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Certified Public Accountants

New Hampshire Municipal Bond Bank

Basic Financial Statements and Management's Discussion and Analysis

Year Ended June 30, 2012
With Independent Auditors' Report

INTEGRITY • SERVICE • SOLUTIONS

NEW HAMPSHIRE MUNICIPAL BOND BANK

BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2012

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INDEPENDENT AUDITORS' REPORT

Board of Directors
New Hampshire Municipal Bond Bank

We have audited the accompanying basic financial statements, consisting of the General Operating Fund Group, State Guaranteed Fund Group, Qualified School Construction Fund Group, Non-State Guaranteed Fund Group, and Coe-Brown Northwood Academy Fund Group, of New Hampshire Municipal Bond Bank (the Bond Bank) as of and for the year ended June 30, 2012, as listed in the accompanying table of contents. These financial statements are the responsibility of the Bond Bank's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Bond Bank, including the individual fund groups referred to above, as of June 30, 2012, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 6 to the accompanying financial statements, the net assets of the Bond Bank's Non-State Guaranteed Fund Group as of July 1, 2011 were restated to correct an error in the accrued interest payable on bonds outstanding at that date.

As discussed in note 1 to the accompanying financial statements, the Bond Bank created the General Operating Fund Group in July 2011 through transfers from the State Guaranteed Fund Group and the Qualified School Construction Fund Group.

Board of Directors
New Hampshire Municipal Bond Bank

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 – 7 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
November 7, 2012

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2012

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, 2012. 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 $47,493,582 for fiscal year 2012, an increase of $2,047,250 or 4.50% above fiscal year 2011. 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.

- Net assets of the Bond Bank increased $2,790,647 in fiscal year 2012. At June 30, 2012, the Bond Bank had net assets of $25,890,343, an increase of 12.08% from the prior year.

- The Bond Bank's bonds outstanding at June 30, 2012 of $974,758,319 represents a net decrease of $3,056,557 from the balance at June 30, 2011. This decrease was the result of the following activity in fiscal year 2012:

Issued 2011 B, C, D, E, F and 2012 A bonds totaling	$ 170,120,000
Adjustment to deferred loss and premiums	4,126,113
Refunded principal	(97,920,000)
2012 principal paid	(79,382,670)
Total net decrease	$ (3,056,557)

- The 2011 D series, issued in October 2011, was a refunding issue resulting in approximately $2,000,000 in savings in debt service, with a net present value savings of $1,778,000. A second refunding was issued in May 2012, series 2012 A, resulting in approximately $5,000,000 in savings in debt service, with a net present value savings of $4,473,467.

- The Bond Bank provided $69,475,000 in new loans to local governmental units during fiscal year 2012 resulting in a net decrease of $39,985,000, which was a 36.53% decrease from the loans provided in fiscal year 2011. Reserve bonds totaling $5,225,000 were issued as part of the 2011 Series B, C, E and F issues.

- A General Fund Operating Group was established to account for the annual operating costs of the Bond Bank. In the past, the operating costs were recorded in the Non-State Guaranteed and State Guaranteed Groups.

- The net assets of the Bond Bank's Non-State Guaranteed Fund Group as of July 1, 2011 were restated to correct an error in the accrued interest payable on bonds outstanding at that date. The error resulted in a reduction of $2,484,699 in net assets of the Non-State Guaranteed Fund Group as of July 1, 2011. A table summarizing the corrections on each of the affected financial statement line items (total column amounts) for the year ended June 30, 2011 is provided on the next page.

	As Previously Reported	Restatement Adjustment	As Restated
Balance Sheet			
Accrued interest payable	$14,844,211	$ 2,484,699	$17,328,910
Net assets – June 30, 2011	25,584,395	(2,484,699)	23,099,696
Statement of Revenues, Expenses and Changes in Net Assets			
Interest expense	45,290,262	(121,370)	45,168,892
Operating loss	(470,712)	121,370	(349,342)

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 2012, all of the bonds were issued per the 1978 Resolution. A State of New Hampshire bond was purchased to fund the reserve fund for the 2011 B issue, a combination of State of New Hampshire bonds and U.S. Treasury State and Local Government Securities were purchased for the 2011 E issue, and U.S. Treasury State and Local Government Securities were purchased for the 2011 F issue.

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. The ratings have not changed since December 19, 2011. 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 December 22, 2010**			**Ratings as of December 19, 2011**		
		Moody's	S&P	Fitch	Moody's	S&P	Fitch	Moody's	S&P	Fitch
Assured Guaranty Municipal*	$3,420,269	Aa3	AAA	AA+	Aa3	AA+	With-drawn	Aa3	AA-	With-drawn
National Public Finance (formerly MBIA Illinois)**	$8,247,430	Baa1	A	With-drawn	Baa1	BBB	With-drawn	Baa2	BBB	With-drawn
FGIC***	$6,782,925	With-drawn	With-drawn	With-drawn	With-drawn	With-drawn	With-drawn	With-drawn	With-drawn	With-drawn

* 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 five 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 and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Bond Bank is improving or deteriorating. Net assets increase when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, result in increased net assets, which may indicate an improved financial position.

The statements of revenues, expenses, and changes in net assets present information showing how the Bond Bank's net assets changed during the fiscal year. Changes in net assets 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 Assets may serve, over time, as a useful indicator of a government's financial position. In the case of the Bond Bank, assets exceeded liabilities by $25,890,343 at June 30, 2012. This represents an increase of $2,790,647 or 12.08% from the previous fiscal year.

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

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	2012	2011 (as restated)	Percentage Change
Current assets:			
Cash	$ 67,754	$ 102,548	(33.93)%
Investments held by trustee, at fair value	20,677,577	22,695,993	(8.89)
Loans receivable from governmental units	67,472,870	68,897,671	(2.07)
Accrued investment income receivable	998,796	1,032,871	(3.30)
Accrued interest receivable from governmental units	15,229,778	15,575,571	(2.22)
Unamortized rebates to governmental units and bond issuance costs	672,173	744,723	(9.74)
Other current assets	3,312	950	248.63
Total current assets	105,122,260	109,050,327	(3.60)
Noncurrent assets:			
Investments held by trustee, at fair value	101,235,394	99,005,087	2.25
Loans receivable from governmental units	807,106,251	806,966,121	0.02
Unamortized rebates to governmental units and bond issuance costs	4,499,989	4,622,655	(2.65)
Total noncurrent assets	912,841,634	910,593,863	0.25
Total assets	$1,017,963,894	$1,019,644,190	(0.16)%
LIABILITIES AND NET ASSETS			
Current liabilities:			
Accounts payable and accrued liabilities	$ 1,029	$ 27,332	(96.24)%
Accrued interest payable	16,626,897	17,328,910	(4.05)
Accrued interest rebate payable to U.S. Government	169,956	882,143	(80.73)
Bonds payable	76,396,159	78,639,416	(2.85)
Total current liabilities	93,194,041	96,877,801	(3.80)
Noncurrent liabilities:			
Accrued interest rebate payable to U.S. Government	517,350	491,233	5.32
Bonds payable	898,362,160	899,175,460	(0.09)
Total noncurrent liabilities	898,879,510	899,666,693	(0.09)
Total liabilities	992,073,551	996,544,494	(0.45)
Net assets	25,890,343	23,099,696	12.08
Total liabilities and net assets	$1,017,963,894	$1,019,644,190	(0.16)%

Total cash and investments held by trustee increased $177,097 or 0.15% at June 30, 2012 compared to June 30, 2011. 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 notes and strips, and bank investment contracts. 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 assets.

The Bond Bank's loans receivable from governmental units decreased $1,284,671 in fiscal year 2012. The Bond Bank's total new loan originations in 2012 of $69,475,000 were 36.53% lower than 2011 originations of $109,460,000. Net bonds payable decreased .31%.

Net assets increased 12.08% in fiscal year 2012. The Bond Bank continued to maintain a positive spread of income from investments and loans to governmental units over bond interest and operating expenses.

	2012	2011 (as restated)	Percentage Change
Interest on loans receivable from governmental units	$ 40,086,343	$ 41,175,718	(2.65)%
Interest income from investments	4,644,367	5,125,812	(9.39)
Net increase in the fair value of investments	2,108,250	(1,393,939)	(251.24)
Other income	654,622	538,741	21.51
Total operating revenues	47,493,582	45,446,332	4.50
Interest expense	43,977,515	45,168,892	(2.64)
Operating expenses	371,323	355,839	4.35
Other expense	354,097	270,943	30.69
Total operating expenses	44,702,935	45,795,674	(2.39)
Operating (loss) income	2,790,647	(349,342)	(898.83)
Net assets, beginning of year	23,099,696	23,449,038	(1.49)
Net assets, end of year	$ 25,890,343	$ 23,099,696	12.08%

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 increase in the fair value of investments in 2012 of $2,108,250 was caused by movements in market interest rates during the year that had a positive impact on the fair value of investments held by the Bond Bank.

The increase in other income and other expense was mainly due to the increase of bond issuance costs. Four new money issues and two refunding issues were sold in 2012 compared to three issues in 2011.

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

BALANCE SHEETS

June 30, 2012

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
Current assets:				
Cash (note 3)	$ 44,679	$ –	$ –	$ –
Investments held by trustee, at fair value (note 3):				
Cash equivalents	3,923,197	339,968	–	7,203,080
Investments	461,316	–	–	–
Reserve Fund investments (note 4)	–	868,583	–	7,881,433
Loans receivable from governmental units (note 4)	–	1,319,870	2,945,000	63,053,000
Accrued investment income receivable	1,765	3	–	997,028
Accrued interest receivable from governmental units	–	236,581	702,649	14,281,821
Unamortized rebates to governmental units and bond issuance costs	–	55,351	–	616,822
Other assets	3,312	–	–	–
Total current assets	4,434,269	2,820,356	3,647,649	94,033,184
Noncurrent assets:				
Reserve Fund investments held by trustee, at fair value (notes 3 and 4):				
Cash equivalents	–	17,105	–	4,083,824
Investments	–	811,274	–	96,323,191
Loans receivable from governmental units (note 4)	–	2,169,851	40,915,000	763,111,400
Unamortized rebates to governmental units and bond issuance costs	–	174,792	–	4,325,197
Total noncurrent assets	–	3,173,022	40,915,000	867,843,612
Total assets	$4,434,269	$5,993,378	$44,562,649	$ 961,876,796

Educational Institution Division Coe-Brown Northwood Academy Fund Group	Total
$ 23,075	$ 67,754
–	11,466,245
–	461,316
–	8,750,016
155,000	67,472,870
–	998,796
8,727	15,229,778
–	672,173
–	3,312
186,802	105,122,260
–	4,100,929
–	97,134,465
910,000	807,106,251
–	4,499,989
910,000	912,841,634
$1,096,802	$1,017,963,894

NEW HAMPSHIRE MUNICIPAL BOND BANK

BALANCE SHEETS (CONTINUED)

June 30, 2012

LIABILITIES AND NET 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
Current liabilities:				
Accounts payable and accrued liabilities	$ 512	$ –	$ –	$ –
Accrued interest payable	–	229,694	702,649	15,685,827
Accrued interest rebate payable to U.S. Government	–	22,848	–	147,108
Bonds payable (note 4)	–	1,675,748	2,945,000	71,620,411
Total current liabilities	512	1,928,290	3,647,649	87,453,346
Noncurrent liabilities:				
Accrued interest rebate payable to U.S. Government	–	219,764	–	297,586
Bonds payable (note 4)	–	3,032,093	40,915,000	853,505,067
Total noncurrent liabilities	–	3,251,857	40,915,000	853,802,653
Total liabilities	512	5,180,147	44,562,649	941,255,999
Net assets	4,433,757	813,231	–	20,620,797
Total liabilities and net assets	$4,434,269	$5,993,378	$44,562,649	$961,876,796

See accompanying notes to the financial statements.

Educational Institution Division Coe-Brown Northwood Academy Fund Group	Total
$ 517	$ 1,029
8,727	16,626,897
–	169,956
155,000	76,396,159
164,244	93,194,041
–	517,350
910,000	898,362,160
910,000	898,879,510
1,074,244	992,073,551
22,558	25,890,343
$1,096,802	$1,017,963,894

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2012

		Municipal Division		
	General Operating Fund Group	State Guaranteed Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group
Operating revenues:				
Interest on loans receivable from governmental units	$ –	$ 368,187	$2,396,322	$37,262,940
Interest income from investments	22,732	201,035	–	4,420,583
Net increase (decrease) in the fair value of investments	12,269	(247,860)	–	2,343,841
Other income	164,211	–	–	489,911
Total operating revenues	199,212	321,362	2,396,322	44,517,275
Operating expenses:				
Interest expense	–	570,442	2,396,322	40,951,857
Operating expenses	334,421	–	–	36,385
Other expense	–	–	–	354,097
Total operating expenses	334,421	570,442	2,396,322	41,342,339
Operating income (loss) before operating transfers	(135,209)	(249,080)	–	3,174,936
Operating transfers in (out) (note 1)	4,568,966	(4,498,976)	(69,990)	–
Operating income (loss)	4,433,757	(4,748,056)	(69,990)	3,174,936
Net assets, beginning of year, as restated (note 6)	–	5,561,287	69,990	17,445,861
Net assets, end of year	$4,433,757	$ 813,231	$ –	$20,620,797

See accompanying notes to the financial statements.

Educational Institution Division Coe-Brown Northwood Academy Fund Group	Total
$58,894	$40,086,343
17	4,644,367
–	2,108,250
500	654,622
59,411	47,493,582
58,894	43,977,515
517	371,323
–	354,097
59,411	44,702,935
–	2,790,647
–	–
–	2,790,647
22,558	23,099,696
$22,558	$25,890,343

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2012

		Municipal Division		
	General Operating Fund Group	State Guaranteed Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group
Operating activities:				
Cash received from governmental units	$ –	$ 3,967,535	$ 5,395,969	$ 101,398,845
Cash payments to governmental units	–	–	–	(68,770,000)
Cash received from other income	164,211	–	–	489,911
Cash payments for operating expenses	(333,909)	–	–	(63,717)
Cash payments for bond issuance costs	–	–	–	(354,097)
Cash (paid) received for other assets	(3,312)	–	–	950
Cash received from (paid to) other funds	4,568,966	(4,498,976)	(69,990)	–
Net cash provided (used) by operating activities	4,395,956	(531,441)	5,325,979	32,701,892
Investing activities:				
Purchases of investments	(4,472,446)	–	–	(8,144,231)
Proceeds from sale and maturities of investments	4,023,399	4,113,642	–	10,970,673
Interest received on investments	20,967	303,508	–	4,590,727
Interest rebate paid to U.S. Government	–	(533,439)	–	(389,405)
Net cash (used) provided by investing activities	(428,080)	3,883,711	–	7,027,764
Noncapital financing activities:				
Proceeds from bonds payable	–	–	–	174,683,109
Deposit to refunding escrow	–	–	–	(98,719,786)
Principal paid on bonds payable	–	(5,710,321)	(2,952,349)	(70,570,000)
Interest paid on bonds payable	–	(495,680)	(2,443,620)	(41,607,767)
Net cash used by noncapital financing activities	–	(6,206,001)	(5,395,969)	(36,214,444)
Increase (decrease) in cash and cash equivalents	3,967,876	(2,853,731)	(69,990)	3,515,212
Cash and cash equivalents, beginning of year	–	3,210,804	69,990	7,771,692
Cash and cash equivalents, end of year	$ 3,967,876	$ 357,073	$ –	$ 11,286,904

Educational Institution Division Coe-Brown Northwood Academy Fund Group	Total
$ 210,000	$ 110,972,349
–	(68,770,000)
500	654,622
–	(397,626)
–	(354,097)
–	(2,362)
–	–
210,500	42,102,886
–	(12,616,677)
–	19,107,714
17	4,915,219
–	(922,844)
17	10,483,412
–	174,683,109
–	(98,719,786)
(150,000)	(79,382,670)
(60,000)	(44,607,067)
(210,000)	(48,026,414)
517	4,559,884
22,558	11,075,044
$ 23,075	$ 15,634,928

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2012

		Municipal Division		
	General Operating Fund Group	State Guaranteed Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group
Balance sheet classification:				
Cash	$ 44,679	$ –	$ –	$ –
Cash equivalents – investments held by trustee	3,923,197	339,968	–	7,203,080
Cash equivalents – reserve fund investments held by trustee	–	17,105	–	4,083,824
	$3,967,876	$ 357,073	$ –	$ 11,286,904
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	$4,433,757	$(4,748,056)	$ (69,990)	$ 3,174,936
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Interest income from investments	(22,732)	(201,035)	–	(4,420,583)
Net (increase) decrease in the fair value of investments	(12,269)	247,860	–	(2,343,841)
Amortization of rebates to governmental units	–	72,499	–	413,043
Interest expense on bonds payable	–	570,442	2,396,322	40,951,857
Change in assets and liabilities:				
Loans receivable from governmental units	–	3,440,322	2,952,349	(5,258,000)
Accrued interest receivable from governmental units	–	86,527	47,298	210,862
Other assets	(3,312)	–	–	950
Accounts payable and accrued liabilities	512	–	–	(27,332)
Net cash provided (used) by operating activities	$4,395,956	$ (531,441)	$5,325,979	$ 32,701,892

See accompanying notes to the financial statements.

Educational Institution Division Coe-Brown Northwood Academy Fund Group	Total
$ 23,075	$ 67,754
–	11,466,245
–	4,100,929
$ 23,075	$15,634,928
$ –	$ 2,790,647
(17)	(4,644,367)
–	(2,108,250)
–	485,542
58,894	43,977,515
150,000	1,284,671
1,106	345,793
–	(2,362)
517	(26,303)
$210,500	$42,102,886

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

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 $242,220,000 at June 30, 2012, 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, 2012		
		Moody's	S&P	Fitch
Assured Guaranty Municipal	$3,420,269	Aa3	AA-	Withdrawn
National Public Finance Guaranty Corporation	8,247,430	Baa2	BBB	Withdrawn
FGIC*	6,782,925	Withdrawn	Withdrawn	Withdrawn

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

Educational Institution Division

Coe-Brown Northwood Academy Fund Group: Effective February 19, 1982 (and as modified July 11, 1998), the State Legislature enacted the *New Hampshire Municipal Bond Bank Educational Institutions Bond Financing Act*, to assist certain elementary, secondary education institutions, or any other institution which provides a program of education within the state which is preparatory of secondary, postsecondary, or higher education, to finance the construction and improvement of their facilities.

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).

2. Significant Accounting Policies (Continued)

The Bond Bank complies with Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities that Use Proprietary Fund Accounting*. Under the provisions of this statement, the Bond Bank applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As permitted by GASB Statement No. 20, the Bond Bank has elected not to comply with the FASB Statements and Interpretations issued after November 30, 1989.

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

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, 2012 was approximately $237,000 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 assets. 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, 2012 have been classified as long-term.

2. Significant Accounting Policies (Continued)

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. Bond issuance costs and original issue discounts or premiums associated with the Series 2003, 2004, 2005, 2007, 2009, 2010 and 2012 refunding bond issues were not offset by fees collected from governmental units, thus they were deferred and are being amortized to interest expense over the life of the refunding 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 issuance costs are recorded as deferred charges included in unamortized rebates to governmental units and bond issuance costs.

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 reduction of the face amount of the bonds payable (note 4). Amortization for the year ended June 30, 2012 was approximately $267,000 and $2,548,000 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.

2. Significant Accounting Policies (Continued)

New Accounting Pronouncements

In March 2012, the Government Accounting Standards Board (GASB) issued two new statements: GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* and GASB Statement No. 66, *Technical Corrections – 2012 – An Amendment of GASB Statements No. 10 and No. 62*. Both new pronouncements are scheduled to take effect for fiscal periods beginning after December 31, 2012, with earlier application encouraged.

GASB Statement No. 65 will result in three changes in financial reporting. First, it identifies specific items that should be classified as deferred inflows or outflows of resources. Second, it clarifies the effect of deferred inflows and outflows of resources on the determination of major funds. Finally, it limits the use of the term *deferred* in governmental financial statements. The purpose of GASB Statement No. 66 is to eliminate certain inconsistencies that have arisen in the GASB's authoritative standards as the result of the board's recent standard-setting activity. The Bond Bank is currently evaluating the impact these accounting pronouncements will have on its financial statements.

In June 2011 GASB issued Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement amends the net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The provisions of this Statement are effective for financial statements for years beginning after December 15, 2011. The Bond Bank is currently evaluating the impact, if any, this guidance will have on its financial statements.

3. Cash, Cash Equivalents and Investments

Cash includes funds held in interest bearing demand deposit and savings accounts, which are fully insured by the Federal Deposit Insurance Corporation, and amounts on deposit with the New Hampshire Public Deposit Investment Pool (established pursuant to Sections 383:22-24 of the New Hampshire Revised Statutes Annotated) of $23,075 as of June 30, 2012.

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.

3. Cash, Cash Equivalents and Investments (Continued)

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, 2012, the Bank had made 78 loans under the 2005 Resolution.

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, 2012, investments are categorized as follows:

	Fair Value
General Operating Fund Group	
Investments held by trustee:	
Cash equivalents	$ 3,923,197
Operating investments:	
Fixed income – mutual funds	$ 461,316
State Guaranteed Fund Group	
Investments held by trustee:	
Cash equivalents	$ 339,968
Reserve fund investments held by trustee:	
Cash equivalents	$ 17,105
U.S. Treasury strips	900,242
U.S. Government-sponsored enterprises strips[1]	779,615
	$ 1,696,962

3. Cash, Cash Equivalents and Investments (Continued)

	Fair Value
Non-State Guaranteed Fund Group	
Investments held by trustee:	
Cash equivalents	$ 7,203,080
Reserve fund investments held by trustee:	
Cash equivalents	$ 4,083,824
U.S. Government obligations	56,088,318
U.S. Treasury strips	24,252,472
U.S. Government-sponsored enterprises[(1)]	10,659
U.S. Government-sponsored enterprises strips[(1)]	15,838,907
N.H. G.O. capital improvement bonds	8,014,268
	$ 108,288,448

[(1)] Includes FHLMC, FHLB, FFCB, FNMA and REFCORP.

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, 2012:

	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	$ 461,316	$ 461,316	$ –	$ –	$ –
Fixed income – corporate bonds	1,249,772	1,249,772	–	–	–
	$ 1,711,088	$ 1,711,088	$ –	$ –	$ –
State Guaranteed Fund Group					
U.S. Treasury strips	$ 900,242	$ 88,968	$ 472,344	$ 338,930	$ –
U.S. Government-sponsored enterprises strips	779,615	779,615	–	–	–
	$ 1,679,857	$ 868,583	$ 472,344	$ 338,930	$ –

3. Cash, Cash Equivalents and Investments (Continued)

	Fair Value	Less than One Year	One to Five Years	Six to Ten Years	More than Ten Years
Non-State Guaranteed Fund Group					
U.S. Government obligations	$ 56,088,318	$ 4,886,621	$21,940,526	$ 1,107,556	$28,153,615
U.S. Treasury strips	24,252,472	1,969,061	11,968,919	10,314,492	–
U.S. Government-sponsored enterprises	10,659	–	10,659	–	–
U.S. Government-sponsored enterprises strips	15,838,907	1,025,751	4,379,908	4,084,196	6,349,052
N.H. G.O. capital improvement bonds	8,014,268	–	–	1,318,699	6,695,569
	$ 104,204,624	$ 7,881,433	$38,300,012	$16,824,943	$41,198,236

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, 2012.

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. Fixed income mutual funds are deemed permissible holdings under the Bond Bank's investment guidelines provided such funds hold diversified portfolios of fixed income securities with average maturity dates not to exceed five years.

Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk.

At June 30, 2012, the Bond Bank's investments in the State of New Hampshire's general obligation capital improvement bonds within the Non-State Guaranteed Fund Group were rated AA.

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 balance sheet. At June 30, 2012, the fair value of these investments is approximately $1,680,000 and $40,091,000 with the State Guaranteed and Non-State Guaranteed Fund Groups, respectively.

4. Bonds Payable

The carrying amount of bonds payable at June 30, 2012, by program, are as follows:	
Municipal Division:	
State Guaranteed	$ 4,707,841
Qualified School Construction	43,860,000
Non-State Guaranteed	925,125,478
Educational Institutions Division:	
Coe-Brown Northwood Academy	1,065,000
	$ 974,758,319

Following is a comprehensive summary of bonds payable, with original interest rates, by program at June 30, 2012:

Municipal Division – State Guaranteed

Bonds payable consist of the following at June 30, 2011:	
Series 1994 D Bonds, maturing August 15, 1995 to August 15, 2014, with interest ranging from 4.25% to 7.15%	$ 209,721
Series 1994 E Bonds, maturing August 15, 2001 to August 15, 2014, with interest ranging from 5.25% to 6.25%	275,000
Series 2003 G Refunding Bonds, maturing February 15, 2004 to August 15, 2012, with interest ranging from 2% to 4%	45,000
Series 2009 B Refunding Bonds, maturing August 15, 2009 to August 15, 2017 with interest ranging from 2.25% to 4.00%	4,160,000
	4,689,721
Net unamortized original issue premium	177,070
Unamortized deferred loss on refundings	(158,950)
Bonds payable	4,707,841
Current portion	1,675,748
Noncurrent portion	$3,032,093

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

Fiscal year Ending June 30,	Principal	Interest	Total
2013	$1,699,870	$338,067	$2,037,937
2014	1,079,793	288,644	1,368,437
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
	$4,689,721	$968,122	$5,657,843

4. Bonds Payable (Continued)

Municipal Division – Qualified School Construction Bond

Bonds payable consist of the following at June 30, 2012: Series 2010 C Bonds maturing September 15, 2011 to September 15, 2026 with interest at 5.39%	$43,860,000
Current portion	2,945,000
Noncurrent portion	$40,915,000

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

Fiscal year Ending June 30,	Principal	Interest	Total
2013	$ 2,945,000	$ 2,284,686	$ 5,229,686
2014	2,945,000	2,125,951	5,070,951
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 – 2022	14,610,000	5,888,306	20,498,306
2023 – 2027	14,550,000	1,960,613	16,510,613
	$43,860,000	$17,685,939	$61,545,939

Municipal Division – Non-State Guaranteed

Series 2002 B Bonds, maturing August 15, 2003 to August 15, 2012, with interest ranging from 3% to 4.6%	$ 5,125,000
Series 2002 C Bonds, maturing August 15, 2003 to August 15, 2012, with interest ranging from 3% to 4.75%	2,040,000
Series 2002 D Refunding Bonds, maturing August 15, 2003 to August 15, 2012, with interest ranging from 2% to 5%	5,250,000
Series 2002 E Bonds, maturing January 15, 2004 to January 15, 2013, with interest ranging from 4.25% to 4.85%	1,195,000
Series 2003 C Bonds, maturing August 15, 2004 to August 15, 2013, with interest ranging from 3% to 6%	13,820,000
Series 2003 D Bonds, maturing August 15, 2004 to August 15, 2023, with interest ranging from 2% to 5%	8,400,000
Series 2003 E Bonds, maturing August 15, 2004 to August 15, 2013, with interest ranging from 3.5% to 5%	9,610,000
Series 2003 F Bonds, maturing January 15, 2005 to January 15, 2014, with interest ranging from 4% to 5%	10,925,000
Series 2004 A Refunding Bonds, maturing August 15, 2005 to February 15, 2020, with interest ranging from 2% to 5%	50,275,000

4. Bonds Payable (Continued)

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%	$ 13,800,000
Series 2004 C Bonds, maturing January 15, 2006 to January 15, 2015 with interest ranging from 3.75% to 5%	770,000
Series 2005 A Refunding Bonds, maturing August 15, 2009 to August 15, 2020 with interest ranging from 3% to 5%	31,530,000
Series 2005 B Bonds, maturing August 15, 2006 to August 15, 2025 with interest ranging from 4% to 5%	43,280,000
Series 2005 C Bonds, maturing March 15, 2006 to March 15, 2028 with interest ranging from 3% to 5%	17,825,000
Series 2005 D Bonds, maturing July 15, 2006 to July 15, 2029 with interest ranging from 3% to 5%	39,880,000
Series 2006 A Bonds, maturing August 15, 2007 to August 15, 2026 with interest ranging from 4% to 5%	40,675,000
Series 2006 B Bonds, maturing January 15, 2008 to January 15, 2027 with interest ranging from 4% to 5%	13,010,000
Series 2007 A Refunding Bonds, maturing August 15, 2008 to February 15, 2029 with interest ranging from 3.75% to 4.50%	36,765,000
Series 2007 B Bonds, maturing August 15, 2008 to August 15, 2036 with interest ranging from 4% to 5%	57,845,000
Series 2007 C Bonds, maturing January 15, 2009 to January 15, 2037 with interest ranging from 4.25% to 5.25%	8,400,000
Series 2008 A Bonds, maturing August 15, 2009 to August 15, 2037 with interest ranging from 4% to 5.25%	35,520,000
Series 2008 B Bonds, maturing January 15, 2010 to January 15, 2029 with interest ranging from 4.50% to 5.875%	8,890,000
Series 2009 A Refunding Bonds, maturing August 15, 2009 to February 15, 2026 with interest ranging from 2.50% to 4.25%	7,305,000
Series 2009 C Bonds, maturing August 15, 2010 to August 15, 2029 with interest ranging from 3.00% to 5.00%	20,240,000
Series 2009 D Bonds, maturing July 15, 2010 to July 15, 2039 with interest ranging from 2.50% to 5.50%	26,935,000
Series 2009 E Bonds, maturing January 15, 2011 to January 15, 2030 with interest ranging from 3.00% to 5.00%	26,650,000
Series 2010 A Refunding Bonds, maturing August 15, 2010 to August 15, 2022 with interest ranging from 2.00% to 5.00%	98,485,000
Series 2010 B Bonds, maturing August 15, 2011 to August 15, 2039 with interest ranging from 3.00% to 5.00%	101,675,000
Series 2010 D Bonds, maturing January 15, 2012 to January 15, 2031 with interest ranging from 3.00% to 5.00%	2,560,000
Series 2011 A Bonds, maturing August 15, 2011 to August 15, 2021 with interest ranging from 2.00% to 4.50%	8,530,000
Series 2011 B Bonds, maturing August 15, 2012 to August 15, 2031 with interest ranging from 2.00% to 4.00%	24,685,000

4. Bonds Payable (Continued)

Municipal Division – Non-State Guaranteed (Continued)

Series 2011 C Bonds, maturing January 1, 2012 to January 1, 2026 with interest ranging from 2.00% to 4.00%	$ 7,775,000
Series 2011 D Bonds, maturing February 15, 2012 to February 15, 2024 with interest ranging from 2.00% to 5.00%	43,545,000
Series 2011 E Bonds, maturing January 15, 2013 to January 15, 2041 with interest ranging from 3.00% to 5.00%	35,425,000
Series 2011 F Bonds, maturing from July 15, 2012 to July 15, 2021 with interest ranging from 2.00% to 4.00%	6,110,000
Series 2012 A Bonds, maturing August 15, 2012 to February 15, 2025 with interest ranging from 2.00% to 5.00%	51,450,000
	916,200,000
Net unamortized original issue premium on refundings	31,057,792
Unamortized deferred loss on refundings	(22,132,314)
Bonds payable	925,125,478
Current portion	71,620,411
Noncurrent portion	$ 853,505,067

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

Fiscal year Ending June 30,	Principal	Interest	Total
2013	$ 70,760,000	$ 39,336,914	$ 110,096,914
2014	82,815,000	36,516,650	119,331,650
2015	63,920,000	33,235,738	97,155,738
2016	62,525,000	30,495,525	93,020,525
2017	62,560,000	27,793,993	90,353,993
2018 – 2022	261,480,000	101,976,930	363,456,930
2023 – 2027	181,210,000	49,630,625	230,840,625
2028 – 2032	70,520,000	21,771,944	92,291,944
2033 – 2037	33,175,000	10,810,331	43,985,331
2038 – 2041	27,235,000	2,518,863	29,753,863
	$ 916,200,000	$ 354,087,513	$1,270,287,513

4. Bonds Payable (Continued)

Educational Institution Division – Coe-Brown Northwood Academy

Bonds payable at June 30, 2012 consist of the following:	
2003 Coe-Brown Northwood Academy Revenue Bonds, maturing May 1, 2004 to May 1, 2018, with interest ranging from 2% to 5%, payable semiannually	$ 1,065,000
Current portion	155,000
Noncurrent portion	$ 910,000

The above bonds payable are subject to mandatory redemptions as follows, with interest payable semiannually:

Fiscal year Ending June 30,	Principal	Interest	Total
2013	$ 155,000	$ 53,250	$ 208,250
2014	165,000	45,500	210,500
2015	175,000	37,250	212,250
2016	180,000	28,500	208,500
2017	190,000	19,500	209,500
2018	200,000	10,000	210,000
	$1,065,000	$194,000	$1,259,000

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. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the Bond Bank's financial statements. As of June 30, 2012, defeased bonds payable by irrevocable trusts were approximately $217,485,000.

4. Bonds Payable (Continued)

In periods of declining interest rates, the Bond Bank has refunded certain of its bond obligations, reducing aggregate debt service. 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.

On October 20, 2011, the Bond Bank issued $43,970,000 in Non-State Guaranteed Fund Group bonds with an average coupon rate of 4.56% to advance refund $44,260,000 of various outstanding maturities of the 2003C, 2003F, and 2004B series bonds with an average coupon rate of 4.80%. The net proceeds of approximately $49,700,000 including bond premium of approximately $6,130,000 and after payment of approximately $400,000 in underwriting fees, insurance and other issuance costs, were used to purchase U.S. government securities which will provide for all future debt service payments on the refunded bonds. Although the advance refunding resulted in the recognition of a deferred accounting loss of approximately $5,001,000 in the year ended June 30, 2012, the Bond Bank in effect reduced its aggregate debt service payments by approximately $2 million over the next twelve years and obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately $1,778,000. The advanced refunding resulted in a net present value savings of 4.02% of the refunded bonds.

On May 17, 2012, the Bond Bank issued $51,450,000 in Non-State Guaranteed Fund Group bonds with an average coupon rate of 4.29% to advance refund $53,660,000 of various outstanding maturities of the 2002D, 2003C, 2004B, and 2004C series bonds with an average coupon rate of 4.65%. The net proceeds of approximately $56,850,000 including bond premium of approximately $5,800,000 and after payment of approximately $400,000 in underwriting fees, insurance and other issuance costs, were used to purchase U.S. government securities which will provide for all future debt service payments on the refunded bonds. Although the advance refunding resulted in the recognition of a deferred accounting loss of approximately $2,842,000 in the year ended June 30, 2012, the Bond Bank in effect reduced its aggregate debt service payments by approximately $5 million over the next thirteen years and obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately $4,473,000. The advanced refunding resulted in a net present value savings of 8.34% of the refunded bonds.

The following summarizes bonds payable activity for the Bond Bank for the year ended June 30, 2012:

	State Guaranteed Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group	Coe-Brown Northwood Academy Fund Group
Balance, beginning of year	$10,319,506	$46,812,349	$ 919,468,021	$1,215,000
Issuances	–	–	170,120,000	–
Redemptions	(5,710,321)	(2,952,349)	(70,570,000)	(150,000)
Refunded principal	–	–	(97,920,000)	–
Capitalized premiums and deferred losses, net	–	–	4,563,109	–
Amortization of premiums and deferred losses, net	98,656	–	(535,652)	–
Balance, end of year	$ 4,707,841	$43,860,000	$ 925,125,478	$1,065,000

5. Subsequent Events

On July 19, 2012, the Bond Bank issued $17,655,000 in Non-State Guaranteed Bonds. The issue included $16,115,000 for loans to seven municipalities and $1,540,000 issued as Reserve Fund Bonds. The coupon rate ranged from 2.00% to 5.00% with a True Interest Cost (TIC) of 2.79%.

On September 26, 2012, the Bond Bank issued $38,465,000 in Non-State Guaranteed Bonds. The issue included $37,020,000 for loans to twenty four municipalities and $1,445,000 issued as Reserve Fund Bonds. The coupon rate ranged from 3.00% to 5.00% with a TIC of 3.00%.

6. Restatement

The net assets of the Bond Bank's Non-State Guaranteed Fund Group as of July 1, 2011 were restated to correct an error in the accrued interest payable on bonds outstanding at that date. The error resulted in a reduction of $2,484,699 in net assets of the Non-State Guaranteed Fund Group as of July 1, 2011.

The following table summarizes the corrections on each of the affected financial statement line items (total column amounts) for the year ended June 30, 2011:

	As Previously Reported	Restatement Adjustment	As Restated
Balance Sheet			
Accrued interest payable	$14,844,211	$ 2,484,699	$17,328,910
Net assets – June 30, 2011	25,584,395	(2,484,699)	23,099,696
Statement of Revenues, Expenses and Changes in Net Assets			
Interest expense	45,290,262	(121,370)	45,168,892
Operating loss	(470,712)	121,370	(349,342)