New Hampshire Municipal Bond Bank

Basic Financial Statements
and Management's Discussion and Analysis

Year Ended June 30, 2014
With Independent Auditors' Report

NEW HAMPSHIRE MUNICIPAL BOND BANK

BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2014

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INDEPENDENT AUDITORS' REPORT

Board of Directors
New Hampshire Municipal Bond Bank

We have audited the accompanying financial statements, consisting of the General Operating Fund Group, State Guaranteed Fund Group, Qualified School Construction Fund Group, and Non-State Guaranteed Fund Group of New Hampshire Municipal Bond Bank (the Bond Bank), which comprise the statements of net position as of June 30, 2014, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Directors
New Hampshire Municipal Bond Bank

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Municipal Bond Bank, as well as the individual fund groups referred to above, as of June 30, 2014, and the changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in notes 2 and 6, the Bond Bank adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, in 2014. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Baker Newman & Noyes
Limited Liability Company

Manchester, New Hampshire
October 17, 2014

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

As financial management of the New Hampshire 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, 2014. 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. We encourage readers to consider the information presented here in conjunction with the basic financial statements as a whole.

Financial Highlights

- Revenues for the Bond Bank were $42,197,154 for fiscal year 2014, an increase of $677,104 or 1.63% above fiscal year 2013.

Increase (decrease) in account balances from fiscal year 2013	
Interest on loans receivable from governmental units	$ (418,967)
Interest income from investments	(569,552)
Net increase in the fair value of investments	1,837,012
Other income	(171,389)
Total net increase	$ 677,104

- Investments are recorded at fair value to comply with the Governmental Accounting Standards Board's rules. The Bond Bank generally holds investments until maturity to pay reserve fund bonds as they become due, so fluctuations in the fair value of the investments have a minimal long-term effect.

Operating income for 2014	$ 1,349,760
Add net decrease in the fair value of investments	737,685
Operating income for 2014 (excluding net decrease in fair value of investments)	$ 2,087,445

- Net position of the Bond Bank increased $1,349,760 in fiscal year 2014. At June 30, 2014, the Bond Bank had a net position of $18,159,777, an increase of 8.03% from the prior year.

- The Bond Bank's bonds outstanding at June 30, 2014 of $950,519,700 represents a net decrease of $39,617,121 from the balance at June 30, 2013. This decrease was the result of the following activity in fiscal year 2014:

Issued 2013 C bonds totaling	$ 53,390,000
Capitalized premiums	1,611,077
Amortization of premiums	(3,448,405)
2014 principal paid	(91,169,793)
Total net decrease	$ (39,617,121)

- The Bond Bank provided $48,225,000 in new loans to local governmental units during fiscal year 2014 resulting in a net decrease of $12,525,000, which was a 20.6% decrease from the loans provided in fiscal year 2013. Reserve bonds totaling $5,165,000 were issued as part of the 2013C issue.

- The provisions of Governmental Accounting Standards Board No. 65 were adopted as of July 1, 2013. This resulted in a decrease of $8,171,375 to the net position, beginning of the year.

Overview of the Bond Bank

The Bond Bank was created in 1977 by an Act of the New Hampshire Legislature, RSA:35-A, is 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 districts or other districts (the governmental units) within the State of New Hampshire. 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.

As the result of the Bond Bank issuing tax-exempt debt, it is required to prepare arbitrage rebate calculations for each series of bonds outstanding and remit payment to the Internal Revenue Service every five years. The Bond Bank's policy is to review the calculations annually for financial statement purposes. The Bond Bank has hired an outside firm to calculate arbitrage rebate liability and required payments.

Since its inception, the Bond Bank has issued bonds for its non-guaranteed program pursuant to a General Resolution adopted on December 1, 1978, as amended from time to time (the 1978 Resolution). On July 14, 2005, the Bond Bank adopted a new General Resolution (the 2005 Resolution). While substantially similar to the 1978 Resolution, the 2005 Resolution contained a number of improvements, including a flexible reserve fund sizing requirement, wholesale changes in permitted investments, the ability to meet its reserve fund requirement with surety bond policies and other credit facilities, and a streamlined approach to calling bonds for early redemption. The Bond Bank has issued eight series of bonds under the terms of the 2005 Resolution, totaling $295,571,000. Bonds issued under the 2005 Resolution are separately secured from all other bonds of the Bond Bank, including those issued under the 1978 Resolution. The adoption of the 2005 Resolution has not resulted in any substantive change to the Bond Bank's overall program.

The Bond Bank analyzes the cost effectiveness of the 1978 Resolution and the 2005 Resolution whenever a new issue of bonds is being considered. Due to the downgrades of the surety bond providers, this is no longer a viable method of funding the reserve fund. Depending on the structure of the new bonds and the reserve fund requirements, we analyze the best alternative by comparing the availability of investments in the market and the possibility of purchasing State of New Hampshire bonds. In fiscal year 2014, all of the bonds were issued per the 1978 Resolution.

The Bond Bank has purchased surety bond policies to meet the reserve fund requirements for bonds issued under the terms of the 2005 Resolution. Several downgrades of the surety providers occurred between September 2009 and December 2011. There were also a few changes in March and May of 2014. The table below summarizes the surety policies purchased by the Bond Bank:

Surety Provider	Amount of Surety Policies	Ratings as of September 28, 2009			Ratings as of June 30, 2013			Ratings as of June 30, 2014		
		Moody's	S&P	Fitch	Moody's	S&P	Fitch	Moody's	S&P	Fitch
Assured Guaranty Municipal*	$3,420,269	Aa3	AAA	AA+	A2	AA-	Withdrawn	A2	AA	Withdrawn
National Public Finance (formerly MBIA Illinois)**	$8,247,430	Baa1	A	Withdrawn	Baa1	A	Withdrawn	A3	AA-	Withdrawn
FGIC***	$6,782,925	Withdrawn	Withdrawn	Withdrawn	Withdrawn	Withdrawn	Withdrawn	Withdrawn	Withdrawn	Withdrawn

* On November 2, 2009, Assured Guaranty announced that FSA will be renamed to Assured Guaranty Municipal.

** On February 18, 2009, MBIA Insurance Corporation (MBIA) separated its operations into two entities with National Public Finance Guaranty Corporation (National) (formerly MBIA Insurance Corp. of Illinois) becoming the public finance sector insurer/surety bond provider.

*** Policies carried by FGIC are reinsured by National Public Finance Guaranty Corporation.

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 four separate bond 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 financial statements present information on all of the Bond Bank's assets, deferred outflows of resources and liabilities, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Bond Bank is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, result in increased net position, which may indicate an improved financial position.

The statements of revenues, expenses, and changes in net position present information showing how the Bond Bank's net position changed during the fiscal year. Changes in net position are generally 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 position may serve, over time, as a useful indicator of a government's financial position. In the case of the Bond Bank, assets and deferred outflows of resources exceeded liabilities by $18,159,777 at June 30, 2014. This represents an increase of $1,349,760 or 8.03% from the previous fiscal year.

By far, the largest portion of the Bond Bank's net position is its investment in loans to governmental units plus bond proceeds remaining in investments held by trustee, less any related debt used to acquire those assets.

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2014

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

ASSETS	2014	2013 (as restated)	Percentage Change
Current assets:			
Cash	$ 107,150	$ 151,672	(29.35)%
Investments held by trustee, at fair value	20,471,092	36,223,305	(43.49)
Loans receivable from governmental units	70,716,058	69,227,853	2.15
Accrued investment income receivable	775,173	953,840	(18.73)
Accrued interest receivable from governmental units	13,599,586	14,869,473	(8.54)
Unamortized bond insurance costs	64,007	186,587	(65.70)
Other current assets	11,459	2,526	353.64
Total current assets	105,744,525	121,615,256	(13.05)
Noncurrent assets:			
Investments held by trustee, at fair value	84,887,841	82,024,827	3.49
Loans receivable from governmental units	772,926,400	796,266,458	(2.93)
Unamortized bond insurance costs	856,466	811,536	5.54
Total noncurrent assets	858,670,707	879,102,821	(2.32)
Total assets	964,415,232	1,000,718,077	(3.63)
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized rebates to governmental units	1,889,182	2,330,699	(18.94)
Unamortized deferred loss on refunding	18,426,249	20,651,581	(10.78)
Total deferred outflows of resources	20,315,431	22,982,280	(11.60)
LIABILITIES AND NET POSITION			
Current liabilities:			
Accounts payable and accrued liabilities	51,945	72,085	(27.94)
Accrued interest payable	15,688,943	16,180,340	(3.04)
Accrued interest rebate payable to U.S. Government	256,772	313,483	(18.09)
Bonds payable	78,096,834	94,047,719	(16.96)
Total current liabilities	94,094,494	110,613,627	(14.93)
Noncurrent liabilities:			
Accrued interest rebate payable to U.S. Government	53,526	187,611	(71.47)
Bonds payable	872,422,866	896,089,102	(2.64)
Total noncurrent liabilities	872,476,392	896,276,713	(2.66)
Total liabilities	966,570,886	1,006,890,340	(4.00)
Total net position	$ 18,159,777	$ 16,810,017	8.03%

Total cash and investments held by trustee decreased $12,933,721 or 10.92% at June 30, 2014 compared to June 30, 2013. 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. Treasury strips, U.S. Government sponsored enterprise strips, NH G.O. Capital Improvement Bonds, certificates of deposit and fixed income mutual funds. The Bond Bank's investments are carried at fair value. Unrealized gains and losses (primarily due to fluctuations in market values) are recognized in the statements of revenues, expenses and changes in net position.

The Bond Bank's loans receivable from governmental units decreased $21,851,853 in fiscal year 2014. The Bond Bank's total new loan originations in 2014 of $48,225,000 were 20.6% lower than 2013 originations of $60,750,000. Net bonds payable decreased 4%.

Net position increased 8.03% in fiscal year 2014. The Bond Bank continued to maintain a positive spread of income from investments and loans to governmental units over bond interest and operating expenses.

	2014	2013 (as restated)	Percentage Change
Interest on loans receivable from governmental units	$38,915,573	$39,334,540	(1.07)%
Interest income from investments	3,837,177	4,406,729	(12.92)
Net decrease in the fair value of investments	(737,685)	(2,574,697)	(71.35)
Other income	182,089	353,478	(48.49)
Total operating revenues	42,197,154	41,520,050	1.63
Interest expense	40,145,328	41,984,429	(4.38)
Operating expenses	393,274	358,571	9.68
Other expense	308,792	1,422,816	(78.30)
Total operating expenses	40,847,394	43,765,816	(6.67)
Operating income (loss)	1,349,760	(2,245,766)	(160.10)
Net position, beginning of year	24,981,392	25,890,343	(3.51)
Effect of change in accounting principle on beginning of year net position	(8,171,375)	(6,834,560)	19.56
Net position, beginning of year, as restated	16,810,017	19,055,783	(11.79)
Net position, end of year	$18,159,777	$16,810,017	8.03%

Operating revenues are generated principally from interest earned on investments and from fees and interest received from governmental units. The Bond Bank's annual operating budget is approved by the Board of Directors.

The net decrease in the fair value of investments in 2014 of $737,685 (versus a net decrease in the fair value of investments in 2013 of $2,574,697, which equates to a total change in this account of $1,837,012) was caused by movements in market interest rates during the year that had a negative impact on the fair value of investments held by the Bond Bank.

The decrease in other income and other expense was mainly due to the fact that one new bond was issued in fiscal year 2014 versus the issuance of three new bonds and two refunding bonds in fiscal year 2013. Even though fewer bonds were issued in fiscal year 2014, it is important to mention the $53,390,000 2013 Series C issue exceeded the $17,655,000 2012 Series B issue by $35,735,000. There were 14 loans in 2013 Series C versus 7 loans in 2012 Series B and the loan amounts were $48,225,000 and $16,115,000, respectively. Both series were issued at the same time of year.

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, New Hampshire Municipal Bond Bank, 25 Triangle Park Drive, Suite 102, Concord, New Hampshire 03301.

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF NET POSITION

June 30, 2014

ASSETS	General Operating Fund Group	Municipal Division: State Guaranteed Fund Group	Municipal Division: Qualified School Construction Fund Group	Municipal Division: Non-State Guaranteed Fund Group	Total
Current assets:					
Cash (note 3)	$ 107,130	$ –	$ 20	$ –	$ 107,150
Investments held by trustee, at fair value (note 3):					
Cash equivalents	331,762	3,278	–	11,657,357	11,992,397
Investments	4,220,943	–	–	–	4,220,943
Reserve Fund investments (note 4)	–	360,965	–	3,896,787	4,257,752
Loans receivable from governmental units (note 4)	–	435,058	2,945,000	67,336,000	70,716,058
Accrued investment income receivable	4,399	–	–	770,774	775,173
Accrued interest receivable from governmental units	–	203,513	608,290	12,787,783	13,599,586
Unamortized bond insurance costs	–	–	–	64,007	64,007
Other current assets	11,459	–	–	–	11,459
Total current assets	4,675,693	1,002,814	3,553,310	96,512,708	105,744,525
Noncurrent assets:					
Reserve Fund investments held by trustee, at fair value (notes 3 and 4):					
Cash equivalents	–	–	–	3,793,903	3,793,903
Investments	–	416,727	–	80,677,211	81,093,938
Loans receivable from governmental units (note 4)	–	975,000	35,025,000	736,926,400	772,926,400
Unamortized bond insurance costs	–	–	–	856,466	856,466
Total noncurrent assets	–	1,391,727	35,025,000	822,253,980	858,670,707
Total assets	4,675,693	2,394,541	38,578,310	918,766,688	964,415,232
DEFERRED OUTFLOWS OF RESOURCES (NOTES 2 AND 6)					
Unamortized rebates to governmental units	–	75,251	–	1,813,931	1,889,182
Unamortized deferred loss on refundings	–	41,713	–	18,384,536	18,426,249
Total deferred outflows of resources	–	116,964	–	20,198,467	20,315,431

LIABILITIES AND NET POSITION	General Operating Fund Group	Municipal Division State Guaranteed Fund Group	Municipal Division Qualified School Construction Fund Group	Municipal Division Non-State Guaranteed Fund Group	Total
Current liabilities:					
Accounts payable and accrued liabilities	$ 22,466	$ –	$ –	$ 29,479	$ 51,945
Accrued interest payable	–	204,635	608,290	14,876,018	15,688,943
Accrued interest rebate payable to U.S. Government	–	20,457	–	236,315	256,772
Bonds payable (note 4)	–	754,378	2,945,000	74,397,456	78,096,834
Total current liabilities	22,466	979,470	3,553,290	89,539,268	94,094,494
Noncurrent liabilities:					
Accrued interest rebate payable to U.S. Government	–	28,614	–	24,912	53,526
Bonds payable (note 4)	–	1,262,949	35,025,000	836,134,917	872,422,866
Total noncurrent liabilities	–	1,291,563	35,025,000	836,159,829	872,476,392
Total liabilities	22,466	2,271,033	38,578,290	925,699,097	966,570,886
Total net position	$4,653,227	$ 240,472	$ 20	$ 13,266,058	$ 18,159,777

See accompanying notes to the financial statements.

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

For the Year Ended June 30, 2014

	General Operating Fund Group	Municipal Division: State Guaranteed Fund Group	Municipal Division: Qualified School Construction Fund Group	Municipal Division: Non-State Guaranteed Fund Group	Total
Operating revenues:					
Interest on loans receivable from governmental units	$ –	$ 232,322	$2,078,771	$36,604,480	$38,915,573
Interest income from investments	60,767	25,247	20	3,751,143	3,837,177
Net increase (decrease) in the fair value of investments	29,108	(41,106)	–	(725,687)	(737,685)
Other income	182,084	–	–	5	182,089
Total operating revenues	271,959	216,463	2,078,791	39,629,941	42,197,154
Operating expenses:					
Interest expense	–	301,001	2,078,771	37,765,556	40,145,328
Operating expenses	393,274	–	–	–	393,274
Other expense	–	–	–	308,792	308,792
Total operating expenses	393,274	301,001	2,078,771	38,074,348	40,847,394
Operating (loss) income before operating transfers	(121,315)	(84,538)	20	1,555,593	1,349,760
Operating transfers in (out) (note 1)	20,839	(20,810)	(29)	–	–
Operating (loss) income	(100,476)	(105,348)	(9)	1,555,593	1,349,760
Net position, beginning of year as previously reported	4,753,703	403,334	29	19,824,326	24,981,392
Effect of change in accounting principle on beginning of year net position (note 6)	–	(57,514)	–	(8,113,861)	(8,171,375)
Net position, beginning of year, as restated	4,753,703	345,820	29	11,710,465	16,810,017
Net position, end of year	$4,653,227	$ 240,472	$ 20	$13,266,058	$18,159,777

See accompanying notes to the financial statements.

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2014

	General Operating Fund Group	Municipal Division: State Guaranteed Fund Group	Municipal Division: Qualified School Construction Fund Group	Municipal Division: Non-State Guaranteed Fund Group	Total
Operating activities:					
Cash received from governmental units	$ –	$ 1,044,053	$ 5,070,951	$ 104,588,826	$ 110,703,830
Cash payments to governmental units	–	–	–	(48,225,000)	(48,225,000)
Cash received (paid) from other income	182,084	–	–	(41,916)	140,168
Cash paid for operating expenses	(371,493)	–	–	–	(371,493)
Cash payments for bond insurance costs	–	–	–	(308,792)	(308,792)
Cash paid for other assets	(8,933)	–	–	–	(8,933)
Cash received from (paid to) other funds	20,839	(20,810)	(29)	–	–
Net cash (used) provided by operating activities	(177,503)	1,023,243	5,070,922	56,013,118	61,929,780
Investing activities:					
Purchases of investments	(4,200,000)	–	–	(6,434,393)	(10,634,393)
Proceeds from sale and maturities of investments	447,435	378,071	–	21,276,030	22,101,536
Interest received on investments	57,286	48,663	20	4,031,389	4,137,358
Interest rebate paid to U.S. Government	–	(224,189)	–	(88,121)	(312,310)
Net cash (used) provided by investing activities	(3,695,279)	202,545	20	18,784,905	15,292,191
Noncapital financing activities:					
Proceeds from bonds payable	–	–	–	55,001,077	55,001,077
Principal paid on bonds payable	–	(1,079,793)	(2,945,000)	(87,145,000)	(91,169,793)
Interest paid on bonds payable	–	(288,644)	(2,125,951)	(39,367,553)	(41,782,148)
Net cash used by noncapital financing activities	–	(1,368,437)	(5,070,951)	(71,511,476)	(77,950,864)
(Decrease) increase in cash and cash equivalents	(3,872,782)	(142,649)	(9)	3,286,547	(728,893)
Cash and cash equivalents, beginning of year	4,311,674	145,927	29	12,164,713	16,622,343
Cash and cash equivalents, end of year	$ 438,892	$ 3,278	$ 20	$ 15,451,260	$ 15,893,450

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2014

	General Operating Fund Group	Municipal Division: State Guaranteed Fund Group	Municipal Division: Qualified School Construction Fund Group	Municipal Division: Non-State Guaranteed Fund Group	Total
Statement of net position classification:					
Cash	$ 107,130	$ –	$ 20	$ –	$ 107,150
Cash equivalents – investments held by trustee	331,762	3,278	–	11,657,357	11,992,397
Cash equivalents – reserve fund investments held by trustee	–	–	–	3,793,903	3,793,903
	$ 438,892	$ 3,278	$ 20	$ 15,451,260	$ 15,893,450
Reconciliation of operating (loss) income to net cash (used) provided by operating activities:					
Operating (loss) income	$ (100,476)	$ (105,348)	$ (9)	$ 1,555,593	$ 1,349,760
Adjustments to reconcile operating (loss) income to net cash (used) provided by operating activities:					
Interest income from investments	(60,767)	(25,247)	(20)	(3,751,143)	(3,837,177)
Net decrease (increase) in the fair value of investments	(29,108)	41,106	–	725,687	737,685
Amortization of rebates to governmental units	–	42,028	–	399,489	441,517
Interest expense on bonds payable	–	301,001	2,078,771	37,765,556	40,145,328
Change in assets and liabilities:					
Loans receivable from governmental units	–	759,793	2,945,000	18,147,060	21,851,853
Accrued interest receivable from governmental units	–	9,910	47,180	1,212,797	1,269,887
Other assets	(8,933)	–	–	–	(8,933)
Accounts payable and accrued liabilities	21,781	–	–	(41,921)	(20,140)
Net cash (used) provided by operating activities	$ (177,503)	$ 1,023,243	$ 5,070,922	$ 56,013,118	$ 61,929,780

See accompanying notes to the financial statements.

1. Organization

The New Hampshire Municipal Bond Bank (Bond Bank) was created in 1977 by Chapter 35-A (Act) of the State of New Hampshire (State) Revised Statutes Annotated. The Bond Bank is an instrumentality of the State, but is not a State agency and has no taxing authority. The Bond Bank has separate corporate and sovereign capacity and its board of directors is composed of the State Treasurer (who serves as director ex officio) and four directors appointed by the Governor and Executive Council. The Bond Bank has no oversight authority over any other entity.

Under the Act, the Bond Bank is empowered to issue its bonds to make funds available to governmental units having the power to levy taxes (county, city, town, school district, village district or other body corporate and politic), through the purchase by the Bond Bank of their municipal bonds. The governmental units enter into loan agreements with the Bond Bank pursuant to which they issue municipal bonds. Accordingly, the Bond Bank enables governmental units to issue debt at a lower cost of borrowing and on more favorable terms than would be possible by financing on their own. As discussed below, the Act was amended in 1982 to establish the Educational Institutions Division.

To achieve its purpose, the Bond Bank operates the following divisions and programs:

General

General Operating Fund Group consists of the operating revenues and expenses incurred by the Bond Bank in administering the resolutions under which it is operating. The resolutions have been grouped into two categories, the Municipal Division and the Educational Institution Division. The General Operating Fund Group was created in July 2011 through transfers from the State Guaranteed Fund Group and the Qualified School Construction Fund Group. No State appropriations are made to the Bond Bank. Fees and charges are received by the Bond Bank for the use of its services or facilities. These fees and charges, along with income from investments, provide for the annual operating costs of the Bond Bank. Prior to the formation of the General Operating Fund Group, the Bond Bank's operating revenues and expenses were included in the revenues and expenses of the State Guaranteed Fund Group, Non-State Guaranteed Fund Group and Coe-Brown Northwood Academy Fund Group.

Municipal Division

State Guaranteed bonds issued are not a debt of the State of New Hampshire, and the State is not liable on such bonds. However, the municipal bonds issued through the Bond Bank are guaranteed as to payment of principal and interest by a pledge of the full faith and credit of the State of New Hampshire. The Bond Bank has issued bonds for its State Guaranteed program pursuant to a General Resolution adopted on July 19, 1979, as amended from time to time (the "1979 Resolution").

Qualified School Construction bonds issued are not a debt of the State of New Hampshire, and the State is not liable on such bonds. However, the municipal bonds issued through the Bond Bank are guaranteed as to 75 percent of principal and interest by a pledge of the full faith and credit of the State of New Hampshire. The Bond Bank has issued bonds for its Qualified School Construction program pursuant to a General Resolution adopted on June 2, 2010 (the QSCB Resolution).

Non-State Guaranteed bonds issued are not a debt of the State of New Hampshire, and the State is not liable on such bonds.

1. Organization (Continued)

Since its inception, the Bond Bank has issued bonds for its Non-State Guaranteed program pursuant to a General Resolution adopted on December 1, 1978, as amended from time to time (the 1978 Resolution). On July 14, 2005, the Bond Bank adopted a new General Resolution (the 2005 Resolution). While substantially similar to the 1978 Resolution, the 2005 Resolution contains a number of improvements, including a flexible reserve fund sizing requirement, some changes in permitted investments, the ability to meet its reserve fund requirement with surety bond policies and other credit facilities, and a streamlined approach to calling bonds for early redemption. The adoption of the 2005 Resolution has not resulted in any substantive change to the Bond Bank's overall program. Total assets and liabilities of the 2005 Resolution, which are reported under the Non-State Guaranteed Fund Group, were approximately $214,410,000 at June 30, 2014, consisting primarily of loans to governmental units and bonds payable.

Bonds issued under the 2005 Resolution are separately secured from all other bonds of the Bond Bank, including those issued under the 1978 Resolution. Bonds issued under the 2005 Resolution (through 2008) have met the reserve fund requirements through the purchase of surety bond policies. Providers of these policies have been downgraded since their purchase, and in the case of one provider the ratings have been withdrawn. The table below summarizes the surety policies purchased by the Bond Bank:

Surety Provider	Amount of Surety Policies	Ratings as of June 30, 2014		
		Moody's	S&P	Fitch
Assured Guaranty Municipal	$3,420,269	A2	AA	Withdrawn
National Public Finance Guaranty Corporation	8,247,430	A3	AA-	Withdrawn
FGIC*	6,782,925	Withdrawn	Withdrawn	Withdrawn

* Policies carried by FGIC are reinsured by National Public Finance Guaranty Corporation

2. Significant Accounting Policies

Proprietary Fund Accounting

The Bond Bank is accounted for as an Enterprise Fund. An Enterprise Fund is used to account for an operation where periodic determination, on an accrual basis, of revenues earned, expenses incurred and net income is appropriate. Accordingly, the Bond Bank recognizes revenues in the period earned and expenses in the period incurred (i.e. the accrual basis of accounting).

As discussed below, the Bond Bank complies with Governmental Accounting Standards Board (GASB) statements codified under GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62).

2. Significant Accounting Policies (Continued)

The financial statements are prepared in accordance with GASB Statements 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*.

Federal Income Taxes

It is the opinion of management that the Bond Bank is exempt from federal income taxes under Internal Revenue Code (IRC) Section 115, and that the Bond Bank has maintained its tax-exempt status and has no uncertain tax positions that require adjustment or disclosure in these financial statements. However, the Bond Bank is subject to the arbitrage rebate requirements of Section 148 of the IRC. Section 148 requires that any arbitrage profit earned on the proceeds of tax-exempt bonds issued after 1985 must be rebated to the federal government at least once every five years, with the balance rebated no later than 60 days after the retirement of the bonds.

Arbitrage rebate expense, which is presented as a reduction in the amount of interest income from investments, for the year ended June 30, 2014 was approximately $122,000 in total for the State Guaranteed and Non-State Guaranteed Fund Groups.

Cash and Cash Equivalents

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

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 position. Interest earnings on principal-only strips within the State Guaranteed and Non-State Guaranteed Fund Groups have been recorded as interest income from investments. Reserve fund investments that are not expected to be utilized to fund bond principal and interest payments until after June 30, 2015 have been classified as long-term.

Bond Discounts, Premiums and Issuance Costs

Costs associated with issuing debt, which are generally paid by means of fees collected from governmental units, are expensed in the year incurred. However, bond insurance costs and original issue discounts or premiums associated with bond issues are deferred and are being amortized to interest expense over the life of the bond issues using the straight-line method. For each refunding, bond discounts (premiums) are presented as a reduction of (increase to) the face amount of bonds payable (note 4), whereas insurance costs are recorded as deferred charges included in unamortized bond insurance costs.

2. Significant Accounting Policies (Continued)

Advanced Refundings

All advanced refundings completed subsequent to July 1, 1993 within the Bond Bank's municipal division are accounted for in accordance with the provisions of GASB Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*. Under GASB Statement No. 23, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old debt, or the life of the new debt, whichever is shorter, using the straight-line method. The unamortized portion of the deferred amount is reported as a deferred outflow of resources. Amortization for the year ended June 30, 2014 was approximately $58,000 and $2,168,000 for the State Guaranteed and Non-State Guaranteed Fund Groups, respectively.

The gains, losses and economic benefits of advance refundings completed within the Educational Institution Division inure to the respective institution and not the Bond Bank. The Board of Directors determines what percentage, if any, of the gains, losses and economic benefits of advanced refunding within the Municipal Divisions gets passed on to the respective governmental units. The refunding benefits rebated to governmental units are deferred and 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.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Recently Issued Accounting Pronouncements

In April 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. GASB 65 requires that bond issuance costs be immediately expensed in the period incurred, and for certain items requires the reclassification of amounts previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources or to expenses or revenues. The impact of adoption of this statement is described in note 6.

2. Significant Accounting Policies (Continued)

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which was amended by Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* These statements establish standards for reporting a pension asset or liability on the statement of net position for a defined benefit plan that is based on the fiduciary plan net position, rather than plan funding. The employer's annual pension expense will no longer be connected to the funding of the plan. This will result in pension expense being different from the actuarially determined annual required contributions. The provisions of these statements are effective for periods beginning after June 15, 2014. Management is currently evaluating the impact these statements will have on the Bond Bank's financial statements.

3. Cash, Cash Equivalents and Investments

Cash includes funds held in interest bearing demand deposit and savings accounts, which, at times, may exceed amounts guaranteed by the Federal Deposit Insurance Corporation. The Bond Bank has not experienced any losses in such accounts and management believes the Bond Bank is not exposed to any significant risk of loss on cash.

Investments held by trustee and Reserve Fund investments held by trustee consist primarily of U.S. Treasury obligations, U.S. Government-sponsored enterprises, New Hampshire government obligations, and shares of money market funds which invest in U.S. Government and Government Agency obligations. All investments are held by a trustee in the Bond Bank's name. In addition to the above, the Bond Bank's internal investment policies allow operating investments to include fixed-income mutual funds which hold diversified portfolios in investment-grade debt securities.

The Act and each of the Municipal Division's general bond resolutions under the State Guaranteed Fund Group and the Non-State Guaranteed Fund Group require the establishment of a debt service reserve fund. These resolutions are secured separately from all other general bond resolutions of the Bond Bank. Amounts on deposit in the debt service reserve fund of each of these resolutions are held by the trustee under each of such general bond resolutions. Investment earnings on amounts held in each respective debt service reserve fund are restricted to the payment of debt service on bonds of the Bond Bank issued pursuant to each respective general bond resolution for the purpose of funding each respective debt service reserve fund. Each of these resolutions pledges its debt service reserve fund to the payment of debt service in the event of a governmental unit payment default.

The 1978 and 1979 Resolutions require their respective debt service funds be sized to meet the maximum amount of maturing municipal bond debt service in any calendar year. The 2005 Resolution requires that for each issue of bonds, the reserve fund requirement shall equal the lesser of (i) 10% of the aggregate original net proceeds of such Series of Bonds, (ii) 125% of the average annual aggregate Debt Service on such Bonds, or (iii) the maximum aggregate amount of Debt Service due on such Bonds in any succeeding bond year. This requirement is subject to change by an amendment to the 2005 Resolution under certain circumstances, but only once 100 loans have been made by the Bank under the 2005 Resolution. At June 30, 2014, the Bank had made 74 loans under the 2005 Resolution.

3. Cash, Cash Equivalents and Investments (Continued)

As permitted by the bond resolution, any funds not required for loans to government units or deposit to reserve funds, may be held by the Bond Bank as unrestricted investments. These amounts are classified as investments within the General Operating Fund Group.

Reserve Fund investments and investments held by trustee must be invested in any of the following obligations; (a) direct obligations of the United States of America or direct obligations of the State or obligations for which the faith and credit of the United States of America or the State is pledged to provide for the payment of the principal and interest, (b) any bond, debenture, note, participation or other similar obligation issued by the Federal National Mortgage Association, and (c) any other obligation of the United States of America or any Federal agencies which may then be purchased with funds belonging to the State or held in the State Treasury.

Investments of the Bond Bank consist of short-term money market funds that are 100% collateralized by government securities and investments in U.S. Treasury and U.S. Government sponsored enterprise securities. At June 30, 2014, investments are categorized as follows:

	Fair Value
General Operating Fund Group	
Investments held by trustee:	
Cash equivalents	$ 331,762
Operating investments:	
Fixed income – mutual funds	$ 4,220,943
State Guaranteed Fund Group	
Investments held by trustee:	
Cash equivalents	$ 3,278
Reserve fund investments held by trustee:	
U.S. Treasury strips	$ 777,692
Non-State Guaranteed Fund Group	
Investments held by trustee:	
Cash equivalents	$11,657,357
Reserve fund investments held by trustee:	
Cash equivalents	$ 3,793,903
U.S. Government obligations	34,920,652
U.S. Treasury strips	19,033,508
U.S. Government-sponsored enterprises strips[1]	14,597,534
N.H. G.O. capital improvement bonds	16,022,304
	$88,367,901

[1] Includes FHLMC, FHLB, FNMA and REFCORP.

3. Cash, Cash Equivalents and Investments (Continued)

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. 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 as of June 30, 2014:

	Fair Value	Less than One Year	One to Five Years	Six to Ten Years	More than Ten Years
General Operating Fund Group					
Fixed income – mutual funds	$ 4,220,943	$4,220,943	$ –	$ –	$ –
	$ 4,220,943	$4,220,943	$ –	$ –	$ –
State Guaranteed Fund Group					
U.S. Treasury strips	$ 777,692	$ 360,965	$ 416,727	$ –	$ –
	$ 777,692	$ 360,965	$ 416,727	$ –	$ –
Non-State Guaranteed Fund Group					
U.S. Government obligations	$34,920,652	$ 554,477	$ 3,003,248	$11,272,949	$20,089,978
U.S. Treasury strips	19,033,508	2,258,434	8,655,159	8,119,915	–
U.S. Government-sponsored enterprises strips	14,597,534	1,083,876	3,637,546	6,714,112	3,162,000
N.H. G.O. capital improvement bonds	16,022,304	–	–	–	16,022,304
	$84,573,998	$3,896,787	$15,295,953	$26,106,976	$39,274,282

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 held by People's United Bank, a state-charted and publicly traded commercial bank. Management of the Bond Bank is not aware of any issues with respect to custodial credit risk at People's United Bank at June 30, 2014.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Bond Bank. 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.

3. Cash, Cash Equivalents and Investments (Continued)

Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are considered to have minimal credit risk.

At June 30, 2014, the Bond Bank is invested in the State of New Hampshire's general obligation capital improvement bonds within the Non-State Guaranteed Fund Group.

The Bond Bank has invested some of its long-term funds in U.S. Treasury and U.S. Government-sponsored enterprises 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 statement of net position. At June 30, 2014, the fair value of these investments is approximately $778,000 and $33,631,000 with the State Guaranteed and Non-State Guaranteed Fund Groups, respectively.

4. Bonds Payable

The carrying amount of bonds payable at June 30, 2014, by program, are as follows:	
Municipal Division:	
State Guaranteed	$ 2,017,327
Qualified School Construction	37,970,000
Non-State Guaranteed	910,532,373
	$ 950,519,700

Following is a comprehensive summary of bonds payable, with original interest rates, by program at June 30, 2014:

Municipal Division – State Guaranteed

Bonds payable consist of the following at June 30, 2014:	
Series 1994 D Bonds, maturing August 15, 1995 to August 15, 2014, with interest ranging from 4.25% to 7.15%	$ 65,058
Series 1994 E Bonds, maturing August 15, 2001 to August 15, 2014, with interest ranging from 5.25% to 6.25%	275,000
Series 2009 B Refunding Bonds, maturing August 15, 2009 to August 15, 2017 with interest ranging from 2.25% to 4.00%	1,570,000
	1,910,058
Net unamortized original issue premium	107,269
Bonds payable	2,017,327
Current portion	754,378
Noncurrent portion	$ 1,262,949

4. Bonds Payable (Continued)

The above bonds payable will mature as follows, with interest payable semiannually:

Fiscal year Ending June 30,	Principal	Interest	Total
2015	$ 720,058	$258,886	$ 978,944
2016	295,000	40,225	335,225
2017	285,000	30,100	315,100
2018	610,000	12,200	622,200
	$1,910,058	$341,411	$2,251,469

Municipal Division – Qualified School Construction Bond

Bonds payable consist of the following at June 30, 2014: Series 2010 C Bonds maturing September 15, 2011 to September 15, 2026 with interest at 5.39%	$37,970,000
Current portion	2,945,000
Noncurrent portion	$35,025,000

The above bonds payable will mature as follows, with interest payable semiannually:

Fiscal year Ending June 30,	Principal	Interest	Total
2015	$ 2,945,000	$ 1,967,215	$ 4,912,215
2016	2,940,000	1,808,615	4,748,615
2017	2,925,000	1,650,553	4,575,553
2018	2,925,000	1,492,895	4,417,895
2019	2,925,000	1,335,238	4,260,238
2020 – 2024	14,580,000	4,314,965	18,894,965
2025 – 2027	8,730,000	705,821	9,435,821
	$37,970,000	$13,275,302	$51,245,302

Municipal Division – Non-State Guaranteed

Series 2003 D Bonds, maturing August 15, 2004 to August 15, 2023, with interest ranging from 2% to 5%	$ 7,000,000
Series 2004 A Refunding Bonds, maturing August 15, 2005 to August 15, 2014, with interest ranging from 2% to 5%	5,615,000

4. <u>Bonds Payable (Continued)</u>

Municipal Division – Non-State Guaranteed (Continued)

Series 2004 B Bonds, maturing August 15, 2005 to August 15, 2014 with interest ranging from 3% to 5%	$ 4,755,000
Series 2004 C Bonds, maturing January 15, 2006 to January 15, 2015 with interest ranging from 3.75% to 5%	265,000
Series 2005 A Refunding Bonds, maturing August 15, 2009 to August 15, 2020 with interest ranging from 3% to 5%	27,885,000
Series 2005 B Bonds, maturing August 15, 2006 to August 15, 2015 with interest ranging from 4% to 5%	6,820,000
Series 2005 C Bonds, maturing March 15, 2006 to March 15, 2028 with interest ranging from 3% to 5%	15,705,000
Series 2005 D Bonds, maturing July 15, 2006 to July 15, 2029 with interest ranging from 3% to 5%	36,910,000
Series 2006 A Bonds, maturing August 15, 2007 to August 15, 2026 with interest ranging from 4% to 5%	35,230,000
Series 2006 B Bonds, maturing January 15, 2008 to January 15, 2027 with interest ranging from 4% to 5%	11,215,000
Series 2007 A Refunding Bonds, maturing August 15, 2008 to February 15, 2029 with interest ranging from 3.75% to 4.50%	36,450,000
Series 2007 B Bonds, maturing August 15, 2008 to August 15, 2036 with interest ranging from 4% to 5%	51,920,000
Series 2007 C Bonds, maturing January 15, 2009 to January 15, 2037 with interest ranging from 4.25% to 5.25%	7,395,000
Series 2008 A Bonds, maturing August 15, 2009 to August 15, 2037 with interest ranging from 4% to 5.25%	30,875,000
Series 2008 B Bonds, maturing January 15, 2010 to January 15, 2029 with interest ranging from 4.50% to 5.875%	7,800,000
Series 2009 A Refunding Bonds, maturing August 15, 2009 to February 15, 2026 with interest ranging from 2.50% to 4.25%	4,235,000
Series 2009 C Bonds, maturing August 15, 2010 to August 15, 2029 with interest ranging from 3.00% to 5.00%	17,200,000
Series 2009 D Bonds, maturing July 15, 2010 to July 15, 2039 with interest ranging from 2.50% to 5.50%	25,975,000
Series 2009 E Bonds, maturing January 15, 2011 to January 15, 2030 with interest ranging from 3.00% to 5.00%	23,665,000
Series 2010 A Refunding Bonds, maturing August 15, 2010 to August 15, 2022 with interest ranging from 2.00% to 5.00%	90,445,000
Series 2010 B Bonds, maturing August 15, 2011 to August 15, 2039 with interest ranging from 3.00% to 5.00%	95,685,000
Series 2010 D Bonds, maturing January 15, 2012 to January 15, 2031 with interest ranging from 3.00% to 5.00%	1,935,000
Series 2011 A Bonds, maturing August 15, 2011 to August 15, 2021 with interest ranging from 2.00% to 4.50%	6,695,000
Series 2011 B Bonds, maturing August 15, 2012 to August 15, 2031 with interest ranging from 2.00% to 4.00%	21,135,000
Series 2011 C Bonds, maturing January 1, 2012 to January 1, 2026 with interest ranging from 2.00% to 4.00%	6,715,000

4. Bonds Payable (Continued)

Municipal Division – Non-State Guaranteed (Continued)

Series 2011 D Bonds, maturing February 15, 2012 to February 15, 2024 with interest ranging from 2.00% to 5.00%	$ 43,225,000
Series 2011 E Bonds, maturing January 15, 2013 to January 15, 2041 with interest ranging from 3.00% to 5.00%	32,480,000
Series 2011 F Bonds, maturing from July 15, 2012 to July 15, 2021 with interest ranging from 2.00% to 4.00%	4,820,000
Series 2012 A Refunding Bonds, maturing August 15, 2012 to February 15, 2025 with interest ranging from 2.00% to 5.00%	43,980,000
Series 2012 B Bonds, maturing August 15, 2013 to August 15, 2032 with interest ranging from 2.00% to 5.00%	16,570,000
Series 2012 C Bonds, maturing February 15, 2013 to February 15, 2039 with interest ranging from 2.00% to 5.00%	35,705,000
Series 2012 D Bonds, maturing February 15, 2014 to February 15, 2033 with interest ranging from 2.00% to 5.00%	7,565,000
Series 2013 A Refunding Bonds, maturing August 15, 2018 to August 15, 2025 with interest ranging from 3.00% to 5.00%	29,090,000
Series 2013 B Refunding Bonds, maturing August 15, 2013 to February 15, 2020 with interest ranging from 0.25% to 2.10%	29,195,000
Series 2013 C Bonds, maturing August 15, 2014 to August 15, 2033 with interest ranging from 4.00% to 5.50%	53,390,000
	875,545,000
Net unamortized original issue premium on refundings	34,987,373
Bonds payable	910,532,373
Current portion	74,397,456
Noncurrent portion	$ 836,134,917

The above bonds payable will mature as follows, with interest payable semiannually:

Fiscal year Ending June 30,	Principal	Interest	Total
2015	$ 71,095,000	$ 37,063,718	$ 108,158,718
2016	69,450,000	34,307,195	103,757,195
2017	69,300,000	31,584,833	100,884,833
2018	59,990,000	28,866,569	88,856,569
2019	59,680,000	26,264,766	85,944,766
2020 – 2024	277,955,000	93,755,920	371,710,920
2025 – 2029	146,470,000	43,494,134	189,964,134
2030 – 2034	71,060,000	20,018,555	91,078,555
2035 – 2039	35,215,000	7,846,713	43,061,713
2040 – 2041	15,330,000	439,794	15,769,794
	$ 875,545,000	$ 323,642,197	$ 1,199,187,197

4. Bonds Payable (Continued)

Some bonds contain provisions for prepayment at the Bond Bank's option. All bonds are secured by the payment stream of loans receivable from governmental units or institutions. 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 or institutions, transfers can be made from the 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 through the moral obligation. Reserve funds of one division (as defined in note 1) cannot be used to cover deficiencies of another division.

In periods of declining interest rates, the Bond Bank has refunded certain bond obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The Bond Bank accounts for these transactions by removing the U.S. Treasury obligations and liabilities for the in-substance defeased bonds from its records, and records a deferred amount on refunding. As of June 30, 2014, defeased bonds payable by irrevocable trusts were approximately $125,730,000.

The following summarizes bonds payable activity for the Bond Bank for the year ended June 30, 2014:

	State Guaranteed Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group
Balance, beginning of year, as restated – see note 6	$ 3,131,440	$40,915,000	$ 946,090,381
Issuances	–	–	53,390,000
Redemptions	(1,079,793)	(2,945,000)	(87,145,000)
Capitalized premiums	–	–	1,611,077
Amortization of premiums	(34,320)	–	(3,414,085)
Balance, end of year	$ 2,017,327	$37,970,000	$ 910,532,373

5. Subsequent Events

On July 17, 2014, the Bond Bank issued $65,965,000 in Non-State Guaranteed Bonds. The issue included $60,460,000 for loans to sixteen municipalities and $5,235,000 issued as Reserve Fund Bonds. The coupon rate ranged from 3.00% to 5.00% with a True Interest Cost (TIC) of 2.95%.

6. Adoption of New Accounting Pronouncement

As discussed in note 2, the Bond Bank adopted the provisions of GASB 65, *Items Previously Reported as Assets and Liabilities* as of July 1, 2013. Among other provisions, GASB 65 requires the immediate write-off of bond issuance costs, excluding costs related to bond insurance. Additionally, certain balance sheet items, including unamortized rebates to governmental units and unamortized deferred loss on refundings, are required to be presented as deferred outflows of resources. The provisions of GASB 65 are required to be applied retrospectively.

The net position of the Bond Bank's State Guaranteed and Non-State Guaranteed Fund Groups as of July 1, 2013 were restated to adopt the provisions of GASB 65. The following table summarizes the changes in the affected statement of position line items (total column amounts) as of the adoption of GASB 65 on July 1, 2013:

	As Previously Reported	Accounting Change	As Restated
Bond issuance costs	$ 2,245,436	$ (1,247,313)	$ 998,123
Unamortized deferred loss on refunding	21,963,262	(1,311,681)	20,651,581
Bonds payable, excluding unamortized deferred loss on refunding	984,524,440	5,612,381	990,136,821
Total net position – July 1, 2013	24,981,392	(8,171,375)	16,810,017