

SB

265

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

REPORTED OUT
MAR 08 2006
 SENATE FINANCE COMMITTEE

DATE: 2/23/06

FURTHER:

DATE TURNED
 IN TO OFFICE: 3/08/06

Finance Committee considered SENATE BILL NO. 265

SB 265 BONDS OF BOND BANK AUTHORITY

"An Act increasing the total amount of bonds and notes that the Alaska Municipal Bond Bank Authority may have outstanding; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:
 Same Title
 New Title

SCS House Bill:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

NEW FISCAL NOTE(S):

| Department | Date | Fiscal | Ind. | Zero | FN# |
|------------|------|--------|------|------|-----|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

PREVIOUS FISCAL NOTE(S):

| Department | Date | Fiscal | Ind. | Zero | FN# |
|------------|---------|--------|------|------|-----|
| Rev. | 2/10/06 | 50,000 | | | 1 |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

APPROPRIATION - no fiscal note

| SIGNATURES AND RECOMMENDATIONS: | DO PASS | DO NOT PASS | NO REC | AMEND |
|---------------------------------|---------|-------------|--------|-------|
| <i>C. Bunde</i> | | | ✓ | |
| <i>[Signature]</i> | ✓ | | | |
| <i>[Signature]</i> | ✓ | | | |
| | | | | |
| COCHAIR: <i>[Signature]</i> | ✓ | | | |
| COCHAIR: <i>[Signature]</i> | ✓ | | | |

FISCAL NOTE

REPORTED OUT
MAR 6 8 2006
SENATE FINANCE COMMITTEE

STATE OF ALASKA
2006 LEGISLATIVE SESSION

Fiscal Note Number: 1
Bill Version: SB 265
(S) Publish Date: 2/23/06

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title Alaska Municipal Bond Bank Authority Bond Cap RDU Revenue Programs and Services
Component Alaska Municipal Bond Bank
Sponsor Senator Stedman
Requester Senator Stedman Component No. 121

Expenditures/Revenues (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
|------------------------|-------------|--------------|--------------|--------------|--------------|--------------|
| Personal Services | | | | | | |
| Travel | | | | | | |
| Contractual | 50.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Supplies | | | | | | |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 50.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

| | | | | | | |
|-----------------------------|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | |
|-----------------------------|--|--|--|--|--|--|

| | | | | | | |
|-------------------------------|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | |
|-------------------------------|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| FUND SOURCE | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
|-------------------------------|-------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | | | | | | |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Bond Bank Investment Earnings | 50.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| TOTAL | 50.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

POSITIONS

| Full-time | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 |
|-----------|---------|---------|---------|---------|---------|---------|
| Part-time | | | | | | |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

The Bond Bank is a self supporting public corporation of the State of Alaska. The Bond Bank saves communities, and often the state through reduced reimbursements, by borrowing more efficiently and with enhanced credit strength compared to individual communities borrowing capability.

Increasing the statutory cap on borrowing from \$500 million to \$750 million will allow the Bond Bank to continue to meet the capital needs of Alaska's municipalities. The contractual cost noted above reflects an anticipated continued increased use of the Bond Bank by communities. The costs incurred will be directly correlated to future increased borrowing activity of the Bond Bank due to the increase in the borrowing cap. All costs will be funded from Bond Bank fund earnings.

Prepared by: Devon Mitchell Phone 465-3409
Division: Alaska Municipal Bond Bank Authority Date/Time 2/10/06 12:00 AM
Approved by: Jerry Burnett Date 2/10/2006
Agency: Department of Revenue



Alaska State Legislature

Senate Majority Web: www.akrepublicans.org

Sponsor: Senator Bert Stedman
Current Version: SB 265
Contact: Miles Baker, 465-3873

Fact Sheet for: Senate Bill 265

Short Title: BONDS OF BOND BANK AUTHORITY

Summary:

- Increases the bond authority of the Alaska Municipal Bond Bank from \$500 million to \$750 million.

Benefits:

- Allows Alaskan communities to borrow funds for necessary capital improvements.

Background:

- The Alaska Municipal Bond Bank was formed to bring communities together so bond sales could be packaged in a manner that lowers the overhead costs to communities and reduces risk for investors. The bond bank only has the legal authority to loan out an additional \$50 million. However, it will receive applications for bonds totaling \$80 million over the next six months. SB 265 increases the bank's bonding authority and allows those communities to issue bonds and receive adequate funding for capital improvements.

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

Senator Bert Stedman
Chair, Senate Community and Regional Affairs Committee
State Capitol, Room 30
Alaska State Legislature
Juneau, AK 99801

February 13, 2006

Dear Senator Stedman,

I am writing in support of Senate Bill 265, an act increasing the overall debt limit for the Alaska Municipal Bond Bank Authority. Unless we act quickly on this legislation, the Bond Bank will reach its statutory debt issuance limit this year and municipalities could lose the opportunity to proceed on schedule with capital projects this year.

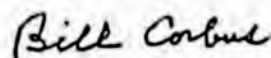
The Alaska Municipal Bond Bank Authority was created in 1975 to assist Alaska municipalities issue bonds for local projects. The Bond Bank Authority is able to realize savings for municipalities by pooling bonds in large numbers and obtaining lower interest rates that result in reduced costs, and often better terms overall, than municipalities could obtain on their own.

Senate Bill 265 will raise the limit on the total outstanding bond debt the Authority may carry on its books from \$500 million to \$750 million. The Legislature last raised this limit in 2003, and prior to that in 1984. 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 February 9, 2006, the Bond Bank has \$449,985,878 in bonds outstanding. The existing limit in statute is \$500 million in total bonds outstanding. Additional projects scheduled for funding in the next 12 months total up to \$90 million. Without the increase in the statutory cap, the Authority will be forced to turn away up to \$40 million in community loan applications.

Thank you for your consideration, and please let me know if you have any questions. Or you also may contact Deven Mitchell, Executive Director of the Authority, at 465-3750.

Sincerely,



William A. Corbus
Commissioner

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D. Alaska Municipal Bond Bank

The Alaska Municipal Bond Bank (Bond Bank) was created as a public corporation by the State in 1975 for the purpose of lending money to Alaska's governmental units for their capital projects. The Bond Bank is empowered to issue bonds, the proceeds of which are used to purchase bonds, notes or certificates of participation of State municipalities. Most of the Bond Bank bonds maintain a Capital Reserve Fund with the State's moral obligation attached. As of June 30, 2005 the total principal amount of outstanding bonds and notes of the Bond Bank was \$409,410,878. Of this total amount outstanding, \$303,920,000 represents general obligation bonds, \$94,485,000 represents revenue bonds, and \$11,005,878 represents notes issued under the Coastal Energy Loan Program. General obligation and revenue bonds are serviced by the Bond Bank and are secured, in part, by past State appropriations to the Bond Bank, certain revenue streams of the municipality borrowing the proceeds, and additional moneys of the Bond Bank placed in a statutory capital reserve fund. The

Bond Bank is covenanted to notify the State legislature of any failure to maintain the capital reserve fund at their required levels. The State legislature may appropriate funds to the Bond Bank to restore capital reserve funds to required amounts. (See "Moral Obligation Debt"). The Coastal Energy Loan Program notes do not have a claim on any capital reserve funds of the Bond Bank and are payable solely from the payments of the municipalities participating in the Program.

On May 22, 1997 the Bond Bank Board approved a proposal that staff support, office space and administrative service would be provided to the Bond Bank by the Alaska Department of Revenue, Treasury Division (DOR) effective July 1, 1997. An agreement between the Bond Bank and the DOR was finalized on August 29, 1997.

a. Advantages to Municipalities

The advantages to Alaska's municipalities of using the Bond Bank are several. Interest rates are lower because of the additional security achieved through the structure of the Bond Bank as well as the diversification of risk achieved by pooling municipal bond issues through the Bond Bank. The Bond Bank's general obligation program is currently rated A by Standard and Poor's and A2 by Moody's Investor Service; while the revenue program is rated A by Standard and Poor's and A by Fitch Ratings. These are higher ratings than most of Alaska's municipalities can achieve independently. The Bond Bank, carrying the name of the State of Alaska and being a more frequent issuer, is better known than many of Alaska's smaller units of government. This enhances the marketability of the bonds to investors nationally.

b. Municipal Debt Purchased

The Bond Bank has assisted 40 of Alaska's municipalities obtain financing for capital projects. These communities are geographically distributed throughout Alaska and represent virtually all sectors of the State's economy.

TABLE 3.7
Alaska Municipal Bond Bank
June 30, 2005 General Obligation Bond
Outstanding Loans to Municipalities
\$(thousands)

| Governmental Unit | Outstanding Loan Amount | Percentage of Total |
|---------------------------|----------------------------|------------------------|
| Northwest Arctic Borough | 66,165 | 22.49% |
| Kenai Peninsula Borough | 33,839 | 11.50% |
| City & Borough of Sitka | 33,385 | 11.35% |
| Aleutians East Borough | 30,196 | 10.27% |
| Kodiak Island Borough | 23,680 | 8.05% |
| Ketchikan Gateway Borough | 23,570 | 8.01% |
| City of Wasilla | 16,070 | 5.46% |
| City of Fairbanks | 12,255 | 4.17% |
| City of Petersburg | 8,270 | 2.81% |
| City of Ketchikan | 8,175 | 2.78% |
| City of Seward | 7,660 | 2.60% |
| City of Valdez | 4,924 | 1.67% |
| City of Nome | 4,640 | 1.58% |
| City of Unalaska | 4,565 | 1.55% |
| Lake and Peninsula Bor. | 3,049 | 1.04% |
| City of Cordova | 2,690 | 0.91% |
| City of Palmer | 2,680 | 0.91% |
| City of Adak | 1,500 | 0.51% |
| City of North Pole | 1,350 | 0.46% |
| City of Homer | 1,340 | 0.46% |
| City of Craig | 1,035 | 0.35% |
| City of Haines | 970 | 0.33% |
| City of Wrangell | 854 | 0.29% |
| City of Soldotna | 490 | 0.17% |
| City of Kaktovik | 420 | 0.14% |
| City & Borough of Yakutat | 265 | 0.09% |
| City of Hoonah | 120 | 0.04% |
| Total | \$ 294,157 | 100.00% |

Source: Alaska Municipal Bond Bank

c. Security for Bonds

Municipal general obligation bonds are usually issued to finance facilities that do not generate revenue, such as schools, roads, public safety and municipal buildings. They are issued with the approval of the municipal voters and are secured by the full faith and credit of the municipality. Municipalities within the State of Alaska have no taxing limitations for debt service requirements.

The Bond Bank's mainstream program was created in 1976 by its General Bond Resolution (issuance of Bond Bank General Obligation Bonds). A total of 71 general obligation bond series have been issued in order to secure funds to purchase \$596.2 million in municipal debt.

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 debt service reserve fund under the bond resolution for that issue of Bond Bank bonds. The reserve fund generally is funded in an amount equal to maximum annual debt service on the Bond Bank bonds.
- The statutory Bond Bank reserve fund monies available and not pledged to bond issues, which may be used to restore the debt service reserve fund under the bond resolution to an amount equal to maximum annual debt service to the Bond Bank bonds.
- The statutory right of the Bond Bank, in the event of default, to demand and receive from a State agency any funds held by that 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.

d. Bond Authorization

The Bond Bank may not issue in excess of \$75 million in revenue bonds during any fiscal year without legislative approval.

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, 1984, and 2003 to raise the limit to \$200 million, \$300 million, and 500 million respectively. Total Bond Bank bonds and notes outstanding as of June 30, 2005, were \$409.4 million. Thus, the limit on additional bond issuance at that time was \$90.6 million.

e. Bonds Issued and Outstanding

The types of Bond Bank Bonds issued and outstanding are summarized in Table 3.8.

TABLE 3.8
Alaska Municipal Bond Bank
Summary of Bonds Types Issued and Outstanding
\$(thousands)

| Type | Amount Issued | Outstanding at 6/30/05 |
|--------------------------|-------------------|---------------------------|
| General Obligation Bonds | \$ 685,245 | \$ 303,920 |
| Revenue Bonds | 174,805 | 94,485 |
| Coastal Energy Bonds | 21,348 | - |
| Coastal Energy Loan Fund | 20,525 | 11,006 |
| | <u>\$ 901,923</u> | <u>\$ 409,411</u> |

The Coastal Energy Reserve and Loan Bonds do not have the State's moral obligation attached. All Bond Bank general obligation and revenue bonds do.

Under the Coastal Energy Loan Fund, the Bond Bank issued \$5.0 million 1986 Series A Coastal Energy 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 1986 Series A Bonds are not general obligations of the Bond Bank and are payable only from bond proceeds received from the City of Nome.

A complete listing of debt issued by the Bond Bank and outstanding is found in Table 3.9.

TABLE 3.9
Alaska Municipal Bond Bank
Debt Issued and Outstanding
\$(thousands)

| | Date | Amount Issued | Outstanding at 6/30/05 |
|---|------------|----------------|---------------------------|
| 1976 General Resolution General Obligation Bonds | | | |
| 1995 Series A | 5/1/1995 | 13,975 | 2,330 |
| 1995 Series C | 10/1/1995 | 5,110 | 1,090 |
| 1995 Series D | 12/1/1995 | 1,985 | 90 |
| 1996 Series A | 2/1/1996 | 5,000 | 610 |
| 1996 Series B | 9/1/1996 | 7,705 | 895 |
| 1997 Series A | 2/1/1997 | 1,605 | 385 |
| 1997 Series B | 10/1/1997 | 12,185 | 1,435 |
| 1998 Series A | 4/1/1998 | 7,950 | 6,500 |
| 1998 Series B | 12/1/1998 | 3,715 | 1,830 |
| 1999 Series A | 4/1/1999 | 13,385 | 10,045 |
| 2000 Series A | 3/1/2000 | 9,805 | 2,830 |
| 2000 Series B | 5/15/2000 | 10,730 | 2,960 |
| 2000 Series C | 8/1/2000 | 21,645 | 6,360 |
| 2000 Series D | 10/1/2000 | 1,800 | 1,580 |
| 2000 Series E | 11/15/2000 | 16,390 | 11,050 |
| 2000 Series F | 11/15/2000 | 1,175 | 810 |
| 2001 Series A | 8/1/2001 | 15,475 | 14,270 |
| 2001 Series B | 10/15/2001 | 3,835 | 3,480 |
| 2002 Series A | 5/1/2002 | 15,445 | 12,470 |
| 2002 Series B | 8/15/2002 | 11,590 | 11,055 |
| 2003 Series A | 2/12/2003 | 9,305 | 8,745 |
| 2003 Series B | 4/8/2003 | 3,075 | 2,035 |
| 2003 Series C | 5/22/2003 | 8,250 | 6,800 |
| 2003 Series D | 8/7/2003 | 14,520 | 13,965 |
| 2003 Series E | 9/30/2003 | 32,020 | 31,125 |
| 2003 Series F | 10/15/2003 | 3,235 | 1,690 |
| 2003 Series G | 1/6/2004 | 24,110 | 22,825 |
| 2004 Series A | 2/5/2004 | 20,270 | 19,190 |
| 2004 Series B | 4/8/2004 | 17,425 | 16,690 |
| 2004 Series C | 7/21/2004 | 14,575 | 14,575 |
| 2004 Series D | 12/1/2004 | 13,925 | 13,925 |
| 2005 Series A | 3/22/2005 | 32,655 | 32,655 |
| 2005 Series B | 5/4/2005 | 27,625 | 27,625 |
| Total | | <u>401,495</u> | <u>303,920</u> |

TABLE 3.9 (Continued)
Alaska Municipal Bond Bank
Debt Issued and Outstanding
\$(thousands)

| | | | |
|--|-----------|-------------------|-------------------|
| Total General Obligation Bonds | | <u>401,495</u> | <u>303,920</u> |
| Revenue Bonds | | | |
| 1995 Series A Revenue Bonds | 6/1/1995 | 3,225 | 2,265 |
| 1997 Series A Revenue Bonds | 10/1/1997 | 15,225 | 13,935 |
| 1998 Series A Revenue Bonds | 12/1/1998 | 13,210 | 6,170 |
| 1998 Series B Revenue Bonds | 12/1/1998 | 2,525 | 1,105 |
| 1999 Series A Revenue Bonds | 12/1/1999 | 1,865 | 1,660 |
| 2000 Series A Revenue Bonds | 5/1/2000 | 2,430 | 445 |
| 2000 Series B Revenue Bonds | 12/1/2000 | 3,000 | 2,725 |
| 2001 Series A Revenue Bonds | 8/1/2001 | 1,725 | 1,550 |
| 2001 Series B Revenue Bonds | 8/1/2001 | 2,525 | 2,285 |
| 2002 Series A Revenue Bonds | 12/1/2002 | 6,250 | 5,380 |
| 2003 Series A Revenue Bonds | 3/1/2003 | 5,685 | 2,935 |
| 2003 Series B Revenue Bonds | 5/15/2003 | 19,000 | 19,000 |
| 2003 Series C Revenue Bonds | 7/2/2003 | 1,015 | 820 |
| 2004 Series A Revenue Bonds | 8/26/2004 | 28,845 | 28,845 |
| 2004 Series B Revenue Bonds | 9/1/2004 | 5,365 | 5,365 |
| Total | | <u>111,890</u> | <u>94,485</u> |
| Coastal Energy Loan Fund | | | |
| City of Nome | | | |
| Port Authority | FY 86 | 5,000 | 5,000 |
| City of St. Paul | | | |
| Fuel Tank Farm | FY 88 | 6,563 | 6,006 |
| | | <u>11,563</u> | <u>11,006</u> |
| Total Alaska Municipal Bond Bank Debt | | <u>\$ 524,948</u> | <u>\$ 409,411</u> |

Source: Alaska Municipal Bond Bank Authority

E. Alaska Railroad Corporation

Legislation signed into law during 1984 established the Alaska Railroad Corporation as a public corporation of the State to manage the Alaska Railroad upon its acquisition from the Federal Government until its possible transfer to private ownership. The corporation is administratively placed within the Department of Commerce and Economic Development. The corporation has the power to issue bonds if such issuance is approved by law. Bonds issued by the corporation would not bear the full faith and credit of the State. The Railroad is not authorized to issue State moral obligation bonds.

By Chapter 77, SLA 1994, the Railroad is authorized to issue revenue bonds in the principal amount of \$55.0 million for the construction and acquisition of the Alaska Discovery Center for the Ship Creek Project in Anchorage.

Chapter 71, SLA 2003 authorized the ARRC to issue up to \$17 billion in revenue bonds to finance the construction of a natural gas pipeline and related facilities, subject to an agreement with a third party to pay the debt service and other costs of the bonds. To date, no bonds have been issued.

Chapter 46, SLA 2004 authorized the ARRC to issue up to \$500 million in revenue bonds, subject to an agreement with a third party to pay the debt service, and other related bond costs, to finance the cost of extending its rail line to Fort Greely, Alaska. To date, no bonds have been issued.

ALASKA MUNICIPAL BOND BANK
AUTHORITY

2005 ANNUAL REPORT



LETTER FROM THE GOVERNOR



The Office of
Governor Frank H. Murkowski

December 2005

Dear Alaskans:

It seems that too often, whether through over-regulation or bureaucratic inefficiency, government hinders rather than helps construction of sound economic development or public works projects.

I am proud to present the Alaska Municipal Bond Bank Authority as a great example of government getting it right. The job of the authority is to help municipalities. This report shows that in fiscal year 2005 the authority issued \$123.0 million in bonds and provided direct savings of \$16.7 million to Alaska municipalities.

Local governments sell their bonds to the authority to achieve lower costs and take advantage of the Bond Bank's high credit ratings. Because bonds issued by the authority are backed by the moral obligation of the state, they have higher credit ratings than bonds issued by most Alaska municipalities.

In fiscal year 2005, bonds sold by the authority financed school construction in Kodiak, Petersburg, Sitka, and Ketchikan; harbor improvements in Adak; a hospital in Juneau; street improvements in North Pole; and a new ice rink in Palmer. It also financed roof repairs for Anchorage's Performing Arts Center and refinanced outstanding bonds for savings to Haines, Palmer, Ketchikan, Fairbanks, Cordova, Sitka, Unalaska, and the Northwest Arctic Borough.

My administration has made a concerted effort to maintain the state's credit ratings over the past three years. The payoff for fiscal discipline, curtailing the use of debt, and laying the groundwork for a long-term fiscal plan has been a return to stable credit ratings. In the case of the Bond Bank, this has resulted in a credit upgrade to A1 from Moody's Investors Service in fiscal year 2005. It is gratifying to see these efforts converted to real and measurable savings for Alaskans throughout their municipal governments.

Our job is not finished. Economic and resource development through improved infrastructure and efficient government continue as a main focus of my administration.

The benefits of the effort come in greater opportunities for Alaskans to find the careers needed to raise families and enjoy the great bounty of the Last Frontier.

Sincerely yours,

A handwritten signature in black ink that reads "Frank H. Murkowski".

Frank H. Murkowski
Governor

LETTER FROM THE CHAIRPERSON

To all Alaskans:

The year 2005 marked the 30th 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 \$800 million 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, resulting in lower interest rates.

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 \$26.9 million, those remittances now exceed, by over \$8.3 million, the \$18.6 million appropriated by the State of Alaska to the Bond Bank between the years 1976 and 1986.

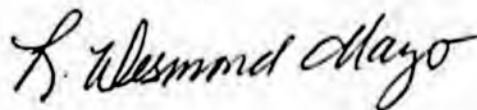
Fiscal year 2005 saw a continuation of the trend of increased use of the Bond Bank. Six series of bonds were issued for \$123 million for fourteen Alaskan communities. Bond Bank participation in these transactions is estimated to have saved over \$16.7 million.

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 2005 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 BOND BANK *An Idea That Works*

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 Commerce, Community & Economic Development (or their assigned representatives).

The Board of Directors operates in accordance with the Bond Bank Act (AS 44.85), its published regulations (15 AAC 44) 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 \$75 million in any fiscal year unless the Alaska Legislature approves a greater amount. The Bond Bank is further restricted to a limit of \$500 million of bonds or notes outstanding. As of June 30, 2005, obligations totaled \$409.4 million, allowing for additional bond issuances of approximately \$90.6 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 statutory earnings from its investment accounts exceeded expenses by \$402,427 during the fiscal year ending June 30, 2005. Such excess funds are payable to the State of Alaska. The Bond Bank is transferring \$250,000 of non statutory investment earnings to the State of Alaska in fiscal year 2006. Since 1977 the Bond Bank has returned excess earnings to the State for a cumulative total of \$26.9 million, exceeding by over \$8.3 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

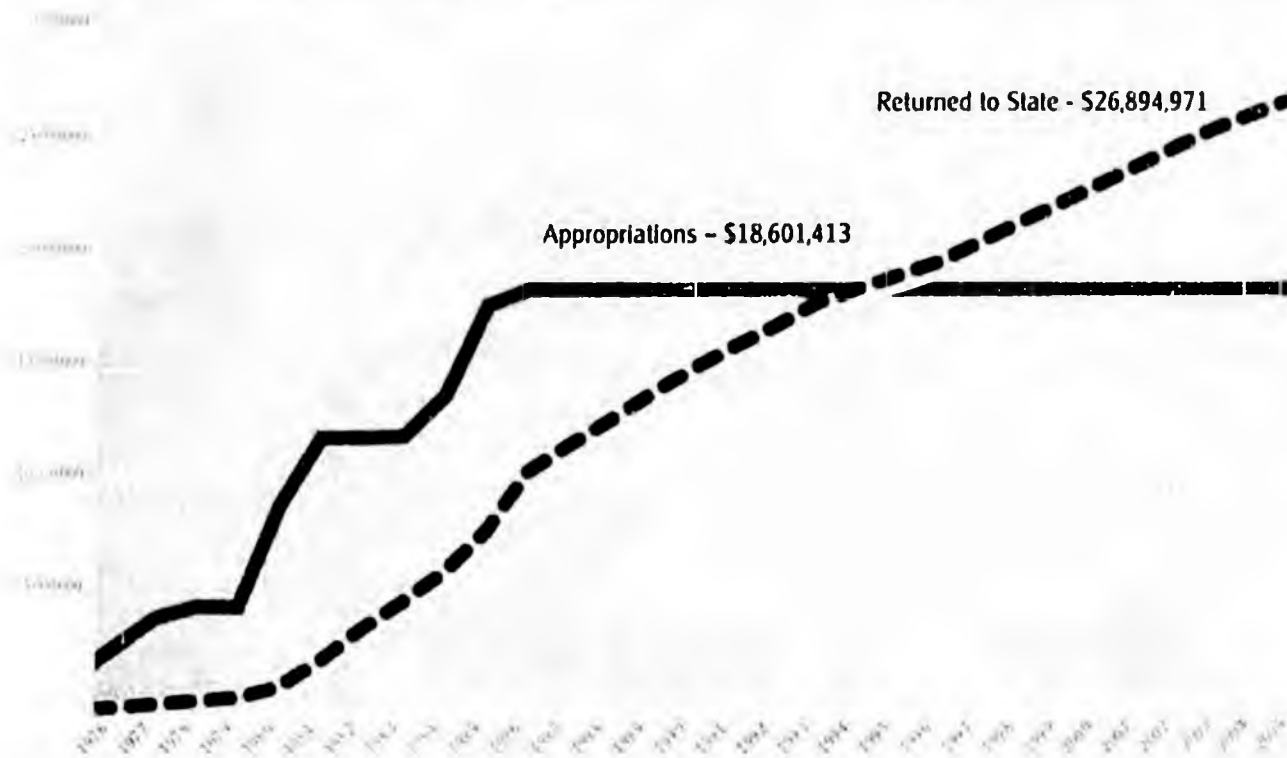
communities may have low bond ratings or, although credit worthy, have not issued bonds or notes, or have little outstanding debt, and lack investor familiarity.

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



THE BOND BANK *An Idea That Works*

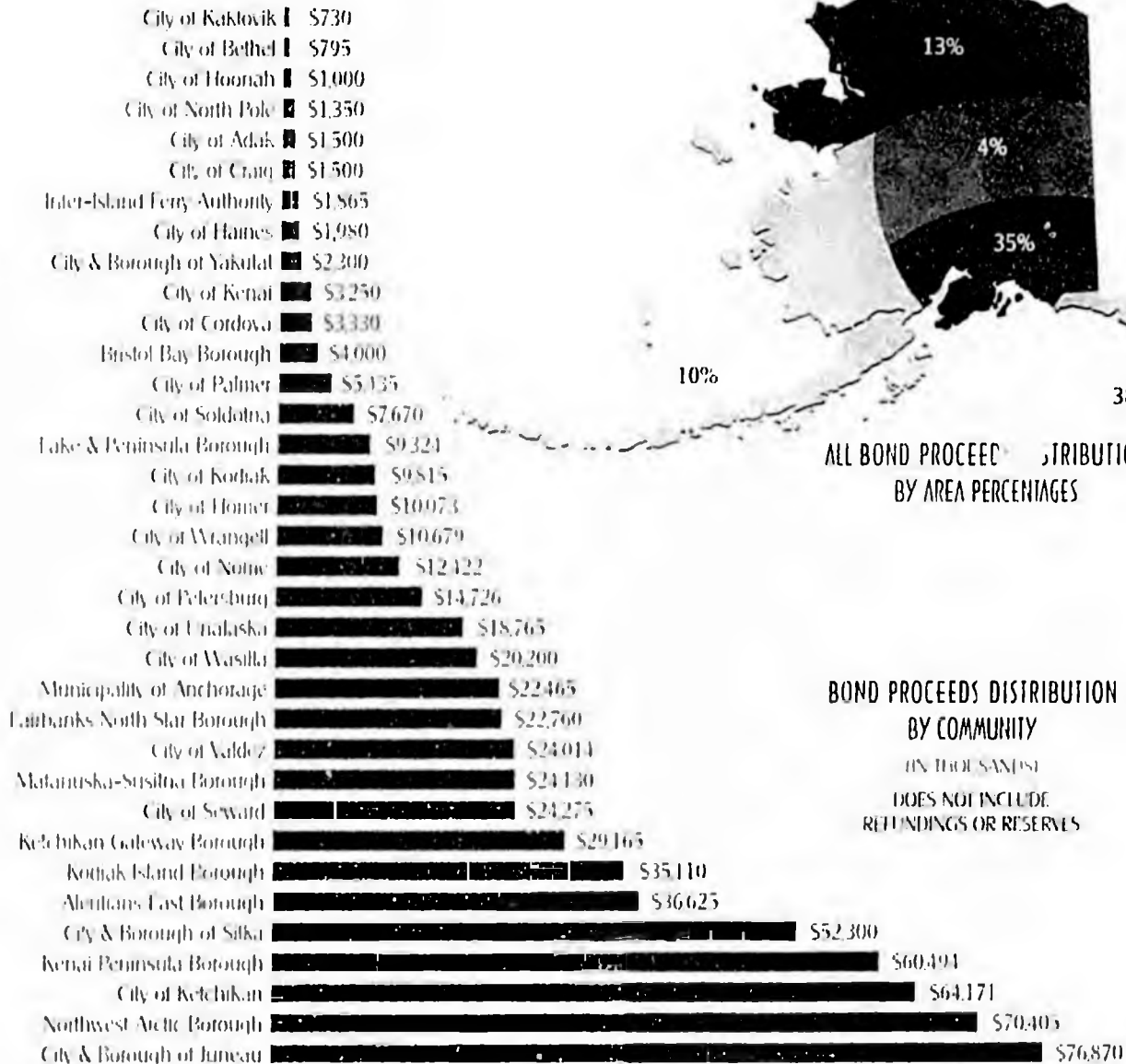
HELPING ALASKAN COMMUNITIES

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 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 2005 BONDS ISSUED

\$14,575,000

GENERAL OBLIGATION BONDS 2004 SERIES C
City of Palmer - Ice Rink
City of Petersburg - Elementary, Middle and High School Renovations
Standard & Poor's AAA; Moody's Aaa; FSA Insurance
Competitive Sale - CityGroup Global Markets
20 year: True Interest Cost 4.373%

\$28,845,000

REVENUE BONDS 2004 SERIES A
City & Borough of Juneau - Hospital
Standard & Poor's AAA; Fitch AAA; MBIA Issued
Negotiated sale - RBC Dam Rauscher
30 year: True Interest Cost 4.962%

\$5,365,000

REVENUE BONDS 2004 SERIES B
Municipality of Anchorage - Performing Arts Center
Standard & Poor AAA; Fitch AAA; MBIA Insured
Competitive Sale - Wachovia Securitles
30 year: True Interest Cost 4.732%

\$13,925,000

GENERAL OBLIGATION BONDS 2004 SERIES D
Kodiak Island Borough - High School and New Pool
City of Adak - Small Boat Harbor
Standard & Poor's AAA; Moody's Aaa; XL Capital Insured
Competitive Sale - Wells Fargo Brokerage
20 year: True Interest Cost 4.176%

\$22,654,000

GENERAL OBLIGATION BONDS 2005 SERIES A
City of Ketchikan, City of Fairbanks, City of Cordova, City of Unalaska, City and Borough of Sitka, Northwest Arctic Borough - Refunding
Standard & Poor's AAA; Moody's Aaa; FGIC Insured
18 years: True Interest Cost 4.2035%

\$27,625,000

GENERAL OBLIGATION BONDS 2005 SERIES B
City of North Pole - Street Improvements
City and Borough of Sitka - Elementary, Middle & High School Improvements
Ketchikan Gateway Borough - Elementary and Middle School
Haines Borough and City of Palmer - Refunding
Standard and Poor's AAA; Moody's Aaa; MBIA
20 years: True Interest Costs 3.9385%

Issued amounts are inclusive of Reserve obligations

THE BOND BANK *An Idea That Works*

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

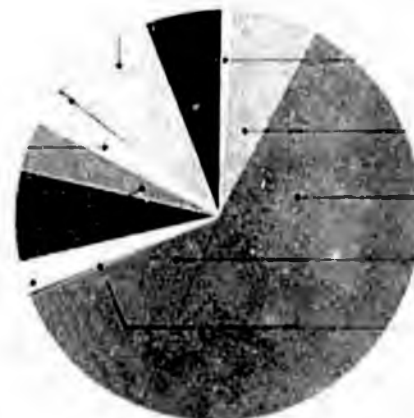
Revenue Bonds are used to finance revenue-producing capital improvements such as utility or port facilities. Because they are not secured by a municipality's taxing power, such bonds do not normally require municipal voter approval.

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 REFINANCING)

| | |
|--------------------------|--------------|
| Water & Sewer | \$4,158,119 |
| Utilities | \$5,761,392 |
| Transportation | \$1,865,000 |
| Roads | \$19,400,000 |
| Public Safety | \$27,040,000 |
| Port - Harbor Facilities | \$19,413,500 |
| Parking | \$17,100,000 |



| | |
|----------------|---------------|
| Airports | \$6,715,000 |
| Community | \$46,700,000 |
| Schools | \$112,220,000 |
| Hospital | \$5,594,500 |
| Municipalities | \$1,195,000 |

SUMMARY OF DEBT SERVICE

SCHEDULE OF TOTAL DEBT SERVICE BY CLASSIFICATION AT JUNE 30, 2005

| | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL</u> |
|--|--------------------|--------------------|--------------------|
| 1976 GENERAL BOND RESOLUTION FUND | | | |
| 1995 Series A | \$ 2,330,000 | 134,750 | 2,464,750 |
| 1995 Series C | 1,090,000 | 32,700 | 1,122,700 |
| 1995 Series D | 90,000 | 2,644 | 92,644 |
| 1996 Series A | 610,000 | 27,450 | 637,450 |
| 1996 Series B | 895,000 | 61,931 | 956,931 |
| 1997 Series A | 385,000 | 29,390 | 414,390 |
| 1997 Series B | 1,435,000 | 103,320 | 1,538,320 |
| 1998 Series A | 6,500,000 | 2,289,201 | 8,789,201 |
| 1998 Series B | 1,830,000 | 225,268 | 2,055,268 |
| 1999 Series A | 10,045,000 | 3,803,634 | 13,848,634 |
| 2000 Series A | 2,830,000 | 406,175 | 3,236,175 |
| 2000 Series B | 2,960,000 | 623,775 | 3,583,775 |
| 2000 Series C | 6,360,000 | 1,233,868 | 7,593,868 |
| 2000 Series D | 1,580,000 | 851,326 | 2,431,326 |
| 2000 Series E | 11,050,000 | 2,756,937 | 13,806,937 |
| 2000 Series F | 810,000 | 213,060 | 1,023,060 |
| 2001 Series A | 14,270,000 | 6,657,000 | 20,927,000 |
| 2001 Series B | 3,480,000 | 1,583,934 | 5,063,934 |
| 2002 Series A | 12,470,000 | 2,433,975 | 14,903,975 |
| 2002 Series B | 11,055,000 | 5,053,623 | 16,108,623 |
| 2003 Series A | 8,745,000 | 4,020,297 | 12,765,297 |
| 2003 Series B | 2,035,000 | 79,200 | 2,114,200 |
| 2003 Series C | 6,800,000 | 1,051,538 | 7,851,538 |
| 2003 Series D | 13,965,000 | 6,913,223 | 20,878,223 |
| 2003 Series E | 31,125,000 | 24,888,937 | 56,013,937 |
| 2003 Series F | 1,690,000 | 122,087 | 1,812,087 |
| 2003 Series G | 22,825,000 | 12,069,287 | 34,894,287 |
| 2004 Series A | 19,190,000 | 5,926,097 | 25,116,097 |
| 2004 Series B | 16,690,000 | 6,234,875 | 22,924,875 |
| 2004 Series C | 14,575,000 | 7,140,192 | 21,715,192 |
| 2004 Series D | 13,925,000 | 6,649,633 | 20,574,633 |
| 2005 Series A | 32,655,000 | 16,177,276 | 48,832,276 |
| 2005 Series B | 27,625,000 | 12,633,697 | 40,258,697 |
| | <u>303,920,000</u> | <u>132,430,300</u> | <u>436,350,300</u> |

| | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL</u> |
|--|-----------------------|--------------------|--------------------|
| COASTAL ENERGY IMPACT PROGRAM REVENUE BONDS | | | |
| Coastal Energy Reserve Loan Fund | 11,005,878 | - | 11,005,878 |
| 1995A Revenue Bond Resolution | 2,265,000 | 759,293 | 3,024,293 |
| 1997A Revenue Bond Resolution | 12,935,000 | 5,756,352 | 19,691,352 |
| 1998A Revenue Bond Resolution | 6,170,000 | 1,196,700 | 7,366,700 |
| 1998B Revenue Bond Resolution | 1,105,000 | 113,222 | 1,218,222 |
| 1999A Revenue Bond Resolution | 1,660,000 | 809,324 | 2,469,324 |
| 2000A Revenue Bond Resolution | 445,000 | 24,030 | 469,030 |
| 2000B Revenue Bond Resolution | 2,725,000 | 1,386,249 | 4,111,249 |
| 2001A Revenue Bond Resolution | 1,550,000 | 566,344 | 2,116,344 |
| 2001B Revenue Bond Resolution | 2,285,000 | 885,611 | 3,170,611 |
| 2002A Revenue Bond Resolution | 5,380,000 | 1,193,975 | 6,573,975 |
| 2003A Revenue Bond Resolution | 2,935,000 | 92,337 | 3,027,337 |
| 2003B Revenue Bond Resolution | 19,000,000 | 998,215 | 20,000,000 |
| 2003C Revenue Bond Resolution | 820,000 | 55,175 | 875,175 |
| 2004A Revenue Bond Resolution | 28,845,000 | 27,554,705 | 56,399,705 |
| 2004B Revenue Bond Resolution | 5,365,000 | 4,714,045 | 10,079,045 |
| | <u>\$ 409,410,878</u> | <u>187,519,818</u> | <u>596,930,696</u> |

SUMMARY OF TOTAL DEBT SERVICE REQUIREMENTS BY FISCAL YEAR

| <u>FISCAL YEAR</u> | <u>PRINCIPAL</u> | <u>INTEREST</u> | <u>TOTAL</u> |
|--------------------|-----------------------|--------------------|--------------------|
| 2006 | 31,885,000 | 17,960,479 | 49,845,479 |
| 2007 | 25,240,000 | 16,598,854 | 41,838,854 |
| 2008 | 22,530,000 | 15,696,521 | 38,226,521 |
| 2009 | 21,785,000 | 14,826,328 | 36,611,328 |
| 2010 | 21,905,000 | 13,947,354 | 35,852,354 |
| 2011-2015 | 106,140,000 | 55,656,371 | 162,096,371 |
| 2016-2020 | 93,730,878 | 33,431,444 | 127,162,322 |
| 2021-2025 | 59,645,000 | 13,399,601 | 73,044,601 |
| 2026 and after | 26,250,000 | 6,002,866 | 32,252,866 |
| | <u>\$ 409,410,878</u> | <u>187,519,818</u> | <u>596,930,696</u> |

THE BOND BANK *An Idea That Works*

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, 2007

Mr. Mayo was appointed on September 15, 1999 and reappointed on July 29, 2003. Mr. Mayo is the Chief Financial Officer of the Matanuska Telephone Association. Prior to his current employment, Mr. Mayo has served as Chief Financial Officer for the Matanuska-Susitna Borough and more recently Municipal Light and Power, an enterprise of the Municipality of Anchorage. He has also served in the capacity of Corporate Controller for Alyeska Pipeline Service Company. Mr. Mayo graduated from the University of Alaska and has attended graduate classes at Alaska Pacific University. Mr. Mayo served as Governor Knowles' appointee to the Alaska State Pension Investment Board and served on Governor Murkowski's Mat-Su Finance Policy Transition Team. Mr. Mayo has also served on the boards of Northwest Public Power Association, Matanuska Electric Association, Alaska Rural Electric Cooperative Association, the United Way of Matanuska-Susitna Borough and Habitat for Humanity Mat-Su.

MARK PFEFFER

Vice Chairman

Term expires July 15, 2009

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.

TOM BOUTIN
Member

Mr. Boutin is the first delegate for William A. Corbus, Commissioner of the Department of Revenue. Mr. Boutin spent his first 22 years in New Hampshire, logging and working for dairies. He then moved to Alaska, working as a logging engineer for Ketchikan Pulp Co. and as a timber faller, rigging slinger and equipment operator for various logging and road building firms. He bought and sold logs, lumber, veneer and plywood for North Pacific Lumber Company, and was chief Financial Officer and then President and Chief Financial Officer for Klukwan, Inc. an ANCSA corporation involved in forest products and money management. His government service experience consists of State Debt Manager for the Alaska Department of Revenue, Alaska State Forester, and currently, Deputy Commissioner for the Alaska Department of Revenue. Mr. Boutin has a Bachelor of Science from the University of New Hampshire, and an MBA in Finance from the University of Oregon. He has lived in Juneau for the past 20 years.

WILLIAM F. LARGE
Member

Term expires July 15, 2006

Mr. Large was appointed on May 2, 2005. Mr. Large is a member of the Alaska Bar and has practiced law in Alaska and nationwide for 10 years. His practice focuses primarily on complex commercial litigation, with emphases on national resources, oil & gas and corporate disputes. After graduating from law school in 1995, Mr. Large served as a law clerk for one year to the Hon. Andrew J. Kleinfeld, U.S. Court of Appeals for the 9th Circuit, before joining the predecessor to his current firm, Hosie McArthur LLP. Mr. Large has a Bachelor of Science degree from the Massachusetts Institute of Technology and a Law Degree from Harvard Law School.

JOFF WINEGAR
Member

Mr. Winegar is the first delegate for William Noll, Commissioner of the Department of Community and Economic Development. 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.

SUSAN TAYLOR, CPA

Deputy Treasurer, appointed August 9, 2005

Ms. Taylor is the State Comptroller for the Alaska Department of Revenue, Treasury Division. Ms. Taylor started her career as an auditor with the Legislative Audit Division; she has held various positions of increasing responsibility in Alaska state government. These included Senior Fiscal Analyst for the Legislative Finance Division, Budget Analyst for the Office of Management and Budget and positions with the Departments of Revenue and Health and Social Services. Ms. Taylor holds a Bachelor of Business Administrative-Accounting degree from the University of Alaska, Anchorage. 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 JOHNSON BRECHT CARFLEDGE & BROOKING

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

TRUSTEE/PAYING AGENT

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 payment, 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, 2005

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This financial report has two integral parts: this MD&A and the financial statements with the accompanying notes that follow. Together, they present the Alaska Municipal Bond Bank Authority's ("Bond Bank") financial performance during the fiscal year ended June 30, 2005. 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 fund 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 2005 the Bond Bank approved 10 municipalities' applications and purchased \$78.4 million in municipal bonds. The subsequent issuance of Bond Bank Bonds resulted in approximate savings of \$14.8 million to the borrowing communities. Additionally, the Bond Bank entered into amended loan agreements on 10 existing bond issues and purchased \$41 million in municipal bonds. The amended bond issues resulted in approximately \$1.9 million in savings to the borrowing communities. Total bond issuance for FY2005 was \$123.0 million, funding \$119.4 million in 20 loans to 16 communities and providing total savings of \$16.7 million. This activity level and community benefit is comparable to FY2004 when the Bond Bank issued \$109.5 million to fund fourteen communities' projects and provided savings of \$4.8 million to the borrowing communities.

The financial position of the Bond Bank remains strong. All reserves are fully funded and invested. Fiscal year 2005 investment earnings funded fiscal year 2005 operations and will provide for a \$402,427 transfer to the state's general fund in fiscal year 2006. This transfer will be in addition to the \$250,000 transfer provided in the state's fiscal year 2006 operating budget. The Bond Bank holds unrestricted reserves adequate to make up shortfalls in years that investment earnings are not sufficient to fund operations.

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

RESTRICTED AND UNRESTRICTED NET ASSETS

Net assets are comprised of two components. The restricted portion reflects monies maintained in separate trust accounts where their use is limited by applicable bond covenants for repayment of bonds. The unrestricted portion reflects the accumulated excess of the 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 assets summarized as of June 30, 2005 and 2004 as well as liabilities and net assets.

| | As of June 30 | | Change from 2004 to 2005 Increase (Decrease) | |
|--|-----------------------|-----------------------|---|--------------|
| | 2005 | 2004 | Dollars | Percent |
| ASSETS | | | | |
| Cash and investments | \$ 531,571,233 | \$ 30,396,591 | \$ 274,053,222 | 54% |
| Bonds and bond interest receivable | 408,074,781 | 341,830,489 | 66,234,292 | 19.4% |
| Total assets | <u>461,211,904</u> | <u>392,237,080</u> | <u>68,974,824</u> | <u>17.6%</u> |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 365,881,737 | 178,126 | 348,069,911 | 195.41% |
| Bonds and bond interest payable | 418,074,486 | 352,446,648 | 65,627,838 | 18.6% |
| Due to primary government | 402,427 | — | 402,427 | 1000% |
| Total liabilities | <u>422,157,700</u> | <u>352,624,774</u> | <u>69,510,956</u> | <u>19.7%</u> |
| NET ASSETS | | | | |
| Restricted | 268,357,600 | 219,935,799 | 28,441,801 | 11.0% |
| Unrestricted | 122,337,414 | 156,177,227 | (33,801,413) | (21.6%) |
| Total net assets | <u>\$ 390,695,014</u> | <u>\$ 396,113,026</u> | <u>\$ (5,418,012)</u> | <u>-1.4%</u> |

The increase in cash and investments reflects realized and unrealized investment income.

The increase in bonds and bond interest receivable, as well as in bonds and bond interest payable, reflects the issuance of approximately \$123 million in new bonds during the year net of principal payments on bonds previously issued of over \$54.7 million.

Communities monies received in advance of payment date are not applied to their debt liability until due. In FY2005 the increase was over \$3.4 million for the change in accounts payable and accrued liabilities.

Due to primary government represents the excess of realized investment income over current year operating expenses and reserve requirements. The increase reflects higher investment earnings on fixed income marketable securities resulting in current year realized investment income greater than current year operating expenses. There is excess investment income in the current year due to primary government.

Restricted net assets represents the original appropriations made by the State of \$18,601,414 to fund the Bond Bank, as well as Bond Bank funds placed into separate accounts in accordance with the reserve requirements of each bond indenture. There have been no new State appropriations since 1986. The increase in restricted net assets reflects a reclassification of one bond reserve fund as well as the funding of additional special reserves during the year from the Custodian account.

Unrestricted net assets represent accumulated earnings on Bond Bank investments, not used to fund reserves, and unrealized gains that are segregated until realized. The decrease in unrestricted net assets is due primarily to the funding of bond issue reserves. The Bond Bank's investments are all held in U.S. Government securities.

STATEMENTS OF ACTIVITIES

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

Revenues

Revenues 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.

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.

| | For the Year Ended | | Change from 2004 to 2005 Increase (Decrease) | |
|--|--------------------|---------------|---|---------|
| | June 30, 2005 | June 30, 2004 | Dollars | Percent |
| REVENUES | | | | |
| Interest on investments (including amortization) | \$ 15,749,064 | \$ 11,329,112 | \$ 4,419,952 | 40% |
| Interest on investments | 1,696,533 | 313,226 | 1,383,307 | 449% |
| Total revenues | 17,445,597 | 11,642,338 | 5,803,259 | 49% |
| EXPENSES | | | | |
| Operating expenses (including depreciation) | 16,201,377 | 11,935,151 | 4,266,226 | 36% |
| Operating expenses | 602,825 | 733,226 | (130,401) | -20% |
| Payments to primary government | 1,177,327 | 77,500 | 1,100,827 | 519% |
| Total expenses | 17,981,529 | 12,745,877 | 5,235,652 | 41% |
| Change in net assets | (535,932) | (1,103,539) | 1,199,210 | -69% |
| Net assets (beginning of period) | 29,612,306 | 31,387,648 | (1,775,342) | -6% |
| Net assets (end of period) | \$ 29,076,374 | \$ 30,284,109 | \$ (535,932) | -2% |

Interest income and expense on bonds receivable and payable are a function of the total amount of bonds outstanding, the age of the bonds and the interest rates at which they are issued. The increases in both these line items are consistent with the net increase in bond interest receivable and payable of \$8.5 million and \$8.6 million, respectively.

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

GOVERNMENTAL FUNDS

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

GENERAL FUND

| | As of June 30. | | Change from 2004 to 2005 Increase (Decrease) | |
|--|----------------|---------------|---|---------|
| | 2005 | 2004 | Dollars | Percent |
| ASSETS | | | | |
| Cash and investments | \$ 10,657,308 | \$ 11,085,271 | \$ (3,397,963) | -24.1% |
| Accrued interest receivable | 238,949 | 299,956 | (61,007) | -20.3% |
| Interfund receivable | 2,019,770 | 721,595 | 1,296,175 | 179.1% |
| Total assets | 12,916,027 | 15,108,822 | (2,162,795) | -14.3% |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 149,023 | 165,888 | (16,865) | -10.2% |
| Due to primary government | 402,427 | - | 402,427 | 100.0% |
| Total liabilities | 551,450 | 165,888 | 385,562 | 232.4% |
| FUND BALANCE | | | | |
| Unreserved | 12,364,577 | 14,942,934 | (2,578,357) | -17.1% |
| Total fund balance | 12,364,577 | 14,942,934 | (2,578,357) | -17.1% |
| Total assets less interfund payable | \$ 12,916,027 | \$ 15,108,822 | \$ (2,162,795) | -14.3% |

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

DEBT SERVICE FUND

| | As of June 30, | | Change from 2004 to 2005 Increase (Decrease) | |
|--|----------------|----------------|---|-----------|
| | 2005 | 2004 | Dollars | Percent |
| ASSETS | | | | |
| Cash and Investments and related receivables | \$ 43,638,791 | \$ 36,772,951 | \$ 6,865,840 | 18.7% |
| Bonds and bond interest receivable | 406,646,856 | 341,078,902 | 65,567,954 | 19.2% |
| Total assets | 450,285,647 | 377,851,853 | 72,433,794 | 19.2% |
| LIABILITIES | | | | |
| Accounts payable and accrued liabilities | 3,509,794 | 12,238 | 3,497,556 | 28,579.5% |
| Interfund payables | 2,019,770 | 723,595 | 1,296,175 | 179.1% |
| Total liabilities | 5,529,564 | 735,833 | 4,793,731 | 651.5% |
| FUND BALANCE: | | | | |
| Reserved | 444,756,083 | 377,116,020 | 67,640,063 | 17.9% |
| Total liabilities and fund balance | \$ 450,285,647 | \$ 377,851,853 | \$ 72,433,794 | 19.2% |

GENERAL FUND

| | As of June 30, | | Change from 2004 to 2005 Increase (Decrease) | |
|---|----------------|---------------|---|---------|
| | 2005 | 2004 | Dollars | Percent |
| REVENUES | | | | |
| Interest income | \$ 601,815 | \$ 256,257 | \$ 345,558 | 134.8% |
| Total income | 601,815 | 256,257 | 345,558 | 134.8% |
| EXPENDITURES | | | | |
| Operating expenses | 602,825 | 755,529 | (152,704) | -20.2% |
| Payments to primary government | 1,177,427 | 775,000 | 402,427 | 51.9% |
| Total expenses | 1,780,252 | 1,530,529 | 249,723 | 16.3% |
| Excess of revenues over expenditures | (1,178,437) | (1,274,272) | (95,835) | -7.5% |
| Other financing sources (used) - fund balance | (1,299,920) | (1,551,805) | (181,885) | -11.7% |
| Fund balance - beginning of period | 14,942,944 | 17,769,011 | (2,826,077) | -15.9% |
| Fund balance - end of period | \$ 12,994,577 | \$ 14,942,944 | \$ 1,258,357 | -17.1% |

DEBT SERVICE FUND

| | For the Year Ended | | Change from 2004 to 2005 Increase (Decrease) | |
|---|--------------------|----------------|---|---------|
| | June 30, 2005 | June 30, 2004 | Dollars | Percent |
| REVENUES | | | | |
| Interest income on bonds receivable | \$ 15,664,431 | \$ 11,329,112 | \$ 4,335,319 | 38.3% |
| Investment earnings | 1,179,351 | 57,969 | 1,121,382 | 1934.5% |
| Total income | 16,843,782 | 11,387,081 | 5,456,701 | 47.9% |
| EXPENDITURES | | | | |
| Interest payments | 15,218,639 | 12,576,973 | 2,641,666 | 21.0% |
| Principal payments | 58,345,000 | 34,975,000 | 23,370,000 | 66.8% |
| Total expenses | 73,563,639 | 47,551,973 | 26,011,666 | 54.7% |
| Excess of revenues over expenditures | (56,719,857) | (36,164,892) | 20,554,965 | 56.8% |
| Other financing sources - | | | | |
| Bond proceeds | 122,990,000 | 113,225,000 | 9,765,000 | 8.6% |
| Transfers | 1,369,920 | 1,551,805 | (181,885) | -11.7% |
| Excess of revenues and transfers over expenditures | 67,640,063 | 78,611,913 | (10,971,850) | -14.0% |
| Fund balance, beginning of period | 377,116,020 | 298,504,107 | 78,611,913 | 26.3% |
| Fund balance, end of period | \$ 444,756,083 | \$ 377,116,020 | \$ 67,640,063 | 17.9% |

DEBT

At year end the Bond Bank had \$398,123,878 of bonds and notes outstanding up 19% from \$333,513,378 at June 30, 2004. The debt is secured by the assets of the Bond Bank. The outstanding balance is comprised of the following:

| | |
|----------------------------------|-----------------------|
| General obligation bonds payable | \$ 294,157,500 |
| Revenue bonds payable | 9,296,000 |
| Coastal Energy notes payable | 11,005,878 |
| | <u>\$ 398,123,378</u> |

ALASKA MUNICIPAL BOND BANK AUTHORITY

INDEPENDENT AUDITORS' REPORT

ELGEE REHFELD MERTZ, LLC

The Board of Directors
Alaska Municipal Bond Bank Authority:

We have audited the accompanying basic financial statements of the Alaska Municipal Bond Bank Authority (the Authority), a component unit of the State of Alaska, as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the management of the Authority. 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 Alaska Municipal Bond Bank Authority as of June 30, 2005, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 14 through 19, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it. The Supplemental Schedule of Statutory Reserve Accounts - Assets, Liabilities and Account Reserves is presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

ERM

September 23, 2005

STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2005

| | General Fund | Debt Service Fund | Total | Adjustments (Note 6) | Statement of Net Assets |
|---|----------------------|--------------------|--------------------|----------------------|-------------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 212,461 | 5,324,110 | 5,536,571 | - | 5,536,571 |
| Investments, at fair value (note 4) | 9,614,847 | 37,985,705 | 47,600,552 | - | 47,600,552 |
| Accrued interest receivable: | | | | | |
| Bonds receivable | 15,469 | 8,523,478 | 8,538,947 | - | 8,538,947 |
| Investment securities | 223,480 | 328,976 | 552,456 | - | 552,456 |
| Bonds receivable (note 5) | 860,000 | 398,123,378 | 398,983,378 | - | 398,983,378 |
| Intrafund receivables | 2019,770 | - | 2,019,770 | (2,019,770) | - |
| Total assets | <u>\$ 12,946,027</u> | <u>450,285,647</u> | <u>463,231,674</u> | <u>(2,019,770)</u> | <u>461,211,904</u> |
| LIABILITIES | | | | | |
| Accounts payable | \$ 12,277 | - | 12,277 | - | 12,277 |
| Deferred revenue | - | 3,509,794 | 3,509,794 | - | 3,509,794 |
| Accrued interest payable | - | - | - | 8,663,608 | 8,663,608 |
| Arbitrage interest rebate payable | 136,746 | - | 136,746 | - | 136,746 |
| Due to Primary Government | 402,427 | - | 402,427 | - | 402,427 |
| Intrafund payables | - | 2,019,770 | 2,019,770 | (2,019,770) | - |
| Long-term liabilities (notes 5 and 6) | | | | | |
| Portion due or payable within one year: | | | | | |
| General obligation bonds payable | - | - | - | 21,695,000 | 21,695,000 |
| Revenue bonds payable | - | - | - | 4,790,000 | 4,790,000 |
| Other long-term debt | - | - | - | 5,400,000 | 5,400,000 |
| Portion due or payable after one year: | | | | | |
| General obligation bonds payable | - | - | - | 282,225,000 | 282,225,000 |
| Revenue bonds payable | - | - | - | 89,695,000 | 89,695,000 |
| Other long-term debt | - | - | - | 5,605,578 | 5,605,578 |
| Total liabilities | <u>551,450</u> | <u>552,954</u> | <u>1,104,404</u> | <u>416,054,716</u> | <u>422,135,730</u> |
| FUND BALANCES/NET ASSETS | | | | | |
| Fund Balances: | | | | | |
| Reserved | - | 444,756,083 | 444,756,083 | (444,756,083) | - |
| Unreserved | 12,394,577 | - | 12,394,577 | (12,394,577) | - |
| Total fund balances | <u>12,394,577</u> | <u>444,756,083</u> | <u>457,150,660</u> | <u>(457,150,660)</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ 12,946,027</u> | <u>450,285,647</u> | <u>463,231,674</u> | | |
| Net Assets: | | | | | |
| Restricted for debt service | | | | 26,838,760 | 26,838,760 |
| Unrestricted | | | | 12,237,414 | 12,237,414 |
| Total net assets | | | | <u>\$ 39,076,174</u> | <u>39,076,174</u> |

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES/NET ASSETS

For the year ended June 30, 2005

| | General Fund | Debt Service Fund | Total | Adjustments (Note 6) | Statement of Net Assets |
|---|----------------------|----------------------|---------------------|-------------------------|----------------------------|
| REVENUES: | | | | | |
| Investment earnings | \$ 517,182 | 1,179,351 | 1,696,533 | - | 1,696,533 |
| Interest income on bonds receivable | 84,633 | 15,644,431 | 15,749,064 | - | 15,749,064 |
| Total revenues | <u>601,815</u> | <u>16,843,782</u> | <u>17,445,597</u> | <u>-</u> | <u>17,445,597</u> |
| EXPENDITURES / EXPENSES | | | | | |
| Debt service | | | | | |
| Principal payments | - | 58,345,000 | 58,345,000 | (58,345,000) | - |
| Interest payments / expense | - | 15,218,639 | 15,218,639 | 982,838 | 16,201,477 |
| Payments to primary government | 1,177,427 | - | 1,177,427 | - | 1,177,427 |
| Professional services | 491,031 | - | 491,031 | - | 491,031 |
| Arbitrage interest | - | - | - | - | - |
| Personal services | 71,400 | - | 71,400 | - | 71,400 |
| Printing and advertising | 26,685 | - | 26,685 | - | 26,685 |
| Administrative travel | 9,970 | - | 9,970 | - | 9,970 |
| Office expense | 3,155 | - | 3,155 | - | 3,155 |
| Miscellaneous expenses | 584 | - | 584 | - | 584 |
| Total expenditures / expenses | <u>1,780,252</u> | <u>73,573,639</u> | <u>75,343,891</u> | <u>(57,362,162)</u> | <u>17,981,729</u> |
| Excess (deficiency) of revenues over expenditures / expenses | <u>(1,178,437)</u> | <u>(56,719,857)</u> | <u>(57,898,294)</u> | <u>57,362,162</u> | <u>(5,536,132)</u> |
| OTHER FINANCING SOURCE USES | | | | | |
| Proceeds of bonds payable | - | 122,900,000 | 122,900,000 | (122,900,000) | - |
| Transfers to/from Custodial Fund | (2,844,181) | 2,844,181 | - | - | - |
| Transfers - internal activities | 1,474,261 | (1,474,261) | - | - | - |
| Total other financing source use | <u>(1,369,920)</u> | <u>124,369,920</u> | <u>122,900,000</u> | <u>(122,900,000)</u> | <u>-</u> |
| Excess (deficiency) of revenues and transfers in over expenditures, expenses, and transfers out | <u>(2,548,357)</u> | <u>67,640,063</u> | <u>65,091,706</u> | <u>(65,627,838)</u> | <u>(5,536,132)</u> |
| FUND BALANCES / NET ASSETS | | | | | |
| Beginning of the year | 14,942,934 | 377,116,020 | 392,058,954 | (352,446,648) | 39,612,306 |
| End of the year | <u>\$ 12,394,577</u> | <u>447,756,083</u> | <u>460,150,660</u> | <u>(418,074,456)</u> | <u>39,076,174</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 moneys available to municipalities within the State to finance capital projects or for other authorized purposes by means of issuance of bonds by the Authority and use of proceeds from such bonds to purchase from the municipalities their general obligation and revenue bonds. The Authority commenced operations in August 1975.

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

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

AS 44.85.180(c) was enacted in 1975, limiting Bond Bank bonds outstanding at any time to \$150 million. This Statute has been periodically amended to raise the limit. In 2003, the limit was raised to \$500 million. Total Bond Bank bonds and notes outstanding as of June 30, 2005 are approximately \$409.4 million. Thus, the limit on additional bond issuance as of June 30, 2005 is approximately \$90.6 million.

NOTE 2 ► SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The statement of net assets and the statement of 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.

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.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

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

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

On August 23, 1999, the Authority amended the debt service reserve requirement for the 1976 bond resolution that takes effect when all bonds outstanding as of the date of the resolution are retired. Under this new requirement, the reserve must be the least of: (i) 10% of the original stated principal amount of all bonds outstanding; (ii) the maximum annual principal and interest requirements on all bonds then outstanding; (iii) 125% of the average principal and interest requirements on all bonds then outstanding; or (iv) such lesser amount as shall be required to maintain the exemption of interest of all bonds outstanding from inclusion in gross income for federal income tax purposes under the Internal Revenue Code.

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.

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.

Summary of Significant Accounting Policies, continued

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.

2002 A 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.

2003 A 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.

2003 B 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.

2003 C 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.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

2004 A 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.

2004 B 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 non-legislature-appropriated funds are transferred to the Operating Account. Income on non-legislature-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.

(C) RESTRICTED ASSETS

Certain resources set aside for the repayment of the Authority's bonds, net of certain proceeds from additional bonds issued, are classified as restricted net assets on the statement of net assets because they are maintained in separate trust accounts and their use is limited by applicable bond covenants. Cash and cash equivalents and investments include \$26,838,760 of restricted assets. These assets were funded from the issuance of \$9,762,500 of reserve bonds and a transfer of \$18,601,414 of State appropriation.

(D) LONG-TERM OBLIGATIONS

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

(E) FUND EQUITY

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

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. At June 30, 2005, the amounts recorded in the Authority's books equaled its bank balances.

NOTE 4 ► INVESTMENTS

The fair value as of June 30, 2005 of the Authority's investments is \$47,600,552. At June 30, 2005 the investments held in the reserve accounts total \$37,985,705 and the Custodian account totals \$9,614,847.

The fair value as of June 30, 2005 of debt security investments by contractual maturity is shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

| | Investment Maturities (In Years) | | | | Total |
|-------------------------------------|----------------------------------|------------|---------|--------------|------------|
| | Less than 1 | 1-5 | 6-10 | More than 10 | |
| U.S. Treasury securities | \$ 2,686,175 | 12,010,891 | - | 485,000 | 15,182,066 |
| U.S. Government agencies securities | 14,184,819 | 16,150,860 | 504,845 | 1,577,962 | 32,418,486 |
| Total investments | \$ 16,870,994 | 28,161,751 | 504,845 | 2,062,962 | 47,600,552 |

(A) INVESTMENT POLICIES

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

- Custodian Account** - The Custodian Account investment portfolio is designed with the objective of attaining the highest market rate of return subject to the required use of the Custodian Account for operation, funding transfers to the state, and funding reserves. When the Custodian Account balance allows, a longer investment horizon is implemented for the Custodian Account, accepting the limited probability of short-term loss in exchange for higher yield on investments. The Custodian Account balance must exceed \$15 million, and be forecast to exceed \$15 million for the subsequent six month period before return on investment will be the highest priority of the Custodian Account. The Custodian Account has to maintain sufficient liquidity to meet operating requirements, provide the prior fiscal year's state dividend, and to allow transfers to reserves as needed for bond issuance activity. Long-term preservation of principal is the third objective of the Custodian Account's investment program. Investments shall be undertaken in a manner that minimizes the probability of long-term loss.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Investment Policies, continued

- ▶ The Custodian Account balance is a critical component in determining anticipated life, ability to diversify, and investment policy in this account. Accordingly, when the account balance is above \$15 million a more aggressive policy will be implemented. When the account balance is below \$15 million a more conservative policy will be used.
- ▶ Shifting from one asset allocation to another may be approved by the investment committee.
- ▶ There are no arbitrage restrictions.
- ▶ When the Custodian Account balance is less than \$15 million:
 - 100% government agencies and U.S. Treasuries with maturities of less than 5 years.
 - Performance benchmark is 100% Merrill Lynch 1-5 Government Index.
- ▶ When the Custodian Account balance exceeds and is expected to remain in excess of \$15 million:
 - 10% Money Market Fund.
 - 90% Broad US Bond Market Fund.
 - Performance benchmark is 10% Three-month U.S. Treasury Bill and 90% Lehman Brothers Aggregate Index.
- ▶ The following transactions are prohibited with the Custodian Account unless those transactions have the prior written consent of the Investment Committee:
 - Short sale of securities (the sale and settlement of a security not currently owned by the Authority and a formal agreement to borrow the security to facilitate the settlement of the short sale);
 - Purchases of futures, forwards or options for the purpose of speculating (currency futures, forwards and options are permitted only for hedging or to facilitate otherwise permissible transactions);
 - Borrowing to leverage the return on investments. Extended settlement of securities purchases executed to facilitate or improve the efficiency of a transaction will not be considered borrowing, provided that sufficient cash equivalent securities or receivables are available to facilitate the extended settlement;
 - Purchases of "private placement" or unrated corporate bonds;
- Bond Reserve Funds — Preservation of Principal is the foremost objective of the Reserve Funds investment program. These Funds shall be managed to ensure that the corpus is preserved. These Funds will not be expended until the final maturity of the bond issue they secure, unless there is a failure to pay debt service by a community. As there is limited benefit in maximizing return it is the least important objective of

the Reserve Funds. It is anticipated that the Reserve Funds cumulative average return should target the blended arbitrage yield limit of the bond issues secured.

- Bond Resolutions limit allowed investment of these funds. Investment risk should be examined on an annual basis to ensure that no greater than the minimum level of risk required to achieve the highest probability of earning the arbitrage yield limit on the bonds is incurred.
 - 100% government agencies and U.S. Treasuries with maturities of less than 5 years.
 - Performance benchmark is 100% Merrill Lynch 1-5 Government Index.
- Municipal Debt Payments — Preservation of Principal and liquidity are the foremost objectives of the Municipal Debt Payments investment program, as these funds will be expended within seven business days of receipt. Return on investment is a benefit of holding these funds for the advance payment period, but not the focus of investing the funds. The bond resolutions limit investments.
- 100% Money Market Fund.
 - Performance benchmark is 10% Three-month U.S. Treasury Bill.

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

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

(B) CONCENTRATION RISK

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

(C) CREDIT RISK

Credit risk is the risk of loss due to the failure of the security or backer. The Authority mitigates its credit risk by limiting investments permitted in the investment policies. The credit quality ratings of the Authority's investments are AAA and Aaa as of June 30, 2005 as described by nationally recognized statistical rating organization Standard and Poor, and Moody's, respectively.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

U.S. Treasury securities and securities of agencies that are explicitly guaranteed by the U.S. government total \$47,600,552, and are not considered to have credit risk.

(D) CUSTODIAL CREDIT RISK

The Authority assumes levels of custodial credit risk for its deposits with financial institutions, bank investment agreements, and investments. For deposits, custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be returned. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Authority has not established a formal custodial credit risk policy for its investments.

The Authority had no investments registered in the name of a counterparty.

(E) INTEREST RATE RISK

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

(F) MODIFIED DURATION

Modified duration estimates the sensitivity of an investment to interest rate changes. The following table shows the Authority's investments with their weighted average modified duration as of June 30, 2005 by investment type:

| | Investment Fair Value | Modified Duration |
|-------------------------------------|--------------------------|----------------------|
| U.S. Treasury securities | \$ 15,182,066 | 308 |
| U.S. Government agencies securities | 32,418,486 | 385 |
| Total Portfolio | <u>\$ 47,600,552</u> | <u>360</u> |

The Authority's investment policies require the duration of the Custodian Account must remain within 80 to 120 percent of the duration of the Lehman Brothers Aggregate Index.

NOTE 5 ► BOND AND NOTES RECEIVABLE

Bonds and notes receivable by debt service program at June 30, 2003 mature in varying annual installments as follows:

| Year ending June 30 | 1976 General | 1995A Seward Revenue | 1997A Ketchikan Revenue | 1998B Ketchikan Revenue | 1998B Homer Revenue | 1999A Inter-Island Ferry Revenue |
|---------------------|--------------------|----------------------|-------------------------|-------------------------|---------------------|----------------------------------|
| 2006 | \$ 19820500 | 170000 | 690000 | 660000 | 235000 | 75000 |
| 2007 | 18025000 | 180000 | 725000 | 685000 | 250000 | 80000 |
| 2008 | 17000000 | 195000 | 760000 | 715000 | 255000 | 85000 |
| 2009 | 16905000 | 205000 | 800000 | 755000 | 180000 | 85000 |
| 2010 | 17115000 | 215000 | 840000 | 785000 | 185000 | 90000 |
| 2011-2015 | 78788000 | 1300000 | 4930000 | 2570000 | - | 535000 |
| 2016-2020 | 71589000 | - | 3665000 | - | - | 710000 |
| 2021-2025 | 46035000 | - | - | - | - | - |
| 2026-2030 | 8800000 | - | - | - | - | - |
| 2031 and after | - | - | - | - | - | - |
| | <u>\$294157500</u> | <u>2265000</u> | <u>12410000</u> | <u>6170000</u> | <u>1105000</u> | <u>1660000</u> |

| Year ending June 30 | 2000A Unalaska Revenue | 2000B Seward Revenue | 2001A Ketchikan Revenue | 2001B Ketchikan Revenue | 2002A Ketchikan Revenue | 2003A CBI Revenue |
|---------------------|------------------------|----------------------|-------------------------|-------------------------|-------------------------|-------------------|
| 2006 | \$ 445000 | 105000 | 50000 | 115000 | 460000 | 1435000 |
| 2007 | - | 110000 | 85000 | 120000 | 475000 | 1490000 |
| 2008 | - | 115000 | 90000 | 130000 | 490000 | - |
| 2009 | - | 120000 | 90000 | 135000 | 505000 | - |
| 2010 | - | 125000 | 95000 | 140000 | 520000 | - |
| 2011-2015 | - | 745000 | 555000 | 825000 | 2930000 | - |
| 2016-2020 | - | 950000 | 555000 | 820000 | - | - |
| 2021-2025 | - | 455000 | - | - | - | - |
| 2026-2030 | - | - | - | - | - | - |
| 2031 and after | - | - | - | - | - | - |
| | <u>\$ 445000</u> | <u>2725000</u> | <u>1550000</u> | <u>2285000</u> | <u>5380000</u> | <u>2935000</u> |

| Year ending June 30 | 2003B Valdez Revenue | 2003C Kodiak Revenue | 2004A CBI Revenue | 2004B Anchorage Revenue | Coastal Energy Loan | Total Principal |
|---------------------|----------------------|----------------------|-------------------|-------------------------|---------------------|------------------|
| 2006 | - | 200000 | - | 110000 | 5400000 | 60010000 |
| 2007 | 655000 | 200000 | 500000 | 95000 | 300000 | 21055000 |
| 2008 | 675000 | 205000 | 515000 | 100000 | 300000 | 21720000 |
| 2009 | 680000 | 215000 | 535000 | 100000 | 300000 | 21710000 |
| 2010 | 680000 | - | 555000 | 105000 | 350000 | 21905000 |
| 2011-2015 | 5095000 | - | 3120000 | 600000 | 2250000 | 104150000 |
| 2016-2020 | 6600000 | - | 3875000 | 700000 | 1705878 | 61190878 |
| 2021-2025 | 4695000 | - | 4995000 | 905000 | - | 57085000 |
| 2026-2030 | - | - | 6460000 | 1145000 | - | 16485000 |
| 2031 and after | - | - | 8290000 | 1475000 | - | 9765000 |
| | <u>\$ 19000000</u> | <u>820000</u> | <u>28845000</u> | <u>365000</u> | <u>11905878</u> | <u>298120178</u> |

NOTES TO FINANCIAL STATEMENTS, CONTINUED

The general fund includes \$150,000 of 7.9% bonds receivable due from the City of Haines that mature through 2009, and \$710,000 of 6.9% bonds receivable due from the City of Yakutat that mature through 2014.

Under the Coastal Energy Loan Program (Program), the Authority issued \$5,000,000 1986 Series A Coastal Energy Bonds (Bonds) payable to the National Oceanic and Atmospheric Administration (NOAA). The proceeds of these bonds were used to purchase port revenue bonds from the City of Nome. The City of Nome entered into a tripartite agreement with NOAA and the Authority effective August 2, 1994 to defer payment of the principal and accrual of interest for ten years. 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.

NOTE 6 ► LONG TERM LIABILITIES

| ISSUE | Debt Service Account | | Statutory Reserve Account Ordinary Reserve Sub-Account | |
|----------------------------------|----------------------|-----------------------|--|-----------------------|
| | Interest Rate | Principal Outstanding | Interest Rate | Principal Outstanding |
| 1986 Series A (City of Haines) | 7.9% | \$150,000 | 6.9% | \$710,000 |
| 1986 Series A (City of Nome) | 7.9% | 5,000,000 | — | — |
| 1987 Series A (City of St. Paul) | 7.9% | 6,563,000 | — | — |
| 1988 Series A (City of Haines) | 7.9% | — | — | — |
| 1988 Series A (City of Nome) | 7.9% | — | — | — |
| 1988 Series A (City of St. Paul) | 7.9% | — | — | — |
| 1989 Series A (City of Haines) | 7.9% | — | — | — |
| 1989 Series A (City of Nome) | 7.9% | — | — | — |
| 1989 Series A (City of St. Paul) | 7.9% | — | — | — |
| 1990 Series A (City of Haines) | 7.9% | — | — | — |
| 1990 Series A (City of Nome) | 7.9% | — | — | — |
| 1990 Series A (City of St. Paul) | 7.9% | — | — | — |
| 1991 Series A (City of Haines) | 7.9% | — | — | — |
| 1991 Series A (City of Nome) | 7.9% | — | — | — |
| 1991 Series A (City of St. Paul) | 7.9% | — | — | — |
| 1992 Series A (City of Haines) | 7.9% | — | — | — |
| 1992 Series A (City of Nome) | 7.9% | — | — | — |
| 1992 Series A (City of St. Paul) | 7.9% | — | — | — |
| 1993 Series A (City of Haines) | 7.9% | — | — | — |
| 1993 Series A (City of Nome) | 7.9% | — | — | — |
| 1993 Series A (City of St. Paul) | 7.9% | — | — | — |
| 1994 Series A (City of Haines) | 7.9% | — | — | — |
| 1994 Series A (City of Nome) | 7.9% | — | — | — |
| 1994 Series A (City of St. Paul) | 7.9% | — | — | — |
| 1995 Series A (City of Haines) | 7.9% | — | — | — |
| 1995 Series A (City of Nome) | 7.9% | — | — | — |
| 1995 Series A (City of St. Paul) | 7.9% | — | — | — |
| 1996 Series A (City of Haines) | 7.9% | — | — | — |
| 1996 Series A (City of Nome) | 7.9% | — | — | — |
| 1996 Series A (City of St. Paul) | 7.9% | — | — | — |
| 1997 Series A (City of Haines) | 7.9% | — | — | — |
| 1997 Series A (City of Nome) | 7.9% | — | — | — |
| 1997 Series A (City of St. Paul) | 7.9% | — | — | — |
| 1998 Series A (City of Haines) | 7.9% | — | — | — |
| 1998 Series A (City of Nome) | 7.9% | — | — | — |
| 1998 Series A (City of St. Paul) | 7.9% | — | — | — |
| 1999 Series A (City of Haines) | 7.9% | — | — | — |
| 1999 Series A (City of Nome) | 7.9% | — | — | — |
| 1999 Series A (City of St. Paul) | 7.9% | — | — | — |
| 2000 Series A (City of Haines) | 7.9% | — | — | — |
| 2000 Series A (City of Nome) | 7.9% | — | — | — |
| 2000 Series A (City of St. Paul) | 7.9% | — | — | — |
| 2001 Series A (City of Haines) | 7.9% | — | — | — |
| 2001 Series A (City of Nome) | 7.9% | — | — | — |
| 2001 Series A (City of St. Paul) | 7.9% | — | — | — |
| 2002 Series A (City of Haines) | 7.9% | — | — | — |
| 2002 Series A (City of Nome) | 7.9% | — | — | — |
| 2002 Series A (City of St. Paul) | 7.9% | — | — | — |
| 2003 Series A (City of Haines) | 7.9% | — | — | — |
| 2003 Series A (City of Nome) | 7.9% | — | — | — |
| 2003 Series A (City of St. Paul) | 7.9% | — | — | — |
| 2004 Series A (City of Haines) | 7.9% | — | — | — |
| 2004 Series A (City of Nome) | 7.9% | — | — | — |
| 2004 Series A (City of St. Paul) | 7.9% | — | — | — |
| 2005 Series A (City of Haines) | 7.9% | — | — | — |
| 2005 Series A (City of Nome) | 7.9% | — | — | — |
| 2005 Series A (City of St. Paul) | 7.9% | — | — | — |
| 2006 Series A (City of Haines) | 7.9% | — | — | — |
| 2006 Series A (City of Nome) | 7.9% | — | — | — |
| 2006 Series A (City of St. Paul) | 7.9% | — | — | — |
| 2007 Series A (City of Haines) | 7.9% | — | — | — |
| 2007 Series A (City of Nome) | 7.9% | — | — | — |
| 2007 Series A (City of St. Paul) | 7.9% | — | — | — |
| 2008 Series A (City of Haines) | 7.9% | — | — | — |
| 2008 Series A (City of Nome) | 7.9% | — | — | — |
| 2008 Series A (City of St. Paul) | 7.9% | — | — | — |
| 2009 Series A (City of Haines) | 7.9% | — | — | — |
| 2009 Series A (City of Nome) | 7.9% | — | — | — |
| 2009 Series A (City of St. Paul) | 7.9% | — | — | — |
| 2010 Series A (City of Haines) | 7.9% | — | — | — |
| 2010 Series A (City of Nome) | 7.9% | — | — | — |
| 2010 Series A (City of St. Paul) | 7.9% | — | — | — |
| 2011 Series A (City of Haines) | 7.9% | — | — | — |
| 2011 Series A (City of Nome) | 7.9% | — | — | — |
| 2011 Series A (City of St. Paul) | 7.9% | — | — | — |
| 2012 Series A (City of Haines) | 7.9% | — | — | — |
| 2012 Series A (City of Nome) | 7.9% | — | — | — |
| 2012 Series A (City of St. Paul) | 7.9% | — | — | — |
| 2013 Series A (City of Haines) | 7.9% | — | — | — |
| 2013 Series A (City of Nome) | 7.9% | — | — | — |
| 2013 Series A (City of St. Paul) | 7.9% | — | — | — |
| 2014 Series A (City of Haines) | 7.9% | — | — | — |
| 2014 Series A (City of Nome) | 7.9% | — | — | — |
| 2014 Series A (City of St. Paul) | 7.9% | — | — | — |



Long-Term Liabilities, continued

| ISSUE | Debt Service Account | | Statutory Reserve Account Ordinary Reserve Sub-Account | |
|---|----------------------|-----------------------|--|-----------------------|
| | Interest Rate | Principal Outstanding | Interest Rate | Principal Outstanding |
| 2000 Series A City of Fairbanks City of Cordova | 5.5%-5.875% | 2,830,000 | - | - |
| 2000 Series B City of Kotlovik City of Sitka City of Unalaska | 4.8%-6% | 2,960,000 | - | - |
| 2000 Series C - Northwest Arctic Borough | 4.5%-5.75% | 6,360,000 | - | - |
| 2000 Series D - Peleliung | 4.5%-5.70% | 1,580,000 | - | - |
| 2000 Series E Kotai Kodiak Island Borough Lake and Peninsula Wrangell Nana School | 4.75%-5.375% | 10,577,000 | 5%-5.375% | 474,000 |
| 2000 Series F - Kodiak Island Borough | 6.9%-9% | 810,000 | - | - |
| 2001 Series A - Northwest Arctic Borough | 4.4%-7% | 13,850,000 | 4.4%-5% | 420,000 |
| 2001 Series B - Aleutians East Borough | 3.875%-4.75% | 4,195,000 | 3.875%-4.75% | 285,000 |
| 2002 Series A - City of Wrangell | 2.5%-4.5% | 11,715,000 | 2.5%-4.5% | 755,000 |
| 2002 Series B City of Wrangell Northwest Arctic Borough | 3.875%-4.80% | 10,530,000 | 3.875%-4.80% | 525,000 |
| 2003 Series A - Kodiak-Karek Gateway Borough | 3.70%-4.80% | 8,440,000 | 4.80% | 305,000 |
| 2003 Series B - Kodiak Island Borough | 2.00%-4.75% | 2,045,000 | - | - |
| 2003 Series C Ketchikan Borough Lake & Peninsula Borough | 2.00%-4.625% | 6,700,000 | 2.00%-4.625% | 210,000 |
| 2003 Series D | 4.00%-6.00% | 13,000,000 | 4.00%-6.00% | 305,000 |
| 2003 Series E Aleutians East Borough Ketchikan Borough | 2.00%-5.25% | 31,125,000 | - | - |
| 2003 Series F - Sitka | 2.00%-5% | 1,600,000 | - | - |
| 2003 Series G - NW Arctic Borough | 2.00%-5.00% | 22,825,000 | - | - |
| 2004 A Series Fairbanks Sitka | 1.00%-4.46% | 25,300,000 | 3.00%-4.40% | 500,000 |
| 2004 B Series Nana Adak Ekwok Cordova Seward | 2.00%-4.00% | 16,435,500 | 2.00%-4.00% | 314,500 |
| 2004 C Series Kodiak Island Borough Ekwok Ekwok Borough | 4.00%-6.00% | 14,507,000 | 5.00% | 265,000 |
| 2004 D Series Vilas Kodiak Island Borough | 2.00%-5.00% | 12,500,000 | 3.00% | 135,000 |
| 2005 A Series Cordova Ekwok Kodiak-Karek Gateway Borough Northwest Arctic Borough Sitka Ekwok | 2.75%-5.00% | 4,180,000 | 2.75%-5.00% | 145,000 |

NOTES TO FINANCIAL STATEMENTS, CONTINUED

| ISSUE | Debt Service Account | | Statutory Reserve Account: Ordinary Reserve Sub-Account | |
|--|----------------------|-----------------------|---|-----------------------|
| | Interest Rate | Principal Outstanding | Interest Rate | Principal Outstanding |
| 2005 B Series: | | 27,160,000 | 5.00% | 465,000 |
| Haines | 4.00%-5.00% | | | |
| Ketchikan Gateway Borough | 3.00%-5.25% | | | |
| City of North Pole | 3.00%-5.25% | | | |
| Palmer | 3.00%-5.00% | | | |
| Sitka | 3.00%-5.25% | | | |
| Total 1976 General Bond Resolution Fund | | <u>29,415,750</u> | | <u>465,000</u> |
| 1995A Seward Revenue Bond Resolution Program | 4.875%-7.35% | 2,265,000 | - | - |
| 1997A Ketchikan Revenue Bond Resolution Program | 4.0%-5.75% | 1,241,000 | 4.0%-5.75% | 1,525,000 |
| 1998A Ketchikan Revenue Bond Resolution Program | 4%-4.75% | 6,170,000 | - | - |
| 1998B Haines Revenue Bond Resolution Program | 4%-4.5% | 1,105,000 | - | - |
| 1999A Inter-Island Ferry Revenue Bond Resolution Program | 5.125%-5.9% | 1,660,000 | - | - |
| 2000A Kodiak Revenue Bond Resolution Program | 4.0%-5.75% | 445,000 | - | - |
| 2000B Seward Revenue Bond Resolution Program | 4.35%-5.5% | 2,725,000 | - | - |
| 2001A Ketchikan Revenue Bond Resolution Program | 4.5%-4.9% | 1,350,000 | - | - |
| 2001B Ketchikan Revenue Bond Resolution Program | 4.5%-4.9% | 2,255,000 | - | - |
| 2002A Ketchikan Revenue Bond Public Utility | 4.0%-5.00% | 3,480,000 | - | - |
| 2002A CBI Revenue Bond Resolution Program | 2.00%-3.00% | 2,935,000 | - | - |
| 2003C City of Adak Bond Resolution Program | 2.75%-5.25% | 2,000,000 | - | - |
| 2003C City of Kodiak Bond Resolution Program | 2.00%-3.00% | 8,200,000 | - | - |
| 2004A City and Borough of Homer Bond Resolution Program | 6.25%-8.475% | 2,845,000 | - | - |
| 2004B Sitka Revenue Bond Resolution Program | 4.00%-4.75% | 5,365,000 | - | - |
| Total Revenue Funds | | <u>27,900,000</u> | | <u>1,525,000</u> |
| Coastal Energy Revenue Loan Account: | | | | |
| City of North Pole Energy Revenue Bond | 4.00% | 5,000,000 | - | - |
| City of Seward Energy Revenue Bond | 4.00% | 6,058,788 | - | - |
| Total Coastal Energy Revenue Bond Account | | <u>11,058,788</u> | | <u>-</u> |
| | | <u>\$ 39,374,538</u> | | <u>\$ 1,525,000</u> |

During the year ended June 30, 2005 the Authority's long-term liabilities changed as follows:

| | Beginning of year | New debt | Repayments | End of year |
|----------------------------------|----------------------|--------------------|--------------------|----------------------|
| General obligation bonds payable | \$ 26,782,500 | 88,780,000 | 52,685,000 | 62,877,500 |
| Revenue bonds payable | 6,905,000 | 31,210,000 | 56,300,000 | 21,815,000 |
| Other long-term debt | 11,058,788 | - | 30,000 | 11,028,788 |
| Total | <u>\$ 44,746,288</u> | <u>122,990,000</u> | <u>109,015,000</u> | <u>\$ 65,721,788</u> |

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

The above bonds mature in varying annual installments. The maturities at June 30, 2005 are as follows:

| Year ending June 30 | - 1976- General | Reserve | 1995A Seward Revenue | 1997A Ketchikan Revenue | General Reserve | 1998A Ketchikan Revenue | 1998B Home Revenue |
|---------------------|-----------------------|------------------|----------------------------|-------------------------------|--------------------|-------------------------------|--------------------------|
| 2006 | \$ 19,820,500 | 1,874,500 | 170,000 | 690,000 | - | 660,000 | 235,000 |
| 2007 | 18,025,000 | 1,155,000 | 180,000 | 725,000 | - | 685,000 | 250,000 |
| 2008 | 17,000,000 | 800,000 | 195,000 | 760,000 | - | 715,000 | 255,000 |
| 2009 | 16,905,000 | 75,000 | 205,000 | 800,000 | - | 755,000 | 180,000 |
| 2010 | 17,115,000 | 5,000 | 215,000 | 840,000 | - | 785,000 | 185,000 |
| 2011-2015 | 78,788,000 | 2,287,000 | 1,300,000 | 4,930,000 | - | 2,570,000 | - |
| 2016-2020 | 71,589,000 | 1,006,000 | - | 3,665,000 | 1,525,000 | - | - |
| 2021-2025 | 46,035,000 | 2,560,000 | - | - | - | - | - |
| 2026-2030 | 8,880,000 | - | - | - | - | - | - |
| 2031 and after | - | - | - | - | - | - | - |
| | <u>\$ 294,157,500</u> | <u>9,762,500</u> | <u>2,265,000</u> | <u>12,410,000</u> | <u>1,525,000</u> | <u>6,170,000</u> | <u>1,105,000</u> |

| Year ending June 30 | 1999A Inter-Island Ferry Revenue | 2000A Unalaska Revenue | 2000B Seward Revenue | 2001A Ketchikan Revenue | 2002B Ketchikan Revenue | 2002A Ketchikan Revenue | 2003A CBI Revenue |
|---------------------|--|------------------------------|----------------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------|
| 2006 | 75,000 | 445,000 | 105,000 | 80,000 | 115,000 | 460,000 | 1,445,000 |
| 2007 | 80,000 | - | 110,000 | 85,000 | 120,000 | 475,000 | 1,490,000 |
| 2008 | 85,000 | - | 115,000 | 90,000 | 130,000 | 490,000 | - |
| 2009 | 85,000 | - | 120,000 | 90,000 | 135,000 | 505,000 | - |
| 2010 | 90,000 | - | 125,000 | 95,000 | 140,000 | 520,000 | - |
| 2011-2015 | 535,000 | - | 745,000 | 555,000 | 825,000 | 2,930,000 | - |
| 2016-2020 | 710,000 | - | 950,000 | 555,000 | 820,000 | - | - |
| 2021-2026 | - | - | 455,000 | - | - | - | - |
| 2026-2029 | - | - | - | - | - | - | - |
| 2031 and after | - | - | - | - | - | - | - |
| | <u>\$ 1,600,000</u> | <u>445,000</u> | <u>2,725,000</u> | <u>1,550,000</u> | <u>2,285,000</u> | <u>5,480,000</u> | <u>29,750,000</u> |

| Year ending June 30 | 2003B Valdez Revenue | 2003C Kodiak Revenue | 2004A CBI Revenue | 2004B Anchorage Revenue | Coastal Energy Loan | Total Principal | Total Interest |
|---------------------|----------------------------|----------------------------|-------------------------|-------------------------------|---------------------------|--------------------|--------------------|
| 2006 | - | 200,000 | - | 110,000 | 5,400,000 | 31,885,000 | 17,960,479 |
| 2007 | 6,750,000 | 200,000 | 500,000 | 95,000 | 400,000 | 25,230,000 | 16,598,854 |
| 2008 | 6,750,000 | 205,000 | 515,000 | 100,000 | 400,000 | 22,520,000 | 15,696,521 |
| 2009 | 6,800,000 | 215,000 | 535,000 | 100,000 | 400,000 | 21,785,000 | 14,826,328 |
| 2010 | 6,800,000 | - | 555,000 | 105,000 | 450,000 | 21,905,000 | 14,947,354 |
| 2011-2015 | 5,005,000 | - | 1,120,000 | 600,000 | 2,250,000 | 106,440,000 | 55,636,374 |
| 2016-2020 | 6,600,000 | - | 1,575,000 | 730,000 | 1,705,878 | 93,730,878 | 34,431,444 |
| 2021-2025 | 4,005,000 | - | 1,995,000 | 905,000 | - | 59,645,000 | 13,499,601 |
| 2026-2030 | - | - | 6,460,000 | 1,145,000 | - | 16,488,000 | 4,526,244 |
| 2031 and after | - | - | 8,200,000 | 1,475,000 | - | 9,265,000 | 1,476,625 |
| | <u>\$ 49,000,000</u> | <u>8,200,000</u> | <u>28,845,000</u> | <u>5,365,000</u> | <u>11,005,878</u> | <u>309,419,878</u> | <u>187,519,818</u> |

NOTES TO FINANCIAL STATEMENTS, CONTINUED

NOTE 7 ► ADJUSTMENTS

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

NOTE 8 ► COMMITMENTS

In fiscal year 2006, \$250,000 in earnings from the Custodian Account will be transferred to the State of Alaska and deposited in the State's Debt Service Fund. The entire Custodian Account balance is available for appropriation, at any time, by the State Legislature.

NOTE 9 ► SUBSEQUENT EVENT

Subsequent to June 30, 2005, the Bond Bank issued two general obligation bond series to follow:

General Obligation Bonds, 2005 Series C, in the face amount of \$32,060,000 with interest rates ranging from 4.0% to 5.00% over maturities of October 1, 2006 through October 1, 2025.

General Obligation Bonds, 2005 Series One, in the face amount of \$18,450,000, sold in October 2005. Interest rates ranging from 3.00% to 5.25% over maturities of June 1, 2006 through June 2025.

In September 2005, \$250,000 in earnings from the Custodian Account was transferred to the State of Alaska and deposited in the State's Debt Retirement Fund.

City of Nome and St. Paul have entered in negotiations, with NOAA, for the restructuring and possible forgiveness for their respective Coastal Energy loans. 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. Loan payments due in August 2005 have not been made.



THE BOND BANK

An Idea That Works



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

For the year ended June 30, 2005

| | 1976 General "Ordinary" | 1976 Special | 1990A Yakutat | 1995A Seward | 1997A Ketchikan |
|---|----------------------------|-------------------|------------------|-----------------|--------------------|
| ASSETS | | | | | |
| Cash | \$ 1,209,148 | 194,219 | - | 2,685 | 20,531 |
| Accrued interest receivable | 32,714 | 207,221 | - | 5,106 | 14,200 |
| Marketable securities | 8,495,264 | 20,149,168 | - | 297,083 | 1,508,623 |
| Interaccount receivables | 1,027,439 | 408,407 | - | - | - |
| | <u>10,764,565</u> | <u>20,959,015</u> | <u>-</u> | <u>304,874</u> | <u>1,543,354</u> |
| LIABILITIES | | | | | |
| Interaccount payables | 847,180 | 2,416,167 | - | 4,517 | 95,265 |
| Bond payable | 976,250 | - | - | - | 1,525,000 |
| Accrued interest payable | 133,299 | - | - | - | 6,831 |
| | <u>10,742,979</u> | <u>2,416,167</u> | <u>-</u> | <u>4,517</u> | <u>1,627,096</u> |
| RESERVES | | | | | |
| Special Reserve - State Appropriated | - | 15,663,302 | - | 299,550 | - |
| Special Reserve - Unappropriated | - | 2,944,602 | - | - | - |
| Special Reserve - Unrealized Gain (Loss) | - | (65,056) | - | 807 | - |
| Ordinary Reserve - Unallocated | 121,570 | - | - | - | (74,765) |
| Ordinary Reserve - Unrealized Gain (Loss) | (99,984) | - | - | - | (8,977) |
| | <u>21,586</u> | <u>18,542,848</u> | <u>-</u> | <u>300,357</u> | <u>(83,742)</u> |
| | <u>\$10,764,565</u> | <u>20,959,015</u> | <u>-</u> | <u>304,874</u> | <u>1,543,354</u> |

| | 1998A Ketchikan | 1998B Homer | 1999A In er-Island | 2000A Unalaska | 2000B Seward |
|---|---------------------|----------------|-----------------------|-------------------|-----------------|
| ASSETS | | | | | |
| Cash | \$ 57,203 | 10,283 | 22,707 | 22,288 | 27,839 |
| Accrued interest receivable | 30,338 | 5,710 | 458 | 688 | 688 |
| Marketable securities | 1,271,657 | 24,2023 | 149,438 | 224,156 | 224,156 |
| Interaccount receivables | 4,512 | - | - | - | 2,893 |
| | <u>1,363,750</u> | <u>25,8016</u> | <u>172,603</u> | <u>247,132</u> | <u>255,576</u> |
| LIABILITIES | | | | | |
| Interaccount payables | 2,0083 | 5,727 | 6,394 | 9,523 | 2,933 |
| Bond payable | - | - | - | - | - |
| Accrued interest payable | - | - | - | - | - |
| | <u>2,0083</u> | <u>5,727</u> | <u>6,394</u> | <u>9,523</u> | <u>2,933</u> |
| RESERVES | | | | | |
| Special Reserve - State Appropriated | 1,341,299 | 251,396 | 169,804 | 243,000 | 248,518 |
| Special Reserve - Unappropriated | - | - | - | - | - |
| Special Reserve - Unrealized Gain (Loss) | 2,368 | 893 | (3,595) | (5,391) | 4,127 |
| Ordinary Reserve - Unallocated | - | - | - | - | - |
| Ordinary Reserve - Unrealized Gain (Loss) | - | - | - | - | - |
| | <u>1,343,667</u> | <u>252,289</u> | <u>166,209</u> | <u>237,609</u> | <u>252,645</u> |
| | <u>\$ 1,363,750</u> | <u>258,016</u> | <u>172,603</u> | <u>247,132</u> | <u>255,576</u> |

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

For the year ended June 30, 2005

| | 2001A Ketchikan | 2001B Ketchikan | 2002A Ketchikan | 2003A CBI | 2000B Valdez |
|---|--------------------|--------------------|--------------------|----------------|------------------|
| ASSETS | | | | | |
| Cash | \$ 32,174 | 33,764 | 36,300 | 22,872 | 16,288 |
| Accrued interest receivable | 352 | 611 | 805 | 1,594 | 20,256 |
| Marketable securities | 124,531 | 199,250 | 597,750 | 544,767 | 1,749,879 |
| Interaccount receivables | - | - | - | - | 9,407 |
| | <u>157,057</u> | <u>233,625</u> | <u>634,855</u> | <u>569,233</u> | <u>1,795,830</u> |
| LIABILITIES | | | | | |
| Interaccount payables | 5,407 | 8,547 | 24,231 | 6,691 | - |
| Bond payable | - | - | - | - | - |
| Accrued interest payable | - | - | - | - | - |
| | <u>5,407</u> | <u>8,547</u> | <u>24,231</u> | <u>6,691</u> | <u>-</u> |
| RESERVES | | | | | |
| Special Reserve - State Appropriated | 154,675 | 229,870 | - | - | - |
| Special Reserve - Unappropriated | - | - | 625,000 | 568,506 | 1,780,063 |
| Special Reserve - Unrealized Gain (Loss) | (2,995) | (4,792) | (14,376) | (5,958) | 15,767 |
| Ordinary Reserve - Unallocated | - | - | - | - | - |
| Ordinary Reserve - Unrealized Gain (Loss) | - | - | - | - | - |
| | <u>151,680</u> | <u>225,078</u> | <u>610,624</u> | <u>562,542</u> | <u>1,795,830</u> |
| \$ | <u>157,057</u> | <u>233,625</u> | <u>634,855</u> | <u>569,233</u> | <u>1,795,830</u> |

| | 2003C Kodiak | 2004A CBI | 2004B Anchorage | Total |
|---|-----------------|------------------|--------------------|-------------------|
| ASSETS | | | | |
| Cash | \$ 26,774 | 44,569 | 44,674 | 1,814,317 |
| Accrued interest receivable | 211 | 7,385 | 607 | 328,974 |
| Marketable securities | 740,339 | 1,836,124 | 297,787 | 37,955,705 |
| Interaccount receivables | 283 | - | - | 1,452,971 |
| | <u>101,306</u> | <u>1,878,078</u> | <u>343,068</u> | <u>41,581,967</u> |
| LIABILITIES | | | | |
| Interaccount payables | 56 | 16,349 | 3,673 | 3,472,741 |
| Bond payable | - | - | - | 11,287,500 |
| Accrued interest payable | - | - | - | 140,130 |
| | <u>56</u> | <u>16,349</u> | <u>3,673</u> | <u>14,900,371</u> |
| RESERVES | | | | |
| Special Reserve - State Appropriated | - | - | - | 18,601,414 |
| Special Reserve - Unappropriated | 101,500 | 1,875,750 | 311,931 | 8,237,346 |
| Special Reserve - Unrealized Gain (Loss) | (250) | (14,021) | (2,536) | (95,008) |
| Ordinary Reserve - Unallocated | - | - | - | 46,805 |
| Ordinary Reserve - Unrealized Gain (Loss) | - | - | - | (108,961) |
| | <u>101,250</u> | <u>1,861,729</u> | <u>309,395</u> | <u>26,681,596</u> |
| \$ | <u>101,306</u> | <u>1,878,078</u> | <u>343,068</u> | <u>41,581,967</u> |

SENATE COMMITTEE REPORT First Committee of Referral

DATE: 2/3/06

FURTHER: Finance

Date of 5-Day Notice: 2/9/06
(in accordance with Uniform Rule 23)

DATE TURNED
IN TO OFFICE: 2/22/06

Community and Regional Affairs Committee considered

SENATE BILL NO. 265

SB 265 BONDS OF BOND BANK AUTHORITY

"An Act increasing the total amount of bonds and notes that the Alaska Municipal Bond Bank Authority may have outstanding; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

CS Senate Bill:
 Same Title
 New Title

SCS House Bill:
 Same Title
 Technical Title Change
 New Title w/ SCR # _____

NEW FISCAL NOTE(S):

| Department | Date | Fiscal | Indet. | Zero | FN# |
|------------|------|--------|--------|------|-----|
| REV | 2/10 | ✓ | | | 1 |
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

PREVIOUS FISCAL NOTE(S):

| Department | Date | Fiscal | Indet. | Zero | FN# |
|------------|------|--------|--------|------|-----|
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APPROPRIATION - no fiscal note

| SIGNATURES AND RECOMMENDATIONS: | DO PASS | DO NOT PASS | NO REC | AMEND |
|---------------------------------|---------|-------------|--------|-------|
| <i>Thomas W. Wagoner</i> | ✓ | | | |
| <i>Bob Stedman</i> | ✓ | | | |
| <i>G. Skens</i> | — | | | |
| | | | | |
| | | | | |
| | | | | |
| CHAIR: | | | | |

Wagoner
Stedman
G. Skens