Annual Report
Maine Municipal Bond Bank

2009

Maine Municipal Bond Bank

Maine Municipal Bond Bank

Robert O. Lenna, *Executive Director*
Tel 207-622-9386
Fax 207-623-5359

December 4th, 2009

The Honorable John E. Baldacci
Governor of the State of Maine
State House Station #1
Augusta, ME 04333

Dear Governor Baldacci:

On behalf of the Commissioners and staff of the Maine Municipal Bond Bank, I am pleased to provide you with our 2009 year-end Annual Report.

The Maine Municipal Bond Bank was established by the legislature in 1972. Since its inception the Bond Bank has issued in excess of $3 billion for funding to meet the needs of Maine's municipalities. During its thirty-seven year history the Bond Bank has never experienced a default.

Within the 2009 fiscal year, the Bond Bank sold $159,915,000.00 under its General Bond Resolution Program. Those sales provided nineteen towns, one city, five school systems, and two utility districts with lower cost capital funding to meet their municipal needs.

Also in 2009, the Bank and the Department of Education have successfully committed $7,338,414.98 from the State Revolving Loan Fund for school renovation projects.

The Maine Clean Water Revolving Loan Fund and the Maine Drinking Water Revolving Fund provided loans totaling $48,624,995 to finance seventy-nine projects in fiscal year 2009.

We are proud of our accomplishments within fiscal year 2009 and look forward to continuing our commitment of providing a service that benefits the growing needs of the State of Maine.

Sincerely,

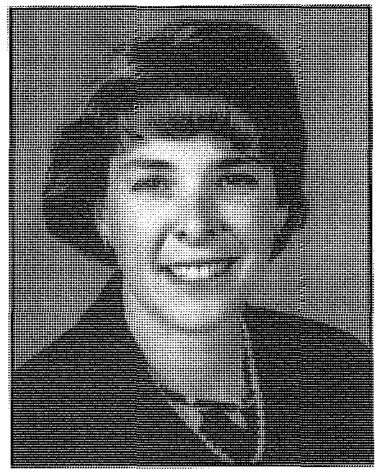
Stephen R. Crockett
Chairman

127 Community Drive • P.O. Box 2268 • Augusta, Maine • 04338-2268 • www.mmbb.com

MAINE MUNICIPAL BOND BANK

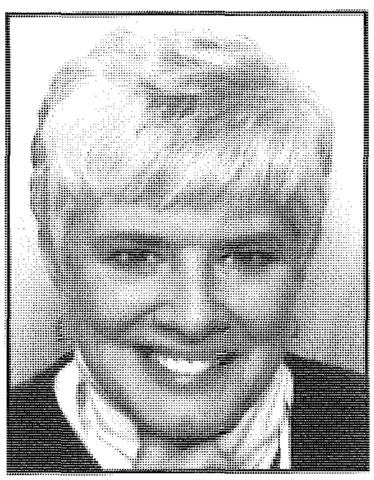
Commissioners 2009

Stephen R. Crockett
Chairman



Cathryn Robinson
Vice Chairman

Lloyd LaFountain III
Superintedent of the Bureau of Financial Institutions



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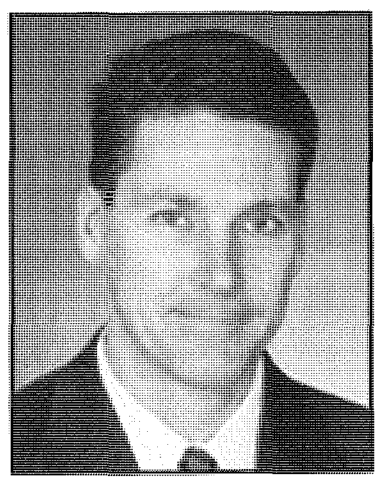

David Lemoine
Treasuer of State

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Maine Municipal Bond Bank

Basic Financial Statements and
Management's Discussion and Analysis
and Additional Information

Year Ended June 30, 2009
With Independent Auditors' Report

MAINE MUNICIPAL BOND BANK

BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND ADDITIONAL INFORMATION

For the Year Ended June 30, 2009

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Maine Municipal Bond Bank

We have audited the accompanying financial statements which include the General Operating Account, General Tax-Exempt Fund Group, Grant Anticipation Fund Group, Transportation Infrastructure Fund Group, Special Obligation Taxable Fund Group, Waste Water and Drinking Water Revolving Loan Fund Groups and Operating Fund Group and the School Facilities Fund Group, which collectively comprise the basic financial statements of Maine Municipal Bond Bank, which is an instrumentality of the State of Maine and is required by Governmental Accounting Standards Board Statements No. 14 and 39 to be shown as a component unit of the State of Maine for accounting purposes only, as of and for the year ended June 30, 2009, as listed in the accompanying table of contents. These financial statements are the responsibility of the Bond Bank's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Maine Municipal Bond Bank, as well as the individual fund groups referred to above, as of June 30, 2009, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2009 on our consideration of Maine Municipal Bond Bank's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 – 10 is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Commissioners
Maine Municipal Bond Bank

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Bond Bank's basic financial statements. The additional information included in Schedule 1 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information 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 a whole.

Baker Newman & Noyes

Limited Liability Company

Portland, Maine
September 10, 2009

MAINE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

As financial management of the Maine Municipal Bond Bank (the "Bond Bank"), we offer readers of these financial statements this narrative, overview and analysis of the financial activities of the Bond Bank for the fiscal year ended June 30, 2009. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities of the Bond Bank and to identify any significant changes in financial position. Readers should consider the information presented here only in conjunction with the basic financial statements as a whole.

Certain 2008 amounts included herein have been reclassified to facilitate comparison to the 2009 presentation format.

Financial Highlights

- Revenues for the Bond Bank's General Operating Account were \$1,582,135 for fiscal year 2009, an increase of \$221,385 or 16.3% over fiscal year 2008. This was primarily attributed to the bank receiving \$250,000 of initial issuance fees from the issuance of two bond series within the Transportation Fund Groups. The Bond Bank also collected various other fees and rental income that total approximately \$233,000, offset by a decrease in interest income from investments of approximately \$262,000.
- Net assets in the Bond Bank's General Operating Account increased \$833,903 in fiscal year 2009 primarily as a result of net transfers from the General Tax Exempt Fund Group to the General Operating Account of \$506,717. This total includes transfers mandated by the Bond Bank's annual operating budget totaling \$506,422. The remaining increase of \$327,186 is due to revenues exceeding expenses. At June 30, 2009, the Bond Bank's General Operating Account had net assets of \$25,622,001, an increase of 3.4% compared to the prior year.
- The Bond Bank implemented Governmental Accounting Standard Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in 2009. The statement establishes standards for measurement, recognition, and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities/(assets), and requires additional note disclosures in financial statements. The effects of applying this standard resulted in an additional operating expense and accrued liability within the General Operating Account of \$68,846 at June 30, 2009.
- The Bond Bank's gross principal amount of bonds outstanding at June 30, 2009 of \$1,234,930,271 represents a net increase of \$150,152,405 over the balance at June 30, 2008. This increase was the result of the General Tax Exempt Resolution issuing Series 2008C, 2009A and 2009B bonds; the Grant Anticipation Fund Group issuing Series 2008A bonds; the Transportation Infrastructure Fund Group issuing Series 2008A bonds; less the scheduled debt service principal payment of \$102,762,596.
- The Bond Bank committed loans to local governmental units during fiscal year 2009 totaling \$240,933,969, which was a 44.0% increase from the loans committed in fiscal year 2008. The Bond Bank also advanced \$100,000,000 to the State of Maine for qualified transportation projects within its Transportation Fund Groups. The Bond Bank also provided borrowers participating in the Drinking Water Revolving Loan Fund Program, the Waste Water Revolving Loan Fund Program, and the School Facilities Revolving Loan Fund Program \$22,452,479 in potential loan forgiveness in fiscal year 2009, which was a 248% increase from fiscal year 2008.

Overview of the Bond Bank

The Bond Bank was created in 1972 by an Act of the Maine Legislature, as a public body corporate and politic and is constituted as an instrumentality exercising public and essential governmental functions of the State. The Bond Bank was established to issue bonds for the purpose, among other things, of providing funds to enable it to lend money to counties, cities, towns, school administrative districts, community school districts or other quasi-municipal corporations (the "governmental units") within the State of Maine. The provision of funds is accomplished by the direct purchase from such governmental units of their bonds, notes or evidence of debt payable from taxes, charges for services or assessments.

For financial statement reporting purposes, the Bond Bank is considered a component unit of the State of Maine. However, the Bond Bank does not receive any State appropriations for its operations. The Bond Bank does receive grant monies from the State to fund the revolving loan funds for clean water, drinking water and school renovations. The Bond Bank also administers pass-through grants for the Maine Rural Water Association and the Maine Department of Economic and Community Development. The Bond Bank periodically receives allocations of the State's tax-exempt bond cap and is a member of the State's Tax Cap Allocation Committee.

The Bond Bank administers the Grant Anticipation Loan Fund under which the Bond Bank issues bonds or notes for the purpose of making advances to finance qualified transportation projects approved by the State of Maine Department of Transportation. These bonds or notes are repaid from future federal highway grant monies received by the State of Maine.

The Bond Bank administers the Transportation Infrastructure Fund Group under which the Bond Bank issues bonds or notes for the purpose of making advances to finance qualified transportation projects approved by the State of Maine Department of Transportation. These bonds or notes are repaid from a portion of allocated fees and taxes (i.e., title fees, registration fees, excise taxes, etc.) collected by the State of Maine.

The Bond Bank administers the Federal Clean Water Act and Drinking Water Act Revolving Loan Funds. Each of the Revolving Loan Funds periodically receives capitalization grants from the Environmental Protection Agency and matching funds from the State of Maine. Additionally, both of the revolving loan funds received *American Recovery and Reinvestment Act of 2009* (ARRA) grant awards in 2009 (see note 6 to the accompanying financial statements). The State of Maine Department of Environmental Protection approves low interest revolving loans to eligible borrowers, under the Clean Water Act Fund, that may be comprised of bond proceeds and federal and state equity monies or solely equity monies. The Drinking Water Revolving Loan Fund operates similar to the Clean Water Revolving Loan Fund whereby the Maine Department of Human Services (Office of Drinking Water) approves low interest revolving loans, under the Drinking Water Act, to eligible borrowers that may be comprised of bond proceeds and federal and state equity monies or solely equity monies. Under the base Drinking Water Revolving Loan Program, up to 30% of each federal capitalization grant may be provided to borrowers as loan forgiveness. Eligible borrowers typically receive up to a maximum of 75% loan forgiveness. The base Clean Water Revolving Loan Program does not provide any loan forgiveness at this time. Starting in fiscal 2009, both the Clean Water and the Drinking Water Revolving Funds received ARRA funding, 50% of which was required to be provided as subsidies including grants, loan forgiveness or negative interest rates. Each of the programs opted to meet the 50% subsidy requirement by providing up to a maximum of 100% loan forgiveness on ARRA funded loans.

The Bond Bank administers the School Facilities Revolving Loan Fund, which is capitalized by monies received from the State of Maine. The Department of Education approves qualified projects that are eligible for interest-free revolving loans, subject to the Bond Bank's approval, to school administrative units for renovation and maintenance of school facilities. Borrowers are eligible to receive a minimum of 20% and a maximum of 70% loan forgiveness.

As the result of the Bond Bank issuing tax-exempt debt, it is required to prepare arbitrage rebate calculations for each series of tax-exempt bonds outstanding and remit payment to the Internal Revenue Service every five years. The Bond Bank's policy is to prepare and review the calculations every six months for financial statement purposes and to annually fund rebate accounts for any rebate liability.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Bond Bank's financial statements, which is comprised of the basic financial statements and the notes to the financial statements. Since the Bond Bank operates under six separate resolutions, the financial statements reflect individual fund activity.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Bond Bank's finances, in a manner similar to a private-sector business.

The balance sheets present information on all of the Bond Bank's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Bond Bank is improving or deteriorating. Net assets increases when revenues exceed expenses. An increase to assets without a corresponding increase in liabilities results in increased net assets, which may indicate an improved financial position.

The statements of revenues, expenses and changes in net assets present information showing how the Bond Bank's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the Bond Bank, assets exceeded liabilities by $536,689,102 at June 30, 2009. This represents an increase of $54,615,681 (11.3%) over the previous fiscal year. Most of this increase is due to a net increase from interest on loans receivable from governmental units and an increase in grant revenue over the previous fiscal year. Restricted net assets were $473,396,076 compared to unrestricted net assets of $63,293,026. The largest portion of the Bond Bank's net assets is its investment in loans to governmental units and investments held by trustee included in the Sewer and Water and School Facilities Fund Groups (provided by grants).

The Bond Bank's financial position and operations for the past two years are summarized below based on information included in the financial statements.

MAINE MUNICIPAL BOND BANK
Balance Sheet
June 30, 2009 and 2008

	2009	2008	Percentage Change
Current assets:			
Cash	$ 248,246	$ 48,588	410.9%
Investments held by trustee	153,297,806	129,653,436	18.2
Board designated cash and investments	24,284,872	20,796,494	16.8
Loans receivable from governmental units	120,856,058	116,621,632	3.6
Advances to State of Maine	9,694,705	4,256,119	127.8
Accrued investment income receivable	1,159,787	1,330,491	(12.8)
Accrued interest and fees receivable on loans to governmental units and advances to the State of Maine	9,441,896	8,955,217	5.4
Undisbursed federal letter of credit payments	74,588,820	24,928,726	199.2
Refunding benefits rebated to governmental units, net of amortization	909,239	1,153,619	(21.2)
Due from other funds	4,010,423	3,001,037	33.6
Other assets	216,485	271,790	(20.3)
Total current assets	398,708,337	311,017,149	28.2
Noncurrent assets:			
Investments held by trustee	131,197,335	119,257,330	10.0
Loans receivable from governmental units	1,230,445,180	1,136,344,963	8.3
Advances to State of Maine	121,407,623	33,536,702	262.0
Land and building, net of depreciation	769,256	775,318	(0.8)
Refunding benefits rebated to governmental units, net of amortization	2,626,769	3,536,008	(25.7)
Total noncurrent assets	1,486,446,163	1,293,450,321	14.9
Total assets	$1,885,154,500	$1,604,467,470	17.5%

	2009	2008	Percentage Change
Current liabilities:			
Accounts payable and accrued liabilities	$ 550,954	$ 360,979	52.6%
Grants payable	–	50,646	(100.0)
Due to other funds	4,010,423	3,001,037	33.6
Accrued interest payable	10,132,536	8,394,299	20.7
Deferred revenue	24,208,614	1,606,909	1406.5
Pass-through grants payable	3,654,819	–	–
Undisbursed loans	61,646,254	19,664,088	213.5
Accrued interest rebate payable to U.S. Government	792,312	1,507,592	(47.4)
Due to State of Maine	1,253,573	–	–
Bonds payable	111,161,789	102,547,748	8.4
Total current liabilities	217,411,274	137,133,298	58.5
Noncurrent liabilities:			
Accrued interest rebate payable to U.S. Government	3,692,314	2,195,508	68.2
Bonds payable	1,127,361,810	983,065,243	14.7
Total noncurrent liabilities	1,131,054,124	985,260,751	14.8
Total liabilities	1,348,465,398	1,122,394,049	20.1
Net assets:			
Restricted	473,396,076	423,196,923	11.9
Unrestricted	63,293,026	58,876,498	7.5
Total net assets	536,689,102	482,073,421	11.3
Total liabilities and net assets	$1,885,154,500	$1,604,467,470	17.5%

Total short and long-term investments held by trustee at June 30, 2009 increased $35,584,375 or 14.3% from June 30, 2008. The increase was the net result of an increase in the fair value of investments, additional reserve fund investments purchased in conjunction with 2009 bond issuances ($17,418,172), and the net impact of drawdowns of investments for equity loans to borrowers and the repayment on equity loans from borrowers in 2009. The Bond Bank also received two pass-through grants from the Maine Department of Economic and Community Development of which $3,654,819 has not been used at June 30, 2009. The Bond Bank's investment portfolio is comprised of cash and cash equivalents, U.S. Government obligations (including treasury bills, notes, and bonds), U.S. Government-sponsored enterprises securities (i.e. FNMA, FMLMC), U.S. Treasury and U.S. Government-sponsored enterprise strips, guaranteed investment contracts and certificates of deposit. The Bond Bank's investments are carried at fair value. Unrealized gains and losses (primarily due to fluctuations in market interest rates) are recognized in the statement of revenues, expenses and changes in net assets.

The Bond Bank's net loans (bond and equity) to governmental units increased $98,334,643 in fiscal year 2009. The Bond Bank's total new loan commitments in 2009 of $240,933,969 were 44.0% more than the 2008 commitments of $167,341,583. Net bonds payable increased $152,910,608.

Undisbursed federal letter of credit payments increased $49,660,094 in 2009 which is a 199.2% increase over fiscal 2008. This increase is primarily the result of federal ARRA grants awarded to the Bond Bank in 2009 totaling $49,836,800 of which $49,298,424 remains to be disbursed.

The balance of the due to/from other funds, which increased $1,009,386 or 33.6% in 2009, represents amounts that were disbursed from one fund and are to be reimbursed by another fund in subsequent years. This increase is primarily due to the General Operating Account remitting $891,081 to the Internal Revenue Service for the 1993 B&C bonds (in General Tax Exempt Fund Group) rebate payment. The General Tax-Exempt Fund Group will reimburse the General Operating Account for this payment in future years.

Due to the issuance of $252,915,000 in new bond series in 2009, accrued interest payable increased $1,738,237 or 20.7% in fiscal 2009 over fiscal 2008.

Undisbursed loans increased $41,982,166 in 2009 which is a 213.5% increase over fiscal 2008. This increase is primarily a timing issue between when grants are awarded, loans are committed and related funds are disbursed.

As a result of the Bond Bank issuing tax-exempt debt and investing some of the proceeds in US Government securities, it earns arbitrage that is required to be rebated to the US Government every 5 years. The Bond Bank maintains rebate calculations for each tax-exempt bond issue and updates the calculations every 6 months for financial statement purposes. Accrued interest rebate payable to US Government increased $781,526 or 21.0% in fiscal year 2009 over fiscal year 2008.

Deferred revenue increased $22,601,705 or 1,406% in fiscal year 2009 over fiscal year 2008. The increase is a result of the deferral of $1,404,349 of State of Maine grant revenue received from the Department of Environmental Protection that will be used to match Federal Grant awards received in future years and the deferral of $22,804,265 of ARRA grants that had not been committed to borrowers at June 30, 2009.

The Bond Bank's financial position improved as net assets increased 11.3% in fiscal year 2009. The Bond Bank continued to maintain a positive spread of income from investments and loans to governmental units over bond interest and operating expenses.

MAINE MUNICIPAL BOND BANK
Statement of Revenues, Expenses and Changes in Net Assets
For the Years Ended June 30, 2009 and 2008

	2009	2008	Percentage Change
Interest on loans receivable from governmental units	$ 47,904,277	$ 46,088,671	3.9%
Fee revenue from State of Maine	4,143,214	1,329,145	211.7
Interest income from investments	8,145,538	9,984,062	(18.4)
Net increase in the fair value of investments	1,787,693	5,800,788	(69.2)
Grant revenue from Environmental Protection Agency	48,545,335	16,497,800	194.3
Grant revenue from State of Maine	4,879,156	4,934,013	(1.1)
Other income	1,510,643	939,967	60.7
Total operating revenue	116,915,856	85,574,446	36.6
Interest expense	52,169,653	47,873,722	9.0
Operating expenses	4,433,785	4,881,464	(9.2)
Loan forgiveness	4,046,530	10,557,072	(61.7)
Amortization of deferred financing costs and refunding benefits rebated to governmental units	1,650,207	1,959,654	(15.8)
Total operating expenses	62,300,175	65,271,912	(4.6)
Operating income	54,615,681	20,302,534	169.0
Net assets, beginning of year	482,073,421	461,770,887	4.4
Net assets, end of year	$536,689,102	$482,073,421	11.3%

The General Tax-Exempt Fund Group reimburses the Operating Fund for the annual budget approved by the Board of Commissioners.

Interest income from investments in 2009 decreased 18.4% from 2008. This decrease was primarily the result of a declining short-term interest rate environment in 2009 that resulted in less interest earned on cash and cash equivalents, and an increase in arbitrage rebate expense over fiscal 2008.

Grant revenues from the Environmental Protection Agency and the State of Maine are contingent on continued funding by the U.S. Congress and the State of Maine Legislature. The Bond Bank recorded grant revenues from the Environmental Protection Agency totaling $48,545,335 in fiscal year 2009, which was a 194.3% increase over 2008. The increase is primarily the result of federal ARRA grants awarded to the Bond Bank in 2009 totaling $49,836,800, of which $27,032,535 is recorded as grant revenues in the 2009 statement of revenues, expenses and changes in net assets (see note 6 in the accompanying financial statements). The Bond Bank recorded grant revenue from the State of Maine totaling $4,879,156, which decreased $54,857 or 1.1% from 2008 grants. The fiscal year 2009 State grants were made up of State of Maine matching funds for the Sewer and Water Funds Groups totaling $4,302,560 and grants to the School Facilities Fund Group totaling $576,596.

Other income consists primarily of fees from borrowers within the Sewer and Water Fund Groups and other income within the General Operating Account Fund Group. The increase of $570,676 or 60.7% in fiscal year 2009 compared to fiscal year 2008 is attributed primarily to the Transportation Fund Group initial issuance fees of $250,000 recorded in the General Operating Account and the increase in the number of loans being serviced in the Sewer and Waste-Fund Groups.

Loan forgiveness expense (see notes 6 and 7 in the accompanying financial statements) decreased 61.7 % in fiscal year 2009 over 2008. Portions of the loans made to eligible borrowers under the Drinking Water and Waste Water (under ARRA grants) Revolving Loan Fund Programs may be forgiven if certain continuing criteria are met as the borrowers repay the loans. The total amount forgiven under these programs in 2009 was $992,385 and $-0- within the Drinking Water and Waste Water Revolving Loan Fund Program, respectively. Also, portions of the loans made to school administrative units under the School Facilities Fund Group are forgiven at the time the loans are disbursed to the units. The amount forgiven within the School Facilities Fund Group in 2009 was $3,054,145. Forgiveness expense will vary from year to year depending upon repayment and drawdown activity within the respective programs. Forgiveness expense is down $6,733,569 from prior year within the School Facilities Fund Group, which is due to a decrease in loan disbursements in 2009 of approximately $13 million.

Requests for Information

This financial report is designed to provide a general overview of the Bond Bank's financial statements for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Executive Director, Maine Municipal Bond Bank, P.O. Box 2268, Augusta, Maine 04338-2268.

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MAINE MUNICIPAL BOND BANK

BALANCE SHEET

June 30, 2009

	General Operating Account	General Tax-Exempt Fund Group	Transportation Fund Groups: Grant Anticipation Fund Group	Transportation Fund Groups: Transportation Infrastructure Fund Group
ASSETS				
Current assets:				
Cash	$ 248,246	$ –	$ –	$ –
Investments held by trustee (notes 3 and 5)	–	41,436,675	47	1,965,741
Board designated cash and investments (notes 3 and 10)	24,284,872	–	–	–
Loans receivable from governmental units (note 4)	–	87,321,857	–	–
Advances to State of Maine (note 4)	–	–	7,729,705	1,965,000
Accrued investment income receivable	114,977	429,179	–	25,983
Accrued interest and fees receivable on loans to governmental units and advances to State of Maine	–	6,913,503	1,047,869	–
Undisbursed federal letter of credit payments	–	–	–	–
Refunding benefits rebated to governmental units, net of amortization	–	791,540	–	–
Due from other funds	3,920,375	–	–	–
Other assets	208,944	–	–	–
Total current assets	28,777,414	136,892,754	8,777,621	3,956,724
Noncurrent assets:				
Investments held by trustee (notes 3 and 5)	–	118,950,967	–	2,478,345
Loans receivable from governmental units (note 4)	–	836,980,992	–	–
Advances to State of Maine (note 4)	–	–	75,806,998	45,600,625
Land and building, net of depreciation of $950,889	769,256	–	–	–
Refunding benefits rebated to governmental units, net of amortization	–	2,418,673	–	–
Total noncurrent assets	769,256	958,350,632	75,806,998	48,078,970
Total assets	$29,546,670	$1,095,243,386	$84,584,619	$52,035,694

Special Obligation Taxable Fund Group	Sewer and Water Fund Groups: Revolving Loan Fund Groups: Waste Water	Drinking Water	Operating Fund Group	School Facilities Fund Group	Total
$ –	$ –	$ –	$ –	$ –	$ 248,246
227,104	71,013,458	17,626,963	4,613,940	16,413,878	153,297,806
–	–	–	–	–	24,284,872
185,000	23,376,141	3,769,666	–	6,203,394	120,856,058
–	–	–	–	–	9,694,705
–	528,554	18,196	749	42,149	1,159,787
3,022	1,223,340	254,162	–	–	9,441,896
–	38,229,892	36,358,928	–	–	74,588,820
–	117,699	–	–	–	909,239
–	–	–	90,048	–	4,010,423
–	5,458	2,083	–	–	216,485
415,126	134,494,542	58,029,998	4,704,737	22,659,421	398,708,337
–	9,627,282	140,741	–	–	131,197,335
–	269,342,167	101,333,634	–	22,788,387	1,230,445,180
–	–	–	–	–	121,407,623
–	–	–	–	–	769,256
–	208,096	–	–	–	2,626,769
–	279,177,545	101,474,375	–	22,788,387	1,486,446,163
$415,126	$413,672,087	$159,504,373	$4,704,737	$45,447,808	$1,885,154,500

MAINE MUNICIPAL BOND BANK

BALANCE SHEET (CONTINUED)

June 30, 2009

	General Operating Account	General Tax-Exempt Fund Group	Transportation Fund Groups: Grant Anticipation Fund Group	Transportation Fund Groups: Transportation Infrastructure Fund Group
LIABILITIES AND NET ASSETS				
Current liabilities:				
Accounts payable and accrued liabilities (note 8)	$ 269,850	$ –	$ 47	$ –
Due to other funds	–	3,528,213	–	–
Accrued interest payable	–	7,853,921	1,047,869	782,121
Deferred revenue (note 6)	–	–	–	–
Pass-through grants payable (note 10)	3,654,819	–	–	–
Undisbursed loans	–	–	–	–
Accrued interest rebate payable to U.S. Government	–	792,312	–	–
Due to State of Maine	–	–	–	1,253,573
Bonds payable (note 4)	–	94,999,165	7,729,705	1,965,000
Total current liabilities	3,924,669	107,173,611	8,777,621	4,000,694
Noncurrent liabilities:				
Accrued interest rebate payable to U.S. Government	–	3,614,690	–	–
Bonds payable (note 4)	–	950,519,007	75,806,998	48,035,000
Total noncurrent liabilities	–	954,133,697	75,806,998	48,035,000
Total liabilities	3,924,669	1,061,307,308	84,584,619	52,035,694
Net assets (deficit):				
Restricted (notes 5, 6 and 7)	–	4,670,829	–	–
Unrestricted (notes 6 and 7)	25,622,001	29,265,249	–	–
Total net assets (deficit)	25,622,001	33,936,078	–	–
Total liabilities and net assets	$29,546,670	$1,095,243,386	$84,584,619	$52,035,694

See accompanying notes.

Special Obligation Taxable Fund Group	Sewer and Water Fund Groups: Revolving Loan Fund Groups: Waste Water	Sewer and Water Fund Groups: Revolving Loan Fund Groups: Drinking Water	Sewer and Water Fund Groups: Operating Fund Group	School Facilities Fund Group	Total
$237,577	$ 22,585	$ 11,393	$ –	$ 9,502	$ 550,954
–	364,144	25,130	48,750	44,186	4,010,423
3,160	401,793	43,672	–	–	10,132,536
–	15,272,924	8,935,690	–	–	24,208,614
–	–	–	–	–	3,654,819
–	37,009,504	21,027,972	–	3,608,778	61,646,254
–	–	–	–	–	792,312
–	–	–	–	–	1,253,573
185,000	5,907,919	375,000	–	–	111,161,789
425,737	58,978,869	30,418,857	48,750	3,662,466	217,411,274
–	77,624	–	–	–	3,692,314
–	47,465,805	5,535,000	–	–	1,127,361,810
–	47,543,429	5,535,000	–	–	1,131,054,124
425,737	106,522,298	35,953,857	48,750	3,662,466	1,348,465,398
–	305,936,317	122,249,612	–	40,539,318	473,396,076
(10,611)	1,213,472	1,300,904	4,655,987	1,246,024	63,293,026
(10,611)	307,149,789	123,550,516	4,655,987	41,785,342	536,689,102
$415,126	$413,672,087	$159,504,373	$4,704,737	$45,447,808	$ 1,885,154,500

MAINE MUNICIPAL BOND BANK

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2009

	General Operating Account	General Tax-Exempt Fund Group	Transportation Fund Groups: Grant Anticipation Fund Group	Transportation Fund Groups: Transportation Infrastructure Fund Group
Operating revenues:				
Interest on loans receivable from governmental units	$ –	$42,501,534	$ –	$ –
Fee revenue from State of Maine	–	–	2,702,809	1,440,405
Interest income from investments	655,875	4,286,828	47	71,707
Net increase (decrease) in the fair value of investments	101,498	1,472,062	–	51,003
Grant revenue from Environmental Protection Agency (note 6)	–	–	–	–
Grant revenue from State of Maine (notes 6 and 7)	–	–	–	–
Other income (note 10)	824,762	–	–	–
Total operating revenue	1,582,135	48,260,424	2,702,856	1,563,115
Operating expenses:				
Interest expense	–	45,116,468	2,702,809	1,440,405
Operating expenses (note 8)	1,254,949	35,000	47	122,710
Loan forgiveness (notes 6 and 7)	–	–	–	–
Amortization of deferred financing costs and refunding benefits rebated to governmental units	–	1,469,481	–	–
Total operating expenses	1,254,949	46,620,949	2,702,856	1,563,115
Operating income (loss) before operating transfers	327,186	1,639,475	–	–
Operating transfers	506,717	(506,717)	–	–
Operating income (loss)	833,903	1,132,758	–	–
Net assets (deficit), beginning of year	24,788,098	32,803,320	–	–
Net assets (deficit), end of year	$25,622,001	$33,936,078	$ –	$ –

See accompanying notes.

Special Obligation Taxable Fund Group	Sewer and Water Fund Groups			School Facilities Fund Group	Total
	Revolving Loan Fund Groups		Operating Fund Group		
	Waste Water	Drinking Water			
$ 24,770	$ 4,506,285	$ 871,688	$ –	$ –	$ 47,904,277
–	–	–	–	–	4,143,214
1,647	2,451,346	255,457	49,020	373,611	8,145,538
–	155,861	(19,999)	(3,601)	30,869	1,787,693
–	21,292,733	27,252,602	–	–	48,545,335
–	1,044,160	3,258,400	–	576,596	4,879,156
–	–	–	685,881	–	1,510,643
26,417	29,450,385	31,618,148	731,300	981,076	116,915,856
24,771	2,618,565	266,635	–	–	52,169,653
4,921	377,632	1,796,174	189,144	653,208	4,433,785
–	–	992,385	–	3,054,145	4,046,530
–	180,726	–	–	–	1,650,207
29,692	3,176,923	3,055,194	189,144	3,707,353	62,300,175
(3,275)	26,273,462	28,562,954	542,156	(2,726,277)	54,615,681
–	212,983	15,189	(228,172)	–	–
(3,275)	26,486,445	28,578,143	313,984	(2,726,277)	54,615,681
(7,336)	280,663,344	94,972,373	4,342,003	44,511,619	482,073,421
$ (10,611)	$307,149,789	$123,550,516	$4,655,987	$41,785,342	$ 536,689,102

MAINE MUNICIPAL BOND BANK

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2009

	General Operating Account	General Tax-Exempt Fund Group	Transportation Fund Groups: Grant Anticipation Fund Group	Transportation Fund Groups: Transportation Infrastructure Fund Group
OPERATING ACTIVITIES:				
Cash received from governmental units and State of Maine	$ –	$ 126,960,025	$ 6,393,102	$ 5,000,000
Cash payments to governmental units	(329,120)	(138,944,248)	–	–
Cash advances to State of Maine	–	–	(50,000,000)	(49,994,357)
Cash received from other income	824,762	–	–	–
Cash payments for operating expenses	(1,018,922)	(35,000)	–	–
Cash (paid to) received from other funds	(502,669)	719,561	–	–
Cash paid for other assets and liabilities	55,198	107	–	–
Net cash (used) provided by operating activities	(970,751)	(11,299,555)	(43,606,898)	(44,994,357)
NONCAPITAL FINANCING ACTIVITIES:				
Proceeds from bonds payable	–	155,482,518	50,000,000	50,000,000
Principal paid on bonds payable	–	(92,012,596)	(4,135,000)	–
Interest paid on bonds payable	–	(44,999,895)	(2,258,102)	(658,284)
Grant receipts from Environmental Protection Agency and State of Maine	3,920,000	–	–	–
Net cash provided (used) by noncapital financing activities	3,920,000	18,470,027	43,606,898	49,341,716
INVESTING ACTIVITIES:				
Purchase of investment securities	(52,927,163)	(187,055,247)	(1,146,751)	(8,042,024)
Proceeds from sale and maturities of investment securities	49,540,283	173,308,418	1,146,704	3,648,941
Income received from investments	708,027	7,932,241	47	45,724
Interest rebate paid to U.S. Government	–	(1,355,884)	–	–
Additions to land and building	(70,738)	–	–	–
Net cash (used) provided by investing activities	(2,749,591)	(7,170,472)	–	(4,347,359)
Increase in cash	199,658	–	–	–
Cash, beginning of year	48,588	–	–	–
Cash, end of year	$ 248,246	$ –	$ –	$

Special Obligation Taxable Fund Group	Sewer and Water Fund Groups: Revolving Loan Fund Groups: Waste Water	Sewer and Water Fund Groups: Revolving Loan Fund Groups: Drinking Water	Sewer and Water Fund Groups: Operating Fund Group	School Facilities Fund Group	Total
$ 197,675	$ 39,316,336	$ 3,933,680	$ –	$ 5,058,489	$ 186,859,307
–	(27,841,971)	(15,349,707)	–	(5,745,863)	(188,210,909)
–	–	–	–	–	(99,994,357)
–	–	–	685,881	–	1,510,643
–	(363,447)	(1,788,681)	(189,144)	(649,106)	(4,044,300)
–	2,227	10,609	(227,954)	(1,774)	–
–	–	–	–		55,305
197,675	11,113,145	(13,194,099)	268,783	(1,338,254)	(103,824,311)
–	–	–	–	–	255,482,518
(170,000)	(6,075,000)	(370,000)	–	–	(102,762,596)
(27,675)	(2,524,424)	(268,937)	–	–	(50,737,317)
–	9,676,387	16,113,118	–	576,596	30,286,101
(197,675)	1,076,963	15,474,181	–	576,596	132,268,706
(2,101)	(154,769,933)	(20,351,215)	(2,257,488)	(27,687,001)	(454,238,923)
138	140,090,526	17,728,614	1,930,597	28,009,245	415,403,466
1,963	2,489,299	342,519	58,108	439,414	12,017,342
–	–	–	–	–	(1,355,884)
–	–	–	–	–	(70,738)
–	(12,190,108)	(2,280,082)	(268,783)	761,658	(28,244,737)
–	–	–	–	–	199,658
–	–	–	–	–	48,588
$ –	$ –	$ –	$ –	$ –	$ 248,246

MAINE MUNICIPAL BOND BANK

STATEMENT OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2009

	General Operating Account	General Tax-Exempt Fund Group	Transportation Fund Groups Grant Anticipation Fund Group	Transportation Fund Groups Transportation Infrastructure Fund Group
Reconciliation of operating income (loss) to net cash (used) provided by operating activities:				
Operating income (loss)	$ 833,903	$ 1,132,758	$ –	$ –
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:				
Interest income from investments	(655,875)	(4,286,828)	(47)	(71,707)
Net (increase) decrease in the fair value of investments	(101,498)	(1,472,062)	–	(51,003)
Loan forgiveness	–	–	–	–
Depreciation	76,800	–	–	–
Amortization of deferred financing costs and refunding benefits rebated to units	–	1,469,481	–	–
Interest expense on bonds payable	–	45,116,468	2,702,809	1,440,405
Federal and State grants	(278,474)	–	–	
Change in assets and liabilities:				
Loans receivable from governmental units and advances to to State of Maine	–	(54,138,097)	(45,743,882)	(47,565,625)
Accrued interest and fees receivable on loans to governmental units and advances to State of Maine	–	(347,660)	(565,825)	–
Due to/from other funds	(1,009,386)	1,226,278	–	–
Other assets	55,198	107	–	–
Accounts payable and accrued liabilities	159,227	–	47	–
Grant payable	(50,646)	–	–	–
Due to State of Maine	–	–	–	1,253,573
Net cash (used) provided by operating activities	$ (970,751)	$(11,299,555)	$(43,606,898)	$(44,994,357)

See accompanying notes.

Special Obligation Taxable Fund Group	Sewer and Water Fund Groups: Revolving Loan Fund Groups: Waste Water	Sewer and Water Fund Groups: Revolving Loan Fund Groups: Drinking Water	Sewer and Water Fund Groups: Operating Fund Group	School Facilities Fund Group	Total
$ (3,275)	$ 26,486,445	$ 28,578,143	$ 313,984	$ (2,726,277)	$ 54,615,681
(1,647)	(2,451,346)	(255,457)	(49,020)	(373,611)	(8,145,538)
–	(155,861)	19,999	3,601	(30,869)	(1,787,693)
–	–	992,385	–	3,054,145	4,046,530
–	–	–	–	–	76,800
–	180,726	–	–	–	1,650,207
24,771	2,618,565	266,635	–	–	52,169,653
–	(22,336,893)	(30,511,002)	–	(576,596)	(53,702,965)
170,000	6,491,216	(12,234,752)	–	(687,374)	(153,708,514)
2,905	476,864	(52,963)	–	–	(486,679)
–	(210,756)	(4,580)	218	(1,774)	–
–	–	–	–	–	55,305
4,921	14,185	7,493	–	4,102	189,975
–	–	–	–	–	(50,646)
–	–	–	–	–	1,253,573
$197,675	$ 11,113,145	$(13,194,099)	$ 268,783	$ (1,338,254)	$(103,824,311)

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1. Organization

The Maine Municipal Bond Bank (the Bond Bank) is constituted as an instrumentality and, for accounting purposes under Governmental Accounting Standards Board (GASB) Statements No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations Are Component Units*, is considered a component unit of the State of Maine, organized and existing under and pursuant to M.R.S.A., Article 30-A, Title 5901 (the Act), as amended.

Under the Act, the Bond Bank is authorized to issue bonds for the purpose, among other things, of providing funds to enable it to lend money to counties, cities, towns, school administrative districts, community school districts, other quasi-municipal corporations or other eligible borrowers as designated by the Legislature (the "governmental units") within the State of Maine. The provision of funds is accomplished by the direct purchase from such governmental units of their bonds, notes or evidence of debt payable from taxes, charges for services, grants or assessments.

The Bond Bank has a management agreement with related parties, Maine Health and Higher Educational Facilities Authority and Maine Governmental Facilities Authority, whereby the Bond Bank allocates payroll and general overhead expenses from its operations to each Authority.

The general operating account consists of the operating revenues and expenses incurred by the Bond Bank in administering the six resolutions under which it is operating. The funds and accounts of these resolutions have been grouped within each of the resolutions and fund groups as follows:

General Tax-Exempt Fund Group: This fund group consists of funds and accounts established under the Bond Bank's General Bond Resolution adopted July 11, 1973, as amended and supplemented by the First Supplemental Resolution adopted September 20, 1977, the Second Supplemental Resolution adopted July 18, 1984, the Third Supplemental Resolution adopted May 7, 1993 and the Fourth Supplemental Resolution adopted June 25, 1993. Under these resolutions, the Bond Bank issues bonds exempt from federal and State of Maine income taxes and makes loans to local governmental units.

Transportation Fund Groups: These fund groups consist of funds and accounts established under the Bond Bank's Grant Anticipation General Bond Resolution adopted December 10, 2004 and the Bond Bank's Transportation Infrastructure General Bond Resolution adopted September 24, 2008. Under these resolutions, the Bond Bank issues bonds or notes exempt from Federal and State of Maine income taxes for the purpose of making advances to the State of Maine Department of Transportation to finance qualified transportation projects. The Grant Anticipation bonds or notes are to be repaid from future federal highway grant monies received by the State of Maine and the Transportation Infrastructure bonds or notes are to be repaid from a portion of future fees and taxes collected by the State of Maine.

Special Obligation Taxable Fund Group: This fund group consists of funds and accounts established under the Bond Bank's Special Obligation Bond Resolution adopted May 25, 1990. Under this resolution, the Bond Bank issues bonds which are exempt from State of Maine income taxes (but not federal income taxes) and makes loans to governmental units.

1. Organization (Continued)

Sewer and Water Fund Groups: These fund groups consist of funds and accounts established under the Bond Bank's Sewer and Water General Bond Resolution adopted February 7, 1990, as amended and supplemented by the First Supplemental Resolution adopted March 6, 1991. Under this resolution, the Bond Bank issues bonds exempt from federal and State of Maine income taxes for the purpose of making revolving loans to governmental units to finance wastewater collection, treatment system or water supply system projects. Under the Drinking Water Fund Group, eligible borrowers consist of public water systems, which include municipalities, districts, private for-profit and non-profit water systems. Some of these projects may be partially financed by grants from the Environmental Protection Agency and the State of Maine under the State Revolving Fund Program and the Drinking Water State Revolving Loan Fund Program.

School Facilities Fund Group: This fund group consists of funds and accounts established under the Maine School Facilities Finance Program. Under this program, the Bond Bank receives appropriations from the State and also funding from various other sources for the purpose of making loans to school administrative units for school repair and renovation. This fund group is not a part of any bond resolution.

2. Significant Accounting Policies

Proprietary Fund Accounting: As the Bond Bank's operations are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs of providing goods or services is financed through user charges, it meets the criteria for an enterprise fund and, therefore, is accounted for under the accrual basis of accounting.

The Bond Bank complies with GASB No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. This Statement requires that the Bond Bank apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB's). As permitted by GASB No. 20, the Bond Bank has elected not to comply with the FASB Statements and Interpretations issued after November 30, 1989.

The financial statements are prepared in accordance with GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statement No. 21 and No. 34,* and No. 38, *Certain Financial Statement Note Disclosures* (the Statements).

Accounting Method: As stated above, the Bond Bank uses the accrual basis of accounting and, accordingly, recognizes revenues as earned and expenses as incurred.

Cash and Cash Equivalents: The Bond Bank considers all checking and savings deposits and highly liquid investments with maturities of three months or less to be cash equivalents.

2. Significant Accounting Policies (Continued)

Investments: Investments are carried at fair value. Changes in fair value are recorded as net increase or decrease in the fair value of investments on the statements of revenues, expenses and changes in net assets. Interest earnings on principal-only strips within the general tax-exempt fund group of approximately $4,130,000 have been recorded as interest income from investments in 2009. Reserve fund investments that are not expected to be utilized to fund bond principal and interest payments until after June 30, 2010 have been classified as long-term.

Undisbursed Federal Letter of Credit Payment: The Bond Bank has received federal capitalization grants under the Sewer and Water Bond Resolution's State Revolving Fund Program. The grants have been made available in the form of letters of credit which can only be drawn upon when needed for administrative and actual construction related costs.

Building: The building is recorded at cost less accumulated depreciation. The provision for depreciation has been computed using the straight-line method.

Refunding Benefits Rebated to Governmental Units: The refunding benefits rebated to governmental units recognizes amounts paid to governmental units resulting from debt service savings on advance refunding of bonds outstanding. The rebated amounts are deferred and are being amortized over the life of the refunded bonds (which is equivalent to the life of the loans receivable) using a method which approximates the effective interest method.

Bond Issuance Costs and Deferred Financing Costs: Bond issuance and financing costs resulting from advance refunding of bonds outstanding have been deferred as part of deferred amounts on refunding and are being amortized over the life of the refunding bonds using the bonds outstanding method. Other bond issuance and finance costs paid by the Bond Bank are expensed as incurred.

Deferred Amounts on Refunding: The difference between the reacquisition price and the net carrying amount of the refunded bonds is recorded as a deferred amount on refunding and reported as a deduction from or an addition to the new bonds. The deferred amount on refunding is amortized over the remaining life of the refunded bonds, or the life of the new bonds, whichever is shorter, as a component of interest expense using the bonds outstanding method.

Original Issue Discounts: Original issue discounts, which are deducted from bond proceeds loaned to governmental units, are effectively paid by the governmental units and are not expenses of the Bond Bank. Original issue discounts resulting from the advance refunding of bonds outstanding have been deferred and are being accreted over the life of the refunding bonds using a method which approximates the effective interest method.

Original Issue Premiums: Original issue premiums are generally added to bond proceeds loaned to governmental units (and thus are deferred and amortized over the life of the bonds using a method which approximates the effective interest method) or used to pay costs of the bond issuance (and thus netted against issuance costs). Original issue premiums resulting from the advance refunding of bonds outstanding have been deferred and are being amortized over the life of the refunding bonds using a method which approximates the effective interest method.

2. Significant Accounting Policies (Continued)

Construction Funds: The Sewer and Water General Bond Resolution requires bond proceeds to be deposited into construction funds. Upon deposit into the construction funds, a loan receivable from the governmental unit is recorded and the construction funds are excluded from Sewer and Water Fund Groups. The Bond Bank maintains control over disbursement of these funds until the project is complete. Approximately $328,000 in investments are held in the construction funds at June 30, 2009.

Grant Revenue: Grant revenue is recognized when the qualifying commitments have been made and all other grant requirements have been met.

Interfund Transactions: Quasi-external transactions are accounted for as revenues or expenses. Transactions that constitute reimbursements to a fund for expenses initially made from it that are properly applicable to another fund are recorded as expenses in the reimbursing fund and as reductions of expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Management Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires the Bond Bank to make estimates and assumptions that affect the amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Total Columns: The "total" columns contain the totals of the similar accounts of the various funds. Since the assets of the funds are restricted, the combination of the accounts, including assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in the separate funds.

New Accounting Pronouncement: GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented by the Bank as of June 30, 2009. The statement establishes standards for the measurement, recognition, and display of other postemployment benefits (OPEB) expense/expenditures and related liabilities/(assets), and requires additional note disclosures in the financial statements. The effects of applying this standard require the Bond Bank to account for OPEB, primarily healthcare, on an accrual basis rather than on the past pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Revenues, Expenses, and Changes in Net Assets when future retirees earn their postemployment benefits, rather than when they use their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a post employment benefit obligation is recognized on the Balance Sheet over time. As permitted by GASB Statement No. 45, the statement was implemented prospectively with a zero net OPEB obligation at transition.

3. Investments Held By Trustee and Board Designated Investments

The Bond Bank is authorized, under Maine statutes, to invest in obligations of the U.S. Treasury, certain U.S. Government-sponsored enterprises, state and local government agencies, guaranteed investment contracts and collateralized repurchase agreements. At June 30, 2009, investments are categorized as follows:

	Fair Value
General Operating Account	
Board-designated investments:	
U.S. Government-sponsored enterprises	$ 16,154,304
Cash and cash equivalents	8,130,568
	$ 24,284,872
General Tax-Exempt Fund Group	
Investments held by trustee:	
Guaranteed investment contracts	$ 9,739,339
U.S. Government obligations	9,126,973
U.S. Government-sponsored enterprises	23,860,690
U.S. Treasury strips	66,160,028
U.S. Government-sponsored enterprise strips	21,995,089
Cash and cash equivalents	29,505,523
	$160,387,642
Grant Anticipation Fund Group	
Investments held by trustee:	
Cash and cash equivalents	$ 47
Transportation Infrastructure Fund Group	
Investments held by trustee:	
U.S. Government-sponsored enterprises	$ 1,074,643
U.S. Government-sponsored enterprise strips	1,403,702
Cash and cash equivalents	1,965,741
	$ 4,444,086
Special Obligation Taxable Fund Group	
Investments held by trustee:	
Cash and cash equivalents	$ 227,104

3. Investments Held By Trustee and Board Designated Investments (Continued)

	Fair Value
Sewer and Water Fund Groups	
Investments held by trustee:	
Revolving Loan Fund Group – Waste Water:	
Guaranteed investment contracts	$ 9,018,193
U.S. Government obligations	210,564
U.S. Government-sponsored enterprises	35,670,190
Certificates of deposit	4,538,072
Cash and cash equivalents	31,203,721
	$ 80,640,740
Revolving Loan Fund Group – Drinking Water:	
U.S. Government-sponsored enterprises	$ 4,152,099
Cash and cash equivalents	13,615,605
	$ 17,767,704
Operating Fund Group:	
U.S. Government-sponsored enterprises	$ 250,235
Cash and cash equivalents	4,363,705
	$ 4,613,940
School Facilities Fund Group	
Investments held by trustee:	
U.S. Government-sponsored enterprises	$ 6,548,660
Cash and cash equivalents	9,865,218
	$ 16,413,878

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Bond Bank's investment policy provides that investment maturities be closely matched with future bond principal and interest requirements, which are the primary use of invested assets. Further, guaranteed investment contracts, which maturities are also closely matched with future bond principal and interest requirements, contain provisions that allow the Bond Bank to terminate individual contracts at par. The Bond Bank's general practice has been to hold all debt securities to their maturity, at which point the funds are needed to make required bond principal and interest payments for the respective resolutions. The following table provides information on future maturities of the Bond Bank's investments in guaranteed investment contracts, U.S. Government obligations, U.S. Government-sponsored enterprises, U.S. Treasury Strips and U.S. Government-sponsored enterprise strips as of June 30, 2009:

	Fair Value	Less than One Year	One to Five Years	Six to Ten Years	More than Ten Years
General Operating Account					
U.S. Government-sponsored enterprises	$16,154,304	$5,107,925	$11,046,379	$ –	$ –

3. Investments Held By Trustee and Board Designated Investments (Continued)

	Fair Value	Less than One Year	One to Five Years	Six to Ten Years	More than Ten Years
General Tax Exempt Fund Group					
Guaranteed investment contracts	$ 9,739,339	$ –	$ –	$ –	$ 9,739,339
U.S. Government obligations	9,126,973	732,907	1,607,347	1,780,194	5,006,525
U.S. Government-sponsored enterprises	23,860,690	1,699,617	5,476,967	9,233,720	7,450,386
U.S. Treasury strips	66,160,028	8,647,648	29,506,597	15,572,866	12,432,917
U.S. Government-sponsored enterprise strips	21,995,089	850,980	5,889,319	6,285,488	8,969,302
	$130,882,119	$11,931,152	$42,480,230	$32,872,268	$43,598,469
Transportation Infrastructure Fund Group					
U.S. Government-sponsored enterprises	$ 1,074,643	$ –	$ 1,074,643	$ –	$ –
U.S. Government sponsored enterprise strips	1,403,702	–	1,403,702	–	–
	$ 2,478,345	$ –	$ 2,478,345	$ –	$ –
Revolving Loan Fund Group – Waste Water					
Guaranteed investment contracts	$ 9,018,193	$ –	$ 3,238,450	$ 4,415,077	$ 1,364,666
U.S. Government obligations	210,564	–	–	210,564	–
U.S. Government-sponsored enterprises	35,670,190	18,002,890	17,667,300	–	–
Certificates of deposit	4,538,072	1,292,503	3,245,569	–	–
	$ 49,437,019	$19,295,393	$24,151,319	$ 4,625,641	$ 1,364,666
Revolving Loan Fund Group–Drinking Water					
U.S. Government-sponsored enterprises	$ 4,152,099	$ 2,248,175	$ 1,764,378	$ –	$ 139,546

3. Investments Held By Trustee and Board Designated Investments (Continued)

	Fair Value	Less than One Year	One to Five Years	Six to Ten Years	More than Ten Years
Sewer and Water Fund Groups–Operating Fund Group					
U.S. Government-sponsored enterprises	$ 250,235	$ –	$ 250,235	$ –	$ –
School Facilities Fund Group					
U.S. Government-sponsored enterprises	$ 6,548,660	$ 3,012,673	$ 3,535,987	$ –	$ –

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Bond Bank will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Bond Bank's investments are primarily held by U.S. Bank and Bangor Savings Bank. Management of the Bond Bank is not aware of any issues with respect to custodial credit risk at either bank at June 30, 2009.

For an investment, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Bond Bank. Credit risk is measured by the credit quality ratings of issuers as described by nationally recognized rating organizations. The Bond Bank's investment policy limits its investments to those with high credit quality, such as U.S. Treasury Obligations and U.S. Government-sponsored enterprises securities, as rated by rating agencies such as Moody's Investor Service or Standard and Poor's, or guaranteed investment contracts backed by high credit quality banks and insurance companies. The Bond Bank requires providers of guaranteed investment contracts to have and maintain a long-term unsecured debt obligation rating or claims paying ability equal to or greater than "AA" or "Aa". If the long-term rating falls below these thresholds, the provider must either (i) pledge additional collateral to restore the rating or (ii) permit the Bond Bank to withdraw the funds at par and without penalty.

At June 30, 2009, the Bond Bank's guaranteed investment contracts within the General Tax Exempt Fund Group and Revolving Loan Fund Group are primarily with four institutions, all of which are AA rated or better.

The Bond Bank has invested some of its long-term funds in U.S. Treasury and U.S. Government-sponsored enterprise principal-only strips in order to maximize yields coincident with cash needs for operations, debt service, and arbitrage. These securities are similar to zero coupon bonds which are purchased deeply discounted, with the Bond Bank receiving its only repayment stream at maturity; therefore, they are sensitive to interest rate changes. These securities are reported at fair value in the balance sheet. The fair value of these investments is approximately $89,559,000 at June 30, 2009.

Trustee held cash and cash equivalents at June 30, 2009 consist primarily of money market funds secured by short-term U.S. Treasury obligations.

The cash and cash equivalents of the Bond Bank's General Operating Account at June 30, 2009 consist entirely of money market funds secured by short-term U.S. Treasury obligations, held by a trust company.

4. Bonds Payable

Total General Tax-Exempt Fund Group Bonds payable consist of the following at June 30, 2009:

	Original Maturity	Amount Issued	Amount Outstanding June 30, 2009
Series 1993 B and C, 5% – 5.85%, dated May 1, 1993	1994 – 2020	$ 40,070,000	$ 5,130,000
Series 1994 D, 4% – 6.3%, dated September 1, 1994	1995 – 2014	12,365,000	4,670,000
Series 1997 A and B, 5.10% – 5.75%, dated May 1, 1997	1998 – 2017	31,870,000	1,385,000
Series 1997 C and D, 4.5% – 5.35%, dated October 1, 1997	1998 – 2017	50,785,000	2,100,000
Series 1998 A, 3.70% – 5.50%, dated February 1, 1998	1999 – 2012	60,950,000	26,640,000
Series 1998 B and C, 4% – 5.35%, dated May 1, 1998	1998 – 2018	73,770,000	9,550,000
Series 1998 D and E, 3.75% – 4.80%, dated October 1, 1998	1999 – 2018	13,890,000	1,300,000
Series 1999 B and C, 4% – 5.25%, dated May 1, 1999	2000 – 2028	62,860,000	12,070,000
Series 1999 D and E, 4% – 5.875%, dated October 1, 1999	2000 – 2021	46,460,000	6,320,000
Series 2000 A and B, 4.5% – 5.875%, dated May 1, 2000	2000 – 2020	70,125,000	13,475,000
Series 2000 C and D, 4.625% – 5.70%, dated October 1, 2000	2001 – 2021	39,560,000	8,150,000
Series 2001 A and B, 4.125% – 5.25%, dated May 1, 2001	2002 – 2021	34,635,000	8,850,000
Series 2001 C and D, 3.00% – 5.125%, dated October 1, 2001	2002 – 2022	68,835,000	19,680,000
Series 2002 A, 3.00% – 5.375%, dated March 1, 2002	2002 – 2021	36,520,000	10,365,000
Series 2002 B and C, 2.50% – 5.25%, dated May 1, 2002	2002 – 2032	77,575,000	55,305,000
Series 2002 D, 2.00% – 5.00%, dated July 1, 2002	2003 – 2015	49,315,000	21,315,000
Series 2002 E and F, 2.00% – 5.00%, dated October 1, 2002	2003 – 2023	32,720,000	13,940,000
Series 2003 A, 3.00% – 5.25%, dated March 1, 2003	2003 – 2020	186,050,000	75,735,271
Series 2003 B and C, 2.00% – 5.00%, dated May 1, 2003	2003 – 2024	17,290,000	11,925,000
Series 2003 D and E, 2.00% – 5.00%, dated October 1, 2003	2004 – 2033	18,460,000	13,000,000
Series 2004 A and B, 2.00% – 5.00%, dated May 27, 2004	2004 – 2025	94,565,000	74,185,000
Series 2004 C, 2.00% – 5.00%, dated September 23, 2004	2004 – 2020	58,675,000	53,065,000

4. Bonds Payable (Continued)

	Original Maturity	Amount Issued	Amount Outstanding June 30, 2009
Series 2004 D and E, 2.25% – 5.00%, dated October 28, 2004	2005 – 2034	$ 46,850,000	$ 35,175,000
Series 2005 A, 3.00% – 5.00%, dated March 8, 2005	2005 – 2021	91,250,000	89,075,000
Series 2005 B and C, 3.00% – 5.00%, dated May 26, 2005	2006 – 2031	22,050,000	18,410,000
Series 2005 D and E, 3.00% – 5.00%, dated October 27, 2005	2006 – 2034	60,395,000	50,435,000
Series 2006 A, 3.48% – 4.77%, dated May 25, 2006	2006 – 2036	14,040,000	12,300,000
Series 2006 B and C, 3.55% – 5.00%, dated October 26, 2006	2007 – 2027	24,065,000	20,340,000
Series 2007 A, 3.75% – 5.00% dated April 5, 2007	2007 – 2022	51,335,000	50,830,000
Series 2007 B and C, 4.00% – 5.00% dated May 24, 2007	2007 – 2029	69,380,000	65,355,000
Series 2007 D and E, 4.00% – 5.00% dated October 25, 2007	2008 – 2037	53,560,000	50,525,000
Series 2008 A and B, 3.00% – 5.00% dated May 15, 2008	2008 – 2038	49,060,000	48,350,000
Series 2008 C, 4.00% – 5.50% dated October 30, 2008	2009 – 2038	100,010,000	100,010,000
Series 2009 A, 2.00% – 5.00% dated March 17, 2009	2009 – 2020	10,060,000	10,060,000
Series 2009 B, 3.00% – 5.00% dated May 28, 2009	2009 – 2034	42,845,000	42,845,000
		$1,812,245,000	$1,041,865,271

Total General Tax-Exempt Fund Group Bonds payable is presented on the balance sheet at June 30, 2009 as follows:

Total principal outstanding	$1,041,865,271
Deferred amount on refunding	(18,134,082)
Unamortized original issue discount	(96,403)
Unamortized original issue premium	21,883,386
Total General Tax-Exempt Fund Group Bonds payable	1,045,518,172
Current portion	(94,999,165)
Noncurrent portion	$ 950,519,007

4. Bonds Payable (Continued)

The outstanding General Tax-Exempt Fund Group Bonds payable will mature in each of the following years with interest payable semiannually:

Due Bond Year Ending November 1	Principal	Interest	Total Debt Service
2009	$ 94,871,040	$ 23,528,629	$ 118,399,669
2010	94,375,468	43,241,107	137,616,575
2011	84,973,350	39,212,585	124,185,935
2012	80,156,067	35,503,971	115,660,038
2013	72,463,607	31,962,538	104,426,145
2014 – 2018	310,780,739	114,895,446	425,676,185
2019 – 2023	195,965,000	52,921,878	248,886,878
2024 – 2028	95,880,000	15,690,587	111,570,587
2029 – 2033	11,000,000	1,567,685	12,567,685
2034 – 2038	1,400,000	133,269	1,533,269
	$1,041,865,271	$ 358,657,695	$1,400,522,966

Repayment of the debt and interest thereon is to be funded by:

Municipal loan obligations – principal and interest	$1,229,077,681
Reserve Funds – principal and interest	171,445,285
	$1,400,522,966

Total Grant Anticipation Fund Group Bonds payable consist of the following at June 30, 2009:

	Original Maturity	Amount Issued	Amount Outstanding June 30, 2009
Series 2004 A, 2.50% – 5.00%, dated December 16, 2004	2005 – 2015	$48,395,000	$33,175,000
Series 2008 A, 3.25% – 4.00%, dated September 10, 2008	2009 – 2020	50,000,000	50,000,000
		$98,395,000	$83,175,000

4. Bonds Payable (Continued)

Total Grant Anticipation Fund Group Bonds payable is presented on the balance sheet at June 30, 2009 as follows:

Total principal outstanding	$ 83,175,000
Unamortized original issue premium	361,703
Total Grant Anticipation Fund Group Bonds payable	83,536,703
Less current portion	7,729,705
Noncurrent portion	$ 75,806,998

The outstanding Grant Anticipation Fund Group Bonds payable will mature in each of the following years with interest payable semiannually:

Due Bond Year Ending September 1	Principal	Interest	Total Debt Service
2009	$ 7,625,000	$ 1,571,802	$ 9,196,802
2010	7,950,000	2,906,444	10,856,444
2011	8,195,000	2,659,044	10,854,044
2012	8,510,000	2,344,056	10,854,056
2013	8,795,000	2,056,875	10,851,875
2014 – 2018	32,160,000	5,353,363	37,513,363
2019 – 2020	9,940,000	600,200	10,540,200
	$83,175,000	$17,491,784	$100,666,784

Repayment of the debt and interest thereon is to be funded by:

Advances to State of Maine – principal and interest	$100,666,784

4. Bonds Payable (Continued)

Total Transportation Infrastructure Fund Group Bonds payable consist of the following at June 30, 2009:

	Original Maturity	Amount Issued	Amount Outstanding June 30, 2009
Series 2008 A, 3.00% – 5.50%, dated November 20, 2008	2009 – 2023	$50,000,000	$50,000,000
Less current portion			1,965,000
Noncurrent portion			$48,035,000

The outstanding Transportation Infrastructure Fund Group Bonds payable will mature in each of the following years with interest payable semiannually:

Due Bond Year Ending September 1	Principal	Interest	Total Debt Service
2009	$ 1,965,000	$ 1,173,181	$ 3,138,181
2010	2,580,000	2,287,413	4,867,413
2011	2,655,000	2,210,013	4,865,013
2012	2,745,000	2,123,725	4,868,725
2013	2,850,000	2,013,924	4,863,924
2014 – 2018	16,330,000	8,004,425	24,334,425
2019 – 2023	20,875,000	3,451,330	24,326,330
	$50,000,000	$21,264,011	$71,264,011

Repayment of the debt and interest thereon is to be funded by:

Advances to State of Maine – principal and interest	$71,264,011

Total Special Obligation Taxable Fund Group Bonds payable consist of the following at June 30, 2009:

	Original Maturity	Amount Issued	Amount Outstanding June 30, 2009
Series 1990 A, 10.25%, dated June 1, 1990	1991 – 2009	$1,700,000	$185,000
Less current portion			185,000
Noncurrent portion			$ –

4. Bonds Payable (Continued)

The outstanding Special Obligation Taxable Fund Group Bonds payable will mature in each of the following years with interest payable semiannually:

Due Bond Year Ending November 1	Principal	Interest	Total Debt Service
2009	$185,000	$ 9,481	$194,481

Repayment of the debt and interest thereon is to be funded by:

Governmental unit loan obligations – principal and interest	$194,481

Sewer and Water Fund Group Waste Water Bonds payable consist of the following at June 30, 2009:

	Original Maturity	Amount Issued	Outstanding June 30, 2009
Series 1993 A and B, 2.75% – 5.45%, dated October 1, 1993	1994 – 2016	$ 27,815,000	$ 8,230,000
Series 1996 A, 3.7% – 5.85%, dated March 1, 1996	1997 – 2017	6,795,000	2,840,000
Series 1997 A and B, 3.9% – 5.45%, dated July 15, 1997	1998 – 2018	20,835,000	11,040,000
Series 2003 A and B, 1.05% – 5.00%, dated March 1, 2003	2003 – 2023	32,165,000	18,985,000
Series 2003 C, 1% – 4.9%, dated November 13, 2003	2004 – 2024	16,065,000	12,700,000
		$103,675,000	$53,795,000

The Sewer and Water Fund Group Waste Water Bonds payable are presented on the balance sheet at June 30, 2009 as follows:

Total principal outstanding	$53,795,000
Deferred amount on refunding	(525,006)
Unamortized original issue discount	(17,482)
Unamortized original issue premium	121,212
Total Sewer and Water Fund Group Waste Water Bonds payable	53,373,724
Less current portion	5,907,919
Noncurrent portion	$47,465,805

4. Bonds Payable (Continued)

The outstanding Sewer and Water Fund Group Waste Water Bonds payable will mature in each of the following years with interest payable semiannually:

Due Bond Year Ending November 1	Principal	Interest	Total Debt Service
2009	$ 6,050,000	$ 1,205,378	$ 7,255,378
2010	6,130,000	2,173,788	8,303,788
2011	6,545,000	1,926,262	8,471,262
2012	5,625,000	1,645,608	7,270,608
2013	6,400,000	1,384,514	7,784,514
2014 – 2018	16,530,000	3,931,230	20,461,230
2019 – 2023	5,805,000	969,762	6,774,762
2024	710,000	34,792	744,792
	$53,795,000	$13,271,334	$67,066,334

Repayment of the debt and interest thereon is to be funded by:

Governmental unit loan obligations – principal and interest	$56,478,608
Reserve fund – principal and interest	10,587,726
	$67,066,334

Sewer and Water Fund Group Drinking Water Bonds payable consist of the following at June 30, 2009:

	Original Maturity	Amount Issued	Amount Outstanding June 30, 2009
Series 1998 A, 3.65% – 5.2%, dated August 15, 1998	1999 – 2028	$ 4,795,000	$2,685,000
Series 2005 A, 2.25% – 4.45%, dated March 24, 2005	2005 – 2025	3,770,000	3,225,000
		$ 8,565,000	$5,910,000

The Sewer and Water Fund Group Drinking Water Bonds payable are presented on the balance sheet at June 30, 2009 as follows:

Total Sewer and Water Fund Group Drinking Water Bonds payable	$5,910,000
Less current portion	375,000
Noncurrent portion	$5,535,000

4. Bonds Payable (Continued)

The outstanding Sewer and Water Fund Group Drinking Water Bonds payable will mature in each of the following years with interest payable semiannually:

Due Bond Year Ending November 1	Principal	Interest	Total Debt Service
2009	$ 375,000	$ 131,015	$ 506,015
2010	385,000	247,360	632,360
2011	395,000	231,858	626,858
2012	405,000	215,420	620,420
2013	415,000	198,098	613,098
2014 – 2018	2,245,000	696,737	2,941,737
2019 – 2023	1,205,000	274,887	1,479,887
2024 – 2028	485,000	37,698	522,698
	$5,910,000	$2,033,073	$7,943,073

Repayment of the debt and interest thereon is to be funded by:

Governmental unit loan obligations – principal and interest	$7,658,828
Reserve fund – principal and interest	284,245
	$7,943,073

The following summarizes bond payable activity for the Bond Bank for the year ended June 30, 2009:

	General Tax Exempt Fund Group	Grant Anticipation Fund Group	Transportation Infrastructure Fund Group	Special Obligation Taxable Fund Group	Waste Water Fund Group	Drinking Water Fund Group
Balance, beginning of year	$ 981,906,231	$37,792,821	$ –	$ 355,000	$59,278,939	$6,280,000
Issuances – face value	152,915,000	50,000,000	50,000,000	–	–	–
Redemptions	(92,012,596)	(4,135,000)	–	(170,000)	(6,075,000)	(370,000)
Capitalized premiums	2,567,518	–	–	–	–	–
Accretion/amortization of discounts, premiums and deferred amounts on refunding	142,019	(121,118)	–	–	169,785	–
Balance, end of year	$1,045,518,172	$83,536,703	$50,000,000	$ 185,000	$53,373,724	$5,910,000

4. Bonds Payable (Continued)

Some bonds contain provisions for prepayment at the Bond Bank's option. All bonds within the General Tax-Exempt Fund Group, Special Obligation Fund Group, and Sewer and Water Fund Groups are secured by the payment stream of loans receivable from governmental units. The monies in the reserve funds shall be held and applied solely to the payment of the interest and principal of the reserve fund bonds as they become due and payable and for the retirement of the reserve fund bonds. In the event of a deficiency in an interest and/or principal payment from the governmental units, transfers can be made from the supplemental reserve and/or general reserve funds to cover the shortfall. If this transfer creates a deficiency in the required amount of the reserve funds, the State can annually appropriate and cover such deficiency. Except for deficiencies between the Waste Water and Drinking Water Revolving Loan Fund Groups, reserve funds of one fund group cannot be used to cover deficiencies of another fund group. In order to recover any shortfall covered by the reserve, the Bond Bank has the ability to attach certain State funds. Additionally, the Bond Bank is required to utilize funds available within the general operating accounts as necessary.

5. Reserve Funds

Each of the resolutions requires the Bond Bank to set up reserve funds as follows:

General Tax-Exempt Fund Group: The Bond Bank is required to maintain a debt service reserve which is equal to the maximum amount of principal installments and interest maturing and becoming due in any succeeding calendar year on all governmental unit loan obligations then outstanding as of such date of calculation. At June 30, 2009, the required debt service reserve was approximately $122,046,000.

In addition, the Bond Bank maintains the Special Reserve Account balance of $1,970,829 and the Supplemental Reserve Fund General Reserve Account principal balance of $2,700,000. These reserves represent segregated net assets and are pledged to the payment of the principal or interest on the outstanding bonds of the General Tax-Exempt Fund Group if a deficiency occurs. At June 30, 2009, the fair value of the reserve fund assets totaled approximately $150,074,000, which exceeded the required reserves by approximately $23,357,000.

Transportation Infrastructure Fund Group: The Bond Bank is required to maintain a capital reserve which is equal to 50% of the maximum amount of principal installments and interest maturing and becoming due in any succeeding calendar year on all bonds payable within the fund group as of such date of calculation. At June 30, 2009, the required capital reserve was approximately $2,368,000 and the fair value of the capital reserve assets totaled approximately $2,505,000.

Special Obligation Taxable Fund Group: The Bond Bank is required to maintain a capital reserve which is equal to the maximum amount of principal installments and interest maturing and becoming due in any succeeding calendar year on all governmental unit loan obligations then outstanding as of such date of calculation. At June 30, 2009, the required capital reserve was approximately $194,500 and the fair value of the capital reserve assets totaled approximately $227,000.

Sewer and Water Fund Groups: The Bond Bank is required to maintain a capital reserve which is equal to the maximum amount of principal installments and interest maturing and becoming due in any succeeding calendar year on all bonds payable within the fund groups as of such date of calculation. At June 30, 2009, the required capital reserve was approximately $7,672,000 and the fair value of the capital reserve assets totaled approximately $9,935,000.

6. Sewer and Water Revolving Fund Group

Pursuant to the Sewer and Water General Bond Resolution adopted February 7, 1990, the Bond Bank receives capitalization grants from the Environmental Protection Agency and twenty percent matching grants from the State of Maine which are designated to be used for revolving loans to governmental units to finance wastewater collection, treatment systems, or water supply system projects.

During 2009, the Bond Bank was also awarded American Recovery and Reinvestment Act (ARRA) grants for use in its Sewer and Water Revolving Fund Group. ARRA grants are for purposes consistent with the intent of the Sewer and Water Revolving Fund Group, including construction of wastewater treatment facilities, drinking water facilities and associated infrastructure, green infrastructure, nonpoint source projects, estuary projects and program administration. The grants do not contain any State of Maine matching provisions. The grants stipulate that the Bond Bank must have committed loans to recipients with signed construction contracts by February 17, 2010. Any unused grant funds are to be returned to the federal government.

In 2009, the Bond Bank was awarded $30,336,800 and $19,500,000 of ARRA grants within the Waste Water and Drinking Water Revolving Loan Fund Groups, respectively. Of these totals, the Bond Bank recorded grant revenues of $16,071,933 and $10,960,602 within the Waste Water and Drinking Water Revolving Loan Fund Groups, respectively, representing the combined total amount of loans committed through June 30, 2009 and allowable program administrative appropriations. The remaining grant award amounts of $14,264,867 and $8,539,398 within the Waste Water and Drinking Water Revolving Loan Fund Groups, respectively, are included in deferred revenue on the June 30, 2009 balance sheet.

Net assets consist of the following:

	Waste Water	Drinking Water
Reserved for revolving loans:		
Grants received from Environmental Protection Agency under existing capitalization grant program	$ 205,852,859	$ 108,179,900
Grants received from Environmental Protection Agency under ARRA	16,071,933	10,960,602
Other administrative grants received from Environmental Protection Agency	1,347,010	–
Hardship grants received from Environmental Protection Agency	643,800	–
Grants received from State of Maine	41,224,602	21,313,708
Other amounts reserved (utilized) for program loans and costs	40,796,113	(18,204,598)
	305,936,317	122,249,612
Unreserved amounts available	1,213,472	1,300,904
Net assets at June 30, 2009	$ 307,149,789	$ 123,550,516

6. Sewer and Water Revolving Fund Group (Continued)

Under the provisions of the grants from the Environmental Protection Agency (including ARRA grants), the Bond Bank is allowed administrative costs of up to 4% of the total grants awarded. In addition, the Bond Bank receives other grants from the Environmental Protection Agency that are used solely for administrative purposes. The total administrative costs allowed at June 30, 2009 are $10,794,596 (waste water) and $4,814,502 (drinking water), with $9,581,124 and $3,513,598, respectively, expended to date. The remaining amount of $1,213,472 in the Waste Water Revolving Loan Fund Group and $1,300,904 in the Drinking Water Revolving Loan Fund Group can be used for future administrative costs. The Bond Bank also charges annual administrative fees to borrowers that are used to administer the programs.

Portions of the loans made to eligible borrowers under the Drinking Water Revolving Loan Fund Program may be forgiven if certain continuing criteria are met, including that the borrower: continues to make debt service payments; continues to operate the project in compliance with laws and regulations; and does not dispose of or discontinue the project. The Bond Bank has loaned approximately $28,541,032 at June 30, 2009, that, upon fulfillment of these requirements by the borrowing unit, could be forgiven at some future point. For purposes of the basic financial statements, the Bond Bank recognizes forgiveness expense within these funds as the related loans are repaid. The total amount forgiven under these programs in 2009 was $992,385.

During 2009, the Bond Bank and the Environmental Protection Agency implemented a joint rule change in the Waste Water Revolving Loan Fund program in order to allow the program to make loans under ARRA grant provisions. The rule change allows the Bond Bank, after consultation with the Environmental Protection Agency, to set interest rates at any level, including 0%. It also allows portions of loans made to eligible borrowers under the Waste Water Revolving Loan Fund Program to be forgiven if certain continuing criteria are met (similar to criteria in the Drinking Water Revolving Loan Fund Program). The Bond Bank has loaned approximately $9,504,000 at June 30, 2009 under the Waste Water Revolving Loan Fund Program that, upon fulfillment of these requirements by the borrowing unit, could be forgiven at some future point. For purposes of the basic financial statements, the Bond Bank recognizes forgiveness expense within these funds as the related loans are repaid. There were no amounts forgiven under this program in 2009.

Within the Waste Water Revolving Loan Fund Group, the Bond Bank is participating in a linked deposit loan program with local banks to encourage environmentally sound logging practices. Under the program, the Bond Bank is subsidizing loans to loggers by investing in certificates of deposit at the respective banks and providing 2% of the interest earned as a subsidy to the borrower. At June 30, 2009, the Bond Bank has $4,538,072 of certificates of deposits outstanding at various bank of which approximately $222,000 is in excess of the limits insured by the Federal Deposit Insurance Corporation.

7. School Facilities Fund Group

Pursuant to State law, the Bond Bank receives grants from the State of Maine which are designated to be used for interest-free revolving loans to school administrative units for the renovation and maintenance of school facilities. Net assets consist of the following:

Reserved for revolving loans:	
Grants received from State of Maine	$ 98,679,856
Loans forgiven	(70,325,015)
Other amounts reserved for program loans and costs	12,184,477
	40,539,318
Unreserved amounts available	1,246,024
Net assets at June 30, 2009	$ 41,785,342

Under the provisions of the grants, the Bond Bank is allowed administrative costs up to 0.5% of the highest fund balance in any fiscal year. The total administrative costs allowed through June 30, 2009 are $2,716,135, with $1,470,111 expended to date. The remaining amount of $1,246,024 can be used for future administrative costs.

Portions of the loans made to school administrative units from the School Facilities Fund Group are forgiven. For purposes of the general purpose financial statements, the Bond Bank recognizes forgiveness expense within this fund at the time the loans are disbursed to the school administrative unit. This accounting treatment differs from the treatment within the Drinking Water and Waste Water Revolving Loan Funds due to the fact that there are no relevant continuing criteria that would require recognition of the forgiven amount as the related loans are repaid. The total amounts forgiven under this program in 2009 were $3,054,145.

8. Defined Benefit Pension Plan and Other Postemployment Benefits

Pension Plan Description and Funding Policy

The Bond Bank participates in Regular Plan A of the Consolidated Plan for Participating Local Districts (the Plan), an agent multiple-employer defined benefit pension plan administered by the Maine Public Employees Retirement System (MEPERS). The MEPERS is established and administered under the Maine State Retirement System Laws, Title 5 M.R.S.A., C. 421, 423 and 425. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. All full-time employees are eligible to participate in the Plan. Benefits vest after ten years of service. Bond Bank employees who retire at or after age 60 are entitled to an annual retirement benefit in an amount equal to 2% of the average of their highest three year earnings for each year of credited service. The authority to establish and amend benefit provisions rests with the State legislature. The MEPERS issues a publicly available financial report that includes financial statements and required supplementary information for the Plan. That report may be obtained by writing to the Maine State Retirement System, 46 State House Station, Augusta, Maine 04333-0046.

8. Defined Benefit Pension Plan and Other Postemployment Benefits (Continued)

In accordance with State statute, participants are required to contribute 6.5% of their annual covered salary to the Plan. The Bond Bank's payroll for the year ended June 30, 2009 for employees covered by the Plan was approximately $974,000, which was 100% of payroll. The Bond Bank is required to contribute at an actuarially determined rate that, when combined with the contributions of other reporting entities, will be adequate to fund the Plan. The contribution rate is determined using an entry age normal actuarial funding method for retirement benefits and a term cost method for ancillary benefits. The Bond Bank may be required to make contributions to fund the Plan's pooled unfunded actuarial liability, if any. The contribution requirements of the plan members and the Bond Bank are established by and may be amended by the State legislature. The contributions made for the years ended June 30, 2009, 2008 and 2007 were $27,269, $26,728 and $25,692 (employer) and $63,303, $62,047 and $59,641 (employee), respectively.

Other Postemployment Benefits (OPEB)

Plan Description: The Bond Bank sponsors a post-retirement health care benefit plan (the Plan). The Plan provides supplemental health care benefits to any full-time employee (and their spouse) with ten or more years of employment who retires from the Bond Bank and has reached the age of 65 (Medicare eligible retirement age). The Bond Bank is a member of the Maine Municipal Association and participates in an agent multiple-employer postemployment healthcare plan administered by the Maine Municipal Employees Health Trust. The Bond Bank may terminate the Plan at its option, in which case future benefit payments would be limited to those employees that retired prior to the termination date (there is one retiree as of June 30, 2009).

Funding Policy: The post employment healthcare benefits are currently being funded on a pay-as-you-go basis (the Bond Bank paid approximately $2,200 in 2009). No assets have been segregated and restricted to provide post-employment benefits.

Annual OPEB Cost: For 2009, the Bond Bank's annual OPEB cost (expense) of $68,846 for the Plan was equal to the Annual Required Contribution (ARC). The Bond Bank's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	$68,846	0%	$68,846

Funded Status and Funding Progress: The funded status of the plan as of January 1, 2009, was as follows:

Actuarial accrued liability (AAL)	$647,132
Actuarial value of plan assets	–
Unfunded actuarial accrued liability (UAAL)	$647,132
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	$974,000
UAAL as a percentage of covered payroll	66%

8. Defined Benefit Pension Plan and Other Postemployment Benefits (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2009, actuarial valuation, the projected united credit (PUC) cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return and an annual healthcare cost trend rate of 9.6 percent initially, reduced by decrements to an ultimate rate of 4 percent after twenty years. Both rates include a 3.0 percent inflation assumption. The Plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at January 1, 2009, was twenty-nine years.

9. Refunding Issues

In periods of declining interest rates, the Bond Bank has refunded its bond obligations, reducing aggregate debt service. Where allowed, the Bond Bank retires outstanding bonds prior to their contractual maturity. In other cases, the proceeds of the refunding bonds were principally used to purchase U.S. Treasury obligations, the principal and interest on which will be sufficient to pay the principal and interest, when due, of the in-substance defeased bonds. The U.S. Treasury obligations were deposited with the trustees of the in-substance defeased bonds. The Bond Bank accounted for these transactions by removing the U.S. Treasury obligations and liabilities for the in-substance defeased bonds from its records, and recorded a deferred amount on refunding.

At June 30, 2009, the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately $128 million.

10. Pass-Through State Grants

The Bond Bank entered into memoranda of understanding with the Maine Department of Economic and Community Development (DECD) to jointly administer the Riverfront Community Development and Municipal Investment Trust Fund programs within its General Operating Account. Under the programs, the Bond Bank receives grants from the DECD that are passed-through to municipalities designated for such grants by the DECD. A portion of the grants received from the DECD, up to a statutorily determined limit, are used to reimburse the Bond Bank for administrative expenses incurred. The Bond Bank recorded $80,000 as administrative fee revenue related to the programs in fiscal 2009, which is included in other income on the statement of revenues, expenses and changes in net assets.

10. Pass-Through State Grants (Continued)

Riverfront Community Development Program

During fiscal 2009, the Bond Bank received $2,450,000 from DECD, none of which has been disbursed at June 30, 2009. At June 30, 2009, the $2,450,000, plus $2,936 of interest income earned on the related investment balances, is included in pass-through grants payable, representing remaining DECD funds to be passed on to qualified municipalities in future years.

Municipal Investment Trust Fund Program

During fiscal 2009, the Bond Bank received $1,470,000 from DECD. Through June 30, 2009, the Bond Bank made grants totaling $278,474 to qualified municipalities. At June 30, 2009, the remaining $1,191,526, plus $10,357 of interest income earned on the related investment balances is included in pass-through grants payable, representing remaining DECD funds to be passed on to qualified municipalities in future years.

11. Subsequent Events

On August 27, 2009, the Bond Bank issued $21,620,000 of Series 2009 C General Resolution Bonds. The Bonds mature from 2010 – 2029 and carry an interest rate ranging from 1.10% to 4.25%. Also, on August 27, 2009, the Bond Bank issued $34,930,000 of Series D Bonds, $4,685,000 of Series E Refunding Bonds and $19,115,000 of Series F Refunding Bonds. The 2009 Series E Refunding Bonds refunded the 1994 Series D Bonds maturing in 2014 for $4,670,000, and the Series F Refunding Bonds refunded the 1998 Series C, 1999 Series C and 1999 Series E Bonds maturing in 2010 – 2012, aggregating $19,410,000.

On July 22, 2009, the Bond Bank issued $105,000,000 of Series 2009A Transportation Infrastructure Revenue Bonds. The Bonds mature from 2010 – 2023 and carry an interest rate ranging from 2.50% to 5.00%.

MAINE MUNICIPAL BOND BANK

SCHEDULE OF ACTIVITIES

Year Ended June 30, 2009

		Program Revenues				Net Revenue (Expense) and Changes in net assets
	Expenses	Charges for Services	Program Investment Income	Operating Grants and Contributions	Capital Grants/ Contributions	Total
Functions/Programs:						
Maine Municipal Bond Bank	$(62,300,175)	$52,047,491	$5,928,713	$3,247,145	$53,424,491	$ 52,347,665
Total	$(62,300,175)	$52,047,491	$5,928,713	$3,247,145	$53,424,491	
General revenues:						
Unrestricted interest and investment earnings						757,373
Non program specific grants, contributions and appropriations						–
Miscellaneous income						1,510,643
Loss on assets held for sale						–
Extraordinary item						–
Total general revenues and extraordinary items						2,268,016
Changes in net assets						54,615,681
Net assets, beginning of year						482,073,421
Net assets, end of year						$ 536,689,102

Note 1 – Operating grants and contributions shown above consist of investment income of the Revolving Loan Fund Groups and School Facilities Fund Group.