted							
Debt service coverage	14.73	13.77	8.94	7.03	4.55	2.64	2.36
Sensitivity #7 forecasted							
Debt service coverage	17.71	17.82	12.16	10.89	5.71	3.32	3.02
Change	2.98	4.05	3.22	3.86	1.16	0.68	0.66
As forecasted							
Days cash on hand - All sources	226	273	289	293	296	297	318
Sensitivity #7 forecasted							
Days cash on hand - All sources	230	286	311	327	341	353	392
Change	5	12	22	35	46	56	73

Note 4 Sensitivity Analyses (Continued)

8. Interest rates on new permanent financing (excluding the USDA Direct Loan) increase 1% beginning in 2016:

	2016	2017	2018	2019	2020	2021	2022
As forecasted							
Increase (decrease) in net position	$ 12,576,200	$ 9,766,500	$ 7,734,100	$ 419,900	$ 15,459,200	$ 10,901,300	$ 13,750,000
Sensitivity #8 forecasted							
Increase (decrease) in net position	$ 12,737,300	$ 9,915,300	$ 7,867,900	$ 492,800	$ 15,513,300	$ 10,266,700	$ 13,093,200
Change	$ 161,100	$ 148,800	$ 133,800	$ 72,900	$ 54,100	$ (634,600)	$ (656,800)
As forecasted							
Debt service coverage	14.73	13.77	8.94	7.03	4.55	2.64	2.36
Sensitivity #8 forecasted							
Debt service coverage	16.66	15.56	9.69	7.51	4.61	2.55	2.28
Change	1.93	1.79	0.75	0.48	0.06	(0.09)	(0.08)
As forecasted							
Days cash on hand - All sources	226	273	289	293	296	297	318
Sensitivity #8 forecasted							
Days cash on hand - All sources	226	276	297	302	298	298	318
Change	0	3	8	9	2	1	(0)

The USDA Direct Loan included in the forecast already reflects a higher interest rate compared to the current rate available, therefore, the USDA Direct Loan financing is not included in the sensitivity analysis for interest rate change on permanent financing debt.

Supplementary Information

Yukon-Kuskokwim Health Corporation

Mission of the Facility

See Independent Accountant's Report

Purpose

The purpose of the Corporation is expressed in six goals:

Service – To grow services to match the various communities we serve.
Quality – To meet or exceed all national quality standards.
Financial – To produce sustainable growth.
People – To assure a positive experience for all who interact with the Corporation.
Facilities – To insure our facilities are safe, accessible, and attractive and support our work.
Growth – To expand access to services throughout the Corporation's service area.

Our Mission

The mission of the Corporation is to provide health care of the highest quality with genuine caring and compassion.

Our Vision

Our doctors, staff, and facilities will be recognized by our patients and potential patients as the preferred health care system because of our quality, ease of access, and range of services.

Shared Values

Integrity – We will act in the best interests of our patients and community.
Compassion – We will be empathetic, respectful, and kind in our relationships with our patients and each other.
Accountability – We will take personal ownership of our actions.
Stewardship – We will use our resources for the highest and best purposes of the community.
Teamwork – We will be united in our efforts to achieve our goal of quality patient care, seeking opportunities to assist each other and appreciating equally the contributions of all.
Excellence – We will distinguish ourselves by continuing to improve quality in all that we do.

Yukon-Kuskokwim Health Corporation

Profile of the Facility and Its Operations

See Independent Accountant's Report

Management of the Facility

Governance

The Corporation is a nonprofit tribal organization authorized by resolution of the traditional or IRA councils of its 58 federally recognized tribal governments to provide health care services to the people of the Y-K Delta under Title V of the Indian Self-Determination and Education Act. The Corporation is a federally recognized Tribal organization and is governed by a 21-member Board of Directors. Elected by the Tribal Councils of each of the 58 federally recognized Tribes in the Corporation's service area, the Board of Directors is the chief policy-making body of the Corporation, exercising all control, management, and supervision.

A 20-member Board of Directors governs the Corporation. The Board of Directors is the chief policy making body of the Corporation, exercising overall control, management and supervision through the President/CEO. The full Board of Directors of the Yukon-Kuskokwim Health Corporation consists of 21 members. Their Administrative Service Unit of Tribes elects the twenty (20) Board members and the 21st member is an honorary lifetime member. Nine of the members are elected to office. Those nine members also act as the Executive Board of Directors of the Full Board. In addition, the President/CEO of the Yukon-Kuskokwim Health Corporation is an Ex-Officio member. All of the 21 Board of Directors are Yukon-Kuskokwim Delta Alaskan Natives. All members remain residents of their respective Administrative Service Units.

The current members of the Corporation's governing Board are as follows:

Mary Ayunerak, Unit 1
Michael Hunt, Unit 1
John Matt joe, Unit 2
James C. Landlord, Unit 2
Billy Jean Stewart, Unit 3
Betty Turner, Unit 3
James Nicori, Unit 4
Mildred Even, Unit 4
Chris Larson, Unit 5
Stanley Hoffman, Sr., Unit 5
Hugh Snyder, Unit 5
Gloria Simeon, Unit 5
Esai Twitchell, Jr., Unit 6
Robert Enoch, Unit 7
James R Charlie, Sr., Unit 8
James Sipary, Unit 8
Patrick Tall, Unit 9
Maria Theresa Friday, Unit 9
Joshua Cleveland, Unit 10
Marvin Deacon, Unit 11
Honorary lifetime member (vacant)

Management of the Facility (Continued)

Executive Team

Day-to-day management of the Corporation is delegated by the Board of Directors to the Chief Executive Officer, who is supported by a senior leadership team whose professional profiles are set forth below. The senior leadership team of the Corporation has the duty to assure the quality of patient care and solvency of the business of the Corporation. The group functions as the executive team, helping to set the strategic plan of the Corporation while overseeing daily operations. Management considers key positions for health care entities of the size and complexity of the Corporation to include a chief executive officer, chief financial officer, medical director, vice president of workforce development, vice president of health services, vice president of support services, vice president of village operations, and administrator of patient care services. All key positions are set forth below and are currently filled.

Chief Executive Officer

Dan Winkelman, is the President and CEO of the Corporation. Dan is Deg Hit'an Athabascan Indian from Anchorage with family originally from Shageluk and McGrath, Alaska. Dan is a member of the Shageluk Native Village, I.R.A. Tribe.

Prior to being named President and CEO, Dan was responsible for various operations, all governmental affairs, organizational development and was chief counsel to the Corporation on all legal and regulatory matters. Dan is also a member of the Alaska Bar Association; Alaska Legal Services Corp., Alternate Director; Alaska State Hospital & Nursing Home Assoc., Director; Alaska Tribal Health Compact, former Tribal Co-lead negotiator; American College of Healthcare Executives; Cook Inlet Region Inc., shareholder & descendant; Doyon Limited, shareholder; former U.S. Indian Health Service, Tribal Self-Governance Advisory Committee, Secretary; and former U.S. Department of Veterans Affairs, Advisory Committee on Minority Veterans, Secretarial appointee.

In 2007, the Corporation and IHS went before the Civilian Board of Contract Appeals for IHS's failure to pay sufficient contract support costs. Dan argued both opening statements before two judges and later assisted the outside counsel and experts until settlement was reached. It resulted, at the time, in the largest judgment ever against IHS, $25 million plus interest, totaling $41.23 million.

Dan received a Bachelors of Science degree from the University of Oregon and a Juris Doctor from the University of New Mexico.

Management of the Facility (Continued)

<u>Executive Team</u> (Continued)

Vice President and Chief Financial Officer

Alfred "Tommy" Tompkins, is the Vice President and Chief Financial Officer of the Corporation. He began his career with the Corporation in October 2005, working as an accountant for the Rural Utility Cooperative operation. In September 2006 he transitioned into the role as Controller, before being made Chief Financial Officer in March 2010.

Prior to working at the Corporation, Tommy worked as the controller in the oil and gas industry for over 20 years. He also worked as a financial advisor and certified public accountant for 8 years.

Tommy holds a Bachelor of Business Administration in Accounting from Texas A&M University and is a certified public accountant. He has a long history of work in community affairs, including: being an officer of YMCA Indian Guides and Parent Teachers Association, serving on a Christian Camp Board of Directors, Treasurer for High School Youth Centers Board of Directors, coordinating for Longview Interfaith Hospitality Network (certified by a national trainer to work with homeless clients), and being a member on the advisory council of Business Studies Division of Midland College.

Medical Director

Joseph A. Klejka, MD, has worked for the Corporation since 1992. He first served as a front line Family Medicine physician at the Yukon-Kuskokwim Delta Regional Hospital in Bethel. In 1995 he worked briefly as the Clinical Director, before assuming the role as Corporate Medical Director – a position he has held for 18 years.

Dr. Klejka's work has been published numerous times in medical journals. He also has a long history of professional and community memberships, including: Bethel Family Clinic Board, National Association for Healthcare Quality, American Board of Family Practice Certification, and the American Academy of Family Practice. He served a two year term on Bethel City Council and an additional 3-year term as Mayor of Bethel.

Dr. Klejka received a Bachelor's in Biology and Chemistry from Walsh College and received his Medical Degree from North Eastern Ohio Universities College of Medicine in 1989. He finished a 3-year residency in Family Medicine in 1992 at Aultman Hospital in Canton, Ohio.

Management of the Facility (Continued)

Executive Team (Continued)

Vice President of Hospital Services

Jim Sweeney, is the Vice President of Hospital Services. He joined the Corporation in 2005 as the Operations Manager for the Aniak Sub-Regional Clinic. In 2009, he transferred to Sub-Regional Clinic Performance Improvement in 2009. He assisted in the RAVEN (electronic health record) Implementation project before moving to Bethel in 2013 to assume the corporate Performance Improvement position.

Jim assumed the position as Vice President of Hospital Services in April 2015 on an interim basis, moving into the permanent role in July 2015. This position will focus on improving patient experience by focusing on improvement of all hospital, outpatient, nursing, elder, residential, developmental disabilities, quality, customer experience and continuity of care functions.

Jim holds a Bachelor of Science in Chemistry and a Bachelor of Science in Biological Sciences from the University of Alaska – Fairbanks. Additionally he holds an MBA from Ashford University.

Prior to joining the Corporation, Jim worked as a Quality Manager in the Automotive Industry and a Process Engineer in a variety of industries. He is originally from New Hampshire. Jim's wife was born in Nome and resides in Aniak.

Vice President of Support Services - Interim

Deanna Latham is the Vice President of Support Services for the Corporation, holding an interim position. She is from Quinhagak, Alaska. Her background is in Civil Engineering and has worked for the Corporation for 8 years and is currently serving as the Interim Vice President of Support Services.

Previously as the Capital Projects Director, she managed all of the project designs for the corporation with close partnership with the in-house general contractor for the hospital. Prior to getting into the healthcare field, she was a design engineer for a consulting firm in Fairbanks, Alaska. She enjoys hunting and fishing activities and spending time with her family.

Management of the Facility (Continued)

Executive Team (Continued)

Vice President of Village Operations

Rahnia Boyer, is the Vice President of Village Operations for the Corporation. She is a Yup'ik Eskimo from Bethel with family originally from Kipnuk, Alaska, and she is an enrolled member at the Kipnuk Traditional Council. Rahnia has worked for the Corporation for five years, first as Nicotine Control Program Manager for 1 year, then as the Community Health Aide Program/Education Director for over 3 years.

Rahnia received her Bachelor of Science in Biological Sciences from the University of Alaska Fairbanks and is currently completing a Masters of Arts degree in Communication and Leadership from Gonzaga University.

Prior to working for the Corporation, Rahnia worked for five years as the Director of the Diabetes Program in Nome, Alaska, successfully managing over $1 million in grants and multiple community health programs.

Vice President of Communications

Tiffany Zulkosky, is the Vice President of Communications for the Corporation. Tiffany is of Yup'ik Eskimo and Polish descent and returned to the Yukon-Kuskokwim Delta region after college, turning to public service. She won an election to the Bethel City Council, became mayor, and served on the Chamber of Commerce Board of Directors — all before she turned the age of 25.

In April 2009, at the age of 24, Tiffany was appointed by U.S. Senator Mark Begich (D-Alaska) to serve as his Rural Director. In November 2011, she returned home to Bethel to serve as the West Area Director for the U.S. Department of Agriculture, Rural Development. In 2013, she assumed the role of Executive Director for Nuvista Light and Electric Cooperative where she navigated the organization through a successful re-branding campaign, closed out a large hydroelectric feasibility study and managed various multi-million dollar energy grants.

Tiffany holds a Bachelor's Degree in Organizational Communication and a Master's Degree in Public Administration. She was selected by Alaska Journal of Commerce as one of Alaska's Top 40 Under 40 in 2012, and by Northwest University as their 2011 Alumnus of the Year.

Management of the Facility (Continued)

<u>Executive Team</u> (Continued)

Compliance & Privacy Officer

Shailee Nelson, is the Corporation's Compliance Administrator and Privacy Officer. Shailee is Yup'ik and has family in both Bethel, AK and Seattle, WA where she was raised. Her background is in health insurance and medical billing and coding, and she is also certified in healthcare compliance and healthcare privacy compliance through the Healthcare Compliance Association. Shailee has always enjoyed the intricacies of healthcare administration and privacy law and has a knack for deciphering guidelines and policies. In her free time, she enjoys working on art projects, stand-up comedy and hiking. She also enjoys playing a variety of sports, including softball, volleyball and soccer.

Patient Care Services Administrator

Patricia "Patty" Smith, is the Corporation's Patient Care Services Administrator. Patricia is an Alaskan Native Orutsararmiut Native Council Tribal Member who will be celebrating working for the Corporation for 20 years in December 2016. She originally started in the surgery department in 1996 then moved into the medical staff office, physician services department in 1999. Patricia worked with the medical staff to develop and establish an organized medical staff credentialing, privileging, and performance Improvement processes. She then became more involved in clinical operations of the Corporation as the Clinical Services Operations Manager and working directly with the outpatient clinic and advanced access departments implementing efficiencies in outpatient clinic services and with related the support service departments.

Patty has served as the Patient Care Services Administrator since 2007 and has led successful initiatives to reduce emergency room wait times, improve reliability in medication delivery for patients, and streamline service lines to reduce turn-around times for patients and providers.

Patty has been married for 17 years to Daryl Smith of Kalskag and Bethel. Daryl is a captain with Lynden Air Cargo and together they have two sons, Seth and Joseph.

Medical Staff

Staff With Admitting Privileges

The Corporation currently has 201 credentialed providers, divided in active medical staff members and associate medical staff members. The general difference is that the active medical staff members are our permanent contracted staff and the associate members are our locums or temporary providers. YKHC also credentials all of the specialists who travel from the Alaska Native Medical Center and other outside facilities who provide services to our patients in our facilities. This includes all providers who perform telemedicine visits.

The following is a list of medical staff, divided into these categories:

Specialty	Number of Providers
Emergency Medicine, active	7
Emergency Medicine, associate	12
Behavioral Health, associate	1
Community Health Aide Program, active	5
Community Health Aide Program, associate	1
Dental, active	8
Dental, associate	9
Diagnostic Imaging, active	1
Diagnostic Imagine, associate	2
Family Medicine, active	11
Family Medicine, associate	24
Optometry, Active	4
OR/CSR, Associate	4
Outpatient, active	17
Outpatient, associate	27
Specialty, associate	52
Sub Regional Clinic, active	10
Sub Regional Clinic, associate	6

Medical Staff (Continued)

Staff With Admitting Privileges (Continued)

In general, the Community Health Aide Program and the sub-regional clinic providers are nurse practitioners or physician assistants (NP/PA.) The providers in the outpatient clinic include physicians, family nurse practitioners, physician assistants, women's health nurse practitioners, one nurse midwife, and one psychiatric nurse practitioner. In the emergency department, the providers are a mix of physician assistants, nurse practitioners, and physicians. The specialty providers are a mix of specialties ranging from pediatric pulmonologists to general surgeons, none of whom are located in Bethel, Alaska.

Physician Resources

The Corporation has an emergency department that is staffed 24 hours a day/7 days a week and sees about 25,000 patient encounters a year. The department is staffed by physicians working 12 hour shifts (8am to 8pm and 8pm to 8am), a PA/NP who works one 12 hour shift from noon to midnight, an additional physician who works 10 am to 10 pm and by a PA/NP who works in our Fast Track area from 1pm to 11 pm. The main emergency department physician is responsible for medical control for all of the air medevacs in our region.

Our inpatient department is staffed using a family medicine hospitalist model with 2 physicians working 8am to 6pm and a single physician working 6pm to 8am. These physicians are responsible for the hospitalized inpatients including pediatric patients and our obstetrical patients. There is also a pediatric hospitalist who takes care of the chronically ill pediatric patients who are hospitalized. Our hospitalist work closely with the community health aides with urgent and emergent patients and a good portion of the day is spent on the phone with the Health Aides managing these patients.

Our ambulatory department is staffed by a mixture of family medicine physicians, physician assistants, and nurse practitioners.

Our sub-regional clinics are staffed by nurse practitioners and physician assistants who see patients in these outlying clinics.

Our Community Health Aide Program is staffed by nurse practitioners and physician assistants who train our community health aides.

Physician Recruitment

Attracting physicians is a problem for most rural hospitals. Historically, the Corporation has had a chronic shortage of family medicine and emergency medicine physicians as well as physician assistants and nurse practitioners in all departments. Even with the incredible opportunities to practice medicine in this resource poor area, recruitment efforts are hindered because of the age and condition of the hospital facility. The plans for a new hospital will provide a strong recruitment tool.

The Corporation has utilized the services of recruitment companies and locum tenens, as needed, to help fill certain needs, however, chronic staffing shortages has been an ongoing issue.

Being in a very remote area with an aging infrastructure, the current hospital facility has made it difficult to recruit primary care and specialty providers to the area. As we move forward with our plans for an integrated primary care center, we anticipate increasing our recruitment efforts to attract new primary care staff. There is a nation-wide shortage of primary care providers and we hope by emphasizing our unique practice opportunities with a state of the art facility, we will attract the providers we need to provide the level of care our patients deserve. Furthermore, the new integrated care model will provide job satisfaction for our providers by allowing them to address the whole person as we provide our cradle to grave medical care.

As a result of a young and growing population, the Corporation has seen an increase in the patient encounters. By increasing the medical staff available to take care of these patients, we will be able to provide services closer to home for our patients. With the addition of the clinic and newly renovated hospital space, patients who formerly traveled to Anchorage, Alaska, for health care services will be able to stay in Bethel, Alaska, and receive world class health care.

Competition and Service Area Employment

See Independent Accountant's Report

Management Discussion of Competition

The Corporation's service area includes the communities of the Yukon-Kuskokwim Delta (the "Y-K Delta) region of western Alaska. The Hospital is located in excess of 400 miles from the next closest hospital facility. This provides it market protection, particularly in the Bethel area. The largest market for the Corporation is in the Bethel area. The primary competitor for that market is Alaska Native Medical Center, located in Anchorage, Alaska. The Y-K Delta region, for many years, has been medically underserved, meaning that it does not have enough primary and specialty physicians and practitioners to service the needs of the county. As a result, many patients have to leave the County in order to get needed services. For specialty care, patients often travel in excess of 400 miles to receive care in Anchorage, Alaska. With the plan for a new hospital, the ability to recruit and retain needed provider services has improved, resulting in an increase in volumes that the Corporation anticipates to continue as more providers are recruited.

Median Household Income

The median household income for the Corporation's service area is much lower than the entire state of Alaska and the nation as follows:

2015 Median Income	Wade Hampton Census Area	Bethel Census Area	Alaska	Nation
Under $15,000	17.5%	13.9%	7.3%	12.8%
$15,000 - $34,999	28.8%	22.5%	14.7%	20.6%
$35,000 - $74,999	33.0%	30.8%	30.9%	31.1%
$75,000 - $99,999	11.8%	14.4%	15.2%	12.5%
$100,000 and Greater	9.0%	18.3%	31.8%	23.1%

Source: ESRI Business Information Solutions, Census data 2015.

Household Income	2015	Median 2020	% Change
Wade Hampton Census Area	$37,683	$41,367	9.78%
Bethel Census Area	$48,931	$54,970	12.34%
Alaska	$69,682	$79,881	14.64%
Nation	$53,217	$60,683	14.03%

Source: ESRI Business Information Solutions, Census data 2015.

Competition and Service Area Employment (Continued)

See Independent Accountant's Report

Unemployment

The unemployment rate for the service area is much higher than the entire state of Alaska and the nation and is as follows:

Unemployment	2015
Wade Hampton Census Area	28.2%
Bethel Census Area	14.9%
Alaska	6.6%
Nation	6.4%

Employers

The Corporation is the largest employer in the City of Bethel. The following table shows the top three employers in Yukon-Kuskokwim Delta region, with the estimated number of employees:

Employer	City	Estimated Employees
Yukon-Kuskokwim Health Corporation	Bethel, Alaska	1,100
Lower Kuskokwim School District	Bethel, Alaska	400
Assn. of Village Council Presidents	Bethel, Alaska	400

Source: Alaska Employment Department Research Division, client inquiries, and phone survey.

WESTERN FINANCIAL GROUP

$80,435,000 General Obligation and Refunding Bonds, 2016 Series Three
$29,400,000 General Obligation and Refunding Bonds, 2016 Series Four (AMT)

Deven Mitchell
Executive Director
Alaska Municipal Bond Bank
P.O. Box 110405
Juneau, AK 99811

November 4, 2016

Dear Deven:

With the sale of the Alaska Municipal Bond Bank's General Obligation Bonds, 2016 Series Three and 2016 Series Four on October 18, 2016 I have prepared this sale results summary. The 2016 Series Three and Series Four Bonds were sold by negotiated sale to RBC Capital Markets as senior manager with Bank of America Merrill Lynch (2016 Three) and Goldman Sachs (2016 Four) as co-managers. The table below summarizes the true interest cost, average life and underwriter costs of recent Bond Bank issues, including the 2016 Series Three Bonds. The table only includes information related to the 2016 Series Three Bonds, as the 2016 Four Bonds are subject to the alternative minimum tax, and therefore are not comparable in some respects to the other series.

Issue	TIC	Average Life	Underwriter Cost (per $1,000)
2016 Three	2.4400%	6.589	$2.93
2016 Two	2.6756	11.166	8.77
2016 One	2.5574	10.493	5.16
2015 Three	3.6984	18.153	3.56
2015 Two	3.6255	11.732	3.03
2015 One	2.7652	8.173	2.90
2014 Three	3.3368	13.214	3.09
2014 Two	3.7806	18.742	2.75
2014A One	3.5484	12.374	2.94
2014B One	2.2643	4.318	2.52
2013 Three	4.1274	16.753	3.19
2013 Two	3.4048	11.843	3.20
2013 One	3.6056	17.671	3.15

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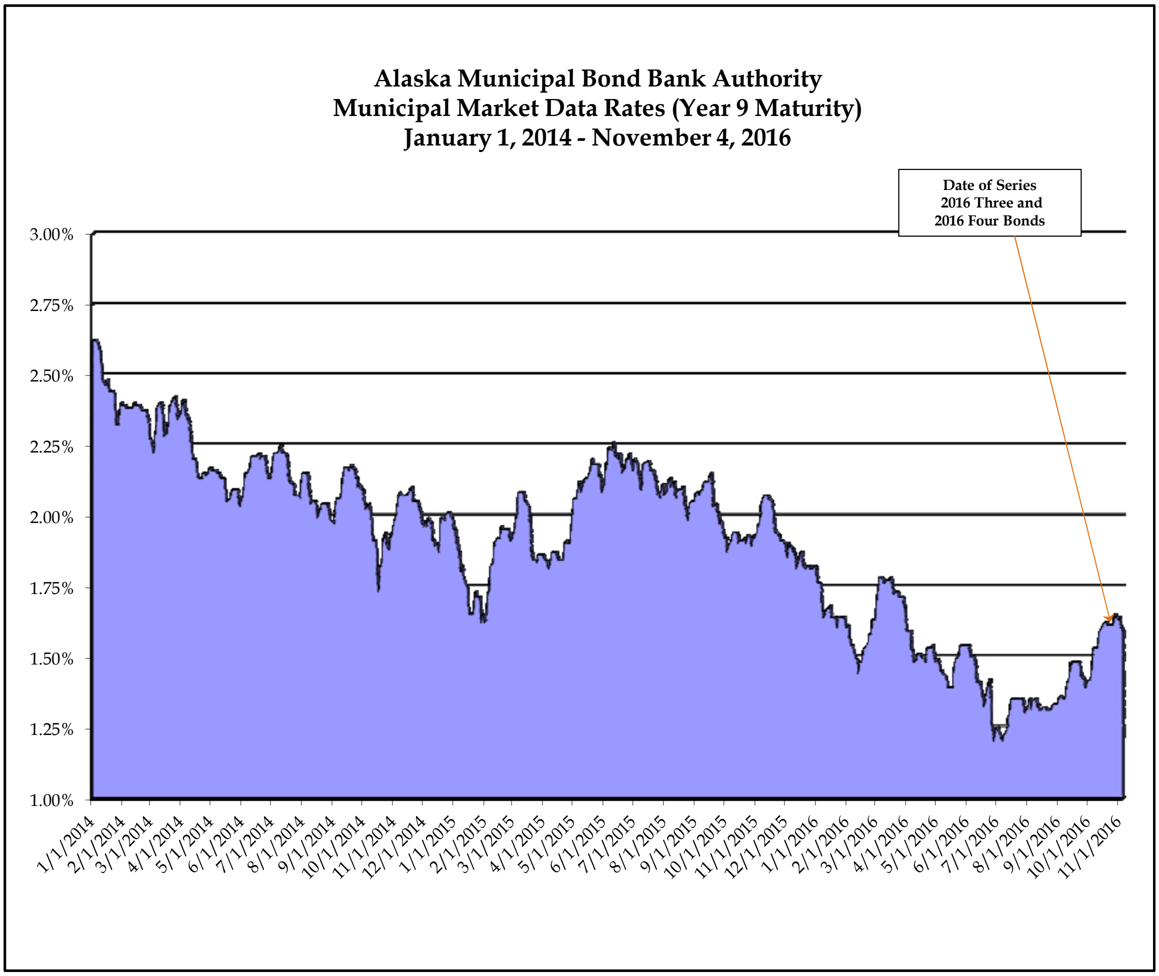
The graph below presents the yield on the nine-year maturity of a AAA rated bond according to Municipal Market Data. As the graph demonstrates, the past two years have been characterized by fluctuations in the yields of highly rated bonds, with rates hitting historic lows approximately four months ago.

From early summer 2015 through July 2016 rates followed a downward seesaw pattern that resulted in an overall decline of as many as 100 basis points. From mid-July rates increased 30-40 basis points by mid-October in reaction to an improving economy and the consequent concerns about coming Federal Reserve rate actions.



The tone of the municipal bond market was not good in the weeks leading to up to the 2016 Three and 2016 Four sale. That upward pressure on rates began in mid-summer, and accelerated in early October as the market absorbed the highest volume weeks of the year. Tax-exempt yields increased 20 to 30 basis points in the weeks leading up to the Bond Bank sale.

The table below presents the AMBB and MMD scales for sample maturities of the 2016 Series Three Bonds with a comparison to the yield spreads to the MMD for the 2014 Series Three through the 2016 Series Two Bonds. The yields have been adjusted to reflect the "yield kick" associated with callable premium bonds. The yield kick reflects the yield of a premium bond assuming that bond is called at its first call date, rather than maturing at the stated maturity date. Callable premium bonds are priced to the earliest call date, so the yield associated with the first call date is a more accurate measure of the true yield facing issuers, and allows an apple-to-apples comparison of discount, par and premium bonds.

The sale of the 2016 Three bonds resulted in the widest spreads compared to the MMD AAA index since the 2015 Three bonds. As mentioned above, the tone of the municipal market was not positive as the bonds were priced into the highest volume week of the year. In addition, credit concerns surrounding the state's budget remained. Perhaps the most frustrating challenge facing the marketing of the Bond Bank's bonds was the threat by Standard & Poor's to downgrade the state's AA+ general obligation rating if the state proceeded with the pricing and closing of the anticipated $2.3 billion pension obligation bond financing, which was scheduled to price the week following the Bond Bank's 2016 Three and 2016 Four sales. Because of this threat overhanging the Bond Bank's sale, investors assumed that the rating on the Bond Bank's bonds, which is one notch below the state's general obligation rating, was going to fall from AA to AA-. The Bond Bank bonds, therefore, were priced with a presumption of a downgrade imbedded in the yields. As the table below demonstrates, spreads widened substantially from the 2016 Two sale, increasing by as many as 36 basis points compared to the 2016 Two spreads. What made this component of spread widening particularly frustrating was the fact that the sale of the pension obligation was withdrawn and the threat of the S&P rating downgrade was removed.

	MMD (10/18/16)	AMBB (2016 III Bonds)	Difference (2016 III Bonds)	Difference (2016 II Bonds)	Difference (2016 I Bonds)	Difference (2015 III Bonds)	Difference (2015 II Bonds)	Difference (2015 I Bonds)	Difference (2014 III Bonds)
Year 1	0.81	1.08	.27	.19	.30	.37	.00	.10	.02
Year 3	0.97	1.44	.47	.28	.24	.36	.33	.19	.07
Year 5	1.14	1.69	.55	.34	.34	.46	.40	.27	.13
Year 8	1.50	2.22	.72	.36	.39	.60	.50	.37	.19
Year 12	1.96	2.76	.80	.58	.72	1.05	.87	.89	.61
Year 14	2.10	3.25	1.15	1.05	.81	1.17	1.01	.91	.80
Year 15	2.17	3.32	1.15	.94	.84	1.26	.95	1.01	.86

On the morning of October 18th members of the working group convened in person and by conference call to discuss the marketing the 2016 Series Three Bonds and 2016 Four Bonds. The intent of this call was to discuss the condition of the market, the general structure of the financing and the coupons and yields at which the bonds would be offered that morning.

The 2016 Three Bonds were to be sold with new money bonds (totaling approximately $20.2 million) and refunding bonds (totaling approximately $60.2 million), and scheduled maturities on December 1st from 2016 through 2037. The primary components of the new money bonds were an $18 million loan to the City and Borough of Juneau to currently refund some prior CBJ bonds and a $3 million loan to CBJ for transit improvements. The refunding bonds were sold to refund 17 prior loans to 13 Alaska communities that had borrowed proceeds of the Bond Bank's 2007 One, 2007 Two, 2007 Three, 2007 Five, 2008 One, 2008 Two and 2009 One Bonds.

The 2016 Four Bonds were to be sold with new money bonds (totaling approximately $1.8 million for Ketchikan harbor improvements) and refunding bonds (totaling approximately $27.6 million to refund the Bond Banks 2006 Two bonds issued on behalf of the City of Ketchikan harbor improvements), with bonds maturing annually on December 1st from 2016 through 2035.

During the meeting on the morning of October 18th RBC proposed a structure for the 2016 Three Bonds of 5% coupon bonds through 2028 with yields that spread as much as 65 basis points to the MMD AAA scale, which was a spread of 5 to 10 basis points wider to where the Bond Bank has traded in recent issues, reflecting the tone, market perception of the state and rating challenges described earlier. RBC proposed a structure for the 2016 Four bonds, subject to the alternative minimum tax, that included nearly all 5% coupons with yields that were 10 to 30 basis points wider than the yields proposed for the 2016 Three bonds.

Investor response during the order period was muted for both series of bonds, but particularly for the 2016 Four Bonds. The 2016 Three bonds were to be sold as sealed bids in 2016 and 2017. The following maturities were fully subscribed for: 2018; 2022; 2023; 2029 and 2030. The 2021 bonds had orders for approximately 80% of the available maturities. The balance of the bonds had few, if any, orders. The unsold balance of the 2016 Three Bonds at this point was approximately $43 million. The 2016 Four bonds were also to be sold as sealed bids in 2016 and 2017. The only orders for the 2016 Four bonds were a $50 thousand order for the 2019 bonds and a $500 thousand order for the 2035 bonds. That left an unsold balance of nearly $27 million on a $29.4 million issue.

Given the generally tepid response from the initial order period, the RBC underwriter recommend a second order period on October 18 with widened spreads from the yields offered during the first order period. For the 2016 Three bonds this included increased yields of from 5 to 10 basis points in the bonds maturing 2018 through 2028. For the 2016 Four bonds the proposed spread widening was 10 basis points 2018 through 2035. WFG recommended a more modest 7 basis point increase in 2018 through 2020 and a 9 basis point adjustment in 2021. RBC agreed to these changes.

Following the second order period, investor response was still lukewarm, with many maturities still having significant balances. The early portion of the curve for the 2016 Three bonds was in fairly good shape, and required no adjustments through 2020 and 1 basis point adjustments in 2021 and 2022. The 2023 through 2028 maturities required an additional 5 basis point increase, and the 2029 through 2031 serial bonds and 2033 and 2037 term bonds were sufficiently subscribed for to require no further upward yield adjustments. In the case of the 2016 Four bonds, investor interest was still very weak throughout the structure, with slightly healthier results in the short end of the curve. RBC recommended a 3 basis point reduction in yield in 2018, 2 basis point increases in 2019 and 2020, 4 to 5 basis point increases 2021 through 2026, and 6 to 10 basis point increases 2027 through 2035. At those yields, RBC was willing to underwrite both series of bonds. Given the challenging market and lack of investor demand for the bonds, WFG recommended approving the proposed repricing and the Bond Bank provided the verbal award.

The proceeds of the 2016 Series Three Bond sale were provided to thirteen borrowers (Petersburg Borough, Nome, Northwest Arctic Borough, Seward, Wasilla, City and Borough of Sitka, Aleutians East Borough, Kenai Peninsula Borough, Bethel, Kodiak, Dillingham, Kodiak Island Borough, Skagway, and the City and Borough of Juneau. The table on the following page summarizes the present value savings achieved by the participants to the 2016 Series Three sale.

Borrower	Loan Par	Gross Savings	Present Value Savings
Petersburg Borough	$1,190,000	$116,485	110,405
Nome	650,000	37,355	38,876
Northwest Arctic Borough	4,470,000	281,405	275,878
Seward	1,055,000	54,707	55,824
Wasilla	815,000	27,937	30,926
City and Borough of Sitka	1,630,000	61,401	64,155
Aleutians East Borough	17,155,000	2,857,713	2,464,501
Kenai Peninsula Borough	2,660,000	366,186	342,022
Bethel	2,000,000	417,413	276,151
Kodiak	12,395,000	2,224,644	1,570,024
Dillingham	8,425,000	1,151,482	946,818
Kodiak Island Borough	4,905,000	799,929	481,938
Skagway	2,875,000	402,937	322,921
City and Borough of Juneau	17,575,000	1,217,644	1,191,048

The proceeds of the 2016 Series Four Bond sale were provided to the City of Ketchikan. The table below summarizes the present value savings achieved by Ketchikan as a result of the refunding of the 2006 Two Bond Bank bonds.

Borrower	Loan Par	Gross Savings	Present Value Savings
Ketchikan	$27,635,000	$6,601,134	$4,406,350

During the 2016 Three and 2016 Four issues, the Bond Bank used approximately $3.8 million of 2005 Resolution Reserve assets to pay off callable reserve obligations. In addition, the Bond Bank obtained a debt service reserve surety from National Public Finance Guaranty in the amount of $7.5 million. To procure the surety, the Bond Bank purchased bond insurance from National for the 2029 through 2037 maturities of the 2016 Three bonds and the 2034 and 2035 maturities of the 2016 Four bonds. The purchase of the surety will allow the Bond Bank to use assets in the 2005 Resolution Reserve to payoff outstanding reserve obligations as they become callable, ultimately eliminating reserve obligations, and their negative interest carry, within a few years.

The bond sale closed on November 3rd in Seattle. As always, it was a pleasure to serve the Bond Bank on this transaction. If you have any questions, please feel free to call me.

Sincerely,

Chip Pierce

333 Willoughby Avenue, 11th floor
P.O. Box 110405
Juneau, Alaska 99811-0405

Tel (907) 465-2388
FAX (907) 465-2902
E-mail: ambba@revenue.state.ak.us

TO: AMBBA Board Members
Mark Pfeffer, Pam Leary, Luke Welles,
Gregory Gursey, Michael Lamb

DATE: November 9, 2016

FROM: Ryan Williams, Finance Director **TELEPHONE:** 465-2893

<u>Fiscal Year 2016 Audit</u>

A copy of AMBBA's fiscal year 2016 audited financial statements are enclosed for your review. I have included an audit wrap-up summary provided by BDO, summarizing audit results and communication over the course of the audit.

Once again, we have continued to see a decrease in net position year over year, resulting from subdued investment returns on our reserves and custodian account, as well as expenses associated with payment of interest on reserve obligations. Actual results came in under the preliminary estimates provided at the prior board meeting, with a decrease in net position of approximately $15,000, much less than last years' decrease of $403,000. With recent use of sureties to cover multiple reserve obligation payments, the decrease was less than expected. Going forward, the Bond Bank needs to pay particular attention to costs associated with any new reserve obligations used to fund program reserves.

<u>Fiscal Year 2017 Q1 Returns</u>

As of this writing, the Bond Bank has received fund performance from our investment advisor through September 30, 2016, and a brief summary is displayed below. The following tables and charts show portfolio market values and returns through 9/30/2016 for each reserve and custodian fund:

September 30, 2016

Name	Total Cash	Market Value
AMBBA GO 2010 RESERVE FUND-442473	23,746	415,682
AMBBA CUSTODY -500100	789,409	11,215,396
AMBBA GO 2005 SERIES RESERVE FUND-764568	1,109,688	52,851,962
	1,922,842	**64,483,041**

Returns as of 9/30/16

	Current Month	Current Quarter	Year to Date	Latest 1 Year	Inception to Date
Custodian	0.17%	-0.06%	2.07%	1.45%	1.18%
2005 Reserve	0.14%	-0.10%	1.98%	1.39%	1.32%
2010 Reserve	0.11%	0.02%	1.68%	1.15%	0.75%

Fiscal Year 2017 Q1 Expanses

AMBBA's budget allocation for fiscal year 2017 is $1,004,800. This is approximately $105,000 greater than the fiscal year 2016 budget allocation due to recent expansions of authority by the legislature. Increase expense outlay will need to come from fees charged to borrowers, including Regional Health Organization transactions. The following are fees recorded to date.

Current Expenses for Fiscal Year 2017	
Verification Agent (Previously Outstanding)	7,000
AMTEC (Arbitrage Rebate Analysis)	22,200
FNBA (Custodian Acct.)	1,833
APCM (Investment Advisor)	13,733
BDO (Recent Audit)	24,116
ERM (Accountants)	6,000
Total:	74,883

The Bond Bank's recent 2016 Series 3 and 4 issuance both utilized a release from the 2005 Resolution Reserve Fund, and charged fees to borrowers for their portion of transaction costs. The Bond Bank also obtained a surety policy for satisfying the 2005 reserve requirement. The existing debt service reserve surety policy for the 2005 resolution is $18,030,207. As of June 30, 2016, the 2005 Resolution Reserve was funded with $36.6 million of cash, $15.8 million was funded from bonds, and $10.5 million was funded with a surety policy (NPFG increased the policy by $7.5 million for the recent transaction), which is anticipated to continue covering upcoming reserve obligation debt service payments. Due to use of proceeds from the issuance, including proceeds from previous issuances residing in the 2005 reserve fund, the Bond Bank net out expenses associated with the premium payment on the surety.

Please let me know if you have any questions, or would like to discuss this report in more detail. Thank you,

Ryan Williams
Ryan.Williams@Alaska.gov
Direct: (907) 465-2893

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

Financial Statements

For the Year Ended June 30, 2016

Together with Independent Auditor's Report Thereon

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

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3601 C Street, Suite 600
Anchorage, AK 99503

Independent Auditor's Report

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, 2016, 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, 2016, 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.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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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 3-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 schedules and tables noted in the table of contents 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, 2016
Anchorage, Alaska

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, 2016. 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 2016, the Bond Bank entered into 16 loan agreements. Bond Bank loans resulted in 7 construction projects located in 5 communities, and refinanced 3 existing loans for savings. Included in fiscal year 2016 totals are the University of Alaska Fairbanks heat and power plant project, and a refinancing of the Tanana Chiefs Conference Chief Andrew Isaac Health Center for savings. The Bond Bank issued approximately $233.0 million in bonds that generated $256.9 million in funding. Bond Bank activity resulted in one $3.1 million direct loan, $180.6 million in loans for new capital projects, and $76.3 million to refinance loans for savings. Bond Bank bond activity in fiscal year 2016 resulted in present value savings of approximately $50.7 million to all borrowers. In comparison, during fiscal year 2015, the Bond Bank entered into 11 municipal loan agreements for construction projects in 7 communities. In fiscal year 2015, the Bond Bank issued $175.6 million in bonds and had one $3.2 million direct loan, which resulted in $81.9 million in loans to communities for new capital projects, and included $118.0 million used to refinance 25 community loans for savings. Bond Bank bond activity in fiscal year 2015 resulted in present value savings of approximately $17.1 million to borrowing communities.

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, 2016 marked the ninth consecutive year that the State operating budget has appropriated any excess earnings of the operating account to the Bond Bank's reserve fund (HB 256, Sec. 26(f)). 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 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, 2016 and 2015, as well as liabilities and net position:

	As of June 30,		Changes from 2015 to 2016 Increase/(Decrease)	
	2016	2015	Dollars	Percent
Assets:				
Cash and investments	$ 67,724,121	$ 72,860,616	$ (5,136,495)	-7.05%
Bonds and bond interest receivable	1,096,118,127	940,576,872	155,541,255	16.54%
Other receivables	29,163	75,991	(46,828)	-61.62%
Total assets	1,163,871,411	1,013,513,479	150,357,932	14.84%
Liabilities:				
Accounts payable and accrued liabilities	2,980,601	3,352,177	(371,576)	-11.08%
Bonds and bond interest payable	1,104,745,050	954,000,573	150,744,477	15.80%
Total liabilities	1,107,725,651	957,352,750	150,372,901	15.71%
Net Position:				
Restricted	35,750,062	37,473,539	(1,723,477)	-4.60%
Unrestricted	20,395,698	18,687,190	1,708,508	9.14%
Total net position	$ 56,145,760	$ 56,160,729	$ (14,969)	-0.03%

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 $233.0 million in new bonds during the year, net of principal payments on bonds previously issued of approximately $55.2 million. $180.6 million in new bonds and loans during the year were lent to authorized borrowers for projects, and $76.3 million in new bonds were used to refinance authorized borrower loans for savings. Additionally, the Bond Bank issued a short-term direct loan to the Kenai Peninsula Borough in the amount of $3.1 million.

Statement of Activities

The statement of activities shows how the Bond Bank's 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, 2016, and 2015:

	As of June 30,		Changes from 2015 to 2016 Increase/(Decrease)	
	2016	2015	Dollars	Percent
Revenues:				
Interest income on bonds receivable	$ 44,803,553	$ 44,121,701	$ 681,852	1.55%
Investment earnings	1,542,043	1,141,876	400,167	35.04%
Total income	46,345,596	45,263,577	1,082,019	2.39%
Expenses:				
Interest expense on bonds payable	45,503,886	44,962,647	541,239	1.20%
Operating expenses	856,679	704,193	152,486	21.65%
Total expenses	46,360,565	45,666,840	693,725	1.52%
Change in net position	(14,969)	(403,263)	388,294	96.29%
Net position, beginning of period	56,160,729	56,563,992	(403,263)	-0.71%
Net position, end of period	$ 56,145,760	$ 56,160,729	$ (14,969)	-0.03%

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 $0.7 million (interest income) and $0.5 million (interest expense) are consistent with the increase in bond receivable and payable balances, respectively.

Investment earnings are a function of market conditions, and active management. 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 primarily due to debt service on 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 position.

The following tables show governmental funds' condensed balance sheets and statements of revenues, expenditures and changes in fund balances as of June 30, 2016, and 2015.

General Fund

	As of June 30,		Changes from 2015 to 2016 Increase/(Decrease)	
	2016	2015	Dollars	Percent
Assets:				
Cash, investments and related accrued interest	$ 11,494,536	$ 14,599,556	$ (3,105,020)	-21.27%
Bonds and bond interest receivable	7,391,659	4,922,414	2,469,245	50.16%
Other Receivables	29,163	-	29,163	100.00%
Interfund receivable	6,207,126	4,647,774	1,559,352	33.55%
Total assets	25,122,484	24,169,744	952,740	3.94%
Liabilities:				
Accounts payable and accrued liabilities	336,059	257,400	78,659	30.56%
Fund Balance:				
Restricted for debt service	4,956,430	4,956,430	-	0.00%
Unassigned	19,829,995	18,955,914	874,081	4.61%
Total fund balance	24,786,425	23,912,344	874,081	3.66%
Total liabilities and fund balance	$ 25,122,484	$ 24,169,744	$ 952,740	3.94%

Debt Service Fund

	As of June 30,		Changes from 2015 to 2016 Increase/(Decrease)	
	2016	2015	Dollars	Percent
Assets:				
Cash, investments and related accrued interest	$ 56,229,585	$ 58,261,060	$ (2,031,475)	-3.49%
Bonds and bond interest receivable	1,088,726,468	935,654,458	153,072,010	16.36%
Other receivables	-	75,991	(75,991)	-100.00%
Total assets	1,144,956,053	993,991,509	150,964,544	15.19%
Liabilities:				
Accounts payable and accrued liabilities	2,644,542	3,094,777	(450,235)	-14.55%
Interfund payables	6,207,126	4,647,774	1,559,352	33.55%
Total liabilities	8,851,668	7,742,551	1,109,117	14.32%
Fund Balance:				
Restricted for debt service	1,136,104,385	986,248,958	149,855,427	15.19%
Total liabilities and fund balance	$ 1,144,956,053	$ 993,991,509	$ 150,964,544	15.19%

General Fund

	As of June 30,		Changes from 2015 to 2016 Increase/(Decrease)	
	2016	2015	Dollars	Percent
Revenues:				
Interest income	$ 428,051	$ 306,561	$ 121,490	39.63%
Expenditures:				
Operating expenses	856,679	704,193	152,486	21.65%
Excess (deficiency) of revenues over expenditures	(428,628)	(397,632)	(30,996)	-7.80%
Other financing sources (uses) - transfers	1,302,709	1,521,540	(218,831)	14.38%
Excess (deficiency) of revenues and transfers over expenditures	874,081	1,123,908	(249,827)	22.23%
Fund balance, beginning of period	23,912,344	22,788,436	1,123,908	4.93%
Fund balance, end of period	$ 24,786,425	$ 23,912,344	$ 874,081	3.66%

Debt Service Fund

	As of June 30,		Changes from 2015 to 2016 Increase/(Decrease)	
	2016	2015	Dollars	Percent
Revenues:				
Interest income on bonds receivable	$ 44,728,889	$ 44,099,543	$ 629,346	1.43%
Investment earnings	1,188,656	857,473	331,183	38.62%
Total revenues	45,917,545	44,957,016	960,529	2.14%
Expenditures:				
Interest payments	44,259,409	42,333,257	1,926,152	4.55%
Principal payments	55,225,000	53,070,000	2,155,000	4.06%
Total expenditures	99,484,409	95,403,257	4,081,152	4.28%
Excess (deficiency) of revenues over expenditures	(53,566,864)	(50,446,241)	(3,120,623)	-6.19%
Other financing sources (uses):				
Bond proceeds	232,955,000	175,555,000	57,400,000	32.70%
Payments to Bond Escrow Agent	(28,230,000)	(105,040,000)	76,810,000	-73.12%
Transfers	(1,302,709)	(1,521,540)	218,831	-14.38%
Total other financing sources (uses):	203,422,291	68,993,460	134,428,831	194.84%
Excess of revenues and transfers over expenditures	149,855,427	18,547,219	131,308,208	707.97%
Fund balance, beginning of period	986,248,958	967,701,739	18,547,219	1.92%
Fund balance, end of period	$ 1,136,104,385	$ 986,248,958	$ 149,855,427	15.19%

Long-term Debt

At June 30, 2016 the Bond Bank had $1,090,420,000 of bonds and notes outstanding, up 15.9% from $940,920,000 at June 30, 2015. This excludes conduit debt obligations of the Coastal Energy Loan Program. 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 and accordingly, are not included in the basic financial statements. Please see note (7), to the financial statements.

As discussed in the previous sections, net increase in 2016 long term debt balances is due to new bond issuances for loans to authorized borrowers.

AS 44.85.180(c) was originally enacted in 1975, limiting the Bond Bank outstanding bonds at any time to $150 million. This Statute has been periodically amended to raise the limit, and modify the definition of authorized borrowers. At the beginning of fiscal year 2016, the limit was $1.5875 billion.

During fiscal year 2015, the legislature passed, and the Governor signed into law a bill to authorize the Authority to make loans to Joint Action Agencies and Regional Health Organizations, effective May 26,

2015. Joint Action Agency lending is now part of the main political subdivision program. Regional Health Organization lending is limited to no more than $205 million in total, no more than 49% of any single project where the other 51% of the project's funding is in place, and not more than $102.5 million for any single project. With this legislation, the total debt limit as of June 30, 2016 was $1.7925 billion, comprised of $1.5 billion in authority for political subdivisions, $87.5 million for the University of Alaska, and $205 million for Regional Health Organizations. Total Bond Bank bonds and notes outstanding as of June 30, 2016 was approximately $1.09 billion. The limit on additional bond issuance as of June 30, 2016 is approximately $702.1 million, of which $539.8 million of authority is available for the main political subdivision program, $1.4 million is available to the University of Alaska, and $160.9 million is available to Regional Health Organizations.

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

	As of June 30,		Changes from 2015 to 2016 Increase/(Decrease)	
	2016	2015	Dollars	Percent
GO bonds payable	$ 1,090,420,000	$ 940,920,000	$ 149,500,000	15.89%
	$ 1,090,420,000	$ 940,920,000	$ 149,500,000	15.89%

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 Finance Director or the Executive Director of the Bond Bank at (907) 465-2893 or (907) 465-3750 respectively.

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

Statement of Net Position and
Governmental Funds Balance Sheets

June 30, 2016

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Net Position
ASSETS					
Cash and cash equivalents	$ 859,496	$ 4,885,062	$ 5,744,558	$ -	$ 5,744,558
Investments, at fair value (note 4)	10,597,367	51,201,723	61,799,090	-	61,799,090
Accrued interest receivable:					
Bonds receivable	22,873	14,141,468	14,164,341	-	14,164,341
Investment securities	37,673	142,800	180,473	-	180,473
Bonds receivable (note 5)	7,368,786	1,074,585,000	1,081,953,786	-	1,081,953,786
Other receivables	29,163	-	29,163	-	29,163
Interfund receivables	6,207,126	-	6,207,126	(6,207,126)	-
Total assets	$ 25,122,484	$ 1,144,956,053	$ 1,170,078,537	(6,207,126)	1,163,871,411
LIABILITIES					
Accounts payable	$ 19,856	$ -	$ 19,856	-	19,856
Due to Primary Government	309,150	-	309,150	-	309,150
Principal and interest payments received in advance	-	2,644,542	2,644,542	-	2,644,542
Arbitrage interest rebate payable	7,053	-	7,053	-	7,053
Accrued interest payable	-	-	-	14,325,050	14,325,050
Interfund payables	-	6,207,126	6,207,126	(6,207,126)	-
Long-term liabilities (note 6):					
Portion due or payable within one year:					
General obligation bonds payable	-	-	-	57,705,000	57,705,000
Portion due or payable after one year:					
General obligation bonds payable	-	-	-	1,032,715,000	1,032,715,000
Total liabilities	336,059	8,851,668	9,187,727	1,098,537,924	1,107,725,651
FUND BALANCES/NET POSITION					
Fund balances:					
Restricted (note 2)	4,956,430	1,136,104,385	1,141,060,815	(1,141,060,815)	-
Unassigned	19,829,995	-	19,829,995	(19,829,995)	-
Total fund balances	24,786,425	1,136,104,385	1,160,890,810	(1,160,890,810)	-
Total liabilities and fund balances	$ 25,122,484	$ 1,144,956,053	$ 1,170,078,537		
Net position:					
Restricted (note 2)				35,750,062	35,750,062
Unrestricted				20,395,698	20,395,698
Total net position				$ 56,145,760	$ 56,145,760

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

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

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

For the Year Ended June 30, 2016

	General Fund	Debt Service Fund	Total	Adjustments	Statement of Activities
Revenues:					
Investment earnings	$ 353,387	$ 1,188,656	$ 1,542,043	$ -	$ 1,542,043
Interest income on bonds receivable	74,664	44,728,889	44,803,553	-	44,803,553
Total revenues	428,051	45,917,545	46,345,596	-	46,345,596
Expenditures / expenses:					
Debt service:					
Principal payments	-	55,225,000	55,225,000	(55,225,000)	-
Interest payments / expense	-	44,259,409	44,259,409	1,244,477	45,503,886
Professional services	638,523	-	638,523	-	638,523
Personal services	185,189	-	185,189	-	185,189
Administrative travel	19,492	-	19,492	-	19,492
Office expense	13,475	-	13,475	-	13,475
Total expenditures / expenses	856,679	99,484,409	100,341,088	(53,980,523)	46,360,565
Excess (deficiency) of revenues over expenditures / expenses	(428,628)	(53,566,864)	(53,995,492)	53,980,523	(14,969)
Other financing sources / (uses):					
Proceeds from bond refunding	-	232,955,000	232,955,000	(232,955,000)	-
Payments to refunded bond escrow agent	-	(28,230,000)	(28,230,000)	28,230,000	-
Transfers to/from Custodial Fund	1,297,583	(1,297,583)	-	-	-
Transfers - internal activities	5,126	(5,126)	-	-	-
Total other financing sources / (uses)	1,302,709	203,422,291	204,725,000	(204,725,000)	-
Net change in fund balance / net position	874,081	149,855,427	150,729,508	(150,744,477)	(14,969)
Fund balances / net position:					
Beginning of the year	23,912,344	986,248,958	1,010,161,302	(954,000,573)	56,160,729
End of the year	$ 24,786,425	$ 1,136,104,385	$ 1,160,890,810	$ (1,104,745,050)	$ 56,145,760

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

(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 commenced operations in August 1975.

The Authority was created for the purpose of making monies available to authorized borrowers within the State to finance capital projects primarily through the issuance of bonds by the Authority. Bond proceeds are then used to purchase, from authorized borrowers general obligation and revenue bonds.

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 originally enacted in 1975, limiting Bond Bank outstanding bonds at any time to $150 million. This Statue has been periodically amended to raise the limit, and modify the definition of authorized borrowers. At the beginning of fiscal year 2015, the limit was $1.5875 billion.

During fiscal year 2015, the legislature passed, and the Governor signed into law a bill to authorize the Authority to make loans to Joint Action Agencies and Regional Health Organizations, effective May 26, 2015. Joint Action Agency lending is now part of the main political subdivision program. Regional Health Organization lending is limited to no more than $205 million in total, no more than 49% of any single project where the other 51% of the project’s funding is in place, and not more than $102.5 million for any single project. With this legislation, the total debt limit as of June 30, 2016 was $1.7925 billion, comprised of $1.5 billion in authority for political subdivisions, $87.5 million for the University of Alaska, and $205 million for Regional Health Organizations. Total Bond Bank bonds and notes outstanding as of June 30, 2016 was approximately $1.09 billion. The limit on additional bond issuance as of June 30, 2016 was approximately $702.1 million, of which $539.8 million of authority is available for the main political subdivision program, $1.4 million is available to the University of Alaska, and $160.9 million is available to Regional Health Organizations.

(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 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 monies 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:

During fiscal year 2016, all remaining bonds issued under the 1976 Resolution were retired and the amount held in the 1976 Resolution Reserve Fund was transferred to the Bond Bank's Custodian Account.

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.

2016 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, 2016, the *2005 General Bond Resolution, 2010 General Bond Resolution* and *2016 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.

(c) 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 position, 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.

(d) 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 $35,750,062 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		13,000,000
Total State of Alaska appropriated equity	$	33,396,046

Restricted for Debt Service:		
Appropriated amounts residing in reserve accounts	$	28,439,616
Appropriated amounts residing in Custodial account		4,956,430
Total State of Alaska appropriated equity		33,396,046
Bond Bank equity residing in reserve accounts		2,354,016
Total restricted for debt service/net position	$	35,750,062

(e) 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 bond receivables mature during the same period as the related bond payables. Bond receivables are recorded at the par amount of the bonds issued.

(f) 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.

(g) 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, 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.

(h) Interfund Receivables, Payables and Transfers

Interfund balances represent cash collected or disbursed on behalf of another fund. Interfund transfers are transfers between funds that are required when revenue is generated in one fund and expenditures are paid from another fund.

(i) 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 annually as of June 30. As of June 30, 2016 the Bond Bank's arbitrage rebate liability was $7,053.

(j) 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, 2016 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.

(4) Investments

In accordance with the authoritative guidance on fair value measurements and disclosures, the Authority discloses the fair value of its investments in a hierarchy that ranks the inputs to valuation techniques used to measure the fair value. The hierarchy gives the highest ranking to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest ranking to valuations based upon unobservable inputs that are significant to the valuation (Level 3 measurements). The guidance establishes three levels of the fair value hierarchy as follows:

Level 1 - Quoted prices in active markets for identical assets.

Level 2 - Inputs other than quoted prices that are observable for the assets, including quoted prices for similar investments based on interest rates, credit risk and like factors.

Level 3 - Unobservable inputs for the assets.

Investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs and methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The aggregate fair value by input level, as of June 30, 2016 is as follows:

		Level		
Debt Securities	6/30/2016	1	2	3
General Fund				
U.S. Treasury securities	$ 7,582,601	$ 7,582,601	$ -	$ -
U.S. Government agencies securities	3,014,766	-	3,014,766	-
Debt Service Fund				
U.S. Treasury securities	51,201,723	51,201,723	-	-
Total	$ 61,799,090	$ 58,784,324	$ 3,014,766	$ -

U.S. treasury securities are liquid and have quoted market prices. Fair value of U.S. treasuries is based on live trading feeds. U.S. treasury securities are categorized in Level 1 of the fair value hierarchy. Government agency securities use market-based and observable inputs. As such, these securities are classified as Level 2 of the fair value hierarchy.

The fair value of debt security investments by contractual maturity as of June 30, 2016 is shown below.

	Less than 1	1-5	6-10	More than 10	Total
General Fund					
U.S. Treasury securities	$ 1,001,739	$ 5,053,945	$ 1,526,917	$ -	$ 7,582,601
U.S. Government agencies securities	-	3,014,766	-	-	3,014,766
	1,001,739	8,068,711	1,526,917	-	10,597,367
Debt Service Fund					
U.S. Treasury securities	11,425,179	34,426,125	5,350,419	-	51,201,723
	11,425,179	34,426,125	5,350,419	-	51,201,723
Total investments	$ 12,426,918	$ 42,494,836	$ 6,877,336	$ -	$ 61,799,090

Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

(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. The Custodian Account balance must maintain a minimum balance of $5 million, and be forecasted to maintain that $5 million balance 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.

- There are no arbitrage restrictions.

The bond resolutions limit investments to:

- 5% +/- 2% money market funds (no less than $750,000).
- 95% +/- 3% government agencies and U.S. Treasuries.
- The performance benchmark is 5% +/- 2% three month U.S. Treasury Bill, and 95% +/- 3% Barclays 1-5 year government bond 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 2005 and 2010 Reserve Fund bond resolutions limit investments to:

- 90% +/- 10% government agencies and U.S. Treasuries with maturities of less than 5 years.

- 10% +/- 10% government agencies and U.S. Treasuries with maturities of more than 5 years and less than 10 years.

- Performance benchmark is 90% Barclays US 1-5 year government bond index and 10% Barclays US aggregate index.

The 1976 Reserve Fund bond resolutions limit investments to:

- Government agencies and U.S. Treasuries with maturities of 3 years or less.

- Performance benchmark is Barclays US 1-3 year government bond 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.

(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 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.

(5) Bonds Receivable

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

	City of Galena	Kenai Peninsula Borough	Total General Fund Bonds Receivable
2017	$ 150,098	$ 728,000	$ 878,098
2018	165,319	817,000	982,319
2019	166,980	827,000	993,980
2020	168,658	843,000	1,011,658
2021	170,352	861,000	1,031,352
2022-2026	692,379	1,779,000	2,471,379
	$ 1,513,786	$ 5,855,000	$ 7,368,786

Bonds receivable by debt service program at June 30, 2016 mature in varying annual installments as follows:

Year ending June 30	2005 General	2010 General	2016 General	Total Principal
2017	$ 57,485,000	$ 145,000	-	$ 57,630,000
2018	57,210,000	150,000	6,975,000	64,335,000
2019	59,160,000	160,000	4,965,000	64,285,000
2020	57,610,000	165,000	5,225,000	63,000,000
2021	56,455,000	170,000	5,485,000	62,110,000
2022-2026	257,840,000	930,000	5,775,000	264,545,000
2027-2031	202,545,000	1,110,000	6,060,000	209,715,000
2032-2036	145,050,000	1,325,000	6,380,000	152,755,000
2037-2041	65,940,000	-	3,270,000	69,210,000
2042-2046	57,880,000	-	-	57,880,000
2047-2051	9,120,000	-	-	9,120,000
	$ 1,026,295,000	$ 4,155,000	$ 44,135,000	$ 1,074,585,000

(6) Long–Term Liabilities

During the year ended June 30, 2016 the Authority’s long-term liabilities changed as follows:

	Beginning of year	New debt	Repayments/ Adjustments	End of year
General obligation bonds payable	$ 940,920,000	$ 232,955,000	(83,455,000)	$ 1,090,420,000
Total	$ 940,920,000	$ 232,955,000	$ (83,455,000)	$ 1,090,420,000

Bond Bank’s long term liabilities consist of the following as of June 30, 2016:

Issue	Debt Service Account Interest rate	Debt Service Account Principal outstanding	Statutory Reserve Account Ordinary Reserve Sub-Account Interest rate	Statutory Reserve Account Ordinary Reserve Sub-Account Principal outstanding
2005 Master Bond Resolution:				
2006-Two Series - Ketchikan, City of	4.25%-4.75%	31,775,000	5.00%	1,765,000
2007-One Series	4.00%-5.50%	13,020,000	4.00%-5.50%	1,265,000
Kenai Peninsula Borough				
Inter-Island Ferry Authority				
Nome				
Northwest Arctic Borough				
Petersburg				
Seward				
Sitka, City and Borough of				
Wasilla				
2007-Two Series	3.75%-5.00%	22,485,000	4.50%	685,000
Kenai Peninsula Borough				
Aleutians East Borough				
2007-Three Series	4.25%-5.50%	3,310,000	4.00%	415,000
Bethel, City of				
Juneau, City and Borough of				
2007-Four Series - Kenai Peninsula Borough	4.25%-5.00%	1,330,000	4.25%-4.50%	1,070,000
2007-Five Series - Kodiak, City of	4.00%-6.00%	5,310,000	-	-
2008-One Series	4.00%-5.00%	24,780,000	5.00%	3,260,000
Dillingham				
Kodiak Island Borough				
Kodiak, City of				
Seward				
2008-Two Series	4.40%-6.00%	4,450,000	4.75%-6.00%	1,200,000
Seward				
Sitka, City and Borough of				
Skagway				
2009-One Series	3.00%-5.63%	3,260,000	4.00%-5.50%	560,000
Kodiak, City of				
Unalaska, City of				
2009-Two Series	4.00%-6.00%	3,820,000	4.00%-6.00%	1,400,000
Cordova				
Nome, City of				
Unalaska, City of				
Kodiak, Island Borough				
2009-Three Series - Juneau, City and Borough of	2.00%-4.00%	5,460,000	2.00%-4.00%	495,000
2009-A-Four Series	3.00%-4.00%	-	3.00%-4.00%	430,000
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%	5,455,000	-	-
Ketchikan, City of				
Ketchikan Gateway Borough				
Kenai, City of				
Northwest Arctic Borough				
Petersburg				
Unalaska				
2010-B Series One	5.99%-6.34%	7,415,000	-	-
Kenai, City of				
Northwest Arctic Borough				
Petersburg				
Unalaska				

(continued)

Issue	Debt Service Account Interest rate	Debt Service Account Principal outstanding	Statutory Reserve Account Ordinary Reserve Sub-Account Interest rate	Statutory Reserve Account Ordinary Reserve Sub-Account Principal outstanding
2010-B Series Two	3.75%-4.91%	11,405,000	-	-
Juneau, City and Borough of				
Cordova				
King Cove, City of				
2010-A Series Three	2.00%-4.00%	1,995,000	-	-
Aleutians East Borough				
Unalaska				
King Cove, City of				
2010-B Series Three	4.93%-5.43%	6,900,000	-	-
Aleutians East Borough				
Unalaska				
King Cove, City of				
2010-A Series Four	2.00%-5.00%	17,265,000	-	-
Kenai Peninsula Borough				
Ketchikan, City of				
Ketchikan Gateway Borough				
Sitka, City and Borough of				
Sitka , City and Borough of (Refunding)				
Soldotna				
2010-B Series Four	1.42%-6.26%	46,540,000	-	-
Kenai Peninsula Borough				
Ketchikan, City of				
Ketchikan Gateway Borough				
Sitka, City and Borough of				
Soldotna				
2011-Series One	3.00%-5.13%	6,650,000	-	-
Kodiak Island Borough				
Wrangell				
2011-Series Two	2.00%-4.38%	7,515,000	-	-
Juneau, City and Borough of				
Sitka, City and Borough of				
2011-Series Three	2.00%-5.00%	60,705,000	2.00%-5.00%	1,390,000
Wrangell				
Aleutians East Borough				
Northwest Arctic Borough				
Ketchikan Gateway Borough				
Kenai Peninsula Borough				
Cordova				
Hoonah				
Skagway				
Seward				
Kodiak Island Borough				
2012-Series One	2.00%-5.00%	8,960,000	-	-
Juneau, City and Borough of (Wildflower Court)				
Juneau, City and Borough of				
2012-Series Two	1.75%-5.00%	41,480,000	2.00%-4.00%	1,900,000
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, City and Borough of				
Valdez				

(continued)

Issue	Debt Service Account: Interest rate	Debt Service Account: Principal outstanding	Statutory Reserve Account Ordinary Reserve Sub-Account: Interest rate	Statutory Reserve Account Ordinary Reserve Sub-Account: Principal outstanding
2012-Series Three	1.50%-5.00%	16,550,000	-	-
Juneau, City and Borough of (School)				
Juneau, City and Borough of (REF)				
Petersburg				
Haines Borough				
2013-Series One	2.00%-5.00%	89,410,000	-	-
Juneau, City and Borough of (Hospital Rev Ref)				
Juneau, City and Borough of				
Kenai Peninsula Borough				
Ketchikan Gateway Borough				
Kodiak Island Borough				
Sand Point, City of				
Sitka, City and Borough of (Harbor				
Sitka, City and Borough of (Electric)				
2013-Series Two A	2.00%-4.00%	16,435,000	-	-
Homer, City of				
Ketchikan, City of				
Ketchikan, City of (REF)				
Skagway				
2013-Series Two B				
Kodiak Island Borough	3.00%-4.00%	15,880,000	-	-
2013 Series Three	1.50%-5.00%	68,490,000	-	-
Juneau, City and Borough of				
Kenai Peninsula Borough				
Lake and Peninsula Borough				
Sitka, City and Borough of				
2014-Series One A	.38%-5.00%	55,760,000	-	-
Juneau, City and Borough of				
Kodiak Island Borough				
Kenai Peninsula Borough- Exempt				
Kenai Peninsula Borough- Taxable				
2014-Series Two A	3.00%-5.00%	44,875,000	-	-
Ketchikan, City of (Harbor)				
Ketchikan, City of (Hospital)				
King Cove, City of				
2014-Series Three	1.25%-5.00%	54,605,000	-	-
City & Borough of Juneau				
City of Saxman				
City & Borough of Sitka				
City of Adak (REF)				
Municipality of Ancorage (Rev REF)				
Haines Borough (REF)				
Kenai Peninsula				
City of Nome (REF)				
Northwest Arctic Borough (REF)				
Petersburg Borough (REF)				
City of Seward (REF)				
City of Seward (REF) - 2				

(continued)

Notes to Financial Statements

Issue	Debt Service Account Interest rate	Debt Service Account Principal outstanding	Statutory Reserve Account Ordinary Reserve Sub-Account Interest rate	Statutory Reserve Account Ordinary Reserve Sub-Account Principal outstanding
2015-Series One	2.00%-5.00%	56,510,000	-	-
City of Craig - New Money				
City of Cordova - New Money				
City of Cordova (REF2005A)				
City of Ketchikan (REF2005A)				
Northwest Arctic Borough (REF2005A)				
City and Borough of Sitka (REF2005A)				
City of Unalaska (REF2005A)				
Ketchikan Gateway Borough (REF2005E)				
Aleutians East Borough (REF2006A)				
City of Nome (REF2006A)				
City of Wrangell (REF2006A)				
City and Borough of Sitka (REF2008-2)				
City of Unalaska (REF2009-1)				
City of Cordova (REF2009-2)				
City of Nome (REF2009-2)				
2015-Series Two	2.00%-5.00%	57,250,000	-	-
City of Cordova - CC				
Municipality of Skagway - PSB				
City and Borough of Juneau - PP				
Municipality of Skagway - PP				
City and Borough of Juneau - School				
City and Borough of Juneau (REF2007-3)				
Kenai Peninsula Borough (REF2007-4)				
2015-Series Three	2.00%-5.25%	96,210,000	-	-
University of Alaska				
Haines Borough				
Kodiak Island Brough - School				
Kodiak Island Borough - R&R				
King Cove, City of				
2016-Series One	2.00%-5.00%	33,015,000	-	-
Kenai Peninsula Borough CES 7-Year Loan				
Kenai Peninsula Borough CES 15-Year Loan				
City of Klawock				
Kodiak Island Borough - R&R				
Kodiak Island Borough - School				
City of Seward (REF2008-1)				
City of Seward (REF 2008-2)				
2016-Series Two	3.00%-5.00%	59,595,000	-	-
Fairbanks North Star Borough				
Ketchikan, City of				
Total 2005 Master Bond Resolution:		1,026,295,000		15,835,000
2010 Master Bond Resolution:				
2010-A-1 Series One - Ketchikan Gateway Borough	3.00%-4.00%	455,000	-	-
2010-A-2 Series One - Ketchikan Gateway Borough	5.78%-6.86%	3,700,000	-	-
Total 2010 Master Bond Resolution:		4,155,000		-
2016 Master Bond Resolution:				
2016-Series A - Tanana Chiefs Conference	5.00%	44,135,000	-	-
Total 2016 Master Bond Resolution:		44,135,000		-
		$ 1,074,585,000		$ 15,835,000

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 February 2016 the Authority issued $33.02 million in general obligation and refunding bonds with interest rates ranging between 2% and 5%. The Authority issued the bonds to advance refund $25,370,000 of the outstanding the 2008-1 and 2008-2 General Obligation bonds with interest rates averaging between 4% and 6%. 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 was $25,370,000 at June 30, 2016. The advance refunding reduced total debt service payments over the next 22 years by nearly $5.2 million. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $3.5 million.

In April 2016 the Authority issued $59.6 million in general obligation and refunding bonds with interest rates ranging between 3% and 5%. The Authority issued the bonds to advance refund $2,860,000 of the outstanding 2005-1 and 2005-1 Reserve General Obligation bonds with interest rates averaging between 3% and 5%. 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 was $2,860,000 at June 30, 2016. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $33,000.

The above bonds mature in varying annual installments. The maturities at June 30, 2016 are as follows:

Year ending June 30	2005 General	2005 Reserve	2010 General	2016 General
2017	$ 57,485,000	$ 75,000	$ 145,000	$ -
2018	57,210,000	4,805,000	150,000	6,975,000
2019	59,160,000	1,035,000	160,000	4,965,000
2020	57,610,000	925,000	165,000	5,225,000
2021	56,455,000	490,000	170,000	5,485,000
2022-2026	257,840,000	3,645,000	930,000	21,485,000
2027-2031	202,545,000	3,095,000	1,110,000	-
2032-2036	145,050,000	1,765,000	1,325,000	-
2037-2041	65,940,000	-	-	-
2042-2046	57,880,000	-	-	-
2047-2051	9,120,000	-	-	-
	$ 1,026,295,000	$ 15,835,000	$ 4,155,000	$ 44,135,000

Year ending June 30	Total Principal	Total Interest
2017	$ 57,705,000	$ 49,413,844
2018	69,140,000	47,165,218
2019	65,320,000	44,292,527
2020	63,925,000	41,462,064
2021	62,600,000	38,614,836
2022-2026	283,900,000	150,055,521
2027-2031	206,750,000	90,864,952
2032-2036	148,140,000	47,164,296
2037-2041	65,940,000	23,430,276
2042-2046	57,880,000	8,571,025
2047-2051	9,120,000	615,999
	$ 1,090,420,000	$ 541,650,558

(7) Conduit Debt

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. As of June 30, 2016 the aggregate amount outstanding for conduit debt obligations was $4,247,038.

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 defer payment. As of June 30, 2016 the aggregate amount outstanding for the City of St. Paul conduit debt obligations was $6,005,878.

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 and accordingly, are not included in the basic financial statements.

The Coastal Energy Bonds and related accounts are included in the Bond Bank's statutory limit for total bonds outstanding.

(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 available to the Authority during fiscal year 2014 as discussed in Note 2(d), included $178,200 of City of Galena loan repayments for the year ended June 30, 2016. There were no excess receipts over operating expenditures during fiscal year 2016.

The amount of Authority receipts determined under AS 44.85.270(h) and, as discussed in Note 2(d), available for transfer by the Authority and appropriation to the Bond Bank Authority Reserve Fund under AS 44.85.270(a) was $-0- for fiscal year 2016; the cumulative state appropriated amount, therefore, remained $33,396,046 at June 30, 2016.

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

(9) Subsequent Events

Subsequent to June 30, 2016, the Bond Bank Board adopted Alaska Municipal Bond Bank Resolution 2016-05, a series resolution authorizing the issuance of general obligation and refunding bonds, 2016 Series Three and 2016 Series Four in an aggregate principal amount of not to exceed $95 million for the 2016 Series Three, and an aggregate principal amount of not to exceed $36 million for the 2016 Series Four. These bonds are expected to price in mid-October 2016. The 2016 Series Three bond proceeds are being used for the following purposes: (i) to make a loan to the City and Borough of Juneau; (ii) to refund bonds previously issued by the Bond Bank; and (iii) to pay a portion of the costs of issuing the 2016 Series Three Bonds. The loan to the City and Borough of Juneau is to be used for the following purposes: (i) to pay a portion of the costs of renovations to the Capital Transit maintenance shop; and (ii) to refund bonds previously issued by the City and Borough of Juneau. The 2016 Series Four bond proceeds are being used for the following purposes: (i) to make a loan to the City of Ketchikan; (ii) to refund bonds previously issued by the Bond Bank; and (iii) to pay a portion of the costs of issuing the 2016 Series Four Bonds. The loan to the City of Ketchikan is to be used to pay a portion of the costs of improvements to harbor facilities in the City of Ketchikan. Subject to market conditions, certain proceeds of the 2016 Series Three and Four Bonds are to be used to refund and redeem all or a portion of the outstanding bonds of the Bond Bank, including all or a portion of the following Bond Bank Series: 2006 Series Two, 2007 Series One, 2007 Series Two, 2007 Series Three, 2007 Series Five, 2008 Series One, 2008 Series Two, and 2009 Series One.

Supplemental Schedule

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

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

June 30, 2016

	2005 Resolution	2010 Resolution	Total
ASSETS			
Cash	$ 2,076,877	$ 23,517	$ 2,100,394
Accrued interest receivable	142,267	533	142,800
Marketable securities	50,810,000	391,724	51,201,724
	$ 53,029,144	$ 415,774	$ 53,444,918
LIABILITIES			
Interaccount payables	$ 6,050,018	$ 16,990	$ 6,067,008
Bond payable	15,835,000	-	15,835,000
Accrued interest payable	183,573	-	183,573
	22,068,591	16,990	22,085,581
RESERVES			
State appropriated	28,046,530	393,086	28,439,616
Unappropriated	2,352,551	1,465	2,354,016
Unrealized gain	561,472	4,233	565,705
	30,960,553	398,784	31,359,337
	$ 53,029,144	$ 415,774	$ 53,444,918

Continuing Disclosure Tables

Pursuant to the Securities and Exchange Commission Rule 15c2-12 and the Authority's continuing disclosure undertakings, the Authority is obligated to provide annual financial information. In addition to annual financial statements the Authority must provide a statement of authorized, issued and outstanding bonded debt, reserve fund balances, and government unit statistics in substantially the same form as Appendix C of official statements of the Authority. The following supplemental information related to the 2005, 2010, and 2016 master resolutions is provided in compliance with the Appendix C filing requirement.

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

Supplemental Schedule of 2005 Master Resolution Program - Community Concentration

June 30, 2016

Borrower	Outstanding Par	Percent of Outstanding
City and Borough of Sitka	$ 144,555,000	13.87%
City and Borough of Juneau	125,325,000	12.03%
Kenai Peninsula Borough	111,590,000	10.71%
City of Ketchikan	101,825,000	9.77%
Kodiak Island Borough	96,820,000	9.29%
University of Alaska	86,085,000	8.26%
Fairbanks North Star Borough	57,300,000	5.50%
Ketchikan Gateway Borough	36,950,000	3.55%
Northwest Arctic Borough	34,995,000	3.36%
City of Unalaska	34,015,000	3.26%
City of Seward	32,285,000	3.10%
Aleutians East Borough	27,275,000	2.62%
Municipality of Skagway	20,645,000	1.98%
City of Cordova	17,900,000	1.72%
Lake & Peninsula Borough	17,145,000	1.65%
City of Kodiak	12,875,000	1.24%
Haines Borough	11,690,000	1.12%
Petersburg Borough	11,280,000	1.08%
City of Dillingham	10,610,000	1.02%
City of Nome	4,925,000	0.47%
Municipality of Anchorage	3,615,000	0.35%
City of Homer	3,340,000	0.32%
City of King Cove	2,990,000	0.29%
City of Bethel	2,635,000	0.25%
City of Valdez	2,505,000	0.24%
City of Sand Point	2,435,000	0.23%
City of Soldotna	2,010,000	0.19%
City of Craig	1,755,000	0.17%
City of Kenai	1,530,000	0.15%
City of Klawock	1,360,000	0.13%
City and Borough of Wrangell	1,245,000	0.12%
City of Wasilla	1,185,000	0.11%
City of Hoonah	1,080,000	0.10%
City of North Pole	820,000	0.08%
City of Palmer	785,000	0.08%
City of Adak	755,000	0.07%
City of Saxman	160,000	0.02%
Reserve Obligations	15,835,000	1.50%
Total Outstanding Par	$ 1,042,130,000	100.00%

See Independent Auditor's report

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

Supplemental Schedule 2005 Master Resolution Program - Debt Service Requirements

June 30, 2016

Borrower	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
City of Ketchikan Port - 2006 Loan	$ 2,556,963	$ 2,553,063	$ 2,548,063	$ 2,550,038	$ 2,543,850	$ 2,544,363	$ 2,541,300	$ 2,539,525	$ 2,538,763	$ 2,538,738
City of Nome - 2007 Refunding	177,419	180,247	182,859	180,619	178,609	-	-	-	-	-
Northwest Arctic Borough - 2007 Refunding	1,259,844	1,249,172	1,248,350	1,248,825	1,245,163	-	-	-	-	-
Petersburg Borough - 2007 Refunding	145,919	140,159	144,391	143,681	147,991	-	-	-	-	-
City of Seward - 2007 Refunding	241,044	241,709	237,394	238,363	234,525	239,994	-	-	-	-
City and Borough of Sitka - 2007 Refunding	848,781	851,672	849,219	-	-	-	-	-	-	-
City of Wasilla - 2007 Refunding	421,681	423,241	424,588	-	-	-	-	-	-	-
Kenai Peninsula Borough - 2007 Loan	312,625	-	-	-	-	-	-	-	-	-
Petersburg Borough - 2007 Loan	88,544	90,778	92,894	90,100	92,356	89,425	91,297	92,906	89,406	90,797
Aleutians East Borough - 2007 Refunding	947,338	1,772,238	1,818,363	1,835,863	1,844,988	1,856,938	2,121,938	2,271,750	2,347,869	2,392,575
South Kenai Peninsula Hospital - 2007 Refunding	144,100	143,500	142,825	146,950	789,450	788,250	784,350	787,325	-	-
City and Borough of Juneau - 2007 III Dock Loan	356,325	353,625	-	-	-	-	-	-	-	-
City of Bethel - 2007 III Court Facility Loan	293,038	294,125	295,125	290,750	291,000	290,750	290,000	293,625	291,625	289,125
Kenai Peninsula Borough South Hospital Service Area	694,413	695,300	-	-	-	-	-	-	-	-
City of Kodiak M&P Loan	125,971	128,121	125,121	127,521	125,287	127,878	125,313	127,593	124,700	126,663
City of Kodiak Lift Loan	240,980	241,330	241,380	242,030	243,271	244,186	244,804	245,126	245,119	244,831
Kodiak Island Borough 2008 One Loan	624,960	620,160	624,960	623,960	621,323	623,048	623,360	622,210	624,180	624,460
City of Dillingham 2008 One Loan	1,176,340	1,178,540	1,174,540	1,174,540	1,176,390	1,176,753	1,179,565	1,174,515	1,176,040	1,179,480
Kodiak Police Station 2008 One Loan	532,240	529,040	505,640	507,840	509,128	504,990	505,365	505,015	508,735	506,495
City of Seward Long Term Care 2008 One Loan	984,200	982,800	-	-	-	-	-	-	-	-
City and Borough of Sitka 2008 Two Loan	353,220	355,100	-	-	-	-	-	-	-	-
Municipality of Skagway 2008 Two Loan	394,435	395,210	391,110	395,330	393,630	396,210	392,815	393,803	393,923	393,160
City of Seward 2008 Two Loan	148,935	148,400	-	-	-	-	-	-	-	-
City of Unalaska 2009 One Loan	860,500	856,625	855,875	-	-	-	-	-	-	-
City of Kodiak 2009 One Boat Lift Loan	67,713	71,588	70,338	69,088	67,838	71,463	69,963	68,425	66,850	70,122
City of Unalaska 2009 Two Loan	558,800	563,588	560,413	-	-	-	-	-	-	-
City of Cordova 2009 Two Loan	798,063	799,188	801,338	-	-	-	-	-	-	-
City of Nome 2009 Two Loan	28,806	32,775	31,425	-	-	-	-	-	-	-
City and Borough of Juneau - 2009 Three Loan	1,485,600	1,495,800	1,444,800	1,468,800	-	-	-	-	-	-
Ketchikan Gateway Borough-2009 Four Loan	1,775,519	1,768,232	1,754,104	1,743,479	1,731,390	1,722,642	1,707,107	1,694,654	1,684,964	1,664,500
City of Kenai-2010 One Loan	175,398	176,998	178,398	172,704	172,011	171,018	164,725	163,433	161,840	159,948
Ketchikan Gateway Borough-2010 One Loan	725,800	731,000	730,000	728,000	-	-	-	-	-	-
Northwest Arctic Borough-2010 One Loan	283,165	282,565	281,765	280,765	284,565	281,315	276,127	275,640	269,552	268,166
Petersburg Borough - 2010 One Loan	239,094	234,494	234,794	234,894	234,794	238,694	235,849	232,010	227,870	228,281
City of Unalaska-2010 One Loan	427,149	428,749	424,949	425,949	426,549	424,299	424,017	417,835	411,055	403,675
City and Borough of Juneau - 2010 Two Loans	1,139,029	1,129,772	1,117,534	1,107,744	2,472,665	1,820,539	1,779,639	1,517,673	1,742,096	-
City of Cordova 2010 Two Loan	48,430	46,859	45,138	48,188	46,070	-	-	-	-	-
City of King Cove 2010 Two Loan	45,743	44,762	43,686	42,540	41,363	40,155	38,847	42,319	40,652	38,985
Aleutians East Borough - 2010 Loan	398,878	395,378	396,578	397,966	392,943	390,877	383,441	380,636	372,462	368,918
City of King Cove 2010 Three Loan	58,692	62,392	60,992	59,680	58,205	61,359	59,389	57,419	55,449	53,479
City of Unalaska 2010 Three Loan	437,267	437,867	438,067	433,605	432,617	429,319	420,652	416,616	407,211	397,559
Kenai Peninsula Borough 2010 Four Loan	1,459,887	1,442,725	1,431,305	1,411,775	1,395,269	1,376,201	1,358,946	1,338,264	1,314,029	1,291,441
City of Ketchikan 2010 Four Loan	623,153	616,549	608,190	603,500	597,854	586,163	578,214	568,842	562,857	550,401
Ketchikan Gateway Borough 2010 Four Loan	332,198	324,287	320,209	315,233	314,574	308,091	300,753	292,534	288,269	282,919
City and Borough of Sitka 2010 Four Loan	4,064,932	4,075,151	4,062,570	4,047,570	4,058,570	4,050,648	4,038,926	4,030,419	4,000,527	3,930,489
City of Soldotna 2010 Four Loan	215,646	216,594	211,905	211,752	206,311	205,509	199,279	197,602	195,333	192,515
City and Borough of Wrangell 2011 One Loan	24,475	28,875	28,000	27,000	26,000	-	-	-	-	-
Kodiak Island Borough 2011 One Loan	622,550	622,950	621,400	622,800	623,600	623,800	625,513	626,275	626,088	624,950
City and Borough of Juneau 2011 Two Loan	657,831	658,831	657,300	659,600	655,200	-	-	-	-	-
City and Borough of Sitka 2011 Two Loan	408,009	412,134	410,090	407,590	407,390	411,790	407,690	408,071	411,271	408,871
Aleutians East Borough 2011 Three Refunding	976,625	229,375	229,875	226,000	231,625	230,625	-	-	-	-
Kenai Peninsula Borough 2011 Three Refunding	1,640,450	1,630,075	1,621,825	1,617,850	967,375	958,750	953,250	-	-	-
Ketchikan Gateway Borough 2011 Three Refunding	616,300	618,175	618,800	615,900	616,875	614,000	609,875	-	-	-

(continued)

Supplemental Schedule 2005 Master Resolution Program - Debt Service Requirements

June 30, 2016

Borrower	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Northwest Arctic Borough 2011 Three Refunding	2,491,900	2,486,775	2,492,025	2,492,700	2,488,875	2,485,000	2,485,625	1,681,000	-	-
Wrangell 2011 Three Refunding	41,000	-	-	-	-	-	-	-	-	-
Kenai Peninsula Borough (Central Hospital) 2011 Three	3,522,125	3,521,750	3,520,000	3,521,000	3,525,500	3,528,625	3,533,750	3,520,875	-	-
City of Cordova 2011 Three	57,875	55,625	53,375	56,250	54,000	56,375	-	-	-	-
City of Hoonah 2011 Three	114,875	111,625	113,250	90,500	93,125	90,375	92,500	89,500	91,700	89,100
Kodiak Island Borough 2011 Three	300,475	300,975	300,975	301,550	301,625	300,125	298,125	300,500	298,600	302,500
Municipality of Skagway 2011 Three	33,675	37,800	36,800	35,900	35,000	34,000	37,875	36,625	35,500	34,500
City of Seward 2011 Three	244,175	244,300	244,175	244,350	244,275	243,400	242,275	245,775	244,600	243,900
City and Borough of Juneau G. O. Refunding 2012 One	1,091,625	-	-	-	-	-	-	-	-	-
Juneau Wildflower Court Refunding 2012 One	1,344,900	1,418,125	1,486,925	1,555,825	437,725	484,575	534,966	583,463	442,172	491,063
Juneau 2012 Two	1,920,400	1,940,250	1,958,400	-	-	-	-	-	-	-
City of Ketchikan 2012 Two	354,444	356,644	352,519	352,019	355,894	355,344	354,294	351,544	353,169	357,306
Ketchikan Gateway Borough 2012 Two	686,150	682,350	689,250	681,625	-	-	-	-	-	-
Kodiak Island Borough 2012 Two	1,449,850	1,439,500	1,447,950	1,439,025	1,442,275	1,433,950	1,433,125	1,433,250	1,435,000	-
City of Nome 2012 Two	148,200	148,900	148,825	147,950	146,825	146,100	150,000	133,250	-	-
City of North Pole 2012 Two	100,250	102,550	99,400	100,775	101,900	103,200	104,250	99,750	100,125	101,375
City of Palmer 2012 Two	108,050	105,800	108,450	104,850	105,725	106,800	107,625	107,750	107,625	-
Petersburg Borough 2012 Two	490,600	496,600	491,075	488,125	488,375	489,750	485,250	468,125	246,000	-
City and Borough of Sitka 2012 Two	1,456,250	1,460,150	1,456,775	1,455,650	1,456,650	1,451,200	1,453,000	1,450,375	630,375	-
City of Valdez 2012 Two	347,850	348,250	351,850	343,725	340,225	342,550	344,125	343,500	317,750	-
Haines Borough 2012 Three	85,981	84,744	82,719	85,344	82,844	85,219	87,344	84,344	86,544	83,944
Juneau 2012 Three Refunding	916,950	918,950	928,250	937,125	948,625	947,875	959,750	973,750	-	-
Juneau 2012 Three School Construction	1,440,838	1,430,600	1,400,375	1,363,625	1,364,875	1,363,125	1,363,250	-	-	-
Petersburg Borough 2012 Three	104,838	103,050	105,000	101,500	102,875	104,000	104,875	105,500	101,450	102,750
Kenai Peninsula Borough (Bear Creek Fire) 2013 One	95,620	93,820	97,020	94,520	97,520	95,320	93,120	95,920	92,920	94,920
City and Borough of Juneau (Bartlett Hospital) 2013 One	1,657,213	1,659,263	1,665,563	1,661,863	1,661,513	1,666,713	1,665,313	1,667,513	1,668,263	1,667,663
City and Borough of Juneau 2013 One	202,410	203,610	199,610	204,610	200,210	200,810	201,210	201,410	200,160	203,660
Ketchikan Gateway Borough 2013 One	610,550	607,150	608,150	608,400	607,600	611,000	608,400	-	-	-
Kodiak Island Borough 2013 One	1,689,740	1,688,140	1,690,340	1,687,590	1,691,790	1,689,390	1,690,590	1,690,190	1,687,690	1,687,690
City of Sand Point 2013 One	180,580	182,980	180,180	181,680	183,680	180,480	182,280	183,880	184,380	184,630
City and Borough of Sitka (Harbor) 2013 One	309,700	308,900	307,900	310,150	308,550	311,750	309,550	312,150	307,400	307,400
City and Borough of Sitka (Electric) 2013 One	1,757,360	1,757,360	1,757,360	1,757,360	1,757,360	1,757,360	1,757,360	1,757,360	1,757,360	1,757,360
City of Homer 2013 Two	292,050	287,850	288,650	289,300	293,300	291,900	290,300	293,500	294,500	295,000
City of Ketchikan 2013 Two	1,069,500	1,069,200	1,068,450	1,072,250	1,069,850	1,071,650	1,072,450	1,077,250	1,079,250	1,079,500
Kodiak Island Borough 2013 Two	1,356,788	1,355,988	1,355,888	1,360,188	1,361,588	1,361,788	1,363,038	1,367,288	1,364,288	1,369,288
Municipality of Skagway 2013 Two	71,350	70,300	69,250	68,200	71,800	70,200	68,600	72,000	69,750	67,500
City and Borough of Juneau 2013 Three	902,475	903,650	905,450	903,650	902,125	902,000	905,000	902,000	-	-
Kenai Peninsula Borough	1,627,300	1,626,550	1,625,550	1,626,600	1,627,325	1,628,500	1,627,675	1,630,175	1,630,175	1,627,675
Lake and Peninsula Borough 2013 Three	1,420,088	1,421,950	1,419,850	1,423,900	1,423,250	1,424,250	1,423,500	1,422,000	1,423,375	1,422,500
City and Borough of Sitka 2013 Three	1,274,975	1,274,975	1,274,975	1,274,975	1,274,975	1,274,975	1,274,975	1,274,975	1,274,975	1,274,975
Kenai Peninsula Borough 2014 One	2,956,280	2,956,670	2,960,067	2,960,062	2,959,103	2,955,849	2,957,500	2,955,500	2,958,250	2,959,500
Kodiak Island Borough 2014 One	1,777,113	1,774,713	1,772,713	1,775,113	1,772,113	1,776,363	1,773,113	1,772,613	1,769,613	1,774,925
City and Borough of Juneau 2014 One	403,838	407,838	404,838	406,538	403,138	404,638	405,638	406,138	406,138	404,575
City of Ketchikan Hospital (G.O.) 2014 Two	1,753,700	2,553,700	2,553,700	2,551,700	2,552,700	2,556,450	2,557,700	2,556,450	2,557,700	2,561,200
City of Ketchikan Harbor (G.O.) 2014 Two	203,900	205,300	205,550	205,550	205,300	204,800	209,050	207,800	206,300	209,550
City of King Cove Electric 2014 Two	160,650	161,050	160,050	163,800	42,050	41,050	40,050	39,050	38,050	37,050
City and Borough of Juneau 2014 Three	910,469	909,900	908,400	909,000	911,375	907,625	907,750	911,500	908,875	909,875
City and Borough of Sitka 2014 Three	816,250	816,250	816,250	816,250	816,250	816,250	816,250	816,250	816,250	816,250
City of Saxman 2014 Three	12,681	12,550	12,350	12,125	11,875	11,625	11,375	16,000	15,500	15,000
City of Adak Refunding 2014 Three	107,969	106,000	103,000	104,500	100,500	101,375	102,000	102,375	102,500	-
Municipality of Anchorage Refunding 2014 Three	292,950	294,700	294,600	298,500	296,375	294,000	296,250	298,000	294,375	290,500
Haines Borough Refunding 2014 Three	1,196,844	1,196,100	1,198,600	1,195,375	1,191,125	1,194,625	1,190,750	1,189,500	1,190,625	1,189,000
Kenai Peninsula Borough Refunding 2014 Three	178,769	180,650	180,750	180,000	183,250	181,125	178,750	181,000	177,875	179,375
City of Nome Refunding 2014 Three	266,275	271,350	268,650	269,625	269,125	268,125	266,625	269,500	271,625	
Northwest Arctic Borough Refunding 2014 Three	448,013	445,300	448,200	448,875	447,250	449,750	446,375	447,125	442,000	445,875

(continued)

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

Supplemental Schedule 2005 Master Resolution Program - Debt Service Requirements

June 30, 2016

Borrower	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Petersburg Borough Refunding 2014 Three	401,475	399,550	398,750	401,000	401,125	400,500	399,125	401,875	398,750	399,750
City of Seward 2005 Refunding 2014 Three	102,206	105,400	107,500	104,125	105,250	106,125	106,750	107,125	102,375	102,500
City of Seward 2006 Refunding 2014 Three	118,100	323,900	320,400	320,475	318,975	316,975	319,350	320,975	321,850	637,100
City of Cordova 2015 One New Money	136,325	134,225	136,725	134,125	136,075	132,575	133,950	135,075	135,950	136,575
City of Cordova 2015 One 2005 Refunding	189,275	193,300	191,200	193,800	-	-	-	-	-	-
City of Cordova 2015 One 2009 Refunding	567,300	564,850	566,950	593,350	1,354,000	1,348,500	1,345,875	1,345,875	1,343,375	1,343,250
City of Craig 2015 One New Money	136,488	134,388	136,888	134,288	136,238	132,738	134,113	135,238	136,113	136,738
Aleutians East Borough 2015 One 2006 Refunding	328,850	276,000	253,100	250,400	251,375	255,750	269,125	169,125	117,500	97,375
Ketchikan Gateway Borough 2015 One 2005 Refunding	583,350	594,200	586,500	-	-	-	-	-	-	-
Ketchikan 2015 One 2005A Refunding	797,725	800,700	-	-	-	-	-	-	-	-
Nome 2015 One 2006 Refunding	85,975	88,950	91,450	83,950	86,125	87,750	89,125	90,250	86,250	87,125
Nome 2015 One 2009 Refunding	19,700	19,700	19,700	49,100	52,625	50,875	49,125	52,250	50,250	48,250
Northwest Arctic Borough 2015 One 2005 Refunding	1,636,200	1,637,600	1,635,100	1,630,400	1,640,000	-	-	-	-	-
Sitka 2015 One 2005 Refunding	400,250	397,800	398,100	397,800	-	-	-	-	-	-
Sitka 2015 One 2008 Refunding	196,275	196,275	539,275	535,075	533,500	539,125	538,625	537,688	536,000	537,875
Unalaska 2015 One 2005 Refunding	394,975	397,600	397,900	392,700	-	-	-	-	-	-
Unalaska 2015 One 2009 Refunding	815,900	815,900	815,900	1,852,438	1,853,125	1,849,844	1,848,994	1,846,138	1,841,825	1,840,575
Wrangell 2015 One 2006 Refunding	245,625	238,450	240,050	241,250	240,875	-	-	-	-	-
Cordova 2015 Two	209,150	211,450	212,650	212,650	212,400	211,900	211,150	213,750	212,500	211,000
Skagway 2015 Two	684,700	683,550	680,150	684,400	682,900	680,900	683,400	683,100	684,600	680,350
City and Borough of Juneau 2015 Two (G.O. Refunding)	698,050	705,350	705,750	708,750	-	-	-	-	-	-
City and Borough of Juneau 2015 Two (Harbor Refunding)	362,100	362,100	742,100	738,100	738,350	737,600	740,850	741,650	743,150	738,400
Kenai Peninsula Borough 2015 Two	407,200	402,050	1,097,050	1,097,300	1,090,800	1,092,800	1,092,800	1,091,000	1,093,250	1,088,250
Juneau 2015 Two (Cruise Dock)	1,689,400	1,687,500	1,692,500	1,688,250	1,692,250	1,689,000	1,688,750	1,686,250	1,686,500	1,689,250
Skagway 2015 Two (Port)	362,738	363,088	361,688	363,438	359,688	360,688	361,188	361,188	360,688	359,688
University of Alaska 2015 Three	4,057,863	4,057,863	5,586,663	5,589,588	5,585,838	5,587,838	5,590,213	5,587,838	5,590,463	5,587,838
Haines Borough 2015 Three	90,050	94,300	93,100	91,300	89,300	92,175	89,925	92,550	90,050	92,425
Kodiak Island Borough 2015 Three High School	491,363	492,413	491,313	491,838	490,838	494,213	491,963	494,088	490,588	491,463
Kodiak Island Borough 2015 Three Renewal & Replace	222,150	224,200	224,600	222,500	224,250	225,500	226,250	226,500	226,250	225,500
King Cove 2015 Three	48,588	48,588	48,588	48,588	72,963	76,588	75,088	73,588	76,963	75,213
Kenai Peninsula Borough CES 7-Year Loan - 2016 One	58,557	86,125	87,750	89,125	90,250	86,250	87,125	-	-	-
Kenai Peninsula Borough CES 15-Year Loan - 2016 One	131,831	178,313	178,188	177,813	177,188	176,313	175,188	178,688	176,813	179,563
City of Klawock New Money Loan - 2016 One	61,057	89,950	87,950	85,950	88,825	86,575	84,325	86,950	89,325	91,450
Kodiak Island Borough R&R Loan - 2016 One	485,411	674,250	676,625	677,750	677,625	676,250	678,500	674,375	678,750	676,500
Kodiak Island Borough High School Loan - 2016 One	100,969	133,794	130,544	132,169	133,544	134,669	130,669	131,544	132,169	132,544
City of Seward 2008 One Refunding - 2016 One	877,797	649,006	649,006	1,458,256	1,455,756	1,451,256	1,444,756	1,446,006	1,439,881	1,441,256
City of Seward 2008 Two Refunding - 2016 One	294,179	196,575	200,700	341,075	337,700	338,950	339,700	339,950	334,825	339,200
Fairbanks North Star Borough - 2016 Two	4,112,750	4,110,525	4,109,400	4,113,275	4,111,900	4,110,150	4,112,650	4,109,150	4,109,400	4,112,900
City of Ketchikan 2005 One Refunding - 2016 Two	2,393,625	-	-	-	-	-	-	-	-	-
Total Loan Obligation Debt Service	$ 104,117,215	$ 101,370,731	$ 100,900,555	$ 96,824,435	$ 93,131,445	$ 88,283,738	$ 87,935,497	$ 83,267,127	$ 74,145,910	$ 69,540,320

See Independent Auditor's report

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

Supplemental Schedule of 2010 Master Resolution Program - Community Concentration

June 30, 2016

Borrower	Outstanding Par	Percent of Outstanding
Ketchikan Gateway Borough	$ 4,155,000	100.00%
Total Outstanding Par	$ 4,155,000	100.00%

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

Supplemental Schedule 2010 Master Resolution Program - Debt Service Requirements

June 30, 2016

Borrower	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Ketchikan Gateway Borough	$ 400,544	$ 399,644	$ 403,444	$ 400,474	$ 395,791	$ 390,819	$ 385,558	$ 380,007	$ 374,168	$ 372,895
Total Loan Obligation DS	$ 400,544	$ 399,644	$ 403,444	$ 400,474	$ 395,791	$ 390,819	$ 385,558	$ 380,007	$ 374,168	$ 372,895

See Independent Auditor's report

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

Supplemental Schedule of 2016 Master Resolution Program - Community Concentration

June 30, 2016

Borrower	Outstanding Par	Percent of Outstanding
Tanana Chiefs Conference	$ 44,135,000	100.00%
Total Outstanding Par	$ 44,135,000	100.00%

See Independent Auditor's report

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

Supplemental Schedule 2016 Master Resolution Program - Debt Service Requirements

June 30, 2016

Borrower	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Tanana Chiefs Conference	1,789,919	9,068,000	6,762,500	6,771,125	6,766,625	6,771,625	3,351,750	6,784,750	3,351,750	-
Total Loan Obligation DS	$ 1,789,919	$ 9,068,000	$ 6,762,500	$ 6,771,125	$ 6,766,625	$ 6,771,625	$ 3,351,750	$ 6,784,750	$ 3,351,750	$ -

See Independent Auditor's report

Alaska Municipal Bond Bank Authority

AUDIT WRAP-UP

Year Ended June 30, 2016

The following communication was prepared as part of our audit, has consequential limitations, and is intended solely for the information and use of those charged with governance (e.g., the Board of Directors) and, if appropriate, management of the Authority and is not intended and should not be used by anyone other than these specified parties.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Tel: 907-278-8827
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3601 C Street, Suite 600
Anchorage, AK 99503

September 30, 2016

Board of Directors
Alaska Municipal Bond Bank Authority
Juneau, Alaska

Professional standards require us to communicate with you regarding matters related to the audit, that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. Our audit planning communication dated June 28, 2016 outlined our plan for the audit of the financial statements of the Alaska Municipal Bond Bank Authority (the Authority) as of and for the year ended June 30, 2016. That document included a summary of our overall objectives for the audit, and the nature, scope, and timing of the planned audit work.

This communication is intended to elaborate on the significant findings from our audit, including our views on the qualitative aspects of the Authority's accounting practices and policies, management's judgments and estimates, financial statement disclosures, and other required matters.

We are pleased to be of service to the Authority. Feel free to contact us to discuss our audit findings, as well as other matters that may be of interest to you, and to answer any questions you might have.

Respectfully,

BDO USA, LLP

Anchorage, Alaska

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BDO is the brand name for the BDO network and for each of the BDO Member Firms.

Discussion Outline

Status of Our Audit

We have completed our audit of the financial statements as of and for the year ended June 30, 2016. Our audit was conducted in accordance with auditing standards generally accepted in the United States of America. This audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

- The objective of our audit was to obtain reasonable - not absolute - assurance about whether the financial statements are free from material misstatements.
- The scope of the work performed was substantially the same as that described to you in our earlier Audit Planning communications.
- We have issued an unmodified opinion on the financial statements and released our report on September 30, 2016.
- All records and information requested by BDO were freely available for our inspection.
- Management's cooperation was excellent. We received full access to all information that we requested while performing our audit, and we acknowledge the full cooperation extended to us by all levels of Authority personnel throughout the course of our work.

Results of Our Audit

ACCOUNTING PRACTICES, POLICIES, ESTIMATES, AND SIGNIFICANT UNUSUAL TRANSACTIONS

The following summarizes the more significant required communications related to our audit concerning the Authority's accounting practices, policies, estimates, and significant unusual transactions:

The Authority's significant accounting practices and policies are those included in Note 2 to the financial statements. These accounting practices and policies are appropriate, comply with generally accepted accounting principles and industry practice, were consistently applied, and are adequately described within Note 2 to the financial statements.

- The Authority did not adopt any new accounting pronouncements in 2016.
- We did not identify any significant or unusual transactions, or any transactions for which there was a lack of authoritative guidance.

CORRECTED AND UNCORRECTED MISSTATEMENTS

There were no adjusting entries recorded to the trial balance presented to us to begin the audit.

There were no uncorrected misstatements related to accounts and/or disclosures that we presented to management.

OTHER COMMUNICATIONS

The following items represent required audit communications:

1. Qualitative aspects of significant accounting policies and practices
   - We concur with the Authority's interpretation and application of generally accepted accounting principles and practices derived from the standards set by the Governmental Accounting Standards Board (GASB).

   Financial statement disclosures
   - To our knowledge all necessary disclosures have been included in the footnotes to the financial statements.
2. Alternative accounting treatments
   - We did not identify any accounting treatments that did not comply with generally accepted accounting principles and standards set by GASB.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We are required to communicate, in writing, to those charged with governance all material weaknesses and significant deficiencies that have been identified in the Authority's internal controls over financial reporting. The definitions of control deficiency, significant deficiency and material weakness follow:

Category	Definition
Deficiency in Internal Control	A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.
Significant Deficiency	A deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
Material Weakness	A deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

In conjunction with our audit of the financial statements, we reported no material weaknesses.

Other Required Communications

Following is a summary of those required items, along with specific discussion points as they pertain to the Authority:

Requirement	Discussion Points
Significant changes to planned audit strategy or significant risks initially identified	There were no significant changes to the planned audit strategy or significant risks initially identified as part of our Audit Planning Process.
Obtain information from those charged with governance relevant to the audit	There were no matters noted relevant to the audit, including, but not limited to: violations or possible violations of laws or regulations; risk of material misstatements, including fraud risks; or tips or complaints regarding the Authority's financial reporting that we were made aware of as a result of our inquiry of those charged with governance.
If applicable, nature and extent of specialized skills or knowledge needed related to significant risks	There were no specialized skills or knowledge needed, outside of the core engagement team, to perform the planned audit procedures or evaluate audit results related to significant risks.
Consultations with other accountants	We are not aware of any consultations about accounting or auditing matters between management and other independent public accountants. Nor are we aware of opinions obtained by management from other independent public accountants on the application of generally accepted accounting principles.
Disagreements with management	There were no disagreements with management about matters, whether or not satisfactorily resolved, that individually or in aggregate could be significant to the Authority's financial statements or to our auditor's report.
Significant difficulties encountered during the audit	There were no significant difficulties encountered during the audit.
Representations requested from management	Please refer to the attached management representation letter.

Independence Communication

Our engagement letter to you dated June 28, 2016 describes our responsibilities in accordance with professional standards and certain regulatory authorities with regard to independence and the performance of our services. This letter also stipulates the responsibilities of the Authority with respect to independence as agreed to by the Authority. Please refer to that letter for further information.

BDO Board Reflections and Ac'sense Programs

The **BDO Board Reflections** resource center is developed with Board members in mind. Understanding the roles, responsibilities, and risks associated with each committee, BDO routinely provides guidance to Directors as they navigate through ever changing challenges in today's corporate climate. BDO's proprietary studies, publications, practice aids, and educational programs help fuel conversations among those charged with corporate governance – who are making the tough decisions. BDO's thought-provoking resources are tailored to help keep Board members ahead of the trends while meeting compliance obligations. For a comprehensive listing of such resources, visit **http://www.bdo.com/board**.

In line with the board resource center is **Ac'sense**SM, BDO's program designed to assist both those charged with governance (including Audit Committees and Boards of Directors) as well as financial executives of both public and private companies in keeping up to date on the latest corporate governance and financial reporting developments.

The program is multi-faceted and consists of complimentary CPE-worthy webinars and self-study courses covering both broad and specific topics of interest, publications, and links to various BDO and external resources. Visit **http://www.bdo.com/acsense/**.

AC'SENSESM WEBINARS

Our webinar programs are presented by our firm technical experts and comprise both short-form and longer-form webinars on a variety of "hot" topics of interest, such as "Compensation Risk," "Fair Value Matters," "Business Combinations," "Applying New Revenue Recognition Rules," "Ethics and the Corporate Board," and many others. In addition, we host several series including our "Quarterly Technical Updates" and "International Financial Reporting Standards" on financial accounting and reporting matters as well as "Focus on Fraud."

Our webinars are complimentary and are generally applicable for Audit Committees, Board members, management, finance and compliance professionals of both public and private companies. In addition, most webinars and archives are worthy of Continuing Professional Education (CPE) credit. Please visit our website **http://www.bdo.com/acsense/** for further information on upcoming and archived webinars.

EFFECTIVE AUDIT COMMITTEES IN THE EVER CHANGING MARKETPLACE

The focus of BDO's governance initiatives is to provide those charged with governance with essential, relevant information through clear and concise executive summary-type communications. In this spirit, we have created the ***Effective Audit Committees in the Ever Changing Marketplace*** publication as a practical guide to forming and running an effective Audit Committee. Within this publication, we provide answers to certain frequently asked questions (FAQs) centering on the WHYs, WHOs, WHATs, WHENs, and HOWs of Audit Committees. More specifically, these FAQs summarize the common functions and responsibilities of Audit Committees and seek to provide insights and perspective as to how to optimize Audit Committee effectiveness. Our vision has been shaped by our own experiences with our clients and interpretations of the specific recommendations, guidelines and rules of the SEC; the stock exchanges; the Public Company Accounting Oversight Board (PCAOB); the American Institute of Certified Public Accountants (AICPA); and the Blue Ribbon Committee on Improving the Effectiveness of Corporate Audit Committees, sponsored by the New York Stock Exchange and the National Association of Securities Dealers.

Throughout this publication, we focus on some of the more challenging aspects facing Audit Committees. To that end, in addition to our commentary, we have included links and references to other relevant BDO practice aids and tools as well as certain valuable external resources. The guide and practices aids are available at **http://www.bdo.com/acsense/effective.aspx**.

BDO Resources

BDO is a national professional services firm providing assurance, tax, financial advisory, and consulting services to a wide range of publicly traded and privately held companies. Guided by core values including competence, honesty and integrity, professionalism, dedication, responsibility, and accountability for 100 years, we have provided quality service and leadership through the active involvement of our most experienced and committed professionals.

The firm serves clients through 68 offices and more than 400 independent alliance firm locations nationwide. As an independent Member Firm of BDO International Limited, BDO serves multinational clients through a global network of 1,082 offices in 119 countries. BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO is the brand name for the BDO network and for each of the BDO Member Firms. For further information, please refer to **http://www.bdo.com/about/**.

Exhibit A

- Representation Letter is attached

ALASKA MUNICIPAL BOND BANK AUTHORITY

333 Willoughby Avenue, 11th floor
P.O. Box 110405
Juneau, Alaska 99811-0405

Tel (907) 465-2388
FAX (907) 465-2902
E-mail: ambba@revenue.state.ak.us

September 30, 2016

BDO USA, LLP
3601 C Street, Suite 600
Anchorage, AK 99503

Ladies and gentlemen:

We are providing this letter in connection with your audit of the financial statements of the Alaska Municipal Bond Bank Authority (the Authority), a component unit of the State of Alaska, which comprise the respective net position of the governmental activities and each major fund, as of and for the year then ended June 30, 2016, for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the financial position and changes in financial position of the Authority in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the preparation and fair presentation in the financial statements of net position and changes in net position in conformity with accounting principles generally accepted in the United States of America.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, as of the date of this representation letter, the following representations made to you during your audit:

(1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 28, 2016, for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America. We have included all properly classified funds and other financial information of the Authority required by generally accepted accounting principles to be included in the financial reporting entity.

(2) We have fulfilled our responsibility, as set out in the terms of the aforementioned audit engagement letter, for 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.

(3) The financial statements include all assets and liabilities under the Authority's control.

(4) We have made available to you all:

(a) Financial records and related data as agreed upon in the terms of the aforementioned audit engagement letter.

(b) Minutes of the meetings of directors and committees of directors that were held from July 1, 2015 to the date of this letter, or summaries of actions of recent meetings for which minutes have not yet been prepared.

(5) There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in financial reporting practices.

(6) There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

(7) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have no knowledge of any:

(a) Fraud or suspected fraud involving management or involving employees who have significant roles in internal control, whether or not perceived to have a material effect on the financial statements.

(b) Fraud or suspected fraud involving others where the fraud could have a material effect on the financial statements.

(c) Allegations of fraud or suspected fraud affecting the Authority received in communications from employees, former employees, regulatory agencies, law firms, predecessor accounting firms, or other professionals.

(8) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives, and whether related recommendations have been implemented.

(9) We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position balances.

(10) The following, where applicable and material, have been properly recorded or disclosed in the financial statements:

(a) The identity of related parties and all related party relationships and transactions of which we are aware, including revenues, expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties.

(b) Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.

(c) All derivative instruments and any embedded derivative instruments that require bifurcation.

Hedging activities, if any, are in accordance with documented and approved hedging and risk management policies. Specifically, we have appropriately documented and designated all hedging instruments as either fair value or cash flow hedges, or hedges of a net investment in a foreign operation. The timing, nature, and amounts of all hedged forecasted transactions are probable of occurring.

(d) Guarantees, whether written or oral, under which the Authority is contingently liable.

(e) Significant estimates and material concentrations known to management that are required to be disclosed. In that regard, all accounting estimates that could be material to the financial statements, including key factors and significant assumptions underlying those estimates, have been identified, and we believe the estimates are reasonable in the circumstances.

(f) The effects of all known actual or possible litigation, claims, assessments, and other liabilities or gain or loss contingencies that are required to be accrued or disclosed.

(g) Commitments, such as:

- Major fixed asset purchase agreements;
- More-than-one-year employment arrangements or contracts with suppliers or customers, or one-year-or-longer term leases;
- Deferred compensation, bonuses, pensions plans, or severance pay; or
- Pending sale or merger of all or a portion of the business or of an interest therein or acquisition of all or a portion of the business, assets or securities of another entity;

(h) Joint ventures or other participations, the detailed transactions of which are not carried on our books.

(i) Foreign currency transactions gains or losses, as well as translation of foreign currency financial statements.

(11) There are no:

(a) Violations or possible violations of budget ordinances, laws, and regulations (including those pertaining to adopting, approving, and amending budgets), and provisions of contracts (including the failure to file reports required by regulatory bodies) when the effects of failing to file could be material to the financial statements and should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

(b) Unasserted claims or assessments that our lawyer has advised us are probable of assertion and must be disclosed.

(c) Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.

(12) Receivables recorded in the financial statements represent valid claims against debtors for sales or other charges arising on or before the statement of net position date and have been appropriately reduced to their estimated net realizable value.

(13) The Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.

(14) We have complied with all aspects of contractual agreements, including debt covenants, which would have a material effect on the financial statements in the event of noncompliance.

(15) No discussions have taken place with your firm's personnel regarding employment with the Authority.

(16) We are responsible for compliance with laws, regulations and provisions of contracts applicable to us and we have identified and disclosed to you all laws, regulations and provisions of contracts that we believe have a direct and material effect on the determination of financial statement amounts.

(17) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.

(18) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.

(19) The financial statements properly classify all funds and activities.

(20) All funds that meet the quantitative criteria in GASB Nos. 34 and 37 for presentation as major are identified and resented as such and all other funds that are presented as major are particularly important to financial statement users.

(21) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

(22) Revenues are appropriately classified in the statement of activities within program revenues, general revenues.

(23) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

(24) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.

(25) We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for the purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.

(26) We acknowledge our responsibility for the presentation of the required supplementary information, and the required supplementary information is measured and presented in accordance with prescribed guidelines. The methods of measurement or presentation have not changed from those used in the prior period.

(27) We acknowledge our responsibility for the presentation of the supplemental schedule of statutory reserve accounts - assets, liabilities and account reserves, in accordance with accounting principles general accepted in the United States of America, and we believe the supplemental schedule of statutory reserve accounts - assets, liabilities and account reserves including its form and content, is fairly presented in relation to the financial statements as a whole. The methods of measurement and presentation have not changed from those used in the prior period and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

(28) In connection with any electronic presentation of the financial statements and your audit report thereon on our web site, we acknowledge that:

- We are responsible for the preparation, presentation, and content of the financial statements in the electronic format.

- If your audit report is presented on our web site, the full financial statements upon which you reported and to which you appended your signed report will be presented.

- We will clearly indicate in the electronic presentation on our web site the financial information that is subject to your audit report. We will clearly differentiate any information that may also be presented by us on or in connection with our web site that was contained in the published version of the financial statements and other supplementary information, but which is not part of the audited financial statements or other financial information covered by your audit report.

- We have assessed the security over financial statement information and the audit report presented on our web site, and are satisfied that procedures in place are adequate to ensure the integrity of the information provided. We understand the risk of potential misrepresentation inherent in publishing financial information on our web site through internal failure or external manipulation.

- Our web site, which contains the electronic financial statements, will advise the reader that such financial statements are presented for convenience and information purposes only, and while reasonable efforts have been made to ensure the integrity of such information, they should not be relied on. A copy of the printed financial statements will be provided on request.

To the best of our knowledge and belief, no events have occurred subsequent to the statement of financial position date and through the date of this representation letter, as entered on the first page that would require adjustment to or disclosure in the aforementioned financial statements.

Very truly yours,

Deven Mitchell, Executive Director

Ryan Williams, Finance Director

ALASKA MUNICIPAL BOND BANK AUTHORITY

333 Willoughby Avenue, 11th floor
P.O. Box 110405
Juneau, Alaska 99811-0405

Tel (907) 465-2388
FAX (907) 465-2902
E-mail: ambba@revenue.state.ak.us

TO: AMBBA Board Members
Mark Pfeffer, Pam Leary, Luke Welles,
Gregory Gursey, Michael Lamb

DATE: Nov. 9, 2016

FROM: Deven Mitchell, Executive Director **TELEPHONE:** 465-3750

Following are updates on items not covered in the November 15, 2016 Agenda:

In July the Bond Bank issued an RFP for Trustee services. Responses were received on July 28, 2016 from Bank of New York, US Bank, and Zion's Bank. Following evaluation by Finance Director Williams, Kenai Peninsula Borough Finance Director Craig Chapman, and myself the firm of Bank of New York was the successful responder. While the Bank of New York was not first on any of the evaluators score sheets, their cost proposal was nearly half of the other two proposers' fees. As cost was 40% of the total scoring the low bid resulted in the Bank of New York's being selected. Due to concerns related to past performance with the Bank of New York we only executed a one year contract, rather than the longer term contract that was contemplated originally. If the Bank of New York fails to perform over the coming 9 months we would anticipate re-issuing an rfp with a lower weight for cost.

Following our meeting on September 6, Finance Director Williams and I accompanied Fitch Ratings analysts Marcy Block and Doug Offerman to Bethel on the 7th and provided a tour of Anchorage on the morning of the 8th. This was both Marcy and Doug's first trip to rural Alaska, and provided a first-hand experience of the proposed YKHC project.

On November 2 and 3 the 2016 series Three and Four bond issues were closed in Seattle. Representatives from the City of Bethel, Kenai Peninsula Borough, City of Kodiak, Aleutians East Borough, and the City of Seward participated in the closing. The closing memorandum is attached.

On November 8, 2016 I filed the attached ethics memorandums on behalf of the Bond Bank. No conflicts were reported.

Congratulations to Finance Director Ryan Williams for his appointment as the President elect of the Alaska Government Finance Officers Association.

WESTERN
FINANCIAL
GROUP

FIRST REVISED FINAL
Wire Instructions Memorandum
Alaska Municipal Bond Bank
$80,435,000 General Obligation and Refunding Bonds, 2016 Series Three
$29,400,000 General Obligation and Refunding Bonds, 2016 Series Four (AMT)

To: 2016 Series Three and 2016 Series Four Working Group

From: Chip Pierce, Western Financial Group, LLC

Date: October 31, 2016

The following are REVISED final wire instructions for the closing of the above referenced financing. The closing will take place at 8:00 am (Pacific Time) on November 3, 2016, at the Seattle offices of Orrick: 701 5th Avenue, Suite 5600. Pre-closing will take place at 11:00 am (Pacific Time) on November 2, 2016, at the same location. **Individuals from the borrowing communities that will be attending the pre-closing in person should contact their bond counsel to confirm when they should arrive.**

There will be seven providers and two initial recipients of funds at closing. The providers will be RBC Capital Markets ("RBC"), the senior managing underwriter of both series of the bonds, the City of Kodiak ("Kodiak"), the City of Bethel ("Bethel"), the City of Ketchikan ("Ketchikan"), the Kodiak Island Borough ("KIB"), the City of Seward ("Seward") and the Alaska Municipal Bond Bank ("AMBB"). The initial recipients will be The Bank of New York Mellon Trust Company ("BNY") and National Public Finance Guarantee Corporation ("National"). National will receive a wire for the insurance premium related to bond insurance purchased for portions of the bonds. BNY will receive all funds relating to the borrower project funds, prior reserve fund, refunding escrow funds, and costs of issuance. BNY will then make subsequent wires to the underlying borrowers related to their projects, costs of issuance and rounding amounts.

The table below presents the calculation of the funds wired by RBC on November 3, 2016:

Par Amount of 2016 Three Bonds	$80,435,000.00
Plus: Original Issue Premium	9,180,555.75
Less: Underwriter's Discount	(235,589.17)
Total Purchase Price	$89,379,966.58
Par Amount of 2016 Four Bonds	$29,400,000.00
Plus: Original Issue Premium	4,118,869.55
Less: Underwriter's Discount	(99,333.90)
Total Purchase Price	$33,419,535.65

Phone: (503) 719-6113
3300 NW 185th Ave., #270
Portland, OR 97229
Western Financial Group, LLC

On November 3, 2016, RBC will will send two wires which total $122,799,502.23:

1. Wire 1 – RBC will wire $9,700.00 to National, representing insurance premiums related to certain maturities of the 2016 Three and 2016 Four Bonds which carry National insurance. The following are wire instructions related to the insurance premiums:

Bank Name: JP Morgan Chase Bank
City & State: New York, NY
Beneficiary: National PFG -- Premium
Account #: 304 6 99020
ABA #: 021-000-021
Policy Numbers: NP1404500 and NP1404510

2. Wire 2 – RBC will wire $122,789,802.23 to BNY, reflecting the balance of the total purchase price of the 2016 Series Three and 2016 Series Four Bonds. Wire instructions for BNY are shown on page 3.

On November 2, 2016, BNY will receive $319,683.64 from Bethel, representing the debt service reserve fund associated with Bethel's 2007 Three loan from the Bond Bank. Of that total, $102,183.64 will be applied to the refunding escrow for the refunding of the Bond Bank's 2007 Three Bonds. The balance of $217,500.00 will be held in the debt service reserve fund associated with Bethel's 2016 Three refunding loan.

On November 2, 2016, BNY will receive $272,409.00 from KIB, representing excess bond proceeds associated with KIB's 2008 One loan from the Bond Bank. That amount will be applied to the refunding escrow for the refunding of the Bond Bank's 2008 One Bonds.

On November 2, 2016, BNY will receive $2,634,321.52 from Ketchikan, representing the debt service reserve fund associated with Ketchikan's 2006 Two loan from the Bond Bank. Of that total, $394,321.52 will be applied to the refunding escrow for the refunding of the Bond Bank's 2006 Two Bonds. The balance of $2,240,000.00 will be held in the debt service reserve fund associated with Ketchikan's 2016 Four refunding loan.

On November 2, 2016, BNY will receive $247,300.02 from Seward, representing the debt service reserve fund associated with Seward's 2007 harbor loan from the Bond Bank. That total will be applied to the debt service reserve fund associated with Seward's 2016 Three refunding loan.

On November 3, 2016, BNY will hold a total of $508,774.95 of debt service reserve funds associated with Kodiak's 2007 Five Harbor and Boat Lift loans and 2009 Boat lift loan from the Bond Bank. BNY will apply those funds to the refunding escrow for the refunding of the Bond Bank's 2007 Five and 2009 One Bonds.

Also on November 3, 2016, BNY will release $3,801,506.10 from the Bond Bank's 2005 Resolution Reserve, the proceeds of which will be applied to the refunding escrow associated with the reserve obligations related to the Bond Bank's 2006 Two, 2007 One, and 2007 Two Bonds, as well as to a portion of the cost of the surety premium associated with the deposit to the 2005 debt service reserve fund.

The table below summarizes the sources of the funds that BNY will hold on the morning of November 3, 2016.

Source of Funds	Date Funds Received by BNY	Amount
City of Bethel Reserve Transfer	November 2, 2016	319,683.64
Kodiak Island Borough Proceeds Transfer	November 2, 2016	272,409.00
City of Ketchikan Reserve Transfer	November 2, 2016	2,634,321.52
City of Seward Reserve Transfer	November 2, 2016	247,300.02
City of Kodiak Reserve Funds	November 3, 2016	508,774.95
AMBB 2005 Resolution Reserve Release	November 3, 2016	3,801,506.10
Wires from RBC	November 3, 2015	122,789,802.23
Total Funds on Hand at BNY – 11/3/16		$130,573,797.46

The funds from Bethel, KIB, Ketchikan, and Seward will be wired to BNY on November 2, 2016, the day before the closing of the 2016 Three and 2016 Four bond issues.

The following are wire instructions for funds wired to BNY by RBC, Bethel, KIB, Ketchikan and Seward:

THE BANK OF NEW YORK MELLON
ABA# 021000018
Account # 5103668400
Account Name: AMBB GO Bond Proceeds

The following table summarizes the allocation of the $130,573,797.46 total cash held by BNY on November 3rd:

Recipient	Amount
Deposit to AMBB 2016 Three and 2016 Four Redemption Accounts	$102,947,946.82
Deposit to CBJ 2008 Redemption Account	18,755,998.27
Petersburg Borough (includes borrower COI & rounding)	11,663.31
City of Nome (includes borrower COI & rounding)	5,292.24
Northwest Arctic Borough (includes borrower COI & rounding)	14,085.38
City of Seward (includes borrower COI & rounding)	25,536.75
City of Wasilla (includes borrower COI & rounding)	7,981.81
City and Borough of Sitka (includes borrower COI & rounding)	10,815.49
Aleutians East Borough (includes borrower COI & rounding)	29,678.27
Kenai Peninsula Borough (includes borrower COI & rounding)	22,697.98
City of Bethel (includes borrower COI & rounding)	18,111.35
Deposit to Bethel Reserve Fund	217,500.00
City of Kodiak (includes borrower COI & rounding)	27,285.00
Deposit to Kodiak Reserve Fund	461,581.28
City of Dillingham (includes borrower COI & rounding)	18,139.71
Kodiak Island Borough (includes borrower COI & rounding)	16,622.67
Deposit to Seward Reserve Fund	247,300.02
Municipality of Skagway (includes borrower COI & rounding)	4,247.51
City and Borough of Juneau (includes borrower project funds, COI & rounding)	3,034,853.42
City of Ketchikan (includes borrower project funds, COI & rounding)	2,064,605.08
Deposit to Ketchikan Reserve Fund	2,240,000.00
Bond Bank Costs of Issuance	241,855.10
Premiums for AMBB Reserve Surety and Bond Insurance	150,000.00
Total	$130,573,797.46

Debt Service Reserve Deposits

AMBB Debt Service Reserves
On November 3, 2016, BNY will wire $150,000.00 to National Public Finance Guarantee Corporation to fulfill the AMBB 2005 Resolution debt service reserve fund requirement related to the 2016 Three and Four Bonds. The following are wire instructions related to the 2005 Resolution Reserve requirement:

Bank Name: JP Morgan Chase Bank
City & State: New York, NY
Beneficiary: National PFG -- Premium
Account #: 304 6 99020
ABA #: 021-000-021
Policy Numbers: NP1401690

City of Bethel Debt Service Reserve
On November 3, 2016, BNY will deposit $217,500.00 to the debt service reserve fund associated with the City of Bethel 2016 Three loan.

City of Kodiak Debt Service Reserves
On November 3, 2016, BNY will retain $461,581.28 in the debt service reserve fund associated with the City of Kodiak 2016 Three loans.

City of Seward Debt Service Reserves
On November 3, 2016, BNY will deposit $247,300.02 in the debt service reserve fund associated with the City of Seward 2016 Three loan.

City of Ketchikan Debt Service Reserve
On November 3, 2016, BNY will deposit $2,240,000.00 to the debt service reserve fund associated with the City of Ketchikan's 2016 Four loan.

Application of Bond Proceeds for Refunding Purposes

Prior Alaska Municipal Bond Bank Bonds
On November 3, 2016, BNY will deposit $102,947,946.82 to the escrow fund established to refund prior Alaska Municipal Bond Bank bonds. Of this total, $27.82 will be held as cash and $102,947,919.00 will be applied to the purchase of U.S. Treasury securities for defeasance of the AMBB refunded bonds.

City and Borough of Juneau
On November 3, 2016, BNY will deposit $18,755,998.27 to the escrow fund established to refund the City and Borough of Juneau's 2006B Bonds. Of this total, $10.27 will be held as cash and $18,755,988.00 will be applied to the purchase of U.S. Treasury securities for defeasance of the CBJ refunded bonds.

Alaska Municipal Bond Bank Proceeds

BNY will retain $241,855.10 associated with costs of issuance related to the 2016 Three and 2016 Four Bonds and make distributions according to Bond Bank instructions. In addition, AMBB will, at a later date, reimburse the State of Alaska Department of Law $61,462.90 for payment of a portion of bond counsel costs associated with the issuance of the 2016 Series Three and 2016 Series Four Bonds.

Distribution of Borrower Loan Proceeds

Petersburg Borough

On November 3, 2016, BNY will wire $11,663.31 to the Petersburg Borough. This amount represents the funds associated with the Borough's costs of issuance funds and the rounding amounts associated with its refunding loan. The following are wire instructions for funds that will be wired from BNY to the Petersburg Borough:

Wells Fargo, N.A.
ABA Number: 121-000-248
Account Name: Petersburg Borough
Account Number: 26030659
Ref: Bond Bank Refunding

City of Nome

On November 3, 2016, BNY will wire $5,292.24 to the City of Nome. This amount represents the funds associated with the City's costs of issuance funds and the rounding amounts associated with its refunding loan. The following are wire instructions for funds that will be wired from BNY to Nome:

Wells Fargo Bank
ABA # 121-000-248
Account Number: 1102112690
Account Name: City of Nome
Reference: City of Nome 2016 Refunding Bond
Contact Jake Slingsby – (907) 443-7688

Northwest Arctic Borough

On November 3, 2016, BNY will wire $14,085.38 to the Northwest Arctic Borough. This amount represents the funds associated with the Borough's costs of issuance and the rounding amount associated with its refunding loan. The following are wire instructions for funds that will be wired from BNY to the Northwest Arctic Borough:

Northwest Arctic Borough
Wells Fargo Bank
ABA# 121-000-248
Account # 64111520
Attention: Finance Department

City of Seward

On November 3, 2016, BNY will wire $25,536.75 to the City of Seward. This amount represents the funds associated with the City's costs of issuance and the rounding amount associated with its refunding loan. The following are wire instructions for funds that will be wired from BNY to Seward:

Wells Fargo, N.A.
ABA# 121-000-248
Account Number (BNF): 1100870474
Account Name: City of Seward
Bank Contact: Steve Manley (907) 224-5283

City of Wasilla

On November 3, 2016, BNY will wire $7,981.81 to the City of Wasilla. This amount represents the funds associated with the City's costs of issuance and the rounding amount associated with its refunding loan. The following are wire instructions for funds that will be wired from BNY to the City of Wasilla:

Wells Fargo Bank
ABA Routing #: 121-000-248
Account #: 0033221030
Account Name: City of Wasilla
Reference: 2016 Refunding Bond
Bank Contact: Stephanie Berta: 907-376-6606

City and Borough of Sitka

On November 3, 2016, BNY will wire $10,815.49 to the City and Borough of Sitka. This amount represents the funds associated with the Borough's costs of issuance and the rounding amount associated with its refunding loan. The following are wire instructions for funds that will be wired from BNY to Sitka:

First National Bank Alaska Trust Department
Anchorage, Alaska
ABA #125-200-060
REF: 2040209816/56655000 Account number
Account name – City and Borough of Sitka Custody Account
Reference 2016 Refunding Bonds

Aleutians East Borough

On November 3, 2016, BNY will wire $29,678.27 to the Aleutians East Borough. This amount represents the funds associated with the Borough's costs of issuance and the rounding amount associated with its refunding loan. The following are wire instructions for funds that will be wired from BNY to the Aleutians East Borough:

Key Bank/Cleveland, Ohio
ABA #014-001-039
Benefit Account: 5064 Cash Processing
ATTN: IAS Service Center
Beneficiary: Aleutians East Borough
Account # 20122005596

Kenai Peninsula Borough

On November 3, 2016, BNY will wire $22,697.98 to the Kenai Peninsula Borough. This amount represents the funds associated with the Borough's costs of issuance and the rounding amount associated with its refunding loan. The following are wire instructions for funds that will be wired from BNY to the Kenai Peninsula Borough:

Key Bank
Cleveland, Ohio
ABA #041001039
Acct #5064
FBO AMLIP- KPB 2016 Refunding Bonds 0025740.1

City of Bethel
On November 3, 2016, BNY will wire $18,111.35 to the City of Bethel. This amount represents the funds associated with the City's costs of issuance and the rounding amount associated with its refunding loan. The following are wire instructions for funds that will be wired from BNY to the City of Bethel:

Wells Fargo Bank
ABA # 121-000-248
Account Number 0074503847
Reference: For the Account of the City of Bethel
Attn: Bobby Sutton (907) 543-1375

City of Kodiak
On November 3, 2016, BNY will wire $27,285.00 to the City of Kodiak. This amount represents the funds associated with the City's costs of issuance and the rounding amounts associated with its refunding loans. The following are wire instructions for funds that will be wired from BNY to Kodiak:

First National Bank of Alaska
Routing Number: 125-200-060
Account Number: 30775217
Account Name: City of Kodiak General Account

City of Dillingham
On November 3, 2016, BNY will wire $18,139.71 to the City of Dillingham. This amount represents the funds associated with the City's costs of issuance and the rounding amount associated with its refunding loan. The following are wire instructions for funds that will be wired from BNY to Dillingham:

Wells Fargo Bank, NA
ABA #121-000-248
Account #0022003096
For Credit to: City of Dillingham, AK
Wells Fargo Bank
512 Seward Street
Dillingham, Alaska 99576

Kodiak Island Borough
On November 3, 2016, BNY will wire $16,622.67 to Kodiak Island Borough. This amount represents the funds associated with the Borough's costs of issuance and the rounding amount associated with its refunding loan. The following are wire instructions for funds that will be wired from BNY to Kodiak Island Borough:

Wells Fargo
ABA #: 121-000-248
Account Number 10502505
Attention: Jody (907) 486-3127

Municipality of Skagway

On November 3, 2016, BNY will wire $4,247.51 to the Municipality of Skagway. This amount represents the funds associated with the Borough's costs of issuance and the rounding amount associated with its refunding loan. The following are wire instructions for funds that will be wired from BNY to Skagway:

Wells Fargo Bank
ABA# 121-000-248
Account # 0009030220
Wells Fargo Contact: Mitchell Jackson (907) 586-2460 ext. 4

City and Borough of Juneau

On November 3, 2016, BNY will wire $3,034,853.42 to the City and Borough of Juneau. This amount is comprised of $3,000,000 for the transit improvement projects and $34,853.42 for CBJ costs of issuance and rounding amounts. The following are wire instructions for funds that will be wired from BNY to Juneau:

Bank Name: First National Bank Alaska
City & State: Anchorage, AK
ABA #: 125200060
Account Name: City and Borough of Juneau
Account #: 6801641

City of Ketchikan

On November 3, 2016 BNY will wire $2,064,605.08 to the City of Ketchikan. This amount is comprised of $2,000,000 for the harbor improvement projects and $64,605.08 for Ketchikan costs of issuance and rounding amounts. The following are wire instructions for funds that will be wired from BNY to the City of Ketchikan:

Wells Fargo Bank, NA - San Francisco, CA
ABA #121-000-248
BNF: 0011030011
ACCOUNT NAME: City of Ketchikan
Reference: City of Ketchikan 2016 Port Refunding and Improvement Loan

The table below present the CUSIP numbers associated with each maturity of the 2016 Series Three Bonds:

2016 Series Three Bonds

Due	Par Amount	Coupon	CUSIP Number 01179R
December 1, 2016	$ 460,000	2.00%	SM6
December 1, 2017	7,150,000	2.00%	SN4
December 1, 2018	9,110,000	4.00%	SP9
December 1, 2019	8,220,000	4.00%	SQ7
December 1, 2020	9,105,000	4.00%	SR5
December 1, 2021	8,230,000	4.00%	SS3
December 1, 2022	4,490,000	5.00%	ST1
December 1, 2023	4,885,000	5.00%	SU8
December 1, 2024	4,450,000	5.00%	SV6
December 1, 2025	4,735,000	5.00%	SW4
December 1, 2026	5,005,000	5.00%	SX2
December 1, 2027	4,855,000	5.00%	SY0
December 1, 2028	2,755,000	5.00%	SZ7

Due	Par Amount	Coupon	CUSIP Number 01179R
December 1, 2029	675,000	3.00%	TA1
December 1, 2030	700,000	3.125%	TB9
December 1, 2031	720,000	3.125%	TC7
December 1, 2033	1,535,000	3.25%	TD5
December 1, 2037	3,355,000	3.375%	TE3

The table below present the CUSIP numbers associated with each maturity of the 2016 Series Four Bonds:

2016 Series Four Bonds

Due	Par Amount	Coupon	CUSIP Number 01179R
December 1, 2016	610,000	2.00%	TF0
December 1, 2017	950,000	3.00%	TG8
December 1, 2018	990,000	5.00%	TH6
December 1, 2019	1,045,000	5.00%	TJ2
December 1, 2020	1,090,000	5.00%	TK9
December 1, 2021	1,145,000	5.00%	TL7
December 1, 2022	1,205,000	5.00%	TM5
December 1, 2023	1,260,000	5.00%	TN3
December 1, 2024	1,325,000	5.00%	TP8
December 1, 2025	1,390,000	5.00%	TQ6
December 1, 2026	1,460,000	5.00%	TR4
December 1, 2027	1,535,000	5.00%	TS2
December 1, 2028	1,615,000	5.00%	TT0
December 1, 2029	1,690,000	5.00%	TU7
December 1, 2030	1,780,000	5.00%	TV5
December 1, 2031	1,865,000	5.00%	TW3
December 1, 2032	1,960,000	5.00%	TX1
December 1, 2033	2,055,000	5.00%	TY9
December 1, 2034	2,165,000	5.00%	TZ6
December 1, 2035	2,265,000	5.00%	UA9

If you have any questions related to this memo or the accompanying pages, please contact Chip Pierce at (503) 719-6113. Thank you for your assistance.

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Juneau, Alaska 99811-0405

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MEMORANDUM

State of Alaska
Department of Law

TO: Kimberly Halstead
Litigation Assistant
Department of Law
Opinions, Appeals, & Ethics Section

FROM: Deven Mitchell
Executive Director

DATE: November 8, 2016

TEL. NO.: 907-465-3750

FAX: 907-465-2902

SUBJECT: Executive Branch Ethics Act, AS 39.52 Quarterly Report
July 1, 2016 to October 31, 2016

As designated ethics supervisor and executive director for the Alaska Municipal Bond Bank Authority, I wish to advise you that I have received no notifications of potential violations or requests for ethics determinations under the Ethics Act (AS 39.52) and have made no written determinations for this quarter.

333 Willoughby Avenue, 11th Floor
P.O. Box 110405
Juneau, Alaska 99811-405

Phone: (907) 465-2388
Fax: (907) 465-2902
dor.trs.ambba@alaska.gov

TO:	Kimberly Halstead Litigation Assistant Department of Law Opinions, Appeals, & Ethics Section	DATE:	November 8, 2016
		TEL. NO.:	907-465-3750
		FAX:	907-465-2902
FROM:	Mark Pfeffer Board Chairman	SUBJECT:	Executive Branch Ethics Act, AS 39.52 Quarterly Report July 1, 2016 to October 31, 2016

As Board Chairman for the Alaska Municipal Bond Bank Authority, I wish to advise you that I have received no notifications of potential violations or requests for ethics determinations under the Ethics Act (AS 39.52) and have made no written determinations for this quarter.

Ethics Supervisor Quarterly Statistical Summary*

Reporting Period July 1, 2016 to 10/31/16

Reporting Agency, Board, Commission or Public Corporation

Type of Disclosure	**Number Reviewed**
All agencies, boards, commissions and public corporations:	
Notices of Potential Violation	0
Requests for Ethics Determination	0
Gifts	0
Gifts from Other Governments	0
Interests in Contracts, Grants, Leases, Loans	0
Agencies only:	
Outside Employment or Services	0
Boards, commissions and public corporations only:	
Conflicts of Interest stated orally at board/commission meetings	0

** Please report the total number of written disclosures in each category, regardless of disposition. You need not report informal oral or email contacts, only those disclosures submitted on ethics disclosure forms.*

** Attach this summary to your regular quarterly report.*