

New Hampshire Municipal Bond Bank

Basic Financial Statements
and Management's Discussion and Analysis

Year Ended June 30, 2007
With Independent Auditors' Report

NEW HAMPSHIRE MUNICIPAL BOND BANK

**BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2007

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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 State Guaranteed Fund Group, Non-State Guaranteed Fund Group, Pinkerton Academy Fund Group and Coe-Brown Northwood Academy Fund Group, of New Hampshire Municipal Bond Bank as of and for the year ended June 30, 2007, 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 an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Municipal Bond Bank at June 30, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 – 5 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. The supplementary information is the responsibility of the Bond Bank's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



Limited Liability Company

Manchester, New Hampshire
October 25, 2007

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

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, 2007. 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 \$45,474,345 for fiscal year 2007, an increase of \$3,870,465 or 9.3% above fiscal year 2006. This increase was due to a more favorable change in the fair value of investments between fiscal year 2006 and 2007. Investments are recorded at fair value to comply with GASB 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.
- Fund equity of the Bond Bank increased \$1,329,328 in fiscal year 2007. At June 30, 2007, the Bond Bank had fund equity of \$16,912,212, an increase of 8.53% from the prior year.
- The Bond Bank's bonds outstanding at June 30, 2007 of \$918,578,096 represent a net decrease of \$3,434,502 from the balance at June 30, 2006. This decrease was primarily due to the net result of issuing two new series of bonds and one refunding series of bonds totaling \$110,790,000, less the refunded bonds of \$35,940,000 and the scheduled 2007 debt service principal payments of \$77,869,669.
- The Bond Bank provided loans to local governmental units during fiscal year 2007 totaling \$73,460,000 which was a 42.11% decrease from the loans provided in fiscal year 2006.
- During fiscal year 2007, \$35,940,000 of bonds were refunded, resulting in an estimated present value savings of \$1.19 million.
- Standard & Poor's Rating Services upgraded the Bond Bank's rating from AA- to AA in June 2007.

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 prepare and review the calculations annually for financial statement purposes. The Bond Bank has hired an outside firm to calculate arbitrage rebate liability and payments.

Since its inception, the Bond Bank 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”). Over the years, the 1978 Resolution had grown increasingly obsolete. 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, 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. In management’s view, the 2005 Resolution will enhance the Bond Bank’s ability to market its bonds and streamline the administration of its program. 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 is not expected to result in any substantive change to the Bond Bank’s overall program.

The Bond Bank has issued three series of bonds under the terms of the 2005 Resolution, totaling \$120,965,000.

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

The statements of revenues, expenses, and changes in fund equity present information showing how the Bond Bank’s fund equity changed during the fiscal year. Changes in fund equity 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

Fund equity 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 \$16,912,212 at June 30, 2007. This represents an increase of \$1,329,328 or 8.53% from the previous fiscal year.

By far, the largest portion of the Bond Bank’s fund equity 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.

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u>
Current assets:			
Cash	\$ 57,074	\$ 55,178	3.44%
Investments held by trustee, at market value	4,179,138	9,586,950	(56.41)
Loans receivable from governmental units	68,833,636	68,258,177	0.84
Accrued investment income receivable	962,060	887,131	8.45
Accrued interest receivable from governmental units	15,463,905	15,172,112	1.92
Other current assets	<u>772,163</u>	<u>798,850</u>	<u>(3.34)</u>
Total current assets	90,267,976	94,758,398	(4.74)
Noncurrent assets:			
Investments held by trustee, at market value	123,635,006	124,834,119	(0.96)
Loans receivable from governmental units	735,051,911	730,921,547	0.57
Unamortized rebates to governmental units and bond issuance costs	<u>5,676,817</u>	<u>5,969,851</u>	<u>(4.91)</u>
Total noncurrent assets	<u>864,363,734</u>	<u>861,725,517</u>	<u>0.31</u>
Total assets	\$ <u>954,631,710</u>	\$ <u>956,483,915</u>	<u>(0.19)%</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 24,843	\$ 45,148	(44.97)%
Accrued interest payable	16,130,687	16,194,093	(0.39)
Accrued interest rebate payable to U.S. Government	423,016	693,760	(39.03)
Bonds payable	<u>79,120,346</u>	<u>77,567,430</u>	<u>2.00</u>
Total current liabilities	95,698,892	94,500,431	1.27
Noncurrent liabilities:			
Accrued interest rebate payable to U.S. Government	2,562,856	1,955,432	31.06
Bonds payable	<u>839,457,750</u>	<u>844,445,168</u>	<u>(0.59)</u>
Total noncurrent liabilities	<u>842,020,606</u>	<u>846,400,600</u>	<u>(0.52)</u>
Total liabilities	937,719,498	940,901,031	(0.34)
Fund equity	<u>16,912,212</u>	<u>15,582,884</u>	<u>8.53</u>
Total liabilities and fund equity	\$ <u>954,631,710</u>	\$ <u>956,483,915</u>	<u>(0.19)%</u>

Total cash and investments held by trustee decreased \$6,605,029, or 4.91% at June 30, 2007 compared to June 30, 2006. The Bond Bank's investment portfolio is comprised of cash and cash equivalents, U.S. Government obligations (including treasury bills, notes, and bonds), strips, agency notes 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 fund equity.

The Bond Bank's loans receivable from governmental units increased \$4,705,823 in fiscal year 2007. The Bond Bank's total new loan originations in 2007 of \$73,460,000 were 42.11% lower than 2006 originations of \$126,890,910. Net bonds payable decreased \$3,434,502.

Fund equity increased 8.53% in fiscal year 2007. The Bond Bank continued to maintain a positive spread of income from investments and loans to governmental units over bond interest and operating expenses.

	<u>2007</u>	<u>2006</u>	<u>Percentage Change</u>
Interest on loans receivable from governmental units	\$ 39,563,748	\$ 40,534,724	(2.40)%
Interest income from investments	6,397,209	6,008,694	6.47
Net decrease in the fair value of investments	(863,931)	(5,473,323)	(84.22)
Other income	<u>377,319</u>	<u>533,785</u>	<u>(29.31)</u>
Total operating revenues	45,474,345	41,603,880	9.30
Interest expense	43,587,565	44,328,051	(1.67)
Operating expenses	333,222	341,275	(2.36)
Other expense	<u>224,230</u>	<u>321,572</u>	<u>(30.27)</u>
Total operating expenses	<u>44,145,017</u>	<u>44,990,898</u>	<u>(1.88)</u>
Operating (loss) income	1,329,328	(3,387,018)	(139.25)
Fund equity, beginning of year	<u>15,582,884</u>	<u>18,969,902</u>	<u>(17.85)</u>
Fund equity, end of year	<u>\$ 16,912,212</u>	<u>\$ 15,582,884</u>	<u>8.53%</u>

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.

Interest income on investments in 2007 increased 6.47% from 2006. This increase was the result of an increasing interest rate environment.

The net decrease in the fair value of investments in 2007 of \$863,931 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.

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, NH 03301.

NEW HAMPSHIRE MUNICIPAL BOND BANK

BALANCE SHEETS

June 30, 2007

<u>ASSETS</u>	<u>Municipal Division</u>	
	<u>State Guaranteed Fund Group</u>	<u>Non-State Guaranteed Fund Group</u>
Current assets:		
Cash (note 3)	\$ -	\$ 10,000
Investments held by trustee, at market value (note 3):		
Cash equivalents	1,751,025	2,428,113
Loans receivable from governmental units	6,865,636	60,583,000
Accrued investment income receivable	41,547	920,513
Accrued interest receivable from governmental units	903,778	14,478,791
Unamortized rebates to governmental units and bond issuance costs	120,667	636,282
Other assets	8,784	6,430
Total current assets	9,691,437	79,063,129
Noncurrent assets:		
Reserve Fund investments held by trustee, at market value (note 3):		
Cash equivalents	978,152	4,641,081
U.S. Government obligations	11,070,851	106,944,922
Loans receivable from governmental units	22,365,511	694,946,400
Unamortized rebates to governmental units and bond issuance costs	480,200	5,196,617
Total noncurrent assets	34,894,714	811,729,020
Total assets	\$ 44,586,151	\$ 890,792,149
<u>LIABILITIES AND FUND EQUITY</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ -	\$ 24,843
Accrued interest payable	734,334	15,315,017
Accrued interest rebate payable to U.S. Government	89,990	333,026
Bonds payable (note 4)	8,182,786	69,552,560
Total current liabilities	9,007,110	85,225,446
Noncurrent liabilities:		
Accrued interest rebate payable to U.S. Government	822,863	1,739,993
Bonds payable (note 4)	28,667,449	793,050,301
Total noncurrent liabilities	29,490,312	794,790,294
Total liabilities	38,497,422	880,015,740
Fund equity	6,088,729	10,776,409
Total liabilities and fund equity	\$ 44,586,151	\$ 890,792,149

See accompanying notes to the financial statements.

Educational Institutions Division

<u>Pinkerton Academy</u> <u>Fund Group</u>	<u>Coe-Brown Northwood</u> <u>Academy Fund Group</u>	<u>Total</u>
\$ 24,079	\$ 22,995	\$ 57,074
-	-	4,179,138
1,155,000	230,000	68,833,636
-	-	962,060
65,545	15,791	15,463,905
-	-	756,949
<u>-</u>	<u>-</u>	<u>15,214</u>
1,244,624	268,786	90,267,976
-	-	5,619,233
-	-	118,015,773
16,020,000	1,720,000	735,051,911
<u>-</u>	<u>-</u>	<u>5,676,817</u>
<u>16,020,000</u>	<u>1,720,000</u>	<u>864,363,734</u>
<u>\$ 17,264,624</u>	<u>\$ 1,988,786</u>	<u>\$ 954,631,710</u>
\$ -	\$ -	\$ 24,843
65,545	15,791	16,130,687
-	-	423,016
<u>1,155,000</u>	<u>230,000</u>	<u>79,120,346</u>
1,220,545	245,791	95,698,892
-	-	2,562,856
<u>16,020,000</u>	<u>1,720,000</u>	<u>839,457,750</u>
<u>16,020,000</u>	<u>1,720,000</u>	<u>842,020,606</u>
17,240,545	1,965,791	937,719,498
<u>24,079</u>	<u>22,995</u>	<u>16,912,212</u>
<u>\$ 17,264,624</u>	<u>\$ 1,988,786</u>	<u>\$ 954,631,710</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN FUND EQUITY**

For the Year Ended June 30, 2007

	<u>Municipal Division</u>	
	State	Non-State
	Guaranteed	Guaranteed
	<u>Fund Group</u>	<u>Fund Group</u>
Operating revenues:		
Interest on loans receivable from governmental units	\$1,990,857	\$ 36,584,700
Interest income from investments	638,900	5,756,168
Net decrease in the fair value of investments	(151,504)	(712,427)
Other income	<u> —</u>	<u> 370,319</u>
Total operating revenues	2,478,253	41,998,760
Operating expenses:		
Interest expense	2,073,468	40,525,906
Operating expenses	100,000	224,722
Other expense	<u> —</u>	<u> 224,230</u>
Total operating expenses	<u>2,173,468</u>	<u>40,974,858</u>
Operating income	304,785	1,023,902
Fund equity, beginning of year	<u>5,783,944</u>	<u>9,752,507</u>
Fund equity, end of year	<u>\$6,088,729</u>	<u>\$ 10,776,409</u>

See accompanying notes to the financial statements.

Educational Institutions Division

<u>Pinkerton Academy</u> <u>Fund Group</u>	<u>Coe-Brown Northwood</u> <u>Academy Fund Group</u>	<u>Total</u>
\$ 882,644	\$ 105,547	\$ 39,563,748
1,927	214	6,397,209
—	—	(863,931)
<u>6,000</u>	<u>1,000</u>	<u>377,319</u>
890,571	106,761	45,474,345
882,644	105,547	43,587,565
7,650	850	333,222
<u>—</u>	<u>—</u>	<u>224,230</u>
<u>890,294</u>	<u>106,397</u>	<u>44,145,017</u>
277	364	1,329,328
<u>23,802</u>	<u>22,631</u>	<u>15,582,884</u>
<u>\$ 24,079</u>	<u>\$ 22,995</u>	<u>\$ 16,912,212</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2007

	<u>Municipal Division</u>	
	State	Non-State
	Guaranteed	Guaranteed
	<u>Fund Group</u>	<u>Fund Group</u>
Operating activities:		
Cash received from governmental units	\$ 9,103,546	\$ 96,499,341
Cash payments to governmental units	-	(73,460,000)
Cash received from other income	-	370,319
Cash payments for operating expenses	(100,000)	(245,027)
Cash payments for bond issuance costs	-	(224,230)
Cash paid for other assets	<u>(8,784)</u>	<u>(475,378)</u>
Net cash provided by operating activities	8,994,762	22,465,025
Investing activities:		
Purchases of investments	(2,960,881)	(3,945,040)
Proceeds from sale and maturities of investments	1,085,644	6,052,770
Interest received on investments	866,398	6,535,928
Interest rebate paid to U.S. Government	<u>(20,169)</u>	<u>(725,338)</u>
Net cash (used) provided by investing activities	(1,029,008)	7,918,320
Noncapital financing activities:		
Proceeds from bonds payable	-	111,602,523
Deposit to refunding escrow	-	(37,701,886)
Principal paid on bonds payable	(8,199,669)	(67,685,000)
Interest paid on bonds payable	<u>(1,987,769)</u>	<u>(39,886,544)</u>
Net cash used by noncapital financing activities	<u>(10,187,438)</u>	<u>(33,670,907)</u>
(Decrease) increase in cash and cash equivalents	(2,221,684)	(3,287,562)
Cash and cash equivalents, beginning of year	<u>4,950,861</u>	<u>10,366,756</u>
Cash and cash equivalents, end of year	\$ <u>2,729,177</u>	\$ <u>7,079,194</u>
Balance sheet classification:		
Cash	\$ -	\$ 10,000
Cash equivalents – investments held by trustee	1,751,025	2,428,113
Cash equivalents – reserve fund investments held by trustee	<u>978,152</u>	<u>4,641,081</u>
	\$ <u>2,729,177</u>	\$ <u>7,079,194</u>

Educational Institutions Division

<u>Pinkerton Academy</u> <u>Fund Group</u>	<u>Coe-Brown Northwood</u> <u>Academy Fund Group</u>	<u>Total</u>
\$ 2,649,283	\$ 332,350	\$ 108,584,520
-	-	(73,460,000)
6,000	1,000	377,319
(7,650)	(850)	(353,527)
-	-	(224,230)
<u>-</u>	<u>-</u>	<u>(484,162)</u>
2,647,633	332,500	34,439,920
-	-	(6,905,921)
-	-	7,138,414
1,927	214	7,404,467
<u>-</u>	<u>-</u>	<u>(745,507)</u>
1,927	214	6,891,453
-	-	111,602,523
-	-	(37,701,886)
(1,760,000)	(225,000)	(77,869,669)
<u>(889,283)</u>	<u>(107,350)</u>	<u>(42,870,946)</u>
<u>(2,649,283)</u>	<u>(332,350)</u>	<u>(46,839,978)</u>
277	364	(5,508,605)
<u>23,802</u>	<u>22,631</u>	<u>15,364,050</u>
<u>\$ 24,079</u>	<u>\$ 22,995</u>	<u>\$ 9,855,445</u>
\$ 24,079	\$ 22,995	\$ 57,074
-	-	4,179,138
<u>-</u>	<u>-</u>	<u>5,619,233</u>
<u>\$ 24,079</u>	<u>\$ 22,995</u>	<u>\$ 9,855,445</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2007

	<u>Municipal Division</u>	
	State	Non-State
	<u>Guaranteed</u>	<u>Guaranteed</u>
	<u>Fund Group</u>	<u>Fund Group</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 304,785	\$ 1,023,902
Adjustments to reconcile operating income to net cash provided by operating activities:		
Interest income from investments	(638,900)	(5,756,168)
Net decrease in the fair value of investments	151,504	712,427
Amortization of rebates to governmental units	77,347	481,041
Interest expense on bonds payable	2,073,468	40,525,906
Change in assets and liabilities:		
Loans receivable from governmental units	6,904,667	(13,595,490)
Accrued interest receivable from governmental units	130,675	(430,910)
Unamortized rebates to governmental units and bond issuance costs	-	(468,948)
Other assets	(8,784)	(6,430)
Accounts payable and accrued liabilities	<u>-</u>	<u>(20,305)</u>
Net cash provided by operating activities	<u>\$ 8,994,762</u>	<u>\$ 22,465,025</u>

See accompanying notes to the financial statements.

Educational Institutions Division

<u>Pinkerton Academy</u> <u>Fund Group</u>	<u>Coe-Brown Northwood</u> <u>Academy Fund Group</u>	<u>Total</u>
\$ 277	\$ 364	\$ 1,329,328
(1,927)	(214)	(6,397,209)
-	-	863,931
-	-	558,388
882,644	105,547	43,587,565
1,760,000	225,000	(4,705,823)
6,639	1,803	(291,793)
-	-	(468,948)
-	-	(15,214)
<u>-</u>	<u>-</u>	<u>(20,305)</u>
<u>\$ 2,647,633</u>	<u>\$ 332,500</u>	<u>\$ 34,439,920</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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:

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 purchased by 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.

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

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. 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. Total assets and liabilities of the 2005 Resolution, which are reported under the Non-State Guaranteed Fund Group, were approximately \$120,000,000 at June 30, 2007, consisting primarily of loans to governmental units and bonds payable.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

1. **Organization (Continued)**

Educational Institutions Division

Pinkerton Academy and Coe-Brown Northwood Academy Programs: 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.

No State appropriations are made to the Bond Bank. Fees and charges are authorized to be charged 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.

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.

The Bond Bank complies with 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 Principals Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As permitted by GASB No. 20, the Bond Bank has elected not to comply with the FASB Statements and Interpretations issued after November 30, 1989.

The financial statements are prepared in accordance with Governmental Accounting Standards Board 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 Section 115. However, the Bond Bank is subject to the arbitrage rebate requirements of Section 148 of the Internal Revenue Code. 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.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

2. Significant Accounting Policies (Continued)

Arbitrage rebate expense, which is presented as a reduction in the amount of interest income from investments, for the year ended June 30, 2007 was approximately \$254,000 and \$829,000 for the State Guaranteed and Non-State Guaranteed Fund Groups, respectively.

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 fund equity.

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 1993, 1996, 1998, 2002, 2003, 2004, 2005 and 2007 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 other assets.

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, 2007 was approximately \$378,700 and \$1,756,700 for the State Guaranteed and Non-State Guaranteed Fund Groups, respectively.

The gains, losses and economic benefits of advance refundings completed within the Educational Institutions Division inure to the respective institution and not the Bond Bank.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

2. Significant Accounting Policies (Continued)

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.

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 \$47,074 as of June 30, 2007.

Investments held by trustee and Reserve Fund investments held by trustee consist primarily of U.S. Government and Government Agency 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.

Reserve Fund investments held by trustee are restricted for payment of future debt service on the reserve fund portion of all outstanding bond issues. Pursuant to the Act and respective Bond Resolutions, the Municipal Division of the Bond Bank is required to maintain a debt service reserve fund which is equal to the maximum amount of bond principal and interest payable in any succeeding calendar year, to the extent that the funds are receivable from governmental units. Such reserves would be used to provide for payment of debt service in the event that one or more governmental units defaults in its payments.

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 held by trustee within the accompanying balance sheets.

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.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

3. Cash, Cash Equivalents and Investments (Continued)

Investments of the Bond Bank consist of short-term money market funds and other investments which are 100% collateralized by government securities. At June 30, 2007, investments are categorized as follows:

	<u>Fair Value</u>	
	<u>Cash</u> <u>Equivalents</u>	<u>U.S. Government</u> <u>Obligations</u>
Investments held by trustee:		
State Guaranteed Fund Group	\$ 1,751,025	\$ -
Non-State Guaranteed Fund Group	<u>2,428,113</u>	<u>-</u>
	4,179,138	-
Reserve fund investments held by trustee:		
State Guaranteed Fund Group	978,152	11,070,851
Non-State Guaranteed Fund Group	<u>4,641,081</u>	<u>106,944,922</u>
	<u>\$ 9,798,371</u>	<u>\$ 118,015,773</u>

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 investment in U.S. government obligations as of June 30, 2007:

<u>Maturities</u>	<u>State</u> <u>Guaranteed</u> <u>Fund Group</u>	<u>% of</u> <u>Total</u>	<u>Non-State</u> <u>Guaranteed</u> <u>Fund Group</u>	<u>% of</u> <u>Total</u>
Less than one year	\$ 3,225,666	29.14%	\$ 9,335,544	8.73%
One to five years	6,638,320	59.96	29,886,684	27.95
Six to ten years	947,912	8.56	30,643,203	28.65
More than ten years	<u>258,953</u>	<u>2.34</u>	<u>37,079,491</u>	<u>34.67</u>
	<u>\$ 11,070,851</u>	<u>100.00%</u>	<u>\$ 106,944,922</u>	<u>100.00%</u>

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 Flagship Bank, a state-chartered and publicly traded commercial bank which is a wholly owned subsidiary of Chittenden Corporation. Management of the Bond Bank is not aware of any issues with respect to custodial credit risk at Flagship Bank at June 30, 2007.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

4. Bonds Payable

Bonds payable at June 30, 2007, by program, are as follows:

Municipal Division:	
State Guaranteed	\$ 36,850,235
Non-State Guaranteed	862,602,861
Educational Institutions Division:	
Pinkerton Academy	17,175,000
Coe-Brown Northwood Academy	<u>1,950,000</u>
	\$ <u>918,578,096</u>

Following is a comprehensive summary of bonds payable by program at June 30, 2007:

Municipal Division – State Guaranteed

Bonds payable consist of the following at June 30, 2007:

Series 1994 D Bonds, maturing August 15, 1995 to August 15, 2014, with interest ranging from 4.25% to 7.15%	\$ 691,147
Series 1994 E Bonds, maturing August 15, 2001 to August 15, 2014, with interest ranging from 5.25% to 6.25%	275,000
Series 1997 B Bonds, maturing August 15, 1998 to August 15, 2017, with interest ranging from 4.6% to 5.2%	5,470,000
Series 1997 D Bonds, maturing January 15, 1999 to January 15, 2013, with interest ranging from 4.15% to 4.9%	2,610,000
Series 1998 B Refunding Bonds, maturing February 15, 1999 to August 15, 2014, with interest ranging from 3.75% to 4.75%	2,970,000
Series 2003 B Refunding Bonds, maturing August 15, 2003 to February 15, 2012, with interest ranging from 2% to 5%	23,445,000
Series 2003 G Refunding Bonds, maturing February 15, 2004 to August 15, 2012, with interest ranging from 2% to 4%	<u>2,240,000</u>
	37,701,147
Net unamortized original issue premium on Series 1993 F, 1996 B, 1998 B, 2003 B and 2003 G Refunding Bonds	977,792
Unamortized deferred loss on Series 1993 F, 1996 B, 1998 B, 2003 B and 2003 G advance refundings	<u>(1,828,704)</u>
Bonds payable	36,850,235
Current portion	<u>8,182,786</u>
Noncurrent portion	\$ <u>28,667,449</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

4. Bonds Payable (Continued)

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

<u>Fiscal year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 8,345,637	\$ 1,643,245	\$ 9,988,882
2009	6,881,196	1,330,531	8,211,727
2010	7,318,108	1,068,318	8,386,426
2011	4,436,165	773,288	5,209,453
2012	5,730,320	598,387	6,328,707
2013 – 2016	4,319,721	1,136,093	5,455,814
2018 – 2019	<u>670,000</u>	<u>17,420</u>	<u>687,420</u>
	<u>\$ 37,701,147</u>	<u>\$ 6,567,282</u>	<u>\$ 44,268,429</u>

Municipal Division – Non-State Guaranteed

Bonds payable consist of the following at June 30, 2007:

Series 1996 A Refunding Bonds, maturing August 15, 1996 to January 15, 2008, with interest ranging from 3.75% to 5.75%	\$ 1,680,000
Series 1996 C Bonds, maturing August 15, 1997 to August 15, 2008, with interest at 5.625%	7,715,000
Series 1997 A Bonds, maturing August 15, 1998 to August 15 2007, with interest ranging from 4.7% to 4.8%	705,000
Series 1997 C Bonds, maturing January 15, 1999 to January 15, 2010, with interest ranging from 4.5% to 4.7%	495,000
Series 1998 A Refunding Bonds, maturing February 15, 1999 to August 15, 2018, with interest ranging from 3.9% to 5%	12,610,000
Series 1999 A Bonds, maturing January 15, 2000 to January 15, 2029, with interest ranging from 4% to 4.9%	8,780,000
Series 1999 B Bonds, maturing August 15, 2000 to August 15 2009, with interest ranging from 4.5% to 5.25%	18,030,000
Series 1999 C Bonds, maturing January 15, 2001 to January 15, 2010, with interest ranging from 5.375% to 5.5%	6,090,000
Series 2000 A Bonds, maturing August 15, 2001 to August 15, 2010, with interest ranging from 5.125% to 5.2%	7,365,000
Series 2000 B Bonds, maturing January 15, 2002 to January 15, 2014, with interest ranging from 4.75% to 5%	2,070,000
Series 2001 A Bonds, maturing August 15, 2002 to August 15, 2016, with interest ranging from 4.125% to 4.8%	22,495,000
Series 2002 A Bonds, maturing June 15, 2003 to June 15, 2022, with interest ranging from 3.5% to 4.75%	3,890,000
Series 2002 B Bonds, maturing August 15, 2003 to August 15, 2018, with interest ranging from 3% to 4.6%	44,930,000

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

4. Bonds Payable (Continued)

Municipal Division – Non-State Guaranteed

Series 2002 C Bonds, maturing August 15, 2003 to August 15, 2022, with interest ranging from 3% to 4.75%	\$ 18,510,000
Series 2002 D Refunding Bonds, maturing August 15, 2003 to August 15, 2016, with interest ranging from 2% to 5%	74,255,000
Series 2002 E Bonds, maturing January 15, 2004 to January 15, 2022, with interest ranging from 4.25% to 4.85%	10,065,000
Series 2002 F Refunding Bonds, maturing August 15, 2003 to August 15, 2008, with interest ranging from 2% to 3.2%	1,415,000
Series 2003 A Refunding Bonds, maturing August 15, 2003 to February 15, 2012, with interest ranging from 2% to 5%	21,315,000
Series 2003 C Bonds, maturing August 15, 2004 to August 15, 2023, with interest ranging from 3% to 6%	68,200,000
Series 2003 D Bonds, maturing August 15, 2004 to August 15, 2023, with interest ranging from 2% to 5%	11,900,000
Series 2003 E Bonds, maturing August 15, 2004 to August 15, 2018, with interest ranging from 3.5% to 5%	27,495,000
Series 2003 F Bonds, maturing January 15, 2005 to January 15, 2024, with interest ranging from 4% to 5%	45,725,000
Series 2004 A Refunding Bonds, maturing August 15, 2005 to February 15, 2020, with interest ranging from 2% to 5%	70,715,000
Series 2004 B Bonds, maturing August 15, 2005 to August 15, 2024 with interest ranging from 3% to 5%	95,270,000
Series 2004 C Bonds, maturing January 15, 2006 to January 15, 2025 with interest ranging from 3.75% to 5%	5,425,000
Series 2005 A Refunding Bonds, maturing August 15, 2009 to August 15, 2020 with interest ranging from 3% to 5%	34,035,000
Series 2005 B Bonds, maturing August 15, 2006 to August 15, 2025 with interest ranging from 4% to 5%	62,975,000
Series 2005 C Bonds, maturing March 15, 2006 to March 15, 2028 with interest ranging from 3% to 5%	22,265,000
Series 2005 D Bonds, maturing July 15, 2006 to July 15, 2029 with interest ranging from 3% to 5%	46,370,000
Series 2006 A Bonds, maturing August 15, 2007 to August 15, 2026 with interest ranging from 4% to 5%	53,630,000
Series 2006 B Bonds, maturing January 15, 2008 to January 15, 2027 with interest ranging from 4% to 5%	19,830,000
Series 2007 A Refunding Bonds, maturing August 15, 2008 to February 15, 2029 with interest ranging from 3.75% to 4.50%	<u>37,330,000</u>
	863,580,000

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

4. Bonds Payable (Continued)

Net unamortized original issue premium on Series 1993 E, 1996 A, 1998 A, 2002 D, 2002 F, 2003 A, 2004 A, 2005 A and 2007 A Refunding Bonds	\$ 15,449,752
Unamortized deferred loss on Series 1996 A, 1998 A, 2002 D and F, 2003 A, 2004 A, 2005 A and 2007 A advance refundings	<u>(16,426,891)</u>
Bonds payable	862,602,861
Current portion	<u>69,552,560</u>
Noncurrent portion	<u>\$ 793,050,301</u>

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

<u>Fiscal year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 66,210,000	\$ 38,727,701	\$ 104,937,701
2009	65,455,000	35,929,186	101,384,186
2010	64,095,000	32,890,093	96,985,093
2011	58,655,000	29,996,041	88,651,041
2012	56,495,000	27,367,659	83,862,659
2013 – 2017	252,305,000	99,017,896	351,322,896
2018 – 2022	177,860,000	49,555,921	227,415,921
2023 – 2027	110,530,000	13,214,705	123,744,705
2028 – 2030	<u>11,975,000</u>	<u>869,198</u>	<u>12,844,198</u>
	<u>\$ 863,580,000</u>	<u>\$ 327,568,400</u>	<u>\$ 1,191,148,400</u>

Educational Institutions Division – Pinkerton Academy

Bonds payable at June 30, 2007 consist of the following:

2001 A Pinkerton Academy Project Refunding Revenue Bonds, maturing June 1, 2003 to June 1, 2021, with interest ranging from 4% to 5%	\$ 15,800,000
2001 B Pinkerton Academy Project Refunding Revenue Bonds, maturing June 1, 2002 to June 1, 2011, with variable interest rate (3.83% at June 30, 2007)	<u>1,375,000</u>
Bonds payable	17,175,000
Current portion	<u>1,155,000</u>
Noncurrent portion	<u>\$ 16,020,000</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

4. Bonds Payable (Continued)

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

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,155,000	\$ 811,012	\$ 1,966,012
2009	1,200,000	761,215	1,961,215
2010	1,250,000	711,622	1,961,622
2011	1,305,000	659,967	1,964,967
2012	980,000	604,863	1,584,863
2013 – 2017	5,660,000	2,275,888	7,935,888
2018 – 2022	<u>5,625,000</u>	<u>720,250</u>	<u>6,345,250</u>
	<u>\$ 17,175,000</u>	<u>\$ 6,544,817</u>	<u>\$ 23,719,817</u>

Educational Institutions Division – Coe-Brown Northwood Academy

Bonds payable at June 30, 2007 consist of the following:

1994 Coe-Brown Northwood Academy Revenue Bonds, maturing May 1, 1995 to May 1, 2009, with interest ranging from 7.25% to 7.38%, payable semiannually	\$ 190,000
2003 Coe-Brown Northwood Academy Revenue Bonds, maturing May 1, 2004 to May 1, 2018, with interest ranging from 2% to 5%, payable semiannually	<u>1,760,000</u>
Bonds payable	1,950,000
Current portion	<u>230,000</u>
Noncurrent portion	<u>\$ 1,720,000</u>

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

<u>Fiscal year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 230,000	\$ 96,350	\$ 326,350
2009	220,000	84,550	304,550
2010	140,000	72,825	212,825
2011	145,000	66,525	211,525
2012	150,000	60,000	210,000
2013 – 2017	865,000	184,000	1,049,000
2018 – 2019	<u>200,000</u>	<u>10,000</u>	<u>210,000</u>
	<u>\$ 1,950,000</u>	<u>\$ 574,250</u>	<u>\$ 2,524,250</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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. The monies in the reserve funds shall be held and applied solely to the payment of the interest and principal of the reserve fund bonds as they become due and payable and for the retirement of the reserve fund bonds. In the event of a deficiency in an interest and/or principal payment from the governmental units, transfers can be made from the 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. 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, 2007, defeased bonds payable by irrevocable trusts were approximately \$123,625,000.

On March 28, 2007, the Bond Bank issued \$37,330,000 in Non-State Guaranteed Fund Group bonds with an average interest rate of 4.45% to advance refund \$35,940,000 of various outstanding maturities of the 1999A, 2000B, 2001A, 2002B, 2002E and 2003E series bonds with an average interest rate of 5.09%. The net proceeds of approximately \$37,702,000 including bond premium of approximately \$812,500 and after payment of approximately \$440,500 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 \$1.54 million in the year ended June 30, 2007, the Bond Bank in effect reduced its aggregate debt service payments by approximately \$1.18 million over the next fifteen years and obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately \$1.19 million.

The following summarizes bonds payable activity for the Bond Bank for the year ended June 30, 2007:

	State Guaranteed Fund Group	Non-State Guaranteed Fund Group	Pinkerton Academy Fund Group	Coe-Brown Northwood Academy Fund Group
Balance, beginning of year	\$ 44,885,078	\$ 856,017,520	\$ 18,935,000	\$2,175,000
Issuances	-	110,790,000	-	-
Redemptions	(8,199,669)	(67,685,000)	(1,760,000)	(225,000)
Refunded bonds	-	(35,940,000)	-	-
Capitalized premiums and deferred losses, net	-	(727,938)	-	-
Amortization of premiums and deferred losses, net	<u>164,826</u>	<u>148,279</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$ 36,850,235</u>	<u>\$ 862,602,861</u>	<u>\$ 17,175,000</u>	<u>\$ 1,950,000</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

5. Subsequent Events

On July 19, 2007, the Bond Bank issued \$68,905,000 in non-State Guaranteed bonds. At June 30, 2007, the Bond Bank had committed all of the proceeds to governmental unit loans.