

**SB**

**51**

**HFIN**

**FILE**



THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES

# FISCAL NOTE

**STATE OF ALASKA**  
**2003 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: SB 51  
 (S) Publish Date: 1/31/03

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
 Title Alaska Municipal Bond Bank BRU Alaska Bond Bank Authority  
Authority Limits Component Alaska Bond Bank Authority  
 Sponsor Rules Committee  
 Requester Governor Component No. 108

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2003) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a sept rate page if necessary)

This legislation would increase the Alaska Municipal Bond Bank's total borrowing limit from \$300 million to \$500 million and increase the amount of revenue bonds that may be issued in any one fiscal year from \$50 million to \$75 million.

The increase in the borrowing limit to \$500 million is needed as the Bond Bank expects to reach the existing limit in FY04, if not sooner. If all of the loan applications that have been submitted to the Bond Bank were funded immediately, the existing \$300 million cap would be filled and additional projects could not be funded. An inability to fund loans to communities will cost these communities -- and possibly the state in reimbursement costs -- in increased costs of issuance and interest expense.

The increase from \$50 million to \$75 million in annual revenue bond authority is needed in FY03 because the Bond Bank has issued, or has requests to issue, \$56 million in revenue bonds by the end of March 2003. A failure to approve the increase in the revenue bond limit will potentially result in the City of Valdez needing to issue two series of revenue bonds over two fiscal years, increasing the cost of issuing these bonds by approximately \$100,000, or delaying funding of the city's project until July 1, 2003.

As the Bond Bank is self-supporting, and has sufficient assets to fund reserves, the increases in statutory authorization would not have any fiscal impact.

Prepared by: Devon Mitchell, State Debt Manager Phone 465-5469  
 Division Treasury Division Date/Time 1/29/03 2:23 PM  
 Approved by: Larry Persily, Deputy Commissioner Date 1/29/2003  
 Agency Department of Revenue

# FISCAL NOTE

**STATE OF ALASKA**  
**2003 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: SB 51  
 (S) Publish Date: 2/14/03

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DCED  
 Title Bonds of Bond Bank Authority BRU Investments (122)  
 Component Investments  
 Sponsor Governor  
 Requester Senate Community & Regional Affairs Component No. 383

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type—Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2003) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This bill does not impact the fiscal operations of this department.

Prepared by: Greg Winegar, Director Phone 907-465-2510  
 Division Investments Date/Time 2/7/03 10:18 AM  
 Approved by: Edgar Blatchford, Commissioner Date 2/7/2003  
 Agency Department of Community & Economic Development

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

P.O. BOX 110400  
JUNEAU, ALASKA 99811-0400  
TELEPHONE: (907) 465-2300  
FACSIMILE: (907) 465-2389

March 12, 2003

The Honorable John Harris  
The Honorable Bill Williams  
Co-Chairs, House Finance Committee  
Alaska State Legislature  
Juneau, AK 99801

Dear Representatives Harris and Williams,

I am writing to request a hearing next week for Senate Bill 51, an act increasing the annual revenue bond issuance limit and the overall debt limit for the Alaska Municipal Bond Bank Authority. The House Community and Regional Affairs Committee moved the bill Tuesday, following Senate approval last week on an 18-0 vote.

Because of the timing on several municipal projects around the state, the Bond Bank Authority requests expedited action on this legislation. We need final approval by both chambers and signature into law by mid-March to avoid delays — and possibly additional costs — to several municipalities. The Bond Bank expects to reach its statutory debt issuance limit early this spring.

The Municipal Bond Bank Authority was created in 1975 to assist municipalities in issuing bonds for local projects. The Bond Bank is able to realize savings for municipalities by pooling bonds in large numbers and obtaining lower interest rates that result in reduced costs, and often better terms overall, than municipalities could obtain on their own. The purpose of this legislation is to raise the limit on the amount of revenue bonds the Authority may issue in any one fiscal year and to raise the limit on the total outstanding bond debt the Authority may carry on its books. The Legislature has not raised these limits since 1983 and 1984, respectively.

An increase in the amount of the Authority's indebtedness limit will not have a fiscal impact on the state's General Fund. Bond Bank debt is not a direct liability of the state, and the municipalities that use the Authority pay all of the debt service on the bonds.

As of January 23, 2003, the Bond Bank had issued \$27,145,000 in revenue bonds in Fiscal 2003, and there were \$235,655,878 in bonds outstanding. The existing limits in statute are \$50 million in any one year in revenue bonds and \$300 million in total bonds outstanding. Additional projects scheduled for funding in the next three months are the Lake and Peninsula Borough's Chignik dock project at \$1 million, the City and Borough of Juneau's hospital expansion at \$25

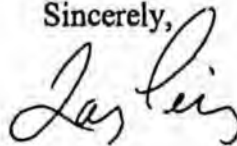
million, the City and Borough of Juneau's port improvement at \$5.6 million, the City of Valdez' hospital replacement at \$19 million, and the Kodiak Island Borough \$3.3 million refinancing of existing debt. Following these bond issues, the Authority would be at \$289,555,878 in total bonds outstanding, just \$11 million shy of its statutory limit.

Additional expected financing activity includes the City of Homer seawall at \$1 million and dock improvements at \$1 million, Aleutians East Borough school and dock improvements, Kenai Peninsula Borough solid waste project, City of Fairbanks fire protection facility, and the City of Petersburg \$1 million refinancing of existing debt. The combination of these would exceed the Authority's debt limit.

An increase in the annual bonding cap under AS 44.85.100(b) from \$50 million to \$75 million would enable the Authority to act on the applications it has received from municipalities this fiscal year. And, the increase in the cap on the total outstanding debt from \$300 million to \$500 million under AS 44.85.180(c) would enable the Authority to issue the bonds and notes already applied for as well as those that are anticipated this fiscal year. The Bond Bank has sufficient reserve capacity to continue financing capital projects up to the requested \$500 million cap.

Thank you for your consideration, and please let me know if you have any questions. My direct line is 465-5469. Or you also may contact Deven Mitchell, State Debt Manager, at 465-3750.

Sincerely,



Larry Persily  
Deputy Commissioner

cc: Mike Tibbles, Legislative Liaison, Office of the Governor

FRANK H. MURKOWSKI  
GOVERNOR  
GOVERNOR@GOV.STATE.AK.US



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU

P.O. BOX 110001  
JUNEAU, ALASKA 99811-0001  
(907) 465-3500  
FAX (907) 465-3532  
WWW.GOV.STATE.AK.US

January 30, 2003

The Honorable Gene Therriault  
President of the Senate  
Alaska State Legislature  
State Capitol, Room 107  
Juneau, AK 99801-1182

Dear President Therriault:

Under the authority of art. III, sec. 13, of the Alaska Constitution, I am transmitting a bill relating to revenue bonds issued by the Alaska Municipal Bond Bank Authority and the total amount of bonds and notes outstanding of that authority.

The Alaska Municipal Bond Bank Authority (AMBBA) was created in 1975 to assist Alaskan municipalities issue bonds for local projects. The AMBBA is able to realize savings for municipalities by pooling bonds in large numbers and obtaining lower interest rates that result in reduced costs for bond issuance, and often better terms overall, that would not be obtainable by municipalities on their own. The purpose of this bill is to raise the limit on the amount of revenue bonds that the AMBBA may issue in any one fiscal year and to raise the limit on the total outstanding bond debt the AMBBA may carry at any one time. These limits have not been raised by the legislature since 1983 and 1984, respectively.

An increase in the annual bonding cap under AS 44.85.100(b) from \$50,000,000 to \$75,000,000, would enable the AMBBA to act on the applications it has already received from municipalities this fiscal year. Current fiscal year applications exceed \$56,000,000.

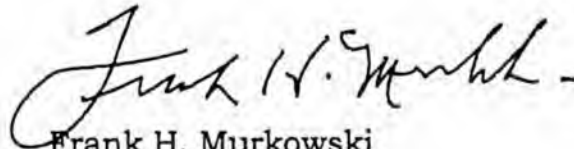
Further, an increase in the cap on the total outstanding bonds and notes from \$300,000,000 to \$500,000,000 under AS 44.85.180(c), would enable AMBBA to issue the bonds and notes already applied for as well as those that are anticipated, which may exceed \$70,000,000. Reaching the annual fiscal year limit or the outstanding limits would prevent municipalities from proceeding with projects or prevent municipalities from using the financially more attractive debt terms that could be made available if the bonds are issued by AMBBA.

An increase in the amount of the AMBBA's indebtedness limit will not have a fiscal impact on the state's general fund. Debt of the AMBBA is not a direct liability of the state. Additionally, municipalities that use the AMBBA to issue bonds pay all of the debt service on the bonds. And the AMBBA has sufficient reserve capacity to continue financing capital projects up to the requested \$500,000,000 cap.

Finally, in order to accommodate current fiscal year applications received by the AMBBA, an immediate effective date is included in the bill.

I urge your prompt and favorable action on this measure.

Sincerely Yours,

A handwritten signature in cursive script, reading "Frank H. Murkowski".

Frank H. Murkowski  
Governor



217 Second Street, Suite 200 • Juneau, Alaska 99801  
Tel (907) 586-1325 • Fax (907) 463-5480 • www.akml.org

March 14, 2003

Representative John Harris  
Representative Bill Williams  
Co-Chairs, House Finance Committee  
State Capitol  
Juneau, AK 99801

Dear Representatives Harris and Williams,

I am writing on behalf of the Alaska Municipal League (AML) Revenue and Finance Subcommittee to express AML's support for S.B. 51.

The AML believes that it is both necessary to (1) increase the maximum amount of revenue bonds that the Alaska Municipal Bond Bank Authority may issue from \$50,000,000 to \$75,000,000; and (2) increase the total amount of bonds that the Bond Bank may issue from \$300,000,000 to \$500,000,000. In fact, the AML 2003 Municipal Policy Statement "urges the state to take whatever action is necessary to ensure that the Municipal Bond Bank continues to be an independent and strong entity to help municipalities meet public facility construction needs at the lowest possible bonding cost."

Last month, the AML Revenue and Finance Subcommittee, which is comprised of seventeen municipal government officials and leaders, held a teleconference with Deven J. Mitchell, Executive Director of the Alaska Municipal Bond Bank Authority, to discuss S.B. 51. I am pleased to inform you that the subcommittee voted unanimously in support of S.B. 51. Thus, if there is anything that AML can do to facilitate the passage of this legislation, please let me know.

Sincerely,

Sarah A. Gilbertson  
Policy and Program Coordinator

## CITY OF VALDEZ NEW HOSPITAL AND SB 51

The City of Valdez has submitted an application to the Bond Bank for \$19.0 million of revenue bonds to assist in the financing of the new hospital in Valdez. The current revenue bond application to the Bond Bank exceeds the Bond Bank's annual \$50.0 million cap. The City's application pushes the Bond Bank over the limitation by approximately \$5.0 million. With the present statutory limitation on the amount of revenue bonds that the Bond Bank can issue annually, the Bond Bank will need to issue the City's bonds in two series. If the City's application is approved, the Bond Bank would issue \$14.0 million in March and the balance of \$5.0 million after July 1<sup>st</sup>. The additional cost to the City to issue two series of revenue bonds is approximately \$9,000.

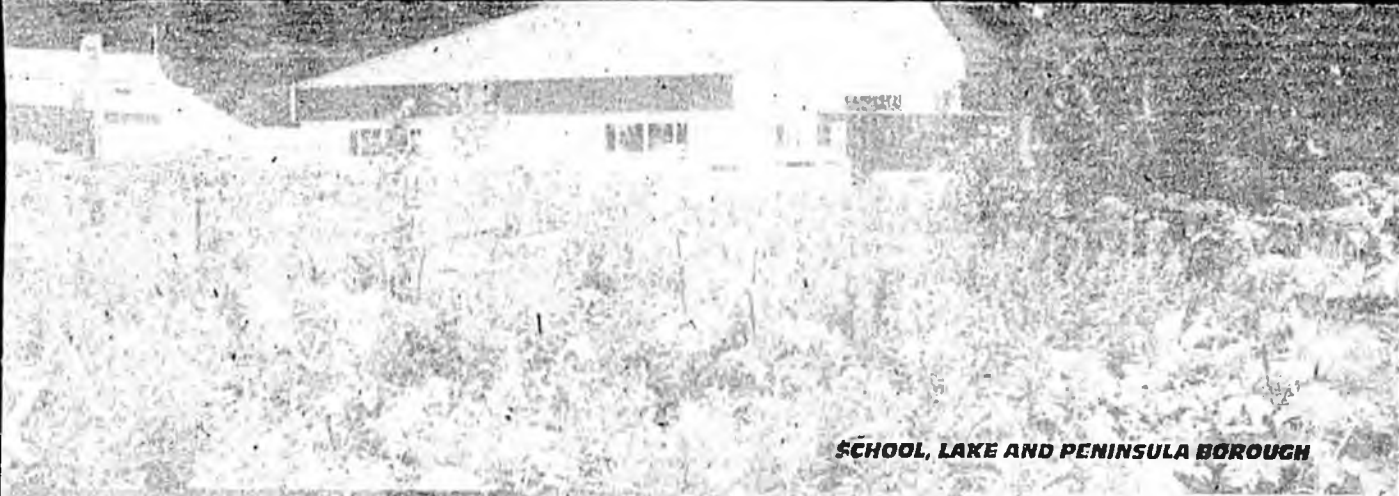
In 1997 the State closed the Harborview Developmental Center. The closure has had a severe impact on the operation of the Valdez Regional Hospital, which is co-located within the vacant state building.

The City began planning for a new facility in 1998. The City investigated the potential of remodeling the building to provide for a modern medical facility. It was determined that the cost to remodel the 35 year old building was almost the same to construct a new hospital. In 2002, the City received a Certificate of Need from the State to construct a new 21-bed hospital. The project will replace the present hospital, which is co-located in a vacated state-owned building, which was constructed in 1966.

In October of 2002, the Valdez voters approved the issuance of \$19.0 million of revenue to finance the construction of a new hospital. The City chose to use the Alaska Bond Bank to issue the revenue bonds as it reduces the cost to the City. This provides more funds to the construction of the hospital.

The total cost of the facility is approximately \$27.0 million. The City will finance the cost with the issuance of \$19.0 million of revenue bonds and the balance from City reserves and other sources. The City has entered into a Guaranteed Maximum Price contract with JE Dunn Construction to construct the project. Construction is scheduled to begin in April 2003 with completion in November of 2004.

Provided by the City Manager of Valdez.



**SCHOOL, LAKE AND PENINSULA BOROUGH**



**AIRPORT, SAND POINT**

**SWIMMING POOL, CRAIG**

**SCHOOL GYMNASIUM, HOONAH**

**DEBT FINANCING HELPED MAKE THESE CAPITAL PROJECTS HAPPEN.**



**DOCK, HAINES**



# **DEBT FINANCING OPTIONS FOR SMALL ALASKAN MUNICIPALITIES**

**Does your community have a "hot" capital project that you need to build soon, but you don't have the funding for it?**

**If your municipality is in good financial condition, you'll want to consider Debt Financing through the Alaska Municipal Bond Bank Authority to help you build that project.**

**DEBT FINANCING HELPED  
MAKE THIS HAPPEN.**

## **HOONAH**

(population 900)

### **School Gymnasium Construction**

Hoonah's old gymnasium was so small that many sports fans had to watch basketball games standing out in the hallway. Also, there were safety concerns because some sports equipment had to be stored on the gym floor. To build their new gymnasium, the City of Hoonah put together a loan package that included \$1 million from the federal Department of Agriculture, Rural Development Office, and \$1 million from the Bond Bank.

Interest rate on the Bond Bank financing was 4.4% and the pay back period was ten years. To repay the Bond Bank, the City pledged the use of future revenues from the National Forest Receipts payments received annually from the Forest Service. The City also pledged access to its \$500,000 permanent fund if necessary.

***"We found the Bond Bank's attorney's visits to the community and presentations to community officials to be very helpful."***

*Bonnie Skaflestad, Business Manager  
Hoonah School District*

# **What is Debt Financing?**

Debt financing means borrowing money long term to accomplish a goal. Title 29 of the Alaska Statutes allows municipalities to use debt financing (bonds) to build or renovate community facilities and infrastructure. The purpose of this booklet is to introduce this financing tool to Alaska's smaller municipalities who may have little or no experience with debt financing. In particular, the financing opportunities available through the Alaska Municipal Bond Bank Authority are described. A number of other sources of debt financing assistance are also presented at the end of this booklet.

## Benefits of Debt Financing

### **PROJECTS CAN HAPPEN SOONER**

Projects which demonstrate local financial commitment are more likely to receive higher consideration in state and federal grant selection programs. Instead of waiting year after year for that water, sewer or transportation facility grant, the community could increase its chances by showing local financial commitment through debt financing.

### **A FAST WAY TO GET FUNDING**

A municipality can get funding through a bond sales process relatively quickly. Funds are usually available to the municipality within several months of beginning the bond sale process.

### **HELPS COMPLETE PROJECT FINANCIAL PACKAGE**

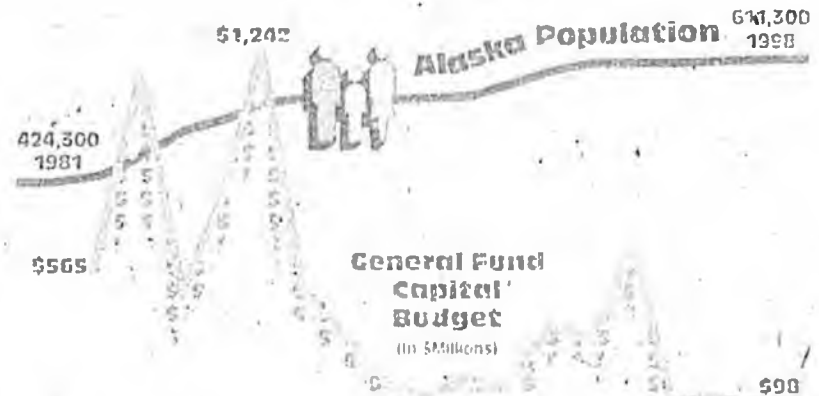
When grant funds are not enough to build the project, debt financing can close the gap. Committing to debt financing at the outset of the project can leverage other sources of funding to the project.

### **ESTABLISH YOUR COMMUNITY'S FINANCIAL CREDIBILITY**

State and federal capital project funding programs are drying up. Alaska's municipalities will need to look elsewhere for project funding. Gaining experience and a track record with debt financing will open more doors for financing future projects. This can also help establish a good credit rating for your community's future.

### **A WAY TO BUILD PROJECTS NOT COVERED BY TARGETED FUNDING PROGRAMS**

Because of declining funds, capital project funds available from state and federal agencies are being targeted at priority projects like water, sewer and roads. Debt financing can provide communities an alternative funding source for other kinds of construction projects.



General Fund Capital Budget and Alaska Population — 1981-1998

## Caution!

### **IS YOUR MUNICIPALITY READY FOR DEBT FINANCING?**

While debt financing provides an opportunity to fund community capital projects, it may not be the right thing to do in every community. Unlike a grant, municipalities must pay back the loans they receive, usually in regular payments over a period of 10 to 20 years. Municipal officials need to be clear about the financial condition of their community, the ability of the municipality to maintain future payments, and the risk which debt financing may represent for future municipal budgets. Staff at the Bond Bank can work with municipal officials to help them understand if debt financing is right for the community.

**DEBT FINANCING HELPED  
MAKE THIS HAPPEN.**

### **SAND POINT - ALEUTIANS EAST BOROUGH**

(population 808)

#### **Airport Construction**

In 1985, the City of Sand Point received a state grant to design a new community airport. The condition of the existing airport was considered a safety hazard. In 1989, residents of the newly formed Aleutians East Borough voted to pass a bond proposal which included approval to seek loan financing for the Sand Point Airport.

The majority of the \$11 million needed to build the airport came from Federal Aviation Agency grants. The state also kicked in a small amount but it was \$2.25 million borrowed through the Bond Bank that was the key to completing the project and meeting a federal requirement for local matching funds. The interest rate on this loan varied between 4.6% and 6% to be paid off over ten years. The borough used fish tax revenues and a pledge of access to its permanent fund to provide for repayment of the bonds.

***"The Bond Bank gave us the ability to make this project happen."***

*Bob Juettner, Administrator,*

*Aleutians East Borough*

*(Former Administrator at Sand Point)*

## **What is the Alaska Municipal Bond**

The Bond Bank is a public corporation created by state law. It was created to assist Alaskan communities in financing capital improvement projects such as schools, water and sewer systems, public buildings, harbors and docks.

The Bond Bank was created because many Alaskan communities are at a disadvantage in the tax-exempt financial markets. They may not have a credit rating, may have low bond ratings or, although credit worthy, have little or no experience in the finance markets and have not established a financial track record.

# Bank Authority?

Consequently, when these communities try to borrow money, they have to pay high interest rates because they represent an unknown risk to lenders. They also need to hire expensive consultants to put together and promote a bond proposal package. The Bond Bank helps municipalities get past these hurdles by working closely with them to provide the legal and financial expertise needed to develop the most financially advantageous financing programs for community projects. Most importantly, the Bond Bank provides municipalities access to low interest financing for capital improvement projects.

## Advantages of using the Bond Bank for capital project financing:

### ***GAIN EXPERIENCE IN THE MARKET***

As state and federal funds dry up, municipalities will need to turn increasingly to debt financing for local projects. The Bond Bank is organized to work closely with inexperienced municipalities to help them gain experience in the financial markets and establish a positive credit history.

### ***AVOID EXPENSIVE FEES FROM FINANCIAL ADVISORS***

The Bond Bank retains the services of professional financial advisors whose expertise is made available to municipalities to assist them in determining the community's economic health and level of risk.

### ***GET OBJECTIVE ADVICE***

Unlike private professionals in the bond sales industry, the Bond Bank does not stand to profit from a community's bond sale activity.

### ***LOWER INTEREST RATES***

Tax-exempt financing through the Bond Bank can provide low interest rates, below what the smaller municipalities could get on their own.

### ***SIMPLIFIED PROCESS***

The professional staff at Bond Bank works with the municipality at each step of the debt financing process to ensure that all steps are properly carried out. The Bond Bank believes this service is the primary reason the Bond Bank has been so successful.

### ***MINIMUM CLOSING COSTS***

In many cases the Bond Bank is able to reduce certain costs of issuing bonds, such as official statement printing and trustee/paying agency fees.

**DEBT FINANCING HELPED  
MAKE THIS HAPPEN.**

### **CITY OF CRAIG**

(population 2,100)

### **Prince of Wales Island Swimming Pool**

The communities on Prince of Wales Island are oriented towards the sea with many residents involved in commercial, subsistence and sport fishing. However, until recently there was no suitable place for residents to learn the basic water-safety skill of swimming. The City of Craig took the initiative to build a community swimming pool. Now residents from all over the island come to Craig to learn how to swim.

To build this project, the City started with \$700,000 of its own savings, then added \$1.5 million in debt financing through the Bond Bank. The City held an election in March to gain local approval for the bond sale — by June of that year, the City had its funding and the project was underway. Interest rate for the bond funds was about 6%.

***"The Bond Bank provided us a simplified, economical way to access bond financing and this allowed us to pay our own way for this project."***

*Tom Briggs, Manager, City of Craig*

## **How the Bond Bank works**

The Bond Bank sells its bonds on the national tax-exempt bond market and uses the proceeds of the sale to purchase the bonds of Alaska municipalities. Because the Bond Bank has a high investment grade bond rating, it can borrow money at lower interest rates than most Alaskan municipalities. This low interest rate is passed through to the municipalities.

As municipalities pay principal and interest to the Bond Bank to liquidate their debt, the Bond Bank uses these payments to liquidate its debt to its bondholders.

Bonds issued by the Alaska Municipal Bond Bank Authority are obligations of the Authority and payable only from the revenues of funds from the Authority. The State of Alaska is not obligated to pay the principal or interest; however, the State has pledged its moral obligation to the maintenance of a debt service reserve for the majority of the Bond Bank's bonds.

## **LAKE AND PENINSULA BOROUGH**

(Population 1,850)

### **School Construction Package**

At the beginning of this decade, many of the community schools in the recently incorporated Lake and Peninsula Borough had significant unmet needs. Local school advisory committees reported failing fuel tanks, inadequate water and sewer systems, fire code infractions, and undersize classrooms. About this time, the Alaska Legislature created a statute providing for 70% reimbursement of school construction costs. The passage of this new law motivated the borough to put together a financial package to build and repair community schools.

In an October 1993 election, borough voters authorized the sale of general obligation bonds for school construction. Using the Bond Bank, the borough sold \$4.6 million in bonds at an interest rate of 4.6% to be paid off over ten years. The borough pays about \$500,000 every six months, and is then reimbursed 70% of this amount through the state's school construction program. The borough's bond package is being repaid based on the borough's fish tax receipts.

***"In a nutshell, the important thing about the Bond Bank is that it allows municipalities with little or no bond market experience to venture into this market and get the added advantage of low interest rates based on the Bond Bank's good credit rating."***

*Walt Wrede, Manager, Lake & Peninsula*

## **Two Bond Bank Programs:**

### **General Obligation Bonds and Revenue Bonds**

#### **GENERAL OBLIGATION BONDS:**

This is the Bond Bank's "mainstream" program. These bonds are used to finance facilities that do not generate revenue such as schools, roads, public safety and municipal buildings. They are paid off through the municipality's capacity to generate revenues through taxes and other funding sources like shared state revenues. Contrary to popular belief, repayment of the bonds does not have to be based on a local property tax. General obligation bonds require the approval of municipal voters. The four examples of debt financing presented in this booklet all used general obligation bonds.

#### **REVENUE BONDS:**

Used less frequently, these bonds are designed to finance capital projects that can generate revenue such as an electrical utility or port facilities. Revenue bonds are paid off through the revenues of the facility itself, rather than a municipality's general funds. Since revenue bonds are not secured by a municipality's taxing power, local voter approval is not required unless otherwise mandated by local ordinances.

**DEBT FINANCING HELPED  
MAKE THIS HAPPEN.**

## Steps of the Bond Bank Process

### 1 Municipality determines need for project and specific project design and costs

The community undertakes some form of local planning or visioning process to establish what projects are needed and supported by community residents. Project designs and cost estimates are completed.

### 2 Municipality contacts the Bond Bank and begins informal discussions about project financial needs

Bond Bank staff works with community officials to examine the possibilities and requirements of using debt financing for the project. If it becomes clear that debt financing through the Bond Bank is not possible, or won't work for a municipality, the Bond Bank will continue to work with the municipality's administration to find ways of meeting their financial objectives.

### 3 Municipality holds a local election to gain resident approval of bond sales

If the municipality intends to sell general obligation bonds, Title 29 of the Alaska Statutes requires the municipality to hold an election and get approval from a majority of local voters. The election may occur either during regular general elections or any time during the year as a special election. During the election process, it is very important for the municipality to work with an attorney experienced in bond sales to ensure proper documentation for a successful financing.

### 4 Municipality prepares and submits formal loan application

Bond Bank staff assist municipal officials in preparing an application. Application information includes a description of the project, resumes of key municipal officials, a list of major local taxpayers and employers, a general description of the community's economy, and a statement of the municipality's financial status, any outstanding debts, and method by which the municipality proposes to pay off the bonds. During an internal review, Bond Bank staff will consult with the municipality to ensure the application is completed properly.



**5** Bond Bank financial advisors review loan application and examine municipality's financial health

Financial consultants retained by the Bond Bank assess the information submitted in the municipality's formal loan application, carry out follow-up interviews with local officials, and prepare a report for the Bond Bank.

**6** Bond Bank Board votes on proposal

Bond Bank staff presents the municipality's loan application and financial advisor's report to the Bond Bank Board. The municipality may be there to answer questions, or make their own presentation. The Board then votes on the proposal.

**7** Bond Bank arranges bond sale

If the Board approves the sale, Bond Bank staff arrange for the sale of bonds in the financial market. This usually takes about 60 to 90 days.

**8** Municipality gets funding

As soon as the bonds are sold, the municipality can receive its funding for project construction. First payments are usually due in six months with payments twice a year thereafter. The repayment period is typically 10 to 15 years, and may be up to 20 years for some projects.



## How to get in touch with the Bond Bank

Executive Director, Alaska Municipal  
Bond Bank Authority

P.O. Box 110405 • Juneau, AK 99811

Phone: (907) 465-3750

Fax: (907) 465-2902

e-mail: AMBBA@rev.state.ak.us

## Other Debt Financing Resources:

There are a number of other sources that provide loan funding for capital projects. Some of these are targeted at specific kinds of projects while others may apply more generally. These funding sources, and Bond Bank funding, can sometimes be combined to fund projects in cases where one source cannot cover the total project cost.

### **DCRA POWER PROJECT FUND**

The Alaska Department of Community and Regional Affairs program provides loans to electric utilities, local governments, regional and village corporations, and independent power producers for the development and upgrade of electric power and conservation facilities, bulk fuel storage, and potable water supply. The loan term is related to the life of the project.

#### **CONTACT:**

Terri Bramlett, Loan Specialist  
DCRA, Division of Energy  
333 West Fourth Avenue, Suite 220  
Anchorage, AK 99501-2341  
Phone: (907) 269-4628 • Fax: 269-4645  
email: TBramlett@ComRegAl.state.ak.us

### **DEC DRINKING WATER AND CLEAN WATER LOAN FUNDS**

The Alaska Department of Environmental Conservation operates two programs which provide loan funds for the construction of water systems and sanitation systems. Loan periods are 20 years for both programs and both offer below market interest rates.

#### **CONTACT:**

Mike Burns, DEC  
Division of Facility Construction & Operation  
410 Willoughby Ave., Suite 105  
Juneau, AK 99801-1795  
Phone: (907) 465-5136 • Fax: 465-5177  
email: Mike\_Burns@environcon.state.ak.us

### **USDA RURAL DEVELOPMENT, COMMUNITY FACILITY LOANS**

This U. S. Department of Agriculture program makes facility construction loans available to municipalities under 50,000 population. Priority is given to communities with less than 5,500 people. Loan terms depend on the facility and interest rates are based on current municipal bond market rates.

#### **CONTACT:**

Frank Muncy or Dave Winter  
USDA Rural Development  
800 W. Evergreen, Suite 201 Palmer, AK 99645  
Phone: (907) 745-2176; Fax: 745-5398  
e-mail: FMuncy@rurdev.usda.gov

## **ECONOMIC DEVELOPMENT FUNDING FORUM**

A number of state and federal agencies meet on a regular basis to exchange information and facilitate cooperative efforts in economic development grant and loan programs. The forum discusses specific project proposals and seeks to coordinate state and federal funding for these projects.

### **CONTACT:**

Martin Richard, Director, Div. of Investments  
Dept. of Commerce & Economic Development  
P. O. Box 34159 • Juneau, AK 99803-4159  
Phone: (907) 465-2510 • Fax: 465-2103  
e-mail: Martin\_Richard@Commerce.state.ak.us

## **AIDEA TAX EXEMPT REVENUE BOND PROGRAM**

The Alaska Industrial Development and Export Authority (AIDEA) provides for tax-exempt financing under this program. AIDEA acts only as a conduit for the issuance of tax-exempt bonds. The assets and creditworthiness of AIDEA are not involved. A municipality using this program must still arrange for the underwriting and placement of bonds for sale. AIDEA charges a fee for this program which is dependent on the size of the bond issue.

### **CONTACT:**

Jim McMillan, Deputy Director  
Alaska Industrial Development & Export Authority  
480 W. Tudor Rd. • Anchorage, AK 99503-6690  
Phone: (907) 269-3000 • Fax: 269-3044  
e-mail: JMcMillan@AIDEA.Alaska.net

This publication was produced  
with the assistance of the  
Department of Community and Regional Affairs



This publication was released by the Alaska Department of Revenue, produced at a cost of \$2.31 per copy, to provide information on debt financing options to interested parties.

## **How to get in touch with the Bond Bank**

**Executive Director, Alaska Municipal  
Bond Bank Authority**

**P.O. Box 110405 • Juneau, AK 99811**

**Phone: (907) 465-3750**

**Fax: (907) 465-2902**

**e-mail: [AMBBA@rev.state.ak.us](mailto:AMBBA@rev.state.ak.us)**





2002 ANNUAL REPORT

THE BOND BANK *An Idea That Works*

PO BOX 110405  
JUNEAU, ALASKA 99811-0405

2002 ANNUAL REPORT



## LETTER FROM THE CHAIRPERSON

To all Alaskans:

The year 2002 marked the 27th year of existence for the Alaska Municipal Bond Bank Authority (Bond Bank). Since its inception in August of 1975, the Bond Bank has helped Alaskan communities secure over half a billion dollars in financing for public works projects that have improved the standards of health, safety and education for our citizens. The municipalities using the services of the Bond Bank have realized significant savings, reducing the burden on taxpayers throughout the state.

The Bond Bank was created to assist Alaskan communities issue bonds. Some communities simply lack familiarity with the financial markets, others seek to reduce the cost of issuing bonds, and some municipalities find they can get better terms on bonds issued by the Bond Bank.

The Bond Bank realizes savings for communities in a number of ways. We pool bonds, selling much larger issues than any one community would, thereby creating economies of scale. Because of our level of activity, we contract for professional services at a lower cost than could less active bond issuers. The Bond Bank also has a better credit rating than is available to most communities.

The Bond Bank provides services to urban and rural communities in every region of the State as demonstrated by a review of the financial information that follows.

Beginning in 1977, the Bond Bank has remitted to the State of Alaska annual investment earnings in excess of operating needs. At \$23.8 million, those remittance now exceed, by over \$5.2 million, the \$18.6 million appropriated by the State of Alaska to the Bond Bank between the years 1976 and 1986.

Fiscal year 2002 saw a continuation of the trend of increased use of the Bond Bank. Five series of bonds were issued for over \$39 million for projects in four Alaskan communities. Bond Bank participation in these transactions is estimated to have saved almost \$3 million.

The Bond Bank is indeed an idea that works, an example of the benefits that can be realized through good government.

In accordance with Alaska Statute 44.85.100, we respectfully submit the attached year 2002 report of the activities and financial condition of the Bond Bank.

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

Sincerely,



R. Desmond Mayo

### THE ALASKA MUNICIPAL BOND BANK AUTHORITY

The Bond Bank is a public corporation that aids Alaskan communities by issuing bonds, and using the proceeds to purchase the municipalities' general obligation and revenue bonds. It commenced operations in August 1975.

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

The powers of the Bond Bank are vested in its Board of Directors. The membership of the Board consists of five directors representing both the public and private sector. The three private sector board members are

appointed by the Governor and serve four-year terms. They are joined on the Board by the Commissioner of Revenue and the Commissioner of Community & Economic Development (or their assigned representatives).

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

The Bond Bank may not issue revenue bonds in excess of \$50 million in any fiscal year unless the Alaska Legislature approves a greater amount. The Bond Bank is further restricted to a limit of \$300 million of bonds or notes outstanding. As of June 30, 2002, obligations totaled \$221 million, allowing for additional bond issuances of approximately \$79 million.



## AN IDEA THAT WORKS

The Bond Bank pays its own way. The Bond Bank's reserve accounts serve to both guarantee the bonds and provide investment income. All of the Bond Bank's costs are paid from these investment earnings. The earnings from its investment accounts exceeded expenses by \$614,674 during the fiscal year ending June 30, 2002. Such excess funds are payable to the State of Alaska. Every year since 1977 the Bond Bank has returned excess earnings to the State for a cumulative total of \$23.8 million, exceeding by over \$5.2 million the State's original investment of \$18.6 million (appropriated in the years 1976 through 1986).

Alaska's investment in the Bond Bank is compounded in other ways.

Alaskan communities taking advantage of the Bond Bank's services realize considerable savings. These communities may have low bond ratings or, although

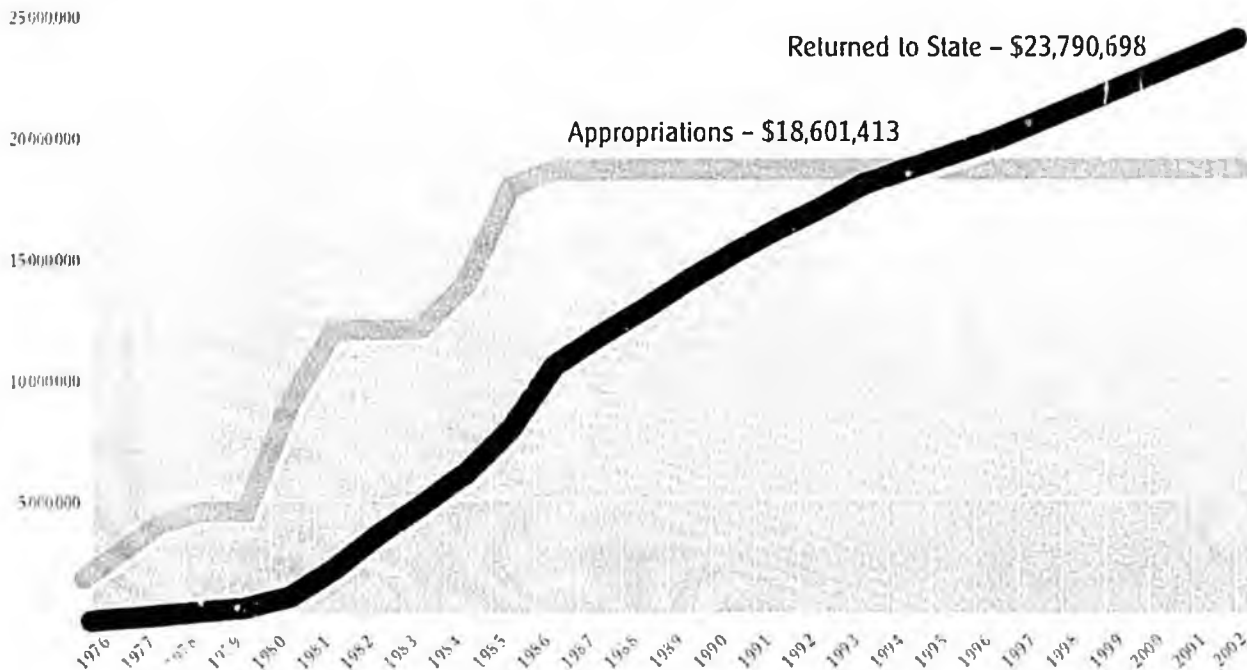
credit worthy, have not issued bonds or notes, or have little outstanding debt, and lack investor familiarity.

Some larger communities, capable of issuing their own bonds, find that the Bond Bank's services result in less expense, especially for small bond issues.

In addition to the annual dividends received from the Bond Bank, it costs the State of Alaska less money to reimburse communities for such capital projects as schools built with funds provided by Bond Bank issues. Since bonding expenses for Alaskan communities are less than they would be otherwise, the interest expense is less for the State.

The Bond Bank operates efficiently. Department of Revenue staff serve as executive director and provide accounting support. Where economies of scale dictate, the Bond Bank hires outside professional staff.

## CUMULATIVE APPROPRIATIONS COMPARED TO CUMULATIVE EXCESS EARNINGS RETURNED TO STATE



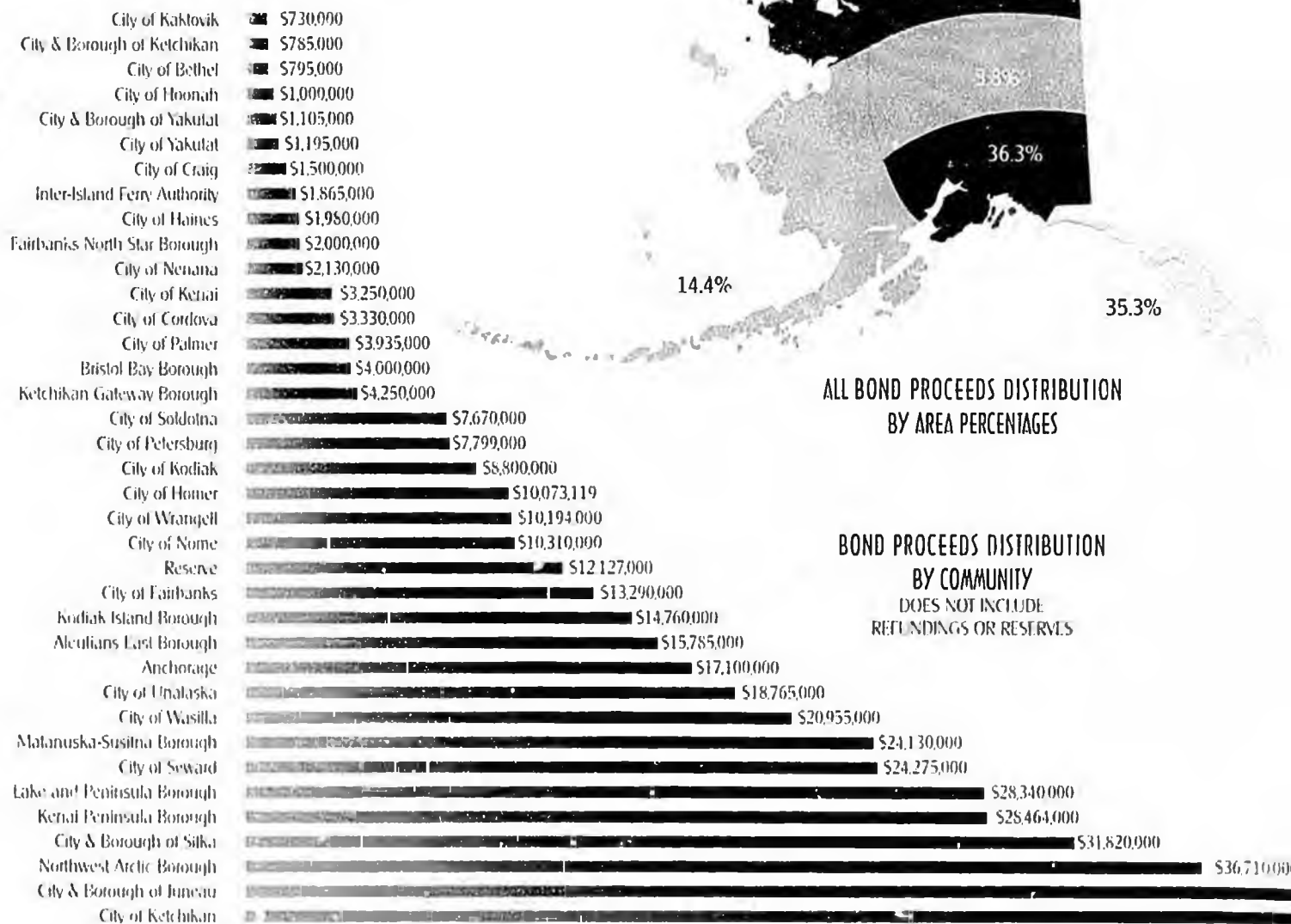
### HELPING ALASKAN COMMUNITIES

The Bond Bank is organized to work with all Alaska municipalities, especially new and infrequent issuers of debt for capital projects. From the time a municipality contacts the Bond Bank, legal and financial professionals with extensive experience in Alaska financing begin working with municipal managers to develop the most advantageous financing program for the community.

If it becomes clear that debt financing through the Bond Bank is neither possible nor appropriate, for any particular municipality, the Bond Bank will continue

to work with the municipality's administration to find other means or ways of meeting their financial objectives.

In most instances the Bond Bank is able to relieve municipalities from paying certain costs of issuing bonds, such as official statement printing, trustee and paying agent fees. For this reason, even large communities with a track record of issuing bonds occasionally seek the services provided by the Bond Bank.



## ISSUING BONDS

The Bond Bank issues mostly tax exempt bonds. Purchasers of these bonds, including bond mutual funds, institutional investors, and insurance companies do not have to pay taxes on the income received.

Each individual issue of the Bond Bank is reviewed by Moody's Investors Service and Standard and Poor's Corporation.

Because the Bond Bank has received "A" ratings, considered "investment grade," from these two major national bond rating agencies, it is able to borrow money at lower interest rates than most Alaskan municipalities.

In addition, when it is economical and cost effective to do so, the Bond Bank obtains bond insurance, and thereby secures "AAA" ratings.

The Bond Bank strengthens its portfolio by including Alaskan communities widely distributed geographically, with different economic bases, and limiting the total percentage of bonds committed to any one municipality.

The Bond Bank often pools municipal general obligation bond issues into a single issue. Following the sale of the issue, the Bond Bank purchases the individual issues from each community.

## LEVERAGING STATE DOLLARS

An important reason for the Bond Bank's favorable bond rating and lower borrowing costs is that it secures its bonds with reserve funds supported by the "moral obligation" of the State of Alaska.

The reserve funds are available to cure defaults, should they occur. For General Obligation Bonds, two-thirds of the reserve is funded from bond bank assets and one-third is funded from the proceeds of new bond issues.

The reserve fund is normally used to leverage debt at better than an eleven to one ratio. For every \$1 million placed in the reserve fund, more than \$11 million of outside capital is attracted to the state.

## CURRENT FINANCINGS

### FY 2002 BONDS ISSUED

\$1,725,000  
REVENUE BONDS 2001 SERIES A  
Ketchikan Gateway Borough  
Borough's share of new ferry for airport access  
Fitch AAA: Standard & Poor's AAA  
Competitive sale; 17 year;  
True Interest Cost 4.6762%

\$2,525,000  
REVENUE BONDS 2001 SERIES B  
Ketchikan Gateway Borough  
Ketchikan airport terminal improvements  
Fitch AAA: Standard & Poor's AAA  
Competitive sale; 17 year;  
True Interest Cost 4.9795%

\$15,475,000  
GENERAL OBLIGATION BONDS 2001 SERIES A  
Northwest Arctic Borough  
School construction in Kiana and Selawik  
Moody's AAA: Standard & Poor's AAA  
Competitive sale; 20 year;  
True Interest Cost 4.7986%

\$3,835,000  
GENERAL OBLIGATION BONDS 2001 SERIES B  
Aleutians East Borough - School construction in  
Akutan & False Pass. Dock construction in Akutan  
Moody's AAA: Standard & Poor's AAA  
Competitive Sale; 20 year,  
True Interest Cost 4.5002%

\$15,445,000  
GENERAL OBLIGATION BONDS 2002 SERIES A  
City of Wasilla  
Meeting, hockey, and recreation facility  
Moody's AAA: Standard & Poor's AAA  
Competitive sale; 10 year;  
True Interest Cost 4.0378%

\$42,340,000

\$57,921,000

**GENERAL OBLIGATION BONDS**

Municipal general obligation bonds, the Bond Bank's mainstream program, are usually issued to finance facilities that do not generate revenue, such as schools, roads, public safety and municipal buildings. Such bonds must be approved by the municipal voters.

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

- Full faith and credit of each respective community with no taxing limitation for the general bonded debt issued to the Bond Bank.
- The Bond Bank's general obligation debt service reserve fund. This reserve is generally funded in an amount equal to maximum annual debt service on all the Bond Bank general obligation bonds.
- All Bond Bank assets shall be used to restore the debt service reserve to an amount that equals the maximum annual debt service on the Bond Bank bonds.
- The statutory right of the Bond Bank, in the event of default, to demand and receive any funds held by a state agency which are payable to the defaulting municipality.
- The moral obligation of the State of Alaska to maintain the debt service reserves at their required levels.

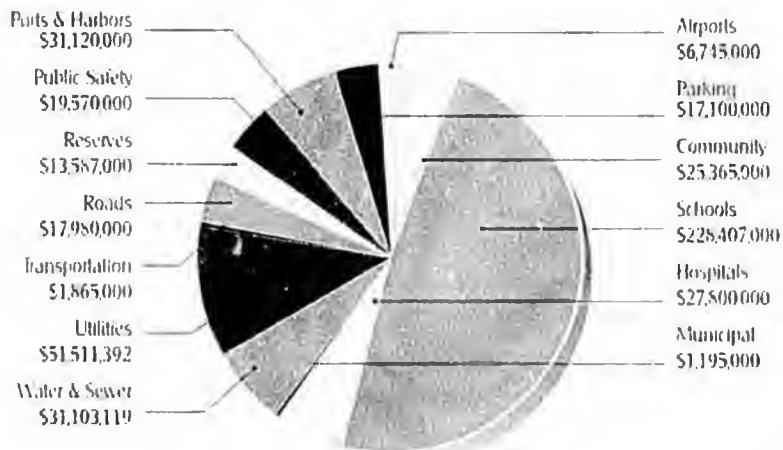
**REVENUE BONDS**

Revenue Bonds are used to finance revenue-producing capital improvements such as utility or port facilities. Because they are not secured by a municipality's taxing power, such bonds do not normally require municipal voter approval.

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

- A pledge of the revenues from the facility being financed.
- The municipalities' reserve fund under their bond resolutions. The reserve fund generally is funded in an amount equal to maximum annual debt service on the municipalities' bonds.
- The Bond Bank reserve fund under the bond resolution for that issue. The reserve fund generally is funded in an amount equal to maximum annual debt service on the Bond Bank bonds.
- The statutory right of the Bond Bank, in the event of a default, to demand and receive from a state agency any funds held by that state agency which are payable to the defaulting municipality.
- The moral obligation of the State of Alaska to maintain the debt service reserves at their required levels.

**USES OF BOND PROCEEDS — INCEPTION TO DATE DOES NOT INCLUDE REFUNDINGS**



## SUMMARY OF DEBT SERVICE

### SCHEDULE OF TOTAL DEBT SERVICE BY CLASSIFICATION AT JUNE 30, 2002

1976 GENERAL BOND RESOLUTION FUND	PRINCIPAL	INTEREST	TOTAL
1992 SERIES A	\$ 1,015,000	\$ 31,973	\$ 1,046,973
1992 SERIES B	1,020,000	705,816	1,725,816
1993 SERIES A 1st Issue	4,570,000	368,878	4,938,878
1993 SERIES A 2nd Issue	790,000	190,713	980,713
1993 SERIES A 3rd Issue	4,645,000	809,879	5,454,879
1993 SERIES B	720,000	36,325	756,325
1993 SERIES C	200,000	9,675	209,675
1994 SERIES A	865,000	70,320	935,320
1995 SERIES A	7,595,000	1,429,509	9,024,509
1995 SERIES B	1,140,000	517,923	1,657,923
1995 SERIES C	2,660,000	342,096	3,002,096
1995 SERIES D	1,595,000	675,491	2,270,491
1996 SERIES A	2,275,000	255,361	2,530,361
1996 SERIES B	6,825,000	2,061,902	8,886,902
1997 SERIES A	895,000	139,725	1,034,725
1997 SERIES B	10,200,000	4,764,879	14,964,879
1998 SERIES A	7,420,000	3,338,612	10,758,612
1998 SERIES B	3,045,000	567,401	3,612,401
1999 SERIES A	11,900,000	5,400,268	17,300,268
2000 SERIES A	9,145,000	4,268,697	13,413,697
2000 SERIES B	10,045,000	6,364,414	16,409,414
2000 SERIES C	21,845,000	13,767,509	35,612,509
2000 SERIES D	1,750,000	1,133,792	2,883,792
2000 SERIES E	15,095,000	4,796,447	19,891,447
2000 SERIES F	1,095,000	435,263	1,530,263
2001 SERIES A	15,475,000	8,474,586	23,949,586
2001 SERIES B	3,835,000	2,078,486	5,913,486
2002 SERIES A	15,455,000	4,134,922	19,589,922
	<u>163,115,000</u>	<u>67,170,862</u>	<u>230,285,862</u>
<b>COASTAL ENERGY IMPACT PROGRAM REVENUE BONDS</b>			
Coastal Energy Reserve Loan Fund	11,095,878	6,367,348	17,493,226
1990 Revenue Bond Resolution Fund	860,000	450,194	1,310,194
1993A Revenue Bond Resolution Fund	3,645,000	382,673	4,027,673
1993B Revenue Bond Resolution Fund	1,385,000	309,350	1,694,350
1993C Revenue Bond Resolution Fund	905,000	44,490	949,490
1995A Revenue Bond Resolution Fund	2,730,000	1,181,713	3,911,713
1997A Revenue Bond Resolution Fund	15,225,000	8,120,491	23,345,491
1998A Revenue Bond Resolution Fund	8,965,000	2,177,851	11,142,851
1998B Revenue Bond Resolution Fund	1,890,000	391,176	2,191,176
1999A Revenue Bond Resolution Fund	1,865,000	1,108,608	2,973,608
2000A Revenue Bond Resolution Fund	1,675,000	229,392	1,904,392
2000B Revenue Bond Resolution Fund	3,000,000	1,839,392	4,839,392
2001A Revenue Bond Resolution Fund	1,725,000	797,526	2,522,526
2001B Revenue Bond Resolution Fund	2,525,000	1,244,109	3,769,109
	<u>\$ 220,605,878</u>	<u>\$ 91,725,175</u>	<u>\$ 312,331,053</u>
<b>SUMMARY OF TOTAL DEBT SERVICE REQUIREMENTS BY FISCAL YEAR</b>			
<b>FISCAL YEAR</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL</b>
2003	17,215,000	9,778,909	26,943,909
2004	17,660,000	9,286,600	26,946,600
2005	21,890,000	11,894,538	33,784,538
2006	16,775,000	7,907,055	24,682,055
2007	12,010,000	7,168,983	19,178,983
2008-2012	62,300,000	27,647,757	89,947,757
2013-2017	43,770,000	13,871,525	57,641,525
2018-2022	28,350,000	3,805,686	32,155,686
2023-2024	635,878	414,122	1,050,000
	<u>\$ 220,605,878</u>	<u>\$ 91,725,175</u>	<u>\$ 312,331,053</u>

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

THE COMMISSIONERS HAVE TRADITIONALLY APPOINTED DELEGATES TO SERVE IN THEIR PLACE.

#### THE BOARD OF DIRECTORS

R. DESMOND "DESI" MAYO  
Chairman  
Term expires July 15, 2003

Mr. Mayo is the Finance Manager and Chief Financial Officer for Municipal Light and Power in Anchorage, Alaska. Prior to this, Mr. Mayo was the Corporate Controller for Alyeska Pipeline Service Company for four years and the Director of Finance and Chief Financial Officer for the Matanuska-Susitna Borough, Alaska for ten years. His duties at the Matanuska-Susitna Borough included bonding, cash management, budgeting, and tax collection. From 1979 through 1987, Mr. Mayo worked for an international CPA firm, controller for a real estate development company and then comptroller for the Matanuska-Susitna Borough. Mr. Mayo graduated from the University of Alaska and has attended graduate classes at Alaska Pacific University. Mr. Mayo has served as an appointee by Governor Knowles to the Alaska State Pension Investment Board; and he also served on the Governor's Fiscal Policy Transition Team. Mr. Mayo has also served on the boards of the United Way of Matanuska-Susitna Borough and Habitat for Humanity Mat-Su.

MARK PFEFFER  
Vice Chairman  
Term expires July 15, 2005

Mr. Pfeffer was appointed October 10, 2001. Mr. Pfeffer is a registered architect who has owned and led an architectural practice in Alaska for over 20 years. He is active in the development, design and management of commercial real estate projects, many of which include public/private partnerships. He is a partner in the firms Koonce Pfeffer Bettis, Inc. and Venture Development Group, LLC. Mr. Pfeffer received a Bachelor of Architecture Degree from the University of Nebraska in 1980.

SHARON KELLY

Member

Term expires July 15, 2005

Sharon Kelly-Member. Term expires July 15, 2005. Ms. Kelly was appointed on July 20, 1995, reappointed on September 11, 1998 and reappointed for a third term on July 18, 2002. Ms. Kelly has been the President and CEO of the Alaska State Employees Federal Credit Union since 1983. She also serves as Vice Chairperson of the Alaska Credit Union League, a trade association for credit unions in Alaska. Ms. Kelly has worked for various governmental entities including the Legislative Affairs Agency, the City and Borough of Juneau and the Lieutenant Governor's Office. She served as the Treasurer of the Alaska Committee in 1994, and is currently active in the Catholic Community Services Board, the Douglas Fourth of July Committee and Capital Associates.

NEIL SLOTNICK

Member

Mr. Slotnick is the first delegate for Wilson Condon. Mr. Slotnick is the Deputy Commissioner of Revenue. Mr. Slotnick oversees the Department's Treasury and Tax Divisions. Before coming to the Department of Revenue, Mr. Slotnick served since 1991 as an Assistant Attorney General in the Department of Law, where he supervised the Commercial Section in Juneau and worked on many Department of Revenue cases. Originally from Fairbanks, Mr. Slotnick clerked for former Alaska Supreme Court Justice Jay Rabinowitz, and, before law school, worked out of the Laborers' Union and managed a small retail business.

GREG WINEGAR

Member

Mr. Winegar is the first delegate for Deborah B. Sedwick. Mr. Winegar was appointed Director of the Division of Investments on May 22, 2000. This Division administers various direct lending programs for the State and services loans for other State agencies, representing approximately 3,500 accounts totaling \$250 million. Prior to his appointment as Acting Director, Mr. Winegar served as the Division of Investment's Lending Branch Manager for 21 years. Mr. Winegar received his Bachelor's degree from the Evergreen State College in 1973. In 1974, he accepted a position with the predecessor to the Department of Community and Economic Development as a Clerk Typist III and was promoted several times over the next five years. In addition to his work as Lending Branch Manager, he also served as a Loan Officer for the Department for five years where his responsibilities included credit analysis and recommendations for commercial, multi-family, residential and consumer loan requests.

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

**DEVEN MITCHELL**

Executive Director, appointed April 7, 1998

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

**BETTY MARTIN, CPA**

Deputy Treasurer, appointed April 7, 1998

Ms. Martin is the Comptroller for the State of Alaska Department of Revenue Treasury Division. Prior to joining Treasury, Ms. Martin's positions included the Controller for Kootznoowoo, Inc., an Alaska Native village corporation; Finance Director for Prince William Sound Aquaculture Corporation in Cordova, Alaska; and Assistant Controller for Faulkner & Gray, a major New York publisher. Ms. Martin holds a Bachelor of Science Degree in Accounting and Finance and an Economics Minor from California State University, Sacramento. She is a Certified Public Accountant in the state of Alaska and a member of the American Institute of Certified Public Accountants.

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

**FINANCIAL ADVISOR**

**WESTERN FINANCIAL GROUP, LLC**

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

**BOND COUNSEL**

**WOHLFORTH, VASSAR, JOHNSON & BRECHT**

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

**TRUSTEE/PAYING AGENT**

**JP MORGAN TRUST COMPANY**

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

**INVESTMENT MANAGER**

**ALASKA PERMANENT CAPITAL MANAGEMENT COMPANY**

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

**CUSTODIAL BANK**

**FIRST NATIONAL BANK OF ALASKA**

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

# FINANCIAL STATEMENTS

JUNE 30, 2002

## TABLE OF CONTENTS

Management Discussion & Analysis	14
Independent Auditors' Report	21
Statement of Net Assets and Governmental Funds Balance Sheet	22
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balance	23
Notes to Financial Statements	24

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This annual report has three integral parts: this MD&A and the financial statements with the accompanying notes that follow, as well as the first section that includes historical and statistical information. Together, they present the Bond Bank's financial performance during the fiscal year ended June 30, 2002. Summarized, prior fiscal year information is shown within this MD&A as needed for comparative purposes.

### REQUIRED FINANCIAL STATEMENTS

GASB 34 requires two financial statements: the statement of net assets and governmental fund balance sheet and the statement of activities and governmental funds revenues, expenditures and changes in fund balances. These statements report financial information about the Bond Bank's activities using generally accepted accounting principles.

### FINANCIAL HIGHLIGHTS

- During fiscal year 2002 the Bond Bank approved seven municipalities' applications and purchased \$38 million in municipal bonds. The subsequent issuance of Bond Bank bonds of \$39 million resulted in approximate savings of \$3 million to the borrowing communities. This activity level and community benefit level is comparable to FY 2001 when the Bond Bank issued \$44 million to fund 12 projects and provided savings of approximately \$4 million to the borrowing communities.
- The financial position of the Bond Bank remains strong. All reserves are fully funded and invested to provide earnings for the Bond Bank's operations and transfers to the State general fund.

### STATEMENT OF NET ASSETS

The statement of net assets report assets, liabilities and net assets of the Bond Bank.

#### ASSETS

Assets represent 1) the value of the Bond Bank's investments and investment income receivable on the financial statement dates, recorded at fair market value, and (2) bond principal and interest payments receivable from municipalities. The investments generate income for the Bond Bank to use to meet reserve requirements and pay operating costs. Excess investment earnings are distributed to the State of Alaska's (State) general fund each year. 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 Bond Bank for 1) goods and services provided before the financial statement date but not yet paid for at that date, and 2) interest and bond payments due to purchasers of the Bond Bank's bonds after the financial statement date.

**RESTRICTED AND UNRESTRICTED NET ASSETS**

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

The following table shows the value of Bond Bank's assets summarized as of June 30, 2002 and 2001 as well as liabilities and net assets.

	As of June 30,		Change from 2001 to 2002 Increase (Decrease)	
	2002	2001	Dollars	Percent
<b>Assets:</b>				
Cash and investments	\$ 48,077,848	44,566,056	3,511,792	7.9%
Bonds and bond interest receivable	221,421,264	198,421,113	23,000,151	11.6%
<b>Total assets</b>	<b>269,499,112</b>	<b>242,987,169</b>	<b>26,511,943</b>	<b>10.9%</b>
<b>Liabilities:</b>				
Accounts payable	33,120	19,114	14,006	73.3%
Bonds and bond interest payable	228,862,439	204,919,860	23,942,579	11.7%
Due to primary government	901,846	591,857	309,989	52.4%
<b>Total liabilities</b>	<b>229,797,405</b>	<b>205,530,831</b>	<b>24,266,574</b>	<b>11.8%</b>
<b>Net assets:</b>				
Restricted	18,201,702	17,039,595	1,162,107	6.8%
Unrestricted	21,500,005	20,416,743	1,083,262	5.3%
<b>Total net assets</b>	<b>\$ 39,701,707</b>	<b>37,456,338</b>	<b>2,245,369</b>	<b>6.0%</b>

The increase in cash and investments reflects additional reserves collected this year in conjunction with bond offerings plus an increase in market values.

The increase in bonds and bond interest receivable, as well as in bonds and bond interest payable, reflects the issuance of approximately \$39 million in new bonds during the year net of payments of just over \$15.3 million.

Due to primary government represents the excess of realized investment income over current year operating expenses and reserve requirements. The majority of the increase this year is due to a one-time settlement of \$287,172 received by the Bond Bank from Bank of America. The Bond Bank agreed to transfer the settlement to the State in return for certain indemnifications related to the settlement.

Restricted net assets represents a portion of the original appropriations made by the State of \$18,601,414 to fund the Bond Bank. There have been no new appropriations since 1986. The Bond Bank fully funds itself out of investment earnings. Unrestricted net assets represent accumulated earnings on Bond Bank investments and unrealized gains that are segregated until

15

realized. The majority of the increase in unrestricted net assets is due to market conditions and the increase in fixed income security returns over the year. The Bond Bank's investments are all held in fixed income securities.

### STATEMENT OF ACTIVITIES

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

### REVENUES

Revenues normally include earnings 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. During 2002 there is one additional source of revenue. The Bond Bank received a settlement payment of \$287,172 from the Bank of America as part of an agreement between Bank of America, the State and several bond issuers throughout the state.

### 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.

	As of June 30,		Change from 2001 to 2002 Increase (Decrease)	
	2002	2001	Dollars	Percent
Revenues:				
Interest income on bonds receivable	\$ 10,476,684	9,347,174	1,129,510	12.1%
Investment earnings	3,773,809	3,715,671	58,138	1.6%
Settlement income	287,172	-	287,172	0.0%
Total income	<u>14,537,665</u>	<u>13,062,845</u>	<u>1,474,820</u>	<u>11.3%</u>
Expenses:				
Interest expense	10,909,508	9,721,761	1,187,747	12.2%
Operating expenses	480,942	494,563	(13,621)	(2.8%)
Payments to primary government	901,846	591,857	309,989	52.4%
Total expenses	<u>12,292,296</u>	<u>10,808,181</u>	<u>1,484,115</u>	<u>13.7%</u>
Change in net assets	2,245,369	2,254,664	(9,295)	(0.4%)
Net assets, beginning of period	<u>37,456,338</u>	<u>35,201,674</u>	<u>2,254,664</u>	<u>6.4%</u>
Net assets, end of period	<u>\$ 39,701,707</u>	<u>37,456,338</u>	<u>2,245,369</u>	<u>6.0%</u>

Interest income and expense on bonds receivable and payable are a function of the total amount of bonds outstanding and the age of the bonds. The increase in both these line items is expected given the net increase in bond issuance over bond payments over the last several years.

Investment earnings are a function of market conditions. Because the Bond Bank only holds fixed income securities it was not subject to the volatility experienced by the equity markets during 2002 therefore there is little change in investment earning from 2001 to 2002.

### GOVERNMENTAL FUNDS

The governmental funds include the General Fund which accounts for the primary operations of the Authority and the Debt Service Fund which accounts for the resources accumulated and payments made on the long-term debt of the Authority. The primary difference between the governmental funds and the statement of net assets is the elimination of inter-fund payables and receivables and bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net assets.

The following tables show the changes in governmental funds.

	As of June 30,		Change from 2001 to 2002 Increase (Decrease)	
	2002	2001	Dollars	Percent
<b>Assets:</b>				
Cash and investments	\$ 21,140,655	20,159,346	981,309	4.9%
Accrued interest receivable	304,793	252,020	52,773	20.9%
<b>Total assets</b>	<b>\$ 21,445,448</b>	<b>20,411,366</b>	<b>1,034,082</b>	<b>5.1%</b>
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	169,779	153,511	16,268	10.6%
Interfund payables	328,403	50,914	277,489	545.0%
Due to primary government	901,846	591,857	309,989	52.4%
<b>Total liabilities</b>	<b>1,400,028</b>	<b>796,282</b>	<b>603,746</b>	<b>75.8%</b>
<b>Fund balance</b>				
Reserved	399,712	1,453,830	(1,054,118)	(72.5%)
Unreserved	19,645,708	18,161,254	1,484,454	8.2%
<b>Total net assets</b>	<b>20,045,420</b>	<b>19,615,084</b>	<b>430,336</b>	<b>2.2%</b>
<b>Total liabilities and fund balance</b>	<b>\$ 21,445,448</b>	<b>20,411,366</b>	<b>1,034,082</b>	<b>5.1%</b>

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

DEBT SERVICE FUND

	As of June 30,		Change from 2001 to 2002 Increase (Decrease)	
	2002	2001	Dollars	Percent
<b>Assets:</b>				
Cash and investments	\$ 27,162,193	24,656,710	2,505,483	10.2%
Bonds and bond interest receivable	220,891,471	197,919,093	22,972,378	11.6%
Interfund receivable	328,403	50,914	277,489	545.0%
Total assets	<u>\$ 248,382,067</u>	<u>222,626,717</u>	<u>25,755,350</u>	<u>11.6%</u>
<b>Liabilities:</b>				
Accounts payable	\$ 87	2,349	(2,262)	(96.3%)
Total liabilities	<u>87</u>	<u>2,349</u>	<u>(2,262)</u>	<u>(96.3%)</u>
<b>Fund balance-</b>				
Reserved	248,381,980	222,624,368	25,757,612	11.6%
Total liabilities and fund balance	<u>\$ 248,382,067</u>	<u>222,626,717</u>	<u>25,755,350</u>	<u>11.6%</u>

GENERAL FUND

	As of June 30,		Change from 2001 to 2002 Increase (Decrease)	
	2002	2001	Dollars	Percent
<b>Revenues:</b>				
Interest income	\$ 1,761,654	1,791,806	(30,152)	(1.7%)
Settlement income	287,172	-	287,172	-
Total income	<u>2,048,826</u>	<u>1,791,806</u>	<u>257,020</u>	<u>14.3%</u>
<b>Expenditures:</b>				
Operating expenses	480,942	526,890	(45,948)	(8.7%)
Payments to primary government	901,846	591,857	309,989	52.4%
Total expenses	<u>1,382,788</u>	<u>1,118,747</u>	<u>264,041</u>	<u>23.6%</u>
<b>Other financing sources -</b>				
Transfers	(235,702)	939,170	(1,174,872)	(125.1%)
Excess of revenues over expenditure	430,336	1,612,229	(1,181,893)	(73.3%)
Fund balance, beginning of period	19,615,084	18,002,855	2,254,664	12.5%
Fund balance, end of period	<u>\$ 20,045,420</u>	<u>19,615,084</u>	<u>1,072,771</u>	<u>5.5%</u>

DEBT SERVICE FUND

	As of June 30,		Change from 2001 to 2002 Increase (Decrease)	
	2002	2001	Dollars	Percent
	Revenues:			
Interest income on bonds receivable	\$ 10,476,684	9,347,174	1,129,510	12.1%
Investment earnings	2,012,155	1,923,865	88,290	4.6%
Total income	<u>12,488,839</u>	<u>11,271,039</u>	<u>1,217,800</u>	<u>10.8%</u>
Expenditures:				
Interest payments	10,716,929	7,987,578	2,729,351	34.2%
Principal payments	15,265,000	15,632,060	(367,000)	(2.3%)
Total expenses	<u>25,981,929</u>	<u>23,619,578</u>	<u>2,362,351</u>	<u>10.0%</u>
Other financing sources:				
Bond proceeds	39,015,000	44,210,000	(5,195,000)	(11.8%)
Transfers	235,702	(939,170)	1,174,872	(125.1%)
Excess of revenues over expenditure	<u>25,757,612</u>	<u>30,922,291</u>	<u>(5,164,679)</u>	<u>(16.7%)</u>
Fund balance, beginning of period	<u>222,624,368</u>	<u>191,702,077</u>	<u>30,922,291</u>	<u>16.1%</u>
Fund balance, end of period	<u>\$ 248,381,980</u>	<u>222,624,368</u>	<u>25,757,612</u>	<u>11.6%</u>

DEBT

At year end the Authority had \$220,605,878 of bonds and notes outstanding up 12% from \$196,855,878 at June 30, 2001. The debt is secured by the assets of the Authority. The outstanding balance is comprised of the following:

General obligation bonds payable	\$ 163,115,000
Revenue bonds payable	46,395,000
Coastal Energy notes payable	11,095,878
	<u>\$ 220,605,878</u>

THE BOND BANK

*An Idea That Works*

INDEPENDENT AUDITORS' REPORT



The Board of Directors

Alaska Municipal Bond Bank Authority:

We have audited the accompanying financial statements of the governmental activities and each major fund of Alaska Municipal Bond Bank Authority (a Component Unit of the State of Alaska) as of and for the year ended June 30, 2002, which collectively comprise the Authority's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Alaska Municipal Bond Bank Authority (a Component Unit of the State of Alaska) as of June 30, 2002, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, as of July 1, 2001 the Alaska Municipal Bond Bank Authority adopted Government Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended.

The accompanying required supplementary information of management's discussion and analysis on pages 1 through 6 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**KPMG LLP**

September 13, 2002

STATEMENT OF NET ASSETS AND  
GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2002

	General Fund	Debt Service Fund	Total	Adjustments (Note 6)	Statement of Net Assets
<b>Assets</b>					
Cash and cash equivalents	\$ 782,709	6,692,330	7,475,039	-	7,475,039
Investments, at fair value (note 3)	20,132,946	20,469,863	40,602,809	-	40,602,809
Accrued interest receivable:					
Bonds receivable	2,680	7,953,067	7,955,747	-	7,955,747
Investment securities	302,113	310,526	612,639	-	612,639
Bonds receivable (note 4)	225,000	212,627,878	212,852,878	-	212,852,878
Interfund receivables	-	328,403	328,403	(328,403)	-
Total assets	<u>\$ 21,445,448</u>	<u>248,382,067</u>	<u>269,827,515</u>	<u>(328,403)</u>	<u>269,499,112</u>
<b>Liabilities</b>					
Accounts payable	\$ 33,033	87	33,120	-	33,120
Accrued interest payable	-	-	-	8,119,815	8,119,815
Arbitrage interest rebate payable	136,746	-	136,746	-	136,746
Interfund payables	328,403	-	328,403	(328,403)	-
Due to primary government	901,846	-	901,846	-	901,846
Long-term liabilities (notes 4 and 5):					
Portion due or payable within one year:					
General obligation bonds payable	-	-	-	13,110,000	13,110,000
Revenue bonds payable	-	-	-	4,075,000	4,075,000
Other long-term debt	-	-	-	30,000	30,000
Portion due or payable after one year:					
General obligation bonds payable	-	-	-	150,005,000	150,005,000
Revenue bonds payable	-	-	-	42,320,000	42,320,000
Other long-term debt	-	-	-	11,065,878	11,065,878
Total liabilities	<u>1,400,028</u>	<u>87</u>	<u>1,400,115</u>	<u>228,397,290</u>	<u>229,797,405</u>
<b>Fund Balances/Net Assets</b>					
<b>Fund balances:</b>					
Reserved	399,712	248,381,980	248,781,692	(248,781,692)	-
Unreserved	19,645,708	-	19,645,708	(19,645,708)	-
Total fund balances	<u>20,045,420</u>	<u>248,381,980</u>	<u>268,427,400</u>	<u>(268,427,400)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 21,445,448</u>	<u>248,382,067</u>	<u>269,827,515</u>		
<b>Net assets:</b>					
Restricted for debt service				18,201,702	18,201,702
Unrestricted				21,500,005	21,500,005
Total net assets				<u>\$ 39,701,707</u>	<u>39,701,707</u>

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE

For the year ended June 30, 2002

	General Fund	Debt Service Fund	Total	Adjustments (Note 6)	Statement of Net Assets
Revenues:					
Investment earnings	\$ 1,736,753	2,012,155	3,748,908	-	3,748,908
Settlement income (note 7)	287,172	-	287,172	-	287,172
Arbitrage interest rebate refund	24,901	-	24,901	-	24,901
Interest income on bonds receivable	-	10,476,684	10,476,684	-	10,476,684
Total revenues	<u>2,048,826</u>	<u>12,488,839</u>	<u>14,537,665</u>	<u>-</u>	<u>14,537,665</u>
Expenditures/expenses:					
Debt service:					
Principal payments	-	15,265,000	15,265,000	(15,265,000)	-
Interest payments/expense	-	10,716,929	10,716,929	192,579	10,909,508
Payments to primary government	901,846	-	901,846	-	901,846
Professional services	378,463	-	378,463	-	378,463
Personal services	65,023	-	65,023	-	65,023
Printing and advertising	26,055	-	26,055	-	26,055
Administrative travel	8,520	-	8,520	-	8,520
Office expense	1,774	-	1,774	-	1,774
Miscellaneous expenses	1,107	-	1,107	-	1,107
Total expenditures/expenses	<u>1,382,788</u>	<u>25,981,929</u>	<u>27,364,717</u>	<u>(15,072,421)</u>	<u>12,292,296</u>
Excess (deficiency) of revenues over expenditures/expenses	<u>666,038</u>	<u>(13,493,090)</u>	<u>(12,827,052)</u>	<u>15,072,421</u>	<u>2,245,369</u>
Other financing sources/uses:					
Proceeds of bonds payable	-	39,015,000	39,015,000	(39,015,000)	-
Transfers - internal activities	(235,702)	235,702	-	-	-
Total other financing source/use	<u>(235,702)</u>	<u>39,250,702</u>	<u>39,015,000</u>	<u>(39,015,000)</u>	<u>-</u>
Excess (deficiency) of revenues and transfers in over expenditures/ expenses and transfers out	430,336	25,757,612	26,187,948	26,187,948	-
Change in net assets	-	-	-	2,245,369	2,245,369
Fund balances/net assets:					
Beginning of the year	<u>19,615,084</u>	<u>222,624,368</u>	<u>242,239,452</u>	<u>(204,783,114)</u>	<u>37,456,338</u>
End of the year	<u>\$ 20,045,420</u>	<u>248,381,980</u>	<u>268,427,400</u>	<u>(176,349,797)</u>	<u>39,701,707</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 1 HISTORY/REPORTING ENTITY

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

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

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

The authority may not issue revenue bonds in excess of \$50 million in any fiscal year unless the State of Alaska legislature approves a greater amount.

AS 44.85.180(c) was enacted in 1975, limiting Bond Bank bonds outstanding at any time to \$150 million. This statute was amended in 1983 and 1984 to raise the limit to \$200 million and \$300 million, respectively. Total Bond Bank bonds and notes outstanding as of June 30, 2002 are approximately \$221 million. Thus, the limit on additional bond issuance at this time is approximately \$79 million.

### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Authority adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments* and GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*. These standards and GASB Statement No. 38, *Certain Financial Statement Disclosures* were applied effective July 1, 2000.

GASB Statement No. 34 establishes standards for external financial reporting and requires that resources be classified for accounting and reporting purposes as follows:

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

The statement of net assets and the statement of changes in net assets 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 *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of the Authority.

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

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

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Summary of Significant Accounting Policies, continued

**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 the nine 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.

**STATUTORY RESERVE ACCOUNT**

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

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

*1990 Revenue Bond Resolution* -- Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

*1993 Revenue Bond Resolution* -- Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

*1995 Revenue Bond Resolution* – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

*1997 Revenue Bond Resolution* – Under this resolution an ordinary reserve account was created at an amount equal to the lesser of 10% of the proceeds of the 1997 Series A bonds or the maximum annual debt service on all Series 1997 A bonds outstanding under the resolution.

*1998 Revenue Bond Resolution* – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

*1999 Revenue Bond Resolution* – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

*2000 Revenue Bond Resolution* – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

*2001 Revenue Bond Resolution* – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys made available by legislative appropriation residing in the Custodian Account.

Amounts in the Statutory Reserve Account in excess of (a) required debt service reserves, (b) appropriations by the legislature residing in the Custodian Account, and (c) income on nonlegislature-appropriated funds are transferred to the Operating Account. Income on nonlegislature-appropriated funds, representing excess of revenues over expenditures of the ordinary reserve accounts and interest earned on the unreserved investment earnings account is accumulated in the Custodian Account and is available to fund the special reserve account.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Summary of Significant Accounting Policies, continued

(C) RESTRICTED ASSETS

Certain resources set aside for the repayment of the Authority's bonds, net of certain proceeds from additional bonds issued, are classified as restricted net assets on the statement of net assets because they are maintained in separate trust accounts and their use is limited by applicable bond covenants. Included in cash and cash equivalents and investments is \$7,179,702 of restricted assets. These assets were funded from the issuance of \$7,978, reserve bonds and a transfer of \$18,201,702 of state appropriation.

(D) LONG-TERM LIABILITIES

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

(E) FUND EQUITY

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. In the government-wide financial statements, restrictions of net assets are reported when externally imposed.

(F) INTEREST ARBITRAGE REBATE

Bonds issued 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.

(G) INCOME TAXES

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

NOTE 3 CASH AND INVESTMENTS

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 consist of demand deposits with various financial institutions.

The bank balance of all of the Authority's deposits with financial institutions are insured by the FDIC or collateralized by securities held in the Authority's name by its custodial agent. A summary of deposits at June 30, 2002 follows:

Book balance	<u>\$ 7,475,039</u>
Bank balance	<u>\$ 7,476,035</u>

Investments consist of marketable debt securities, primarily U.S. Government securities and are carried at fair market value. The following is a detail of investments at June 30, 2002:

Agencies	\$ 3,720,986
U.S. Government securities	<u>\$ 36,881,823</u>
	<u>\$ 40,602,809</u>

The Governmental Accounting Standards Board (GASB) Statement No. 3 requires a disclosure regarding custodial credit risk to indicate the chance of loss in the event a financial institution or third party holding the Authority's deposits or securities fails. Deposits and those investments represented by specific, identifiable securities are classified into three categories of credit risk: Category 1 - Insured or registered, or securities held by the Authority or its custodian in the Authority's name; Category 2 - Uninsured or unregistered, with securities held by the counterparty's trust department (if a bank) or agent in the Authority's name; and Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department (if a bank) or agent, but not in the Authority's name. Category 1 is the highest level of safekeeping security as defined by GASB.

At June 30, 2002, the Authority's investments consist of U.S. Government Securities, Agencies, and cash equivalents and are considered to be Category 1 as defined by GASB Statement No. 3.

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

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 4 BOND AND NOTES RECEIVABLE

Bonds and notes receivable by debt service program at June 30, 2002 mature in varying annual installments as follows:

Year ending June 30	1976 General	1990 Yakutat Revenue	1993A Anchorage Parking Authority Revenue	1993B Kodiak Revenue	1993C Kodiak Revenue	1995A Seward Revenue	1997A Ketchikan Revenue	1998A Ketchikan Revenue
2003	\$ 12,780,000	45,000	845,000	170,000	445,000	145,000	-	1,560,000
2004	13,400,000	50,000	890,000	180,000	460,000	155,000	630,000	605,000
2005	12,310,000	55,000	930,000	185,000	-	165,000	660,000	630,000
2006	11,315,000	60,000	980,000	185,000	-	170,000	690,000	660,000
2007	9,110,000	60,000	-	205,000	-	180,000	725,000	685,000
2008-2012	46,638,000	390,000	-	450,000	-	1,090,000	4,215,000	3,930,000
2013-2017	31,539,000	200,000	-	-	-	825,000	5,490,000	895,000
2018-2022	19,570,000	-	-	-	-	-	1,290,000	-
	<u>\$ 156,662,000</u>	<u>860,000</u>	<u>3,645,000</u>	<u>1,385,000</u>	<u>905,000</u>	<u>2,730,000</u>	<u>13,700,000</u>	<u>8,965,000</u>

Year ending June 30	1998B Homer Revenue	1999A Inter-Island Ferry Revenue	2000A Unalaska Revenue	2000B Seward Revenue	2001A Ketchikan Revenue	2001B Ketchikan Revenue	Coastal Energy Loan	Total
2003	\$ 270,000	65,000	390,000	90,000	25,000	25,000	30,000	16,885,000
2004	285,000	70,000	410,000	90,000	75,000	105,000	30,000	17,435,000
2005	230,000	70,000	430,000	95,000	75,000	110,000	5,400,000	21,345,000
2006	235,000	75,000	445,000	105,000	80,000	115,000	400,000	15,525,000
2007	250,000	80,000	-	110,000	85,000	120,000	400,000	12,010,000
2008-2012	620,000	455,000	-	635,000	480,000	710,000	1,400,000	61,013,000
2013-2017	-	600,000	-	820,000	615,000	910,000	1,300,000	43,194,000
2018-2022	-	450,000	-	1,055,000	290,000	430,000	2,135,878	25,220,878
	<u>\$ 1,890,000</u>	<u>1,865,000</u>	<u>1,675,000</u>	<u>3,000,000</u>	<u>1,725,000</u>	<u>2,525,000</u>	<u>11,095,878</u>	<u>212,627,878</u>

Included in the general fund is \$225,000 of 7.9% bonds received due from the City of Haines which mature through 2009.

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 to the principal and accrual of interest for ten years. The related loan payable does not represent a general obligation of the Authority as it is payable only from proceeds received from the City of Nome. Also under the Program, the Authority issued \$6,563,000 1987 Series A Coastal Energy Bonds payable to NOAA. The proceeds of these bonds were used to purchase port revenue bonds from the City of St. Paul. The City of St. Paul entered into a tripartite agreement with NOAA and the Authority effective December 14, 2000 to modify and amend the repayment terms including principal and interest.

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.

31

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

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 5 LONG TERM LIABILITIES

ISSUE	Debt Service Funds		Statutory Reserve Funds Ordinary Reserve Account	
	Interest rate	Principal outstanding	Interest rate	Principal outstanding
1976 General Bond Resolution Program:				
1992 Series A:	4.60%-6%	\$ 685,000	6%	\$ 330,000
City and Borough of Sitka				
Aleutians East Borough				
1992 Series B:	3.5%-6.625%	1,000,000	6.625%	20,000
City of Cordova				
City of Petersburg				
1993 Series A - First Issue:	3.1%-5.35%	4,570,000	-	-
Municipality of Anchorage				
City of Bristol Bay				
City of Kena:				
City of Palmer				
City of Petersburg				
City of Seward				
City of Sitka				
City of Unalaska				
City of Wrangell				
1993 Series A - Second Issue:	3.8%-4.75%	790,000	-	-
City of Petersburg				
City of Soldotna				
Seafirst Bank				
1993 Series A - Third Issue:	3.1%-5.65%	3,790,000	3.2%-5.8%	855,000
City of Ketchikan				
City of Nenana				
City of Seward				
City of Wrangell				
1993 Series B - City of Kenai	3%-5%	720,000	-	-
1993 Series C - Aleutians East Borough	3.15%-4.85%	200,000	-	-
1994 Series A:	4%-5%	865,000	-	-
Fairbanks North Star Borough				
City of Kenai				
1995 Series A:	4.5%-7%	6,855,000	4.5%-7%	740,000
City of Haines				
Kenai Peninsula Borough				
1995 Series B - City of Craig	5.2%-7.25%	1,140,000	-	-
1995 Series C - Lake and Peninsula Borough	3.8%-6%	2,150,000	6.0%	510,000
1995 Series D - City of Palmer	5%-6%	1,595,000	-	-
1996 Series A:	4%-5.5%	2,275,000	-	-
City of Hoonah				
City of Soldotna				

ISSUE	Debt Service Funds		Statutory Reserve Funds Ordinary Reserve Account	
	Interest rate	Principal outstanding	Interest rate	Principal outstanding
1996 Series B - City of Seward	4.5%-6.750%	\$ 6,620,000	4.5%-6.75%	\$ 205,000
1997 Series A: Lake & Peninsula Borough City of Yakutat	5.0%-5.1%	895,000	-	-
1997 Series B - City of Ketchikan	4.5%-6%	9,715,000	4.55%-6%	485,000
1998 Series A: City of Wasilla	4.63%-6%	7,320,000	5.0%	100,000
Aleutians East Borough	4.63%-5.63%			
1998 Series B: City of Homer		3,045,000	-	-
City of Cordova	4.0%-4.375%			
1999 Series A: City of Sitka	4.375%-5.5%	11,540,000	4.375%-5.5%	360,000
Aleutians East Borough				
2000 Series A: City of Fairbanks	5.5%-5.875%	8,840,000	5.5%-5.875%	305,000
City of Cordova				
2000 Series B: City of Kaktovik	4.8%-6.0%	10,045,000	-	-
City of Sitka				
City of Unalaska				
2000 Series C: Northwest Arctic Borough	4.53-5.75%	21,235,000	5.7%	610,000
2000 Series D - Petersburg	4.55-5.70%	1,750,000	0.0%	-
2000 Series E: Kenai	4.75-5.375%	14,622,000	5.0-5.375%	473,000
Kodiak Island Borough				
Lake and Pen-Port				
Wrangell				
Nome-School				
2000 Series F - Kodiak Island Borough	6.90-9.0%	1,095,000	0.0%	-
2001 Series A - Northwest Arctic Borough	4.4%-5.0%	15,055,000	4.4%-5.0%	420,000
2001 Series B - Aleutians East Borough	3.875%-4.750%	3,550,000	3.875%-4.750%	285,000
2002 Series A - City of Wasilla	2.5%-4.5%	14,700,000	2.5%-4.5%	755,000
Total 1976 General Bond Resolution Fund		<u>156,662,000</u>		<u>6,453,000</u>
1990 Yakutat Revenue Bond Resolution Fund	7%-7.7%	860,000	-	-
1993A Anchorage Parking Authority Revenue Bond Resolution Fund	3.1%-5.5%	3,645,000	-	-
1993B Kodiak Revenue Bond Resolution Fund	3.3%-5.5%	1,385,000	-	-
1993C Kodiak Revenue Bond Resolution Fund	2.85%-3.9%	905,000	-	-
1995A Seward Revenue Bond Resolution Fund	4.85%-7.35%	2,730,000	-	-
1997A Ketchikan Revenue Bond Resolution Fund	4.9%-5.75%	13,700,000	4.9%-5.75%	1,525,000

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

NOTES TO FINANCIAL STATEMENTS, CONTINUED

ISSUE	Debt Service Funds		Statutory Reserve Funds Ordinary Reserve Account	
	Interest rate	Principal outstanding	Interest rate	Principal outstanding
1998A Ketchikan Revenue Bond Resolution Fund	4.0%-4.7%	8,965,000	-	-
1998B Homer Revenue Bond Resolution Fund	4.0%-4.5%	1,890,000	-	-
1999A Inter-Island Ferry Revenue Bond Resolution Fund	5.125%-5.9%	1,865,000	-	-
2000A Unalaska Revenue Bond Resolution Fund	4.9%-5.75%	1,675,000	-	-
2000B Seward Revenue Bond Resolution Program	4.35-5.50%	3,000,000	-	-
2001A Ketchikan Revenue Bond Resolution Fund	4.5%-4.9%	1,725,000	-	-
2001B Ketchikan Revenue Bond Resolution Fund	4.5%-4.9%	2,525,000	-	-
Total Revenue Bonds		<u>44,870,000</u>		<u>1,725,000</u>
Coastal Energy Reserve Loan Fund:				
City of Nome port facility revenue bond	8.5%	5,000,000	-	-
City of Saint Paul - fuel dock	5.0%	6,095,878	-	-
Total Coastal Energy Reserve Loan Account		<u>11,095,878</u>		<u>-</u>
		<u>\$ 212,627,878</u>		<u>\$ 7,978,000</u>

During the year ended June 30, 2002 the Authority's long-term liabilities changed as follows:

	Beginning of year	New debt	Repayments	End of year
General obligation bonds payable	\$ 139,895,000	34,765,000	11,545,000	163,115,000
Revenue bonds payable	45,835,000	4,250,000	3,690,000	46,395,000
Other long-term debt	11,125,878	-	30,000	11,095,878
Total	<u>\$ 196,855,878</u>	<u>39,015,000</u>	<u>15,265,000</u>	<u>220,605,878</u>

General obligation bonds are secured by bonds receivable and by amounts in the ordinary reserve account. The act further provides that if a municipality defaults on its principal and/or interest payments, upon written notice by the Authority, the State of Alaska must pay to the Authority all funds due the defaulting municipality from the State in an amount sufficient to clear the default. Loans made under the Coastal Energy Loan Program are payable only from proceeds received from the municipalities to which the loans were made.

The above bonds mature in varying annual installments and at June 30, 2002 are as follows:

Year ending June 30	1976		1990 Yakutat Revenue	1993 APA	1993B Kodiak Revenue	1993C Kodiak Revenue
	General	Reserve				
2003	\$ 12,780,000	330,000	45,000	845,000	170,000	445,000
2004	13,400,000	225,000	50,000	890,000	180,000	460,000
2005	12,310,000	545,000	55,000	930,000	185,000	-
2006	11,315,000	1,250,000	60,000	980,000	195,000	-
2007	9,110,000	-	60,000	-	205,000	-
2008-2012	46,638,000	1,287,000	390,000	-	450,000	-
2013-2017	31,609,000	506,000	200,000	-	-	-
2018-2022	19,500,000	2,310,000	-	-	-	-
	<u>\$ 156,662,000</u>	<u>6,453,000</u>	<u>860,000</u>	<u>3,645,000</u>	<u>1,385,000</u>	<u>905,000</u>

Year ending June 30	1997A Ketchikan Revenue	General Reserve	1998A Ketchikan Revenue	1998B Homer Revenue	1999A Inter-island Ferry Revenue	1995A Seward Revenue
2004	630,000	-	605,000	285,000	70,000	155,000
2005	660,000	-	630,000	230,000	70,000	165,000
2006	690,000	-	660,000	235,000	75,000	170,000
2007	725,000	-	685,000	250,000	80,000	180,000
2008-2012	4,215,000	-	3,930,000	620,000	455,000	1,090,000
2013-2017	5,490,000	-	895,000	-	600,000	825,000
2018-2022	1,290,000	1,525,000	-	-	450,000	-
	<u>\$ 13,700,000</u>	<u>1,525,000</u>	<u>8,965,000</u>	<u>1,890,000</u>	<u>1,865,000</u>	<u>2,730,000</u>

Year ending June 30	2000A Unalaska Revenue	2000B Seward Revenue	2001A Ketchikan Revenue	2001B Ketchikan Revenue	Coastal Energy Loan	Total Principal	Total Interest
2004	410,000	90,000	75,000	105,000	30,000	17,660,000	9,286,600
2005	430,000	95,000	75,000	110,000	5,400,000	21,890,000	11,894,538
2006	445,000	105,000	80,000	115,000	400,000	16,775,000	7,907,055
2007	-	110,000	85,000	120,000	400,000	12,010,000	7,168,983
2008-2012	-	635,000	480,000	710,000	1,400,000	62,300,000	27,547,757
2013-2017	-	820,000	615,000	910,000	1,300,000	43,770,000	13,871,525
2018-2022	-	1,055,000	290,000	430,000	1,500,000	28,350,000	3,805,686
2023-2024	-	-	-	-	635,878	635,878	414,122
	<u>\$ 1,675,000</u>	<u>3,000,000</u>	<u>1,725,000</u>	<u>2,525,000</u>	<u>11,095,878</u>	<u>220,605,878</u>	<u>91,725,175</u>

**NOTE 6**      **ADJUSTMENTS**

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

**NOTE 7**      **BANK OF AMERICA SETTLEMENT**

During 2002 the Bond Bank received a payment of \$287,172 as its share of a settlement made between Bank of America, the State of Alaska and various municipal bond issuers in the state. The settlement was reached in a dispute concerning Bank of America's handling of certain unclaimed bond payments during its tenure as the bond issuers' paying agent.

The Bond Bank subsequently entered into an agreement with the State whereby the Bond Bank remitted its settlement of \$287,172 to the State in return for the State's promise to indemnify the Bond Bank against any future claims made against the Bond Bank in regard to unclaimed property resulting from the bond offerings covered by the settlement.

**NOTE 8**      **SUBSEQUENT EVENT**

Subsequent to June 30, 2002, the Alaska State Legislature appropriated approximately \$700,000 of Bond Bank funds to be used during 2003 to meet the operational needs of the State of Alaska.