



2009 ANNUAL REPORT

PO BOX 110405
JUNEAU, ALASKA 99811-0405

LETTER FROM THE CHAIRPERSON

To all Alaskans:

The year 2009 marked the 34th year of existence for the Alaska Municipal Bond Bank Authority (Bond Bank). Since its inception in August of 1975, the Bond Bank has helped Alaskan communities secure almost \$1 billion dollars in financing for public works projects that have improved the standards of health, safety and education for our citizens.

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

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

Beginning in 1977, the Bond Bank has remitted to the State of Alaska annual investment earnings in excess of operating needs. At \$27.8 million, those remittances now exceed, by over \$9.2 million, the \$18.6 million appropriated by the State of Alaska to the Bond Bank between the years 1976 and 1986.

Over the last six years, the Bond Bank has more than doubled the amount of funds loaned to accomplish community projects. This heightened level of activity warrants additional support for the Bond Bank. For the first time in 23 years retention of earnings was approved for the reserve of the Bond Bank in the State's 2009 budget, and again in the 2010 budget. The earnings of the Bond Bank from FY 2009 are \$819,843. These appropriations are significant steps in ensuring the continued ability of the bond Bank to provide value to Alaskans.

The Bond Bank issued three series of bonds in fiscal year 2009 totaling \$76.7 million for nine loans to Alaskan communities. Bond Bank participation in these transactions is estimated to have saved these communities over \$6.8 million. These savings equate to a direct reduction to the burden on local taxpayers. The Bond Bank is indeed an idea that works, and an example of the benefits that can be realized through good government.

In accordance with Alaska Statute 44.85.100, we respectfully submit the attached year 2009 report of the activities and financial condition of the Bond Bank.

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

Sincerely,



Mark Pfeffer

THE ALASKA MUNICIPAL BOND BANK AUTHORITY

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

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

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

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

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

The Bond Bank may not issue revenue bonds in excess of \$75 million in any fiscal year unless the Alaska Legislature approves a greater amount. The Bond Bank is further restricted to a limit of \$750 million of bonds or notes outstanding. As of June 30, 2009, obligations totaled \$587.2 million, allowing for additional bond issuances of \$162.8 million.



AN IDEA THAT WORKS

The Bond Bank pays its own way. The Bond Bank's reserve accounts serve to both guarantee the bonds and provide investment income. All of the Bond Bank's costs are paid from these investment earnings. The statutory earnings from its investment accounts exceeded expenses by \$819,843 during the fiscal year ending June 30, 2009. Such excess funds have historically been paid to the State of Alaska, but for the last two years the amounts have been appropriated to the Bond Bank. Since 1977 the Bond Bank has returned \$27.8 million in excess earnings to the State, exceeding the State's original investment of \$18.6 million (appropriated in the years 1976 through 1986) by over \$9.2 million. FY 2008 and FY 2009 generated \$855,347 and \$819,843 respectively in excess earnings that have been appropriated to the Bond Bank. These were the first times since 1986 that the reserve appropriation has been increased.

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

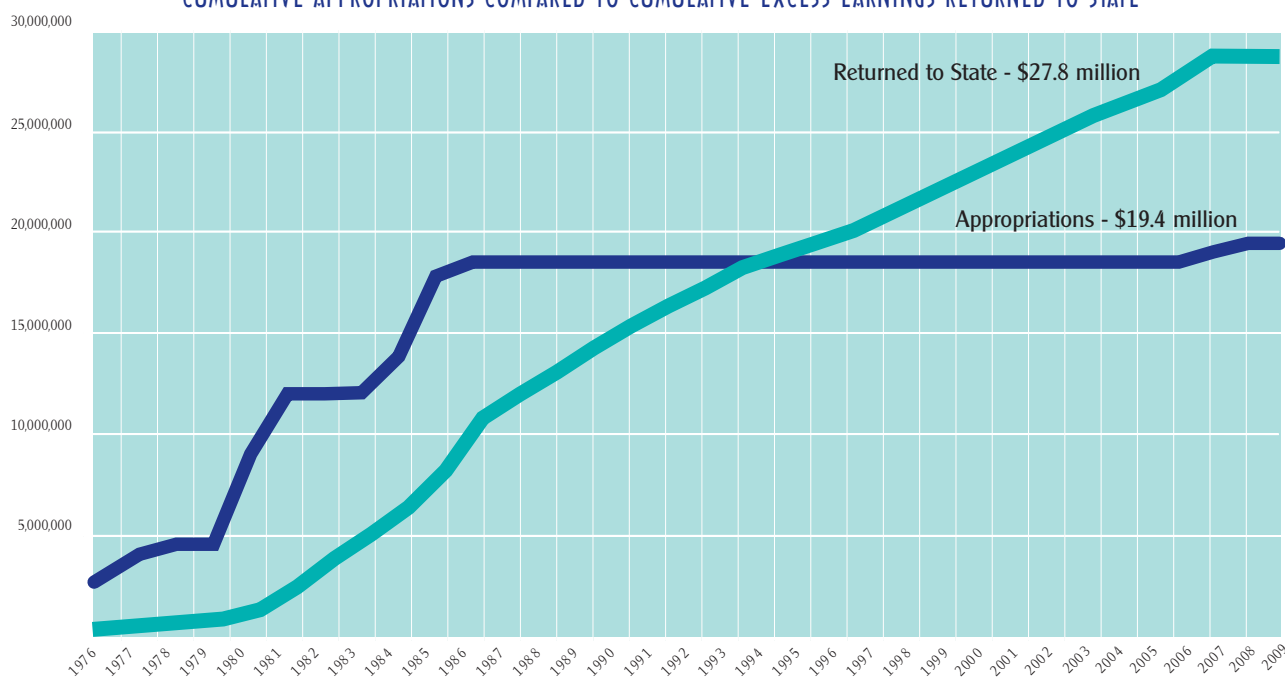
Alaskan communities taking advantage of the Bond Bank's services realize considerable savings. These communities may have low bond ratings, or although credit worthy have not issued bonds, or have little outstanding debt, and lack investor familiarity.

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

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

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

CUMULATIVE APPROPRIATIONS COMPARED TO CUMULATIVE EXCESS EARNINGS RETURNED TO STATE



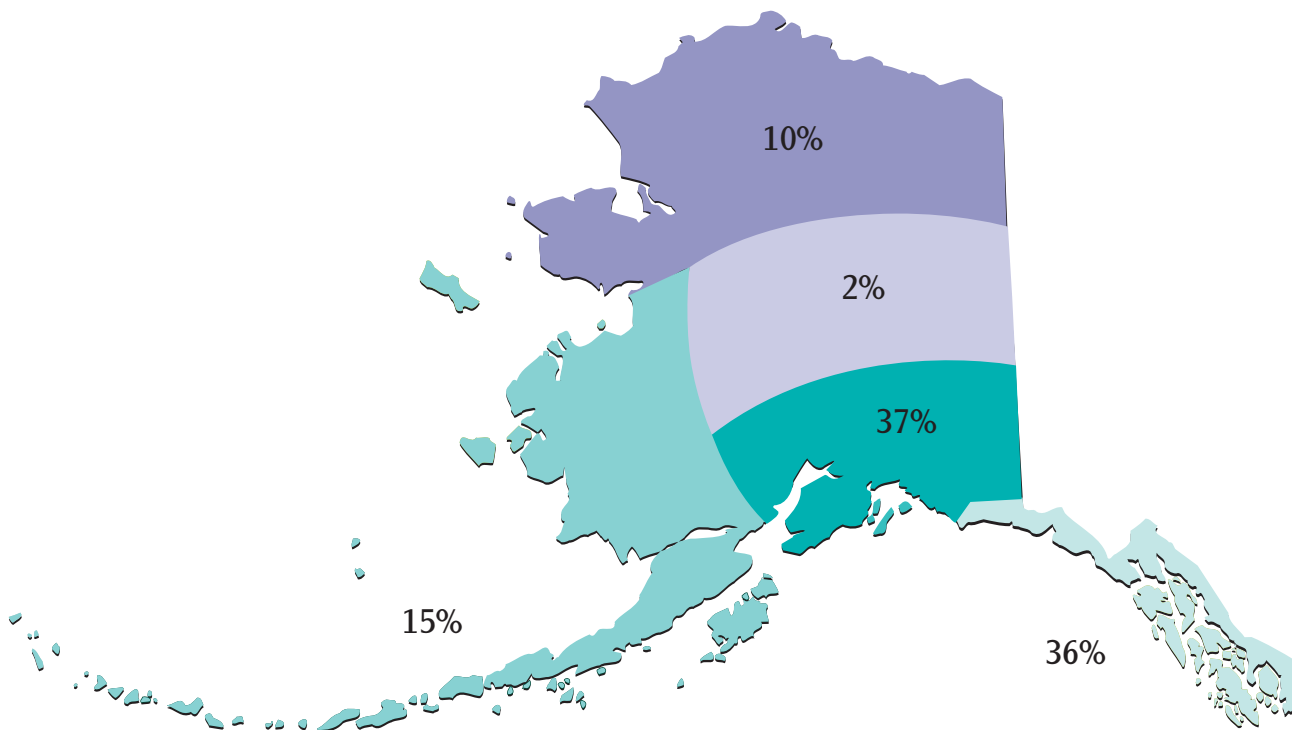
HELPING ALASKAN COMMUNITIES

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

If it becomes clear that debt financing through the Bond Bank is neither possible nor appropri-

ate for any particular municipality, the Bond Bank will continue to work with the municipality's administration to find other means of meeting their financial objectives.

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



ALL BOND PROCEEDS DISTRIBUTION
BY AREA PERCENTAGES

ISSUING BONDS

The Bond Bank almost exclusively issues tax exempt bonds. Purchasers of these bonds including bond mutual funds, institutional investors, insurance companies, or private individual investors do not have to pay federal income taxes on the interest income received.

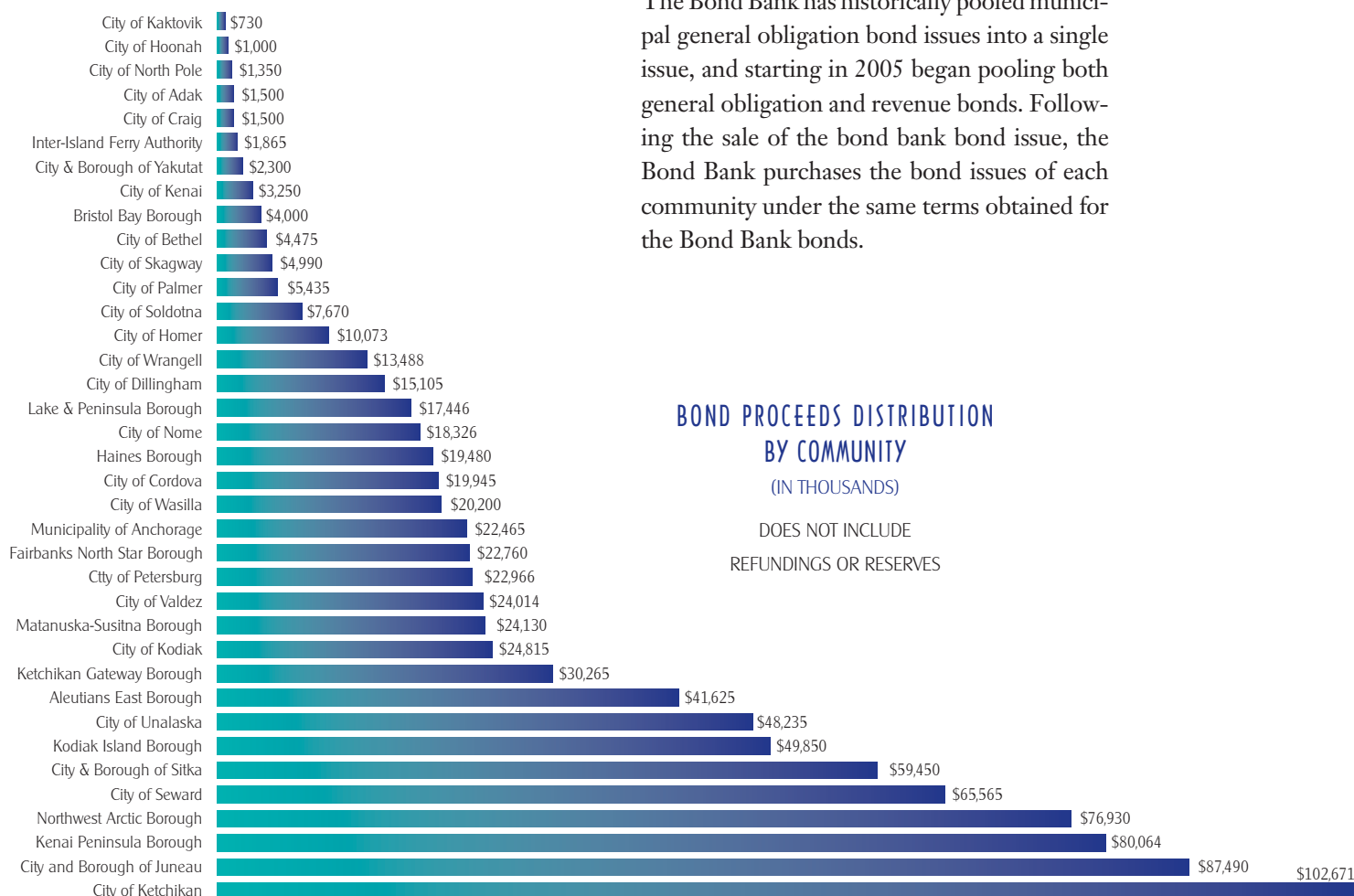
Historically all General Obligation Bond issues of the Bond Bank have been reviewed by Moody's Investors Service and Standard and Poor's Corporation. During FY 2010 the Bond Bank has shifted from Standard and Poor's to Fitch Ratings. The Bond Bank's General Obligation Bonds have received "A1 and AA-"

ratings, considered "investment grade," from Moody's Investors Service and Fitch Ratings respectively. As a result the Bond Bank is able to borrow money at lower interest rates than most Alaskan municipalities.

In addition, when it is economical and cost effective to do so, the Bond Bank obtains bond insurance to secure "AAA" ratings. In the current market, additional insured bond issues are not anticipated.

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

The Bond Bank has historically pooled municipal general obligation bond issues into a single issue, and starting in 2005 began pooling both general obligation and revenue bonds. Following the sale of the bond bank bond issue, the Bond Bank purchases the bond issues of each community under the same terms obtained for the Bond Bank bonds.



LEVERAGING STATE DOLLARS

An important reason for the Bond Bank's favorable bond rating and lower borrowing costs is that it secures its bonds with reserve funds supported by the "moral obligation" of the State of Alaska. The State has demonstrated the depth of this pledge, by appropriating an unlimited amount in the FY 2010 budget to satisfy the moral obligation.

The reserve funds are available to cure defaults, should they occur, and sized to an amount equal to 125% of average debt service over the life of all bond issues in the specific program. For the 1976 loan program, at least two-thirds of the reserve must be funded from bond bank assets and up to one-third funded from the proceeds of new bond issues, for older revenue bond issues Bond bank assets funded the entire reserve, and with the 2005 loan program there is flexibility to use any combination of bond bank assets, bond proceeds, or surety policies to satisfy reserve requirements. For both the 1976 and the 2005 loan program the reserve is pooled, meaning that the reserve that is in place is equivalent to many years of debt payments on even the largest of borrower loans.

The reserve fund has historically been used to leverage debt at better than an eleven to one ratio. For every \$1 million placed in the reserve fund, more than \$11 million of outside capital is attracted to the state. As the 2005 lending program has matured this ratio has increased.

GENERAL OBLIGATION BONDS

The majority of the Bond Bank's bonds have been issued to fund general obligation loans. Communities typically issue general obligation bonds to finance facilities that do not generate revenue, such as schools, roads, public safety and municipal buildings. Such bonds must be approved by the municipal voters.

REVENUE BONDS

The Bond Bank also funds loans for community revenue bonds that are used to finance revenue-producing capital improvements such as utility or port facilities. Because they are not secured by a municipality's taxing power, such bonds do not normally require municipal voter approval.

CURRENT FINANCINGS FY 2009 BONDS ISSUE

\$19,700,000

GENERAL OBLIGATION 2008 SERIES TWO

City of Skagway – Community Health Center
City of Seward – Electrical emergency generators
City and Borough of Sitka – School renovations
30 year: True Interest Cost 4.9277%

\$26,730,000

GENERAL OBLIGATION 2009 SERIES ONE

City of Unalaska – Powerhouse and electrical generators
City of Kodiak – Boat lift
30 year: True Interest Cost 5.4526%

\$30,295,000

GENERAL OBLIGATION 2009 SERIES TWO

City of Cordova – School renovation
City of Nome – School renovations
Kodiak Island Borough – Refund city issued 1998 bonds
City of Unalaska – School renovations
25 year: True Interest Cost 5.0216%

ISSUED AMOUNTS ARE INCLUSIVE OF
RESERVE OBLIGATIONS

2005 BOND INDENTURE

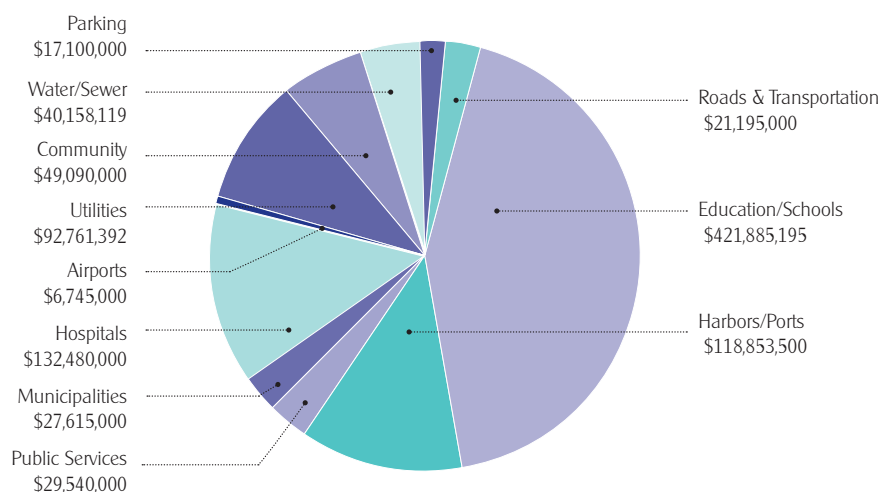
The Bond Bank has historically issued general obligation bonds only to fund loans purchasing one or more municipal general obligation bond issue, while revenue bonds were issued only to fund loans purchasing one municipal revenue bond issue. In Fiscal Year 2006 the Bond Bank created the 2005 lending program that can support loans to purchase both general obligation bonds and revenue bonds through the issuance of general obligation bonds of the Bond Bank. The three transactions issued in Fiscal Year 2009 combined loans that previously would have required five bond issues. This ability to pool communities' bonds provides greater operational efficiency for the Bond Bank and provides additional flexibility and savings to communities. The 2005 lending program is now used for all issues of the Bond Bank.

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

- For general obligation loans the full faith and credit of each respective community with no taxing limitation.
- For revenue bond loans the revenues for the facility or enterprise being financed
- The Bond Bank's general obligation debt service reserve fund. This pooled reserve is generally funded in an amount equal to annual debt service on all the bonds in the program.
- All Bond Bank assets shall be used to restore the debt service reserve to an amount that equals the maximum annual debt service on the Bond Bank bonds.
- The statutory right of the Bond Bank, in the event of default, to demand and receive any funds held by a state agency which are payable to the defaulting municipality.
- The moral obligation of the State of Alaska to maintain the debt service reserves at their required levels. This commitment is currently funded in the State's FY2010 operating budget for the 2005 G.O. program.

USES OF BOND PROCEEDS — INCEPTION TO DATE

DOES NOT INCLUDE REFUNDINGS



SUMMARY OF DEBT SERVICE

SCHEDULE OF TOTAL DEBT SERVICE BY CLASSIFICATION AT JUNE 30, 2009

1976 GENERAL BOND RESOLUTION FUND

	PRINCIPAL	INTEREST	TOTAL
1998 Series A	\$ 405,000	19,231	424,231
1998 Series B	270,000	31,830	301,830
2000 Series A	630,000	17,325	647,325
2000 Series B	1,045,000	90,181	1,135,181
2000 Series C	3,005,000	251,156	3,256,156
2000 Series D	165,000	13,750	178,750
2000 Series E	3,795,000	350,315	4,145,315
2000 Series F	310,000	33,530	343,530
2001 Series A	5,805,000	1,127,078	6,932,078
2001 Series B	2920,000	1,013,716	3,933,716
2002 Series A	6,725,000	646,625	7,371,625
2002 Series B	9,260,000	3,303,378	12,563,378
2003 Series A	7,320,000	2,625,958	9,945,958
2003 Series C	3,695,000	339,700	4,034,700
2003 Series D	11,615,000	4,532,873	16,147,873
2003 Series E	7,775,000	2,126,250	9,901,250
2003 Series F	430,000	21,525	451,525
2003 Series G	19,345,000	8,209,513	27,554,513
2004 Series A	13,715,000	3,583,103	17,298,103
2004 Series B	12,610,000	3,951,175	16,561,175
2004 Series C	12,145,000	4,828,732	16,973,732
2004 Series D	10,910,000	4,392,575	15,302,575
2005 Series A	31,380,000	10,104,320	41,484,320
2005 Series B	21,200,000	7,808,258	29,008,258
2005 Series C	28,990,000	11,495,716	40,485,716
2006 Series A	15,765,000	3,929,266	19,694,266
	<u>\$ 231,230,000</u>	<u>74,847,079</u>	<u>306,077,079</u>

2005 SERIES GENERAL BOND RESOLUTION PROGRAM

	PRINCIPAL	INTEREST	TOTAL
2005 Series ONE	15,350,000	4,079,468	19,429,468
2006 Series ONE	6,720,000	3,059,490	9,779,490
2006 Series TWO	38,985,000	33,761,163	72,746,163
2007 Series ONE	26,175,000	8,475,214	34,650,214
2007 Series TWO	24,710,000	15,562,075	40,272,075
2007 Series THREE	14,455,000	9,616,322	24,071,322
2007 Series FOUR	15,160,000	7,670,944	22,830,944
2007 Series FIVE	6,000,000	5,262,842	11,262,842
2008 Series ONE	61,500,000	40,824,675	102,324,675
2008 Series TWO	19,245,000	12,870,233	32,115,233
2009 Series ONE	26,730,000	22,801,275	49,531,275
2009 Series TWO	30,295,000	14,144,298	44,439,298
	<u>\$ 285,325,000</u>	<u>178,127,999</u>	<u>463,452,999</u>

COASTAL ENERGY IMPACT PROGRAM AND REVENUE BONDS

	PRINCIPAL	INTEREST	TOTAL
COASTAL ENERGY FUND	10,962,416	-	10,962,416
1998A Revenue Bond Resolution	3,355,000	319,099	3,674,099
1998B Revenue Bond Resolution	185,000	4,163	189,163
1999A Revenue Bond Resolution	90,000	2,520	92,520
2000B Revenue Bond Resolution	400,000	32,444	432,444
2001A Revenue Bond Resolution	1,205,000	309,388	1,514,388
2001B Revenue Bond Resolution	1,785,000	484,125	2,269,125
2002A Revenue Bond Resolution	3,450,000	479,888	3,929,888
2003B Revenue Bond Resolution	16,980,000	6,669,769	23,649,769
2004A Revenue Bond Resolution	27,295,000	22,077,848	49,372,848
2004B Revenue Bond Resolution	4,960,000	3,750,894	8,710,894
	<u>70,667,416</u>	<u>34,130,138</u>	<u>104,797,554</u>
	<u>\$ 587,222,416</u>	<u>287,105,216</u>	<u>874,327,632</u>

SUMMARY OF TOTAL DEBT SERVICE REQUIREMENTS BY FISCAL YEAR

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL
2010	32,784,582	26,169,370	58,953,952
2011	33,058,247	25,174,400	58,232,647
2012	34,427,061	23,760,491	58,187,552
2013	33,716,032	22,383,108	56,099,140
2014	31,305,165	20,867,130	52,172,295
2015-2019	153,659,869	83,579,943	237,239,812
2020-2024	130,010,848	50,210,819	180,221,668
2025-2029	80,066,976	24,553,322	104,620,298
2030-2034	43,323,872	9,324,435	52,648,307
2035 and after	14,869,764	1,082,198	15,951,962
	<u>\$ 587,222,416</u>	<u>287,105,216</u>	<u>874,327,634</u>

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

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

THE BOARD OF DIRECTORS

MARK PFEFFER

Chairman

Term expires July 15, 2013

Mr. Pfeffer was appointed October 10, 2001. Mr. Pfeffer is a registered architect who has owned and led an architectural practice in Alaska for over 24 years. He is active in the development, design and management of commercial real estate projects, many of which include public/private partnerships. He is a partner in the firms Koonce Pfeffer Bettis, Inc. and Venture Development Group, LLC. Mr. Pfeffer received a Bachelor of Architecture Degree from the University of Nebraska in 1980.

LUKE WELLES

Vice Chairman

Term expires July 15, 2010

Mr. Welles was appointed on May 16, 2008. Mr. Welles is Chief Financial Officer for the Yukon Kuskokwim Healthcare Corporation which administers healthcare in 52 rural communities, including a hospital located in Bethel, Alaska. He has management experience in healthcare, civil construction and commercial real estate. Over the past 16 years he has served on several economic development commissions in the State, a city council member in Homer, Alaska and multiple boards. Mr. Welles received a Bachelor of Arts in Foreign Service and International Business from Baylor University in 1989.



GREGORY GURSEY

Member

Term expires July 15, 2010

Mr. Gursey was appointed to the board on June 22, 2009. Mr. Gursey became President of Benefit Brokers, Inc in 2001, after working as Vice President of Investments for Wedbush Morgan Securities for 11 years. Benefit Brokers has been providing investment advisory services to clients for over 30 years. Mr. Gursey also serves as a FINRA industry arbitrator in both civil and industry arbitration cases. After graduating from the University of Alaska Anchorage with a degree in finance, Mr. Gursey became involved with the University of Alaska Foundation. He served as the first Chairman of the UAA College of Fellows, currently is a member of the Investment Committee and serves as a Trustee to the UA Foundation. Mr. Gursey has served on the U.S. Treasury's Department, Taxpayer Advocacy Panel, State of Alaska Dental Examiner's Board, the Investment Commission for the Municipality of Anchorage, as well as numerous other boards. Mr. Gursey received the "UAA Alumnus of the Year Award", the "Mayor's Award for Public Service," the Anchorage Chamber of Commerce, "Top Forty under 40 Award," and most recently the "President's Volunteer Service Award," by President George W. Bush. He has been a resident of Alaska since 1983.

JERRY BURNETT

Member

Mr. Burnett is the first delegate for Patrick Galvin, Commissioner of the Department of Revenue. Mr. Burnett was appointed Deputy Commissioner in January 2009, after acting since August 2008. He previously was the Administrative Services Director and Legislative Liaison, for the Department of Revenue. Other state service includes two years as Administrative Services Director at the Department of Corrections and twelve years as Finance Committee and Budget and Audit Committee staff to the Alaska Legislature. From 1983 to 2002 Mr. Burnett was an adjunct professor of business at the University of Alaska Southeast and during this time also worked as a Real Estate Broker and Life and Health Insurance Agent. He has a Masters of Business Administration and a Masters of Public Administration from the University of Alaska and a Bachelor of Science in Occupational Safety and Health from Central Washington University.

GREG WINEGAR

Member

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

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

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

DEVEN MITCHELL

Executive Director, appointed April 7, 1998

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

PAMELA GREEN, CPA

Deputy Treasurer, appointed October 15, 2007

Ms. Green is the Comptroller for the State of Alaska Department of Revenue, Treasury Division. Ms. Green started her career as an auditor with Price Waterhouse. She became partner in the firm PricewaterhouseCoopers, advising and consulting clients on various disciplines, including securities litigation and bankruptcy. Prior to joining Treasury, Ms. Green worked for the Alaska Permanent Fund Corporation. Ms. Green holds a Bachelor of Science degree in Economics from the Wharton School, University of Pennsylvania and is a Certified Public Accountant in the State of Alaska.

FINANCIAL ADVISOR

WESTERN FINANCIAL GROUP, LLC

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

BOND COUNSEL

WOHLFORTH JOHNSON BRECHT CARTLEDGE & BROOKING

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

TRUSTEE/PAYING AGENT

JP MORGAN TRUST COMPANY

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

INVESTMENT MANAGER

BOND LOGISTIX

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

CUSTODIAL BANK

FIRST NATIONAL BANK ALASKA

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

FINANCIAL STATEMENTS

JUNE 30, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

This financial report has two integral parts: this MD&A and the financial statements with the accompanying notes that follow. Together, they present the Alaska Municipal Bond Bank Authority's ("Bond Bank") financial performance during the fiscal year ended June 30, 2009. Summarized prior fiscal year information is shown within this MD&A, as needed for comparative purposes.

REQUIRED FINANCIAL STATEMENTS

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

FINANCIAL HIGHLIGHTS:

During fiscal year 2009 the Bond Bank approved 9 municipal loan applications for projects in 9 communities, resulting in \$76.7 million in bonds being issued and funding \$72.6 million worth of loan activity. Bond Bank Bond activity in FY2009 resulted in approximate savings of \$6.8 million to the borrowing communities. The activity level and community benefit is comparable to FY2008 when the Bond Bank issued \$98.7 million to fund 9 community projects and provided savings of \$3.4 million to the borrowing communities.

The financial position of the Bond Bank remains strong. All reserves are fully funded and invested. Fiscal year 2009 investment earnings funded fiscal year 2009 operations and will provide for \$819,843 excess earnings that is appropriated to the Bond Bank. As of June 30, 2009, the Bond Bank holds approximately \$12 million unrestricted reserves, that is to make up shortfalls in years that investment earnings are not sufficient to fund operations.

STATEMENT OF NET ASSETS

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

ASSETS

Assets represent 1) the value of the Bond Bank's investments and investment income receivable on the financial statement dates, recorded at fair market value, and (2) bond principal and interest payments receivable from municipalities. The investments generate income for the Bond Bank to use to meet reserve requirements and pay operating costs. Historically, excess operating account earnings have been appropriated to the State of Alaska's (State) general fund each year. House Bill 81 however, for the fiscal year ending June 30, 2009, appropriated the excess earnings of the operating account to the Bond Bank's reserve fund. Interest received on bonds purchased from municipalities is used to pay the Bond Bank's corresponding interest payments on the bonds that it has issued.

LIABILITIES

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

RESTRICTED AND UNRESTRICTED NET ASSETS

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

The following table shows the value of Bond Bank assets summarized as of June 30, 2009 and 2008 as well as liabilities and net assets.

	As of June 30		Change from 2008 to 2009 Increase (Decrease)	
	2009	2008	Dollars	Percent
ASSETS:				
Cash and investments	\$ 67,000,925	\$ 61,744,682	\$ 5,256,243	8.51%
Bonds and bond interest receivable	571,017,973	525,186,003	45,831,970	8.73%
Total assets	638,018,898	586,930,685	51,088,213	8.70%
LIABILITIES:				
Accounts payable and accrued liabilities	1,505,169	1,676,238	(171,069)	-10.21%
Bonds and bond interest payable	592,790,073	542,625,282	50,164,791	9.24%
Due to Primary Government	-	458,769	(458,769)	-100.00%
Total liabilities	594,295,242	544,760,289	49,534,953	9.09%
NET ASSETS:				
Restricted	31,673,324	30,575,766	1,097,558	3.59%
Unrestricted	12,050,332	11,594,630	455,702	3.93%
Total net assets	\$ 43,723,656	\$ 42,170,396	\$ 1,553,260	3.68%

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

The increase in bonds and bond interest receivable, as well as in bonds and bond interest payable, reflects the issuance of approximately \$76.7 million in new bonds during the year, net of principal payments on bonds previously issued of almost \$27.3 million.

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

Restricted net assets represents the original appropriations made by the State of \$18,601,414 to fund the Bond Bank, as well as Bond Bank funds placed into separate accounts in accordance with

the reserve requirements of each bond indenture. All of the original \$18,601,414 appropriated by the State, was allocated to reserve accounts at June 30, 2009. As directed by HB310, prior earnings of \$855,847 were allocated to reserve accounts from the Custodial Account at June 30, 2008. This was the first time since 1986 that the reserve appropriation has been increased. In addition, as directed by HB81, \$819,843 was appropriated the Custodial Account from the State at June 20, 3009. This amount was unallocated at June 30, 2009.

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

STATEMENTS OF ACTIVITIES

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

Revenues

Revenues include total return on investments and interest payments received from municipalities. Earnings on investments include interest on fixed income marketable securities and the change in fair market value of those investments.

Expenses

Expenses include interest payments made to bond holders who purchased the Bond Bank's bonds, payments made to the State of Alaska and operating expenses. Operating expenses include all expenditures required to issue bonds during the current year and include in-house expenses, as well as external consultant fees. Expenses are subtracted from revenues.

The following is a condensed statement of AMBBA's changes in net assets:

	As of June 30		Change from 2008 to 2009 Increase (Decrease)	
	2009	2008	Dollars	Percent
REVENUES:				
Interest income on bonds receivable	\$ 24,562,340	\$ 21,417,339	\$ 3,145,001	14.68%
Investment earnings	2,995,730	3,464,191	(468,461)	-13.52%
Total income	27,558,070	24,881,530	2,676,540	10.76%
EXPENSES:				
Interest expense on bonds payable	25,449,575	22,034,415	3,415,160	15.50%
Operating expenses	555,235	473,802	81,433	17.19%
Payments to primary government	819,843	855,347	(35,504)	-4.15%
Total expenses	26,824,653	23,363,564	3,461,089	14.81%
Other financing source - transfer from primary government	819,843	855,347	(35,504)	-4.15%
CHANGE IN NET ASSETS:	1,553,260	2,373,313	(820,053)	-34.55%
Net assets, beginning of period	42,170,396	39,797,083	2,373,313	5.96%
Net assets, end of period	\$ 43,723,656	\$ 42,170,396	\$ 1,553,260	3.68%

Interest income and expense on bonds receivable and payable are a function of the total amount of bonds outstanding, the age of the bonds and the interest rates at which they are issued. The increases in both these line items are consistent with the net increase in bond interest receivable and payable of \$45.8 million and \$50.2 million, respectively. Net earnings totaled \$2.3 million and \$1.5 million, at June 30, 2008 and 2009, respectively.

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

GOVERNMENTAL FUNDS

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

The following tables show the changes in governmental funds:

GENERAL FUND

	As of June 30		Change from 2008 to 2009 Increase (Decrease)	
	2009	2008	Dollars	Percent
ASSETS:				
Cash and Investments	\$ 7,485,057	\$ 7,735,502	\$ (250,445)	-3.24%
Accrued interest receivable	46,701	185,802	(139,101)	-74.87%
Interfund receivable	5,284,620	5,549,982	(265,362)	-4.78%
Total assets	<u>\$ 12,816,378</u>	<u>\$ 13,471,286</u>	<u>\$ (654,908)</u>	<u>-4.86%</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 13,273	\$ 158,775	\$ (145,502)	-91.64%
Due to primary government	-	458,769	(458,769)	-100.00%
Total liabilities	<u>13,273</u>	<u>617,544</u>	<u>(604,271)</u>	<u>-97.85%</u>
FUND BALANCE				
Unreserved	<u>12,803,105</u>	<u>12,853,742</u>	<u>(50,637)</u>	<u>-0.39%</u>
Total fund balance	<u>12,803,105</u>	<u>12,853,742</u>	<u>(50,637)</u>	<u>-0.39%</u>
Total liabilities and fund balance	<u>\$ 12,816,378</u>	<u>\$ 13,471,286</u>	<u>\$ (654,908)</u>	<u>-4.86%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

DEBT SERVICE FUND

	As of June 30		Change from 2008 to 2009 Increase (Decrease)	
	2009	2008	Dollars	Percent
ASSETS:				
Cash and Investments and related receivables	\$ 60,374,381	\$ 54,994,030	\$ 5,380,351	9.78%
Bonds and bond interest receivable	570,112,759	524,015,351	46,097,408	8.80%
Total assets	<u>\$ 630,487,140</u>	<u>\$ 579,009,381</u>	<u>\$ 51,477,759</u>	<u>8.89%</u>
LIABILITIES:				
Accounts payable and accrued liabilities	\$ 1,491,896	\$ 1,517,463	\$ (25,567)	-1.68%
Interfund payables	5,284,620	5,549,982	(265,362)	-4.78%
Total liabilities	<u>6,776,516</u>	<u>7,067,445</u>	<u>(290,929)</u>	<u>-4.12%</u>
FUND BALANCE				
Reserved	623,710,624	571,941,936	51,768,688	9.05%
	<u>\$ 630,487,140</u>	<u>\$ 579,009,381</u>	<u>\$ 51,477,759</u>	<u>8.89%</u>

GENERAL FUND

	As of June 30		Change from 2008 to 2009 Increase (Decrease)	
	2009	2008	Dollars	Percent
REVENUES				
Interest Income	\$ 330,371	\$ 470,989	\$ (140,618)	-29.86%
Total income	<u>330,371</u>	<u>470,989</u>	<u>(140,618)</u>	<u>-29.86%</u>
EXPENDITURES				
Operating expenses	555,235	473,802	81,433	17.19%
Payments to primary government	819,843	855,347	(35,504)	-4.15%
Total expenses	<u>1,375,078</u>	<u>1,329,149</u>	<u>45,929</u>	<u>3.46%</u>
Excess of revenues over expenditures	(1,044,707)	(858,160)	(186,547)	21.74%
Other financing sources (uses) - Transfers	994,070	1,798,184	(804,114)	-44.72%
Fund balance, beginning of period	12,853,742	11,913,718	940,024	7.89%
Fund balance, end of period	<u>\$ 12,803,105</u>	<u>\$ 12,853,742</u>	<u>\$ (50,637)</u>	<u>-0.39%</u>

DEBT SERVICE FUND

	As of June 30		Change from 2008 to 2009 Increase (Decrease)	
	2009	2008	Dollars	Percent
REVENUES:				
Interest income on bonds receivable	\$ 24,537,300	\$ 21,384,343	\$ 3,152,957	14.7%
Investment earnings	2,690,399	3,026,198	(335,799)	-11.1%
Total Income	27,227,699	24,410,541	2,817,158	11.5%
EXPENDITURES				
Interest payments	24,691,322	20,970,749	3,720,573	17.7%
Principal payments	27,318,462	26,590,000	728,462	2.74%
Total expenses	52,009,784	47,560,749	4,449,035	9.35%
Excess of revenues over expenditures	(24,782,085)	(23,150,208)	(1,631,877)	7.05%
Other financing sources -				
Bond proceeds	76,725,000	99,470,000	(22,745,000)	-22.9%
Transfers	(174,227)	(942,837)	768,610	-81.5%
Excess of revenues and transfers over expenditures	51,768,688	75,376,955	(23,608,267)	-31.3%
Fund balance, beginning of period	571,941,936	496,564,981	75,376,955	15.2%
Fund balance, end of period	\$ 623,710,624	\$ 571,941,936	\$ 51,768,688	9.05%

DEBT

At year end the Bond Bank had \$587,222,416 of bonds and notes outstanding up 9.2% from \$537,815,878 at June 30, 2008. This debt is secured by the assets of the Bond Bank, except for the Coastal Energy notes payable, see note (5). The outstanding balance is comprised of the following table of bonds issued for loans and \$22.5 million in bonds issued for reserve deposits:

	As of June 30		Change from 2008 to 2009 Increase (Decrease)	
	2009	2008	Dollars	Percent
GO bonds payable	\$ 516,555,000	\$ 463,705,000	\$ 52,850,000	11.40%
Revenue bonds payable	59,705,000	63,105,000	(3,400,000)	-5.39%
Coastal Energy notes payable	10,962,416	11,005,878	(43,462)	-0.39%
	\$ 587,222,416	\$ 537,815,878	\$ 49,406,538	9.19%

CONTACTING THE BOND BANK'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, investors, and creditors with a general overview of the Bond Bank's finances and to demonstrate the Bond Bank's accountability of its assets. If you have any questions about this report or need additional financial information, contact the Executive Director of the Bond Bank at (907) 465-3750.

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Alaska Municipal Bond Bank Authority
Juneau, Alaska

We have audited the accompanying financial statements of the governmental activities and each major fund of Alaska Municipal Bond Bank Authority (the Authority), a component unit of the State of Alaska, as of and for the year ended June 30, 2009, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 financial statements referred to above present fairly, in all material respects, the financial position of the Alaska Municipal Bond Bank Authority as of June 30, 2009, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, on pages 14 through 19, is not a required part of the basic financial statements but is supplementary information required by 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 supplementary information. However, we did not audit the information and express no opinion on it. The Supplemental Schedule of Statutory Reserve Accounts – Assets, Liabilities and Account Reserves, on pages 39 and 40, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

ERM

September 29, 2009



STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS BALANCE SHEETS

For the year ended June 30, 2009

	General Fund	Debt Service Fund	Total	Adjustments (Note 7)	Statement of Net Assets
ASSETS					
Cash and cash equivalents	\$ 1,340,425	9,520,859	10,861,284	-	10,861,284
Investments, at fair value (note 4)	5,689,632	50,450,009	56,139,641	-	56,139,641
Accrued interest receivable:					
Bonds receivable	3,792	5,354,148	5,357,940	-	5,357,940
Investment securities	42,909	403,513	446,422	-	446,422
Bonds receivable (note 5)	455,000	564,758,611	565,213,611	-	565,213,611
Interfund receivables	5,284,620	-	5,284,620	(5,284,620)	-
Total assets	<u>\$ 12,816,378</u>	<u>630,487,140</u>	<u>643,303,518</u>	<u>(5,284,620)</u>	<u>638,018,898</u>
LIABILITIES					
Accounts payable	\$ 13,273	-	13,273	-	13,273
Deferred revenue	-	1,491,896	1,491,896	-	1,491,896
Accrued interest payable	-	-	-	5,567,657	5,567,657
Interfund payables	-	5,284,620	5,284,620	(5,284,620)	-
Long-term liabilities (notes 5 and 6)					
Portion due or payable within one year:					
General obligation bonds payable	-	-	-	26,915,000	26,915,000
Revenue bonds payable	-	-	-	3,280,000	3,280,000
Other long-term debt	-	-	-	2,589,582	2,589,582
Portion due or payable after one year:					
General obligation bonds payable	-	-	-	489,640,000	489,640,000
Revenue bonds payable	-	-	-	56,425,000	56,425,000
Other long-term debt	-	-	-	8,372,834	8,372,834
Total liabilities	<u>13,273</u>	<u>6,776,516</u>	<u>6,789,789</u>	<u>587,505,453</u>	<u>594,295,242</u>
FUND BALANCES/NET ASSETS					
Fund balances:					
Reserved	819,843	623,710,624	624,530,467	(624,530,467)	-
Unreserved	11,983,262	-	11,983,262	(11,983,262)	-
Total fund balances	<u>12,803,105</u>	<u>623,710,624</u>	<u>636,513,729</u>	<u>(636,513,729)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 12,816,378</u>	<u>630,487,140</u>	<u>643,303,518</u>		
Net assets:					
Restricted for debt service				31,673,324	31,673,324
Unrestricted				12,050,332	12,050,332
Total net assets				<u>\$ 43,723,656</u>	<u>43,723,656</u>

See accompanying notes to financial statements.

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

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE/NET ASSETS

For the year ended June 30, 2009

	General Fund	Debt Service Fund	Total	Adjustments (Note 7)	Statement of Activities
REVENUES					
Investment earnings	\$ 252,891	2,690,399	2,943,290	-	2,943,290
Interest income on bonds receivable	25,040	24,537,300	24,562,340	-	24,562,340
Other income	52,440	-	52,440	-	52,440
Total revenues	330,371	27,227,699	27,558,070	-	27,558,070
EXPENDITURES / EXPENSES:					
Debt service:					
Principal payments	-	27,318,462	27,318,462	(27,318,462)	-
Interest payments / expense	-	24,691,322	24,691,322	758,253	25,449,575
Payments to Primary Government	819,843	-	819,843	-	819,843
Professional services	394,525	-	394,525	-	394,525
Personal services	133,832	-	133,832	-	133,832
Administrative travel	6,537	-	6,537	-	6,537
Printing and advertising	16,167	-	16,167	-	16,167
Office expense	4,135	-	4,135	-	4,135
Miscellaneous expenses	39	-	39	-	39
Total expenditures / expenses	1,375,078	52,009,784	53,384,862	(26,560,209)	26,824,653
Excess (deficiency) of revenues over expenditures / expenses	(1,044,707)	(24,782,085)	(25,826,792)	26,560,209	733,417
Other financing source/uses:					
Proceeds of bonds payable	-	76,725,000	76,725,000	(76,725,000)	-
Transfers from Primary Government	819,843	-	819,843	-	819,843
Transfers to/from Custodial Fund	(1,133,063)	1,133,063	-	-	-
Transfers - internal activities	1,307,290	(1,307,290)	-	-	-
Total other financing source/use	994,070	76,550,773	77,544,843	(76,725,000)	819,843
Excess (deficiency) of revenues and transfers in over expenditures / expenses and transfers out	(50,637)	51,768,688	51,718,051	(50,164,791)	1,553,260
FUND BALANCES / NET ASSETS:					
Beginning of the year	12,853,742	571,941,936	584,795,678	(542,625,282)	42,170,396
End of the year	\$ 12,803,105	623,710,624	636,513,729	(592,790,073)	43,723,656

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 ► HISTORY/REPORTING ENTITY

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

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

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

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

AS 44.85.180(c) was enacted in 1975, limiting Bond Bank outstanding bonds at any time to \$150 million. This Statute has been periodically amended to raise the limit. In fiscal year 2009, the limit is \$750 million. Total Bond Bank bonds and notes outstanding as of June 30, 2009 are approximately \$587.2 million. Thus, the limit on additional bond issuance as of June 30, 2009 is approximately \$162.8 million.

NOTE 2 ► SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(A) GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The statement of net assets and the statement of activities report information on all of the activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. The balance sheet and statement of revenues, expenditures and changes in fund balances are provided for governmental funds.

Summary of Significant Accounting Policies, continued

(B) MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 180 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Authority reports the following major governmental funds:

The *General Fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund. The Authority adopts an annual budget for the operating account only.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt of the Authority. The Authority does not adopt a budget for the Debt Service Fund because it is not legally required to do so.

The purposes of each of these funds are described in the following paragraphs:

GENERAL FUND

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

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

DEBT SERVICE FUND

Within the Debt Service Fund, separate Debt Service Programs have been established for each bond resolution to account for the portion of bond sale proceeds used to purchase obligations of the municipalities and for the payment of interest and principal on all bonds of the Authority issued under its resolutions. Each program is comprised of an

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

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

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

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

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

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

Summary of Significant Accounting Policies, continued

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

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

2002 A Revenue Bond Resolution – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys residing in the Custodian Account.

2003 B Revenue Bond Resolution – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys residing in the Custodian Account.

2004 A Revenue Bond Resolution – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys residing in the Custodian Account.

2004 B Revenue Bond Resolution – Under this resolution a special reserve account was created at an amount equal to the maximum annual debt service of municipal obligations outstanding from moneys residing in the Custodian Account.

2005 General Bond Resolution – The reserve must be the least of: (i) 10% of the initial principal amount of each Series of Bonds outstanding; (ii) the maximum annual principal and interest requirements on all bonds outstanding; (iii) 125% of the average annual debt service on all bonds then outstanding; or (iv) such lower amount as may be allowed by law.

The reserve account is comprised of an ordinary reserve sub-account and a special reserve sub-account. The ordinary reserve sub-account is created as a result of the Authority increasing each bond issue or with a transfer from the Custodian Account. The special reserve sub-account is created and funded from the Custodian Account. Both sub-accounts are maintained by a trustee.

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

(C) RESTRICTED ASSETS

Certain resources set aside for the repayment of the Authority's bonds, net of certain proceeds from additional bonds issued, are classified as restricted net assets on the statement of net assets because they are maintained in separate trust accounts and their use is limited by applicable bond covenants. Cash and cash equivalents and investments include \$31,673,324 of restricted assets. These assets were funded from transfers from the Custodial Account to reserve accounts of Bond Bank equity of \$11,396,720 and \$19,456,761 of State appropriated equity. All of the original State appropriation of \$18,601,414 and fiscal year 2008 appropriation of \$855,347 were allocated to reserve accounts at June 30, 2009. As of June 30, 2009, \$819,843 of earnings on the original State appropriation was available to allocate to reserve accounts from the Custodial Account.

(D) LONG-TERM OBLIGATIONS

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

(E) FUND EQUITY

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

(F) INTEREST ARBITRAGE REBATE

Bonds issued and funds segregated into reserves after August 15, 1986 are subject to Internal Revenue Service income tax regulations which require rebates to the U.S. Government of interest income earned on investments purchased with the proceeds from the bonds or any applicable reserves in excess of the allowable yield of the issue. Amounts owed are expensed when paid and refunds are recorded when received.

(G) INCOME TAXES

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

(H) REFUNDING GAINS/LOSSES

The Authority reports gains or losses recognized from the refunding of bonds in interest revenue or expense.

NOTE 3 ► CASH

The Authority considers all highly liquid investments purchased with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents at June 30, 2009 consist of money market accounts held with various financial institutions.

The bank balance of all of the Authority's cash and cash equivalents are collateralized by securities held in the Authority's name by its custodial agent. At June 30, 2009, the amounts recorded in the Authority's general ledger equaled its bank balances.

NOTE 4 ► INVESTMENTS

The fair value as of June 30, 2009 of the Authority's investments is \$56,139,641. At June 30, 2009 the investments held in the reserve accounts total \$50,450,009, and the Custodian account total \$5,689,632.

The fair value of debt security investments by contractual maturity as of June 30, 2009 is shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

	Investment Maturities (in Years)				Total
	Less than 1	1-5	6-10	More than 10	
U.S. Treasury securities	\$ 2,688,274	36,799,315	485,000	–	39,972,589
U.S. Government agencies securities	1,527,391	14,639,662	–	–	16,167,053
Total investments	<u>\$ 4,215,664</u>	<u>51,438,977</u>	<u>485,000</u>	<u>–</u>	<u>56,139,641</u>

(A) INVESTMENT POLICIES

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

- **Custodian Account** – The Custodian Account investment portfolio is designed with the objective of attaining the highest market rate of return subject to the required use of the Custodian Account for operation, funding transfers to the state, and funding reserves. When the Custodian Account balance allows, a longer investment horizon is implemented for the Custodian Account, accepting the limited probability of short-term loss in exchange for higher yield on investments. The Custodian Account balance must exceed \$15 million, and be forecast to exceed \$15 million for the subsequent six-month period, and an analysis of risk profile and historical benefit between the varying strategies must be undertaken before any shift in the investment strategy of the Account. The Custodian Account has to maintain sufficient liquidity to meet operating requirements, provide the prior fiscal year's state dividend, and to allow transfers to reserves as needed for bond issuance activity. Long-term preservation of principal is the third objective of the Custodian Account's investment program. Investments shall be undertaken in a manner that minimizes the probability of long-term loss.
 - The Custodian Account balance is a critical component in determining anticipated life, ability to diversify, and investment policy in this account. Accordingly, when the account balance is above \$15 million a more aggressive policy will be implemented. When the account balance is below \$15 million a more conservative policy will be used.
 - Shifting from one asset allocation to another may be approved by the Investment Committee when there is a projection of a continued trend in account balance justifying the shift.
 - There are no arbitrage restrictions.

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Investment Policies, continued

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

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

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

(B) CONCENTRATION RISK

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

(C) CREDIT RISK

Credit risk is the risk of loss due to the failure of the security or backer. The Authority mitigates its credit risk by limiting investments permitted in the investment policies. The credit quality ratings of the Authority's investments are AAA and Aaa as of June 30, 2009 as described by nationally recognized statistical rating organization Standard and Poor, and Moody's, respectively. U.S. Treasury securities and securities of agencies that are explicitly guaranteed by the U.S. government total \$56,139,641, and are not considered to have credit risk.

(D) CUSTODIAL CREDIT RISK

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

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

(E) INTEREST RATE RISK

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

(F) MODIFIED DURATION

Modified duration estimates the sensitivity of an investment to interest rate changes. The following table shows the Authority's investments with their weighted average modified duration as of June 30, 2009 by investment type:

	INVESTMENT FAIR VALUE	MODIFIED DURATION
U.S. Treasury securities	\$ 39,972,589	3.48
U.S. Government agencies securities	16,167,053	3.19
Total Portfolio	<u>\$ 56,139,641</u>	<u>3.34</u>

The Authority's investment policies require the duration of the Custodian Account must remain within 80 to 120 percent of the duration of the prevailing performance benchmark.

NOTE 5 ► BOND AND NOTES RECEIVABLE

Bonds and notes receivable by debt service program at June 30, 2009 mature in varying annual installments as follows:

Year ending June 30	1976 General	2005 General	1998A Ketchikan Revenue	1998B Homer Revenue	1999A Inter-Island Ferry Revenue	2000B Seward Revenue
2010	\$ 18,865,000	8,044,195	785,000	185,000	90,000	125,000
2011	19,728,000	9,115,000	820,000	-	-	135,000
2012	18,565,000	10,550,000	855,000	-	-	140,000
2013	16,750,000	11,135,000	895,000	-	-	-
2014	15,740,000	11,665,000	-	-	-	-
2015-2019	72,064,000	57,925,000	-	-	-	-
2020-2024	53,720,000	58,990,000	-	-	-	-
2025-2029	7,665,000	60,850,000	-	-	-	-
2030-2034	-	32,945,000	-	-	-	-
2035 and after	-	9,775,000	-	-	-	-
	<u>\$ 223,097,000</u>	<u>270,994,195</u>	<u>3,355,000</u>	<u>185,000</u>	<u>90,000</u>	<u>400,000</u>

Year ending June 30	2001A Ketchikan Revenue	2001B Ketchikan Revenue	2002A Ketchikan Revenue	2003B Valdez Revenue	2004A CBI Revenue
2010	\$ 95,000	140,000	520,000	680,000	555,000
2011	100,000	150,000	540,000	865,000	575,000
2012	105,000	155,000	560,000	935,000	595,000
2013	110,000	165,000	585,000	1,000,000	620,000
2014	115,000	175,000	610,000	1,070,000	650,000
2015-2019	680,000	1,000,000	635,000	6,290,000	3,705,000
2020-2024	-	-	-	6,140,000	4,735,000
2025-2029	-	-	-	-	6,145,000
2030-2034	-	-	-	-	7,890,000
2035 and after	-	-	-	-	1,825,000
	<u>\$ 1,205,000</u>	<u>1,785,000</u>	<u>3,450,000</u>	<u>16,980,000</u>	<u>27,295,000</u>

Year ending June 30	2004B Anchorage Revenue	Coastal Energy Loan	Total Principal
2010	\$ 105,000	2,589,582	32,778,777
2011	110,000	543,247	32,681,247
2012	115,000	547,061	33,122,061
2013	120,000	551,032	31,931,032
2014	125,000	555,165	30,705,165
2015-2019	700,000	2,299,869	145,298,869
2020-2024	865,000	725,848	125,175,848
2025-2029	1,090,000	886,976	76,636,976
2030-2034	1,405,000	1,083,872	43,323,872
2035 and after	325,000	1,179,764	13,104,764
	<u>\$ 4,960,000</u>	<u>10,962,416</u>	<u>564,758,611</u>

NOTES TO FINANCIAL STATEMENTS, CONTINUED

The General Fund includes \$455,000 of 5% bonds receivable due from the City of Yakutat that mature through 2013.

Under the Coastal Energy Loan Program (Program), the Authority issued \$5,000,000 1986 Series A Coastal Energy Bonds (Bonds) payable to the National Oceanic and Atmospheric Administration (NOAA). The proceeds of these bonds were used to purchase port revenue bonds from the City of Nome. The City of Nome entered into a tripartite agreement with NOAA and the Authority effective August 2, 1994 to defer payment of the principal and accrual of interest for ten years. Effective January 29, 2009 a second amendment to the tripartite agreement was executed. The amendment authorized the issuance of 2009A Bonds for the purpose of refunding by exchange the outstanding City of Nome, Alaska, Port Revenue Bond 1986 Series A. The related loan payable does not represent a general obligation of the Authority as it is payable only from proceeds received from the City of Nome.

Also under the Program, the Authority issued \$6,563,000 1987 Series A Coastal Energy Bonds payable to NOAA. The proceeds of these bonds were used to purchase port revenue bonds from the City of St. Paul. The City of St. Paul entered into a tripartite agreement with NOAA and the Authority effective December 14, 2000 to modify and amend the repayment terms including principal and interest. On April 18, 2005, the City of St. Paul asked for NOAA's recommendation for loan forgiveness which was denied on January 24, 2006. Subsequently, on March 17, 2009, NOAA issued another determination on request for recommendation of CEIP loan forgiveness but a final agreement has not been reached between the City of St. Paul and NOAA as of June 30, 2009.

The related loan payables do not represent a general obligation of the Authority as they are payable only from proceeds received from the City of Nome and St. Paul, respectively. Payment of principal and interest on the Bond Bank's Coastal Energy Bond is not secured by a pledge of any amounts held by or payable to the Bond Bank under the General Bond Resolution, including the Reserve Account, and is not in any way a debt or liability of the Bond Bank. The Coastal Energy Bonds and related accounts are included in the Bond Bank's statutory limit for total bonds outstanding and therefore included in the Bond Bank's financial statements.

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

NOTE 6 ► LONG TERM LIABILITIES

ISSUE	Debt Service Account		Statutory Reserve Account	
	Interest Rate	Principal Outstanding	Interest Rate	Principal Outstanding
1976 General Bond Resolution Program:				
1998 Series A	4.625%-6%	405,000		
Aleutians East, City of				
1998 Series B - Cordova, City of	4%-4.75%	270,000	-	-
2000 Series A:	5.5%-5.875%	630,000	-	-
Fairbanks, City of				
Cordova, City of				
2000 Series B:	4.8%-6%	1,045,000	-	-
Kaktovik, City of				
Sitka, City of				
Unalaska, City of				
2000 Series C - Northwest Arctic Borough	4.53%-5.75%	3,005,000	-	-
2000 Series D - Petersburg	4.55% - 5.70%	165,000	-	-
2000 Series E:	4.75%-5.375%	3,372,000	5.00%-5.375%	423,000
Kenai				
Kodiak Island Borough				
Lake and Peninsula				
Wrangell				
Nome				
2000 Series F - Kodiak Island Borough	6.9%-9%	310,000	-	-
2001 Series A - Northwest Arctic Borough	4.4%-5%	5,805,000	-	-
2001 Series B - Aleutians East Borough	3.875%-4.75%	2,635,000	3.875%-4.75%	285,000
2002 Series A - Wasilla, City of	2.5%-4.5%	5,970,000	2.50%-4.50%	755,000
2002 Series B	3.875%-4.80%	8,735,000	3.875%-4.80%	525,000
City of Wrangell				
Northwest Arctic Borough				
2003 Series A - Ketchikan Gateway Borough	3.70%-4.80%	7,015,000	4.80%	305,000
2003 Series C	2.00%-3.625%	3,485,000	2.00%-3.625%	210,000
Kenai Peninsula Borough				
Lake & Peninsula Borough				
2003 Series D - Kenai	4.90%-6.00%	11,250,000	4.90%-6.00%	365,000
2003 Series E	2.00%-5.25%	7,775,000	-	-
Aleutians East Borough				
Kenai Peninsula Borough				
2003 Series F - Seward	2.00%-3.5%	430,000	-	-
2003 Series G - NW Arctic Borough	2.00%-5.00%	19,345,000	-	-
2004 A Series	3.00%-4.40%	13,715,000	-	-
Fairbanks				
Sitka				
2004 B Series	2.00%-4.00%	12,385,000	2.00%-4.00%	225,000
Nome				
Valdez				
Petersburg				
Craig				
Seward				
2004 C Series	4.00%-5.00%	12,145,000	-	-
Kodiak Island Borough				
Palmer				
Petersburg				
2004 D Series	3.00%-5.00%	10,910,000	-	-
Adak				
Kodiak Island Borough				
2005 A Series	2.50%-5.00%	29,940,000	2.75%-5.00%	1,440,000
Cordova				
Fairbanks				
Ketchikan Gateway Borough				
Northwest Arctic Borough				
Sitka				
Unalaska				

NOTES TO FINANCIAL STATEMENTS, CONTINUED

Long Term Liabilities, continued

ISSUE	Debt Service Account		Statutory Reserve Account	
	Interest Rate	Principal Outstanding	Interest Rate	Principal Outstanding
2005 B Series	3.00%-5.00%	20,735,000	5.00%	465,000
Haines				
Ketchikan Gateway Borough				
North Pole, City of				
Palmer				
Sitka				
2005 C Series	4.00%-5.00%	26,805,000	5.00%	2,185,000
Haines				
Petersburg				
Northwest Arctic Borough				
2006 A Series	4.00%-4.35%	14,815,000	4.00%	950,000
Aleutians East Borough				
Ketchikan Gateway Borough				
Lake & Peninsula Borough				
Nome				
Wrangell				
Total 1976 General Bond Resolution Fund		223,097,000		8,133,000
2005 Series General Bond Resolution Program:				
2005 - One Series	3.00%-5.00%	15,000,000	3.00%-5.00%	350,000
Ketchikan, City of				
Nome				
Seward				
2006 - One Series	4.00%-6.00%	6,330,000	4.50%-6.00%	390,000
Kenai Peninsula Borough				
Seward				
2006 - Two Series - Ketchikan, City of	4.25%-4.75%	37,220,000	5%	1,765,000
2007 - One Series	4.00%-5.50%	24,885,000	4.00%-5.50%	1,290,000
Kenai Peninsula Borough				
Inter-Island Ferry Authority				
Nome, City of				
NW Arctic Borough				
Petersburg				
Seward, City of				
Sitka, City of				
Wasilla, City of				
2007 - Two Series	3.75%-5.00%	24,025,000	4.50%	685,000
Kenai Peninsula Borough				
Aleutians East Borough				
2007 - Three Series	4.25%-5.50%	14,040,000	4.00%	415,000
Bethel, City of				
Juneau, City and Borough of				
2007 - Four Series - Kenai Peninsula Borough	4.25%-5.00%	14,090,000	4.25%-4.50%	1,070,000
2007 - Five Series - Kodiak, City of	4.00%-6.00%	6,000,000		
2008 - One Series	4.00%-5.00%	57,250,000	5.00%	4,250,000
Dillingham				
Kodiak Island Borough				
Kodiak, City of				
Seward				
2008 - Two Series	4.40%-6%	17,685,000	4.75%-6.00%	1,560,000
Seward				
Sitka, City of				
Skagway				
2009 - One Series	3.0%-5.625	26,000,000	4.00%-5.50 %	730,000
Kodiak, City of				
Unalaska, City of				
2009 - Two Series	4.0%-6.00%	28,469,195	4.0%-6.00%	1,825,805
Cordova				
Nome, City of				
Unalaska, City of				
Kodiak Island Borough				
Total 2005 Series General Bond Resolution Fund		270,994,195		14,330,805

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

Long Term Liabilities, continued

ISSUE	Debt Service Account		Statutory Reserve Account	
	Interest Rate	Principal Outstanding	Interest Rate	Principal Outstanding
1998A Ketchikan Revenue Bond Resolution Program	4%-4.7%	3,355,000	-	-
1998B Homer Revenue Bond Resolution Program	4%-4.5%	185,000	-	-
1999A Inter-Island Ferry Revenue Bond Resolution Program	5.125%-5.9%	90,000	-	-
2000B Seward Revenue Bond Resolution Program	4.35%-5.5%	400,000	-	-
2001A Ketchikan Revenue Bond Resolution Program	4.5%-4.9%	1,205,000	-	-
2001B Ketchikan Revenue Bond Resolution Program	4.5%-4.9%	1,785,000	-	-
2002A Ketchikan Revenue Bond Public Utilities	3.00%-5.00%	3,450,000	-	-
2003B Valdez, City of Bond Resolution Program	2.75%-5.25%	16,980,000	-	-
2004A Juneau, City & Borough of Bond Resolution Program	6.25%-4.375%	27,295,000	-	-
2004B Anchorage Bond Resolution Program	4.00%-4.75%	4,960,000	-	-
Total Revenue Bonds		<u>59,705,000</u>		<u>-</u>
Coastal Energy Reserve Loan Account:				
City of Nome Port Facility Revenue Bond	8.50%	4,956,538	-	-
City of Saint Paul - Fuel Dock	5%	6,005,878	-	-
Total Coastal Energy Reserve Loan Account		<u>10,962,416</u>		<u>-</u>
		<u>\$ 564,758,611</u>		<u>\$ 22,463,805</u>

During the year ended June 30, 2009 the Authority's long-term liabilities changed as follows:

	Beginning of year	New debt	Repayments	End of year
General obligation bonds payable	\$ 463,705,000	76,725,000	23,875,000	516,555,000
Revenue bonds payable	63,105,000	-	3,400,000	59,705,000
Other long-term debt	11,005,878	-	43,462	10,962,416
Total	<u>\$ 537,815,878</u>	<u>76,725,000</u>	<u>27,318,462</u>	<u>587,222,416</u>

General obligation bonds are secured by bonds receivable and by amounts in the ordinary reserve account. The Act further provides that if a municipality defaults on its principal and/or interest payments, upon written notice by the Authority, the State of Alaska must pay to the Authority all funds due from the defaulting municipality from the State in an amount sufficient to clear the default.

If the Alaska Municipal Bond Bank Authority must draw on the Alaska municipal bond bank authority reserve fund (AS 44.85.270), 2005 General Bond Resolution Reserve, because of a default by a borrower, an amount equal to the amount drawn from the reserve is appropriated from the State of Alaska General Fund to the Authority reserve fund (AS 44.85.270).

Loans made under the Coastal Energy Loan Program are payable only from proceeds received from the municipalities to which the loans were made.

The above bonds mature in varying annual installments. The maturities at June 30, 2009 are as follows:

Year ending June 30	- 1976-		-2005-		1998A Ketchikan Revenue	1998B Homer Revenue
	General	Reserve	General	Reserve		
2010	\$ 18,865,000	5,000	8,044,195	805	785,000	185,000
2011	19,728,000	377,000	9,115,000	-	820,000	-
2012	18,565,000	1,225,000	10,550,000	80,000	855,000	-
2013	16,750,000	435,000	11,135,000	1,350,000	895,000	-
2014	15,740,000	5,000	11,665,000	595,000	-	-
2015-2019	72,064,000	3,996,000	57,925,000	4,365,000	-	-
2020-2024	53,720,000	2,090,000	58,990,000	2,745,000	-	-
2025-2029	7,665,000	-	60,850,000	3,430,000	-	-
2030-2034	-	-	32,945,000	-	-	-
2035 and after	-	-	9,775,000	1,765,000	-	-
	<u>\$ 223,097,000</u>	<u>8,133,000</u>	<u>270,994,195</u>	<u>14,330,805</u>	<u>3,355,000</u>	<u>185,000</u>

Year ending June 30	1999A Inter-Island Ferry Revenue	2000B Seward Revenue	2001A Ketchikan Revenue	2001B Ketchikan Revenue	2002A Ketchikan Revenue	2003B Valdez Revenue
2010	\$ 90,000	125,000	95,000	140,000	520,000	680,000
2011	-	135,000	100,000	150,000	540,000	865,000
2012	-	140,000	105,000	155,000	560,000	935,000
2013	-	-	110,000	165,000	585,000	1,000,000
2014	-	-	115,000	175,000	610,000	1,070,000
2015-2019	-	-	680,000	1,000,000	635,000	6,290,000
2020-2024	-	-	-	-	-	6,140,000
2025-2029	-	-	-	-	-	-
2030-2034	-	-	-	-	-	-
2035 and after	-	-	-	-	-	-
	<u>\$ 90,000</u>	<u>400,000</u>	<u>1,205,000</u>	<u>1,785,000</u>	<u>3,450,000</u>	<u>16,980,000</u>

Year ending June 30	2004A CBI Revenue	2004B Anchorage Revenue	Coastal Energy Loan	Total Principal	Total Interest
2010	\$ 555,000	105,000	2,589,582	32,784,582	26,329,788
2011	575,000	110,000	543,247	33,058,247	25,331,154
2012	595,000	115,000	547,061	34,427,061	23,913,430
2013	620,000	120,000	551,032	33,716,032	22,532,076
2014	650,000	125,000	555,165	31,305,165	21,011,964
2015-2019	3,705,000	700,000	2,299,869	153,659,869	84,360,952
2020-2024	4,735,000	865,000	725,848	130,010,848	50,932,089
2025-2029	6,145,000	1,090,000	886,976	80,066,976	25,113,463
2030-2034	7,890,000	1,405,000	1,083,872	43,323,872	9,687,681
2035 and after	1,825,000	325,000	1,179,764	14,869,764	1,204,840
	<u>\$ 27,295,000</u>	<u>4,960,000</u>	<u>10,962,416</u>	<u>587,222,416</u>	<u>290,417,437</u>

NOTE 7 ► ADJUSTMENTS

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

NOTE 8 ► COMMITMENTS

The amount of Authority receipts determined under AS 44.85.270(h) available for transfer by the Authority for fiscal year 2009 were appropriated to the Bond Bank Authority Reserve Fund (AS 44.85.270(a)) in the amount of \$819,843, increasing the cumulative state appropriated amount to \$20,276,604 at June 30, 2009. The entire Custodian Account balance is available for appropriation, at any time, by the State Legislature.

NOTE 9 ► SUBSEQUENT EVENTS

The Bond bank has approved loans to the communities of the City and Borough of Juneau in the amount of \$12,758,000 and the Kenai Peninsula Borough in the amount of \$4,960,000. Each of these loans is supported by a general obligation pledge of the community. The Authority bonds are scheduled to be issued in September 2009 and the loan should close in October 2009.

In addition the Bond Bank has issued a direct loan to the City of Galena on July 1, 2009 in the amount of \$1,150,000.

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

For the year ended June 30, 2009

	1976 General "Ordinary"	1976 General "Special"	2005 Series Obligation Interest	2005 Series Resolution
ASSETS				
Cash	\$ 50,578	247,303	572,976	147,023
Accrued interest receivable	79,091	166,679	-	157,743
Marketable securities	10,021,674	20,479,977	-	19,948,358
Interaccount receivables	-	3,280,516	-	-
	<u>10,151,343</u>	<u>24,174,475</u>	<u>572,976</u>	<u>20,253,124</u>
LIABILITIES				
Interaccount payables	2,032,991	5,121,984	572,976	704,551
Bond payable	8,133,000	-	-	14,330,805
Accrued interest payable	100,443	-	-	113,066
	<u>10,266,434</u>	<u>5,121,984</u>	<u>572,976</u>	<u>15,148,422</u>
RESERVES				
Special Reserve - State Appropriated	-	15,663,302	-	1,574,096
Special Reserve - Unappropriated	-	3,243,578	-	3,530,398
Special Reserve - Unrealized gain (loss)	-	145,611	-	208
Ordinary Reserve - Unallocated	(236,726)	-	-	-
Ordinary Reserve - Unrealized gain (loss)	121,635	-	-	-
	<u>(115,091)</u>	<u>19,052,491</u>	<u>-</u>	<u>5,104,702</u>
	<u>\$ 10,151,343</u>	<u>24,174,475</u>	<u>572,976</u>	<u>20,253,124</u>

	2005 Series Investment	1998A Ketchikan	1998B Homer	1999A Inter-Island
ASSETS				
Cash	\$ 177,714	1,326,471	251,900	97,200
Accrued interest receivable	-	-	-	-
Marketable securities	-	-	-	-
Interaccount receivables	987,312	11,750	-	-
	<u>1,165,026</u>	<u>1,338,221</u>	<u>251,900</u>	<u>97,200</u>
LIABILITIES				
Interaccount payables	1,165,026	-	504	2,788
Bond payable	-	-	-	-
Accrued interest payable	-	-	-	-
	<u>1,165,026</u>	<u>-</u>	<u>504</u>	<u>2,788</u>
RESERVES				
Special Reserve - State Appropriated	-	1,341,299	251,396	94,412
Special Reserve - Unappropriated	-	-	-	-
Special Reserve - Unrealized gain (loss)	-	(3,078)	-	-
Ordinary Reserve - Unallocated	-	-	-	-
Ordinary Reserve - Unrealized gain (loss)	-	-	-	-
	<u>-</u>	<u>1,338,221</u>	<u>251,396</u>	<u>94,412</u>
	<u>\$ 1,165,026</u>	<u>1,338,221</u>	<u>251,900</u>	<u>97,200</u>

See Independent Auditors' Report

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

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

For the year ended June 30, 2009

	2000B Seward	2001A Ketchikan	2001B Ketchikan	2002A Ketchikan
ASSETS				
Cash	\$ 149,469	154,707	229,918	625,130
Accrued interest receivable	-	-	-	-
Marketable securities	-	-	-	-
Interaccount receivables	7,760	-	-	-
	<u>157,229</u>	<u>154,707</u>	<u>229,918</u>	<u>625,130</u>
LIABILITIES				
Interaccount payables	-	32	48	130
Bond payable	-	-	-	-
Accrued interest payable	-	-	-	-
	<u>-</u>	<u>32</u>	<u>48</u>	<u>130</u>
RESERVES				
Special Reserve - State Appropriated	147,711	154,675	229,870	-
Special Reserve - Unappropriated	-	-	-	625,000
Special Reserve - Unrealized gain (loss)	9,518	-	-	-
Ordinary Reserve - Unallocated	-	-	-	-
Ordinary Reserve - Unrealized gain (loss)	-	-	-	-
	<u>157,229</u>	<u>154,675</u>	<u>229,870</u>	<u>625,000</u>
	<u>\$ 157,229</u>	<u>154,707</u>	<u>229,918</u>	<u>625,130</u>

	2003B Valdez	2004A CBI	2004B Anchorage	Total
ASSETS				
Cash	\$ 1,780,433	1,876,140	342,004	8,028,966
Accrued interest receivable	-	-	-	403,513
Marketable securities	-	-	-	50,450,009
Interaccount receivables	29,306	-	-	4,316,644
	<u>1,809,739</u>	<u>1,876,140</u>	<u>342,004</u>	<u>63,199,132</u>
LIABILITIES				
Interaccount payables	-	240	-	9,601,270
Bond payable	-	-	-	22,463,805
Accrued interest payable	-	-	-	213,509
	<u>-</u>	<u>240</u>	<u>-</u>	<u>32,278,584</u>
RESERVES				
Special Reserve - State Appropriated	-	-	-	19,456,761
Special Reserve - Unappropriated	1,780,063	1,875,750	341,931	11,396,720
Special Reserve - Unrealized gain (loss)	29,676	150	73	182,158
Ordinary Reserve - Unallocated	-	-	-	(236,726)
Ordinary Reserve - Unrealized gain (loss)	-	-	-	121,635
	<u>1,809,739</u>	<u>1,875,900</u>	<u>342,004</u>	<u>30,920,548</u>
	<u>\$ 1,809,739</u>	<u>1,876,140</u>	<u>342,004</u>	<u>63,199,132</u>