

New Hampshire Municipal Bond Bank

Basic Financial Statements
and Management's Discussion and Analysis

Year Ended June 30, 2011
With Independent Auditors' Report

NEW HAMPSHIRE MUNICIPAL BOND BANK

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

For the Year Ended June 30, 2011

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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, 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, 2011, 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 opinion.

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, 2011, 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.

The Management's Discussion and Analysis on pages 2 – 6 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.

Manchester, New Hampshire
October 28, 2011



Limited Liability Company

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2011

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, 2011. 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 \$45,446,332 for fiscal year 2011, an increase of \$1,166,285 or 2.63% above fiscal year 2010. 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 decreased \$470,712 in fiscal year 2011. At June 30, 2011, the Bond Bank had net assets of \$25,584,395, a decrease of 1.81% from the prior year.
- The Bond Bank's bonds outstanding at June 30, 2011 of \$977,814,876 represent a net increase of \$43,741,010 from the balance at June 30, 2010. This increase was the result of the following activity in fiscal year 2011:

○ Issued 2010 B, D and 2011 A bonds totaling	\$ 116,060,000
○ Adjustment to deferred loss and premiums	1,112,169
○ 2011 principal paid	<u>(73,431,159)</u>

Total net increase \$ 43,741,010

- The Bond Bank provided \$109,460,000 of new loans to local governmental units during fiscal year 2011 resulting in a net increase of \$3,987,651, which was a 3.78% increase from the loans provided in fiscal year 2010. Reserve bonds totaling \$6,600,000 were issued as part of 2010 Series B issue.

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.

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT’S DISCUSSION AND ANALYSIS (Continued)

June 30, 2011

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 2011, all of the bonds were issued under the 1978 Resolution. A State of New Hampshire bond was purchased to fund the reserve fund for the 2010 Series B issue. No reserve fund bonds were required for the 2010 Series D or 2011 Series A issues because the reserve fund balance was sufficient to meet the 1978 Resolution requirements.

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 2010. The ratings have not changed since December 22, 2010. 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 September 9, 2010			Ratings as of December 22, 2010		
		Moody's	S&P	Fitch	Moody's	S&P	Fitch	Moody's	S&P	Fitch
Assured Guaranty Municipal (formerly FSA)*	\$3,420,269	Aa3	AAA	AA+	Aa3	AAA	Withdrawn	Aa3	AA+	Withdrawn
National Public Finance (formerly MBIA Illinois)**	\$8,247,430	Baa1	A	Withdrawn	Baa1	A	Withdrawn	Baa1	BBB	Withdrawn
FGIC	\$6,782,925	Withdrawn	Withdrawn	Withdrawn	Withdrawn	Withdrawn	Withdrawn	Withdrawn	Withdrawn	Withdrawn

*On November 2, 2009, Assured Guaranty announced that, pending approval, 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.

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.

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2011

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 \$25,584,395 at June 30, 2011. This represents a decrease of \$470,712 or 1.81% 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.

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2011

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>2011</u>	<u>2010</u>	<u>Percentage Change</u>
Current assets:			
Cash	\$ 102,548	\$ 41,987	144.24%
Investments held by trustee, at fair value	22,695,993	16,636,021	36.43
Loans receivable from governmental units	68,897,671	64,926,165	6.12
Accrued investment income receivable	1,032,871	927,652	11.34
Accrued interest receivable from governmental units	15,575,571	14,595,292	6.72
Unamortized rebates to governmental units and bond issuance costs	744,723	817,200	(8.87)
Other current assets	<u>950</u>	<u>191,483</u>	<u>(99.50)</u>
Total current assets	109,050,327	98,135,800	11.12
Noncurrent assets:			
Investments held by trustee, at fair value	99,005,087	104,056,635	(4.85)
Loans receivable from governmental units	806,966,121	766,888,791	5.23
Unamortized rebates to governmental units and bond issuance costs	<u>4,622,655</u>	<u>5,350,822</u>	<u>(13.61)</u>
Total noncurrent assets	<u>910,593,863</u>	<u>876,296,248</u>	<u>3.91</u>
Total assets	<u>\$1,019,644,190</u>	<u>\$ 974,432,048</u>	<u>4.64%</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 27,332	\$ 142,492	(80.82)%
Accrued interest payable	14,844,211	12,746,121	16.46
Accrued interest rebate payable to U.S. Government	882,143	379,617	132.38
Bonds payable	<u>78,639,416</u>	<u>73,758,925</u>	<u>6.62</u>
Total current liabilities	94,393,102	87,027,155	8.46
Noncurrent liabilities:			
Accrued interest rebate payable to U.S. Government	491,233	1,034,845	(52.53)
Bonds payable	<u>899,175,460</u>	<u>860,314,941</u>	<u>4.52</u>
Total noncurrent liabilities	<u>899,666,693</u>	<u>861,349,786</u>	<u>4.45</u>
Total liabilities	994,059,795	948,376,941	4.82
Net assets	<u>25,584,395</u>	<u>26,055,107</u>	<u>(1.81)</u>
Total liabilities and net assets	<u>\$1,019,644,190</u>	<u>\$ 974,432,048</u>	<u>4.64%</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

June 30, 2011

Total cash and investments held by trustee increased \$1,068,985 or .89% at June 30, 2011 compared to June 30, 2010. 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 increased \$44,048,836 in fiscal year 2011. The Bond Bank's total new loan originations in 2011 of \$109,460,000 were 3.78% higher than 2010 originations of \$105,472,349. Net bonds payable increased 4.68%.

Net assets decreased 1.81% in fiscal year 2011. 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>2011</u>	<u>2010</u>	<u>Percentage Change</u>
Interest on loans receivable from governmental units	\$ 41,175,718	\$ 37,594,034	9.53%
Interest income from investments	5,125,812	5,079,182	.92
Net (decrease) increase in the fair value of investments	(1,393,939)	754,963	(284.64)
Other income	<u>538,741</u>	<u>851,868</u>	<u>(36.76)</u>
Total operating revenues	45,446,332	44,280,047	2.63
Interest expense	45,290,262	38,762,118	16.84
Operating expenses	355,839	386,132	(7.85)
Other expense	<u>270,943</u>	<u>494,474</u>	<u>(45.21)</u>
Total operating expenses	<u>45,917,044</u>	<u>39,642,724</u>	<u>15.83</u>
Operating (loss) income	(470,712)	4,637,323	(110.15)
Net assets, beginning of year	<u>26,055,107</u>	<u>21,417,784</u>	<u>21.65</u>
Net assets, end of year	<u>\$ 25,584,395</u>	<u>\$ 26,055,107</u>	<u>(1.81)%</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.

The net decrease in the fair value of investments in 2011 of \$1,393,939 was caused by movements in market interest rates during the year that had a negative impact on the fair value of investments held by the Bond Bank.

The decrease in other income and other expense was partly due to the decrease of bond issuance costs achieved by using fewer ratings on smaller issues and a new printing contract for the official statements. The remainder of the decrease was due to the additional issuance costs required in 2010 for the Qualified School Construction Bonds.

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, 2011

	Municipal Division		
	State Guaranteed Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group
<u>ASSETS</u>			
Current assets:			
Cash (note 3)	\$ —	\$ 69,990	\$ 10,000
Investments held by trustee, at fair value (note 3):			
Cash equivalents	1,975,923	—	5,803,605
Reserve Fund investments	4,411,907	—	10,504,558
Loans receivable from governmental units (note 4)	3,440,322	2,952,349	62,355,000
Accrued investment income receivable	2,354	—	1,030,517
Accrued interest receivable from governmental units	323,108	749,947	14,492,683
Unamortized rebates to governmental units and bond issuance costs	111,347	—	633,376
Other assets	—	—	950
Total current assets	10,264,961	3,772,286	94,830,689
Noncurrent assets:			
Reserve Fund investments held by trustee, at fair value (notes 3 and 4):			
Cash equivalents	1,234,881	—	1,958,087
Investments	1,629,452	—	94,182,667
Loans receivable from governmental units (note 4)	3,489,721	43,860,000	758,551,400
Unamortized rebates to governmental units and bond issuance costs	230,146	—	4,392,509
Total noncurrent assets	<u>6,584,200</u>	<u>43,860,000</u>	<u>859,084,663</u>
Total assets	<u>\$16,849,161</u>	<u>\$47,632,286</u>	<u>\$ 953,915,352</u>

Educational
Institution Division

Coe-Brown
Northwood
Academy
Fund Group

Total

\$ 22,558	\$ 102,548
–	7,779,528
–	14,916,465
150,000	68,897,671
–	1,032,871
9,833	15,575,571
–	744,723
<u>–</u>	<u>950</u>
182,391	109,050,327

–	3,192,968
–	95,812,119
1,065,000	806,966,121
<u>–</u>	<u>4,622,655</u>
<u>1,065,000</u>	<u>910,593,863</u>
<u>\$1,247,391</u>	<u>\$1,019,644,190</u>

Educational
Institution Division

Coe-Brown
Northwood
Academy
Fund Group

Total

\$ -	\$ 27,332
9,833	14,844,211
-	882,143
<u>150,000</u>	<u>78,639,416</u>
159,833	94,393,102
-	491,233
<u>1,065,000</u>	<u>899,175,460</u>
<u>1,065,000</u>	<u>899,666,693</u>
1,224,833	994,059,795
22,558	25,584,395
<u> </u>	<u> </u>
<u>\$1,247,391</u>	<u>\$1,019,644,190</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

**STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS**

For the Year Ended June 30, 2011

	Municipal Division		
	State Guaranteed Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group
Operating revenues:			
Interest on loans receivable from governmental units	\$ 556,442	\$2,537,203	\$38,016,618
Interest income from investments	248,279	-	4,877,500
Net decrease in the fair value of investments	(357,933)	-	(1,036,006)
Other income	<u>-</u>	<u>-</u>	<u>538,241</u>
Total operating revenues	446,788	2,537,203	42,396,353
Operating expenses:			
Interest expense	790,638	2,537,203	41,896,966
Operating expenses	75,000	-	280,294
Other expense	<u>-</u>	<u>10</u>	<u>270,933</u>
Total operating expenses	<u>865,638</u>	<u>2,537,213</u>	<u>42,448,193</u>
Operating loss	(418,850)	(10)	(51,840)
Net assets, beginning of year	<u>5,980,137</u>	<u>70,000</u>	<u>19,982,400</u>
Net assets, end of year	<u>\$5,561,287</u>	<u>\$ 69,990</u>	<u>\$19,930,560</u>

See accompanying notes to the financial statements.

Educational
Institution Division

Coe-Brown
Northwood
Academy

Fund Group

Total

\$65,455	\$41,175,718
33	5,125,812
—	(1,393,939)
<u>500</u>	<u>538,741</u>
65,988	45,446,332
65,455	45,290,262
545	355,839
<u>—</u>	<u>270,943</u>
<u>66,000</u>	<u>45,917,044</u>
(12)	(470,712)
<u>22,570</u>	<u>26,055,107</u>
<u>\$22,558</u>	<u>\$25,584,395</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2011

	Municipal Division		
	State Guaranteed Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group
Operating activities:			
Cash received from governmental units	\$ 4,352,028	\$ 1,794,265	\$ 99,767,191
Cash payments to governmental units	-	-	(109,460,000)
Cash received from other income	-	-	538,241
Cash payments for operating expenses	(75,000)	(10)	(274,554)
Cash payments for bond issuance costs	-	(120,900)	(270,933)
Cash received for other assets	-	190,900	(367)
	4,277,028	1,864,255	(9,700,422)
Net cash provided (used) by operating activities			
Investing activities:			
Purchases of investments	(2,500,000)	-	(10,522,120)
Proceeds from sale and maturities of investments	1,345,874	-	5,395,671
Interest received on investments	424,849	-	4,903,825
Interest rebate paid to U.S. Government	-	-	(349,200)
	(729,277)	-	(571,824)
Net cash provided (used) by investing activities			
Noncapital financing activities:			
Proceeds from bonds payable	-	-	117,532,442
Principal paid on bonds payable	(4,446,159)	-	(68,840,000)
Interest paid on bonds payable	(641,024)	(1,794,265)	(40,768,393)
	(5,087,183)	(1,794,265)	7,924,049
Net cash provided (used) by noncapital financing activities			
Increase (decrease) in cash and cash equivalents	(1,539,432)	69,990	(2,348,197)
Cash and cash equivalents, beginning of year	4,750,236	-	10,119,889
Cash and cash equivalents, end of year	\$ 3,210,804	\$ 69,990	\$ 7,771,692

Educational
Institution Division

Coe-Brown
Northwood
Academy

Fund Group

Total

\$ 211,525	\$ 106,125,009
—	(109,460,000)
500	538,741
(545)	(350,109)
—	(391,833)
<u>—</u>	<u>190,533</u>
211,480	(3,347,659)
—	(13,022,120)
—	6,741,545
33	5,328,707
<u>—</u>	<u>(349,200)</u>
33	(1,301,068)
—	117,532,442
(145,000)	(73,431,159)
<u>(66,525)</u>	<u>(43,270,207)</u>
(211,525)	<u>831,076</u>
(12)	(3,817,651)
<u>22,570</u>	<u>14,892,695</u>
\$ <u>22,558</u>	\$ <u>11,075,044</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2011

	Municipal Division		
	State Guaranteed Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group
Balance sheet classification:			
Cash	\$ —	\$ 69,990	\$ 10,000
Cash equivalents – investments held by trustee	1,975,923	—	5,803,605
Cash equivalents – reserve fund investments held by trustee	<u>1,234,881</u>	<u>—</u>	<u>1,958,087</u>
	<u>\$3,210,804</u>	<u>\$ 69,990</u>	<u>\$ 7,771,692</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (418,850)	(10)	\$ (51,840)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Interest income from investments	(248,279)	—	(4,877,500)
Net decrease in the fair value of investments	357,933	—	1,036,006
Amortization of rebates to governmental units	92,731	—	425,675
Interest expense on bonds payable	790,638	2,537,203	41,896,966
Change in assets and liabilities:			
Loans receivable from governmental units	3,611,164	—	(47,805,000)
Accrued interest receivable from govern- mental units	91,691	(742,938)	(330,102)
Other assets	—	190,900	(367)
Accounts payable and accrued liabilities	<u>—</u>	<u>(120,900)</u>	<u>5,740</u>
Net cash provided (used) by operating activities	<u>\$4,277,028</u>	<u>\$1,864,255</u>	<u>\$ (9,700,422)</u>

See accompanying notes to the financial statements.

Educational
Institution Division

Coe-Brown
Northwood
Academy
Fund Group

Total

\$ 22,558	\$ 102,548
—	7,779,528
—	<u>3,192,968</u>
<u>\$ 22,558</u>	<u>\$ 11,075,044</u>
\$ (12)	\$ (470,712)
(33)	(5,125,812)
—	1,393,939
—	518,406
65,455	45,290,262
145,000	(44,048,836)
1,070	(980,279)
—	190,533
<u>—</u>	<u>(115,160)</u>
<u>\$211,480</u>	<u>\$ (3,347,659)</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 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.

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. Bonds issued under the 2005 Resolution (through 2008) have met the reserve fund requirements through the purchase of surety bond policies. These policies have been downgraded since their purchase and some ratings have been withdrawn. 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 \$256,470,000 at June 30, 2011, consisting primarily of loans to governmental units and bonds payable.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. Organization (Continued)

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.

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 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.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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, 2011 was approximately \$308,000 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 in 2011. Reserve fund investments that are not expected to be utilized to fund bond principal and interest payments until after June 30, 2011 have been classified as long-term.

Bond Discounts, Premiums and Issuance Costs

Costs associated with issuing debt, which are generally paid by means of fees collected from governmental units, are expensed in the year incurred. Bond issuance costs and original issue discounts or premiums associated with the Series 2002, 2003, 2004, 2005, 2007, 2009 and 2010 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, 2011 was approximately \$422,000 and \$2,418,000 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.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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 \$22,558 as of June 30, 2011.

Investments held by trustee and Reserve Fund investments held by trustee consist primarily of U.S. Treasury obligations and U.S. Government-sponsored enterprises 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.

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

The 1978 and 1979 Resolutions require their respective debt service funds be sized to meet the maximum amount of maturing municipal bond debt service in any calendar year. The 2005 Resolution requires that for each issue of bonds, the reserve fund requirement shall equal the lesser of (i) 10% of the aggregate original net proceeds of such Series of Bonds, (ii) 125% of the average annual aggregate Debt Service on such Bonds, or (iii) the maximum aggregate amount of Debt Service due on such Bonds in any succeeding bond year. This requirement is subject to change by an amendment to the 2005 Resolution under certain circumstances, but only once 100 loans have been made by the Bank under the 2005 Resolution. At June 30, 2011, the Bank had made 78 loans under the 2005 Resolution.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

3. Cash, Cash Equivalents and Investments (Continued)

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

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, 2011, investments are categorized as follows:

	<u>Fair Value</u>
<u>State Guaranteed Fund Group</u>	
Investments held by trustee:	
Cash equivalents	\$ <u>1,975,923</u>
Reserve fund investments held by trustee:	
Cash equivalents	\$ 1,234,881
Certificate of deposit	2,500,000
U.S. Treasury strips	902,299
U.S. Government-sponsored enterprises strips ⁽¹⁾	<u>2,639,060</u>
	<u>\$ 7,276,240</u>
<u>Non-State Guaranteed Fund Group</u>	
Investments held by trustee:	
Cash equivalents	\$ <u>5,803,605</u>
Reserve fund investments held by trustee:	
Cash equivalents	\$ 1,958,087
Certificate of deposit	2,500,000
U.S. Government obligations	57,679,772
U.S. Treasury strips	25,699,188
U.S. Government-sponsored enterprises ⁽¹⁾	63,389
U.S. Government-sponsored enterprises strips ⁽¹⁾	14,489,876
N.H. G.O. capital improvement bonds	<u>4,255,000</u>
	<u>\$106,645,312</u>

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

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

3. Cash, Cash Equivalents and Investments (Continued)

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Bond Bank's investment policy provides that investment maturities be closely matched with future bond principal and interest requirements, which are the primary use of invested assets. The Bond Bank's general practice has been to hold all debt securities to their maturity, at which point the funds are needed to make required bond principal and interest payments for the respective resolutions. The following table provides information on future maturities of the Bond Bank's investments as of June 30, 2011:

	<u>Fair Value</u>	<u>Less than One Year</u>	<u>One to Five Years</u>	<u>Six to Ten Years</u>	<u>More than Ten Years</u>
<u>State Guaranteed Fund Group</u>					
Certificate of deposit	\$ 2,500,000	\$ 2,500,000	\$ -	\$ -	\$ -
U.S. Treasury strips	902,299	45,980	518,443	337,876	-
U.S. Government-sponsored enterprises strips	<u>2,639,060</u>	<u>1,865,927</u>	<u>773,133</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,041,359</u>	<u>\$ 4,411,907</u>	<u>\$ 1,291,576</u>	<u>\$ 337,876</u>	<u>\$ -</u>
<u>Non-State Guaranteed Fund Group</u>					
Certificate of deposit	\$ 2,500,000	\$ 2,500,000	\$ -	\$ -	\$ -
U.S. Government obligations	57,679,772	3,560,459	25,354,422	1,003,604	27,761,287
U.S. Treasury strips	25,699,188	3,461,178	10,087,382	11,121,719	1,028,909
U.S. Government-sponsored enterprises	63,389	6,155	57,234	-	-
U.S. Government-sponsored enterprises strips	14,489,876	976,766	2,793,220	5,341,751	5,378,139
N.H. G.O. capital improvement bonds	<u>4,255,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,255,000</u>
	<u>\$ 104,687,225</u>	<u>\$ 10,504,558</u>	<u>\$ 38,292,258</u>	<u>\$ 17,467,074</u>	<u>\$ 38,423,335</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 People's United Bank, a state-chartered 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, 2011.

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.

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

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

3. Cash, Cash Equivalents and Investments (Continued)

At June 30, 2011, 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, 2011, the fair value of these investments is approximately \$3,541,000 and \$40,189,000 with the State Guaranteed and Non-State Guaranteed Fund Groups, respectively.

4. Bonds Payable

Bonds payable at June 30, 2011, by program, are as follows:

Municipal Division:	
State Guaranteed	\$ 10,319,506
Qualified School Construction	46,812,349
Non-State Guaranteed	919,468,021
Educational Institutions Division:	
Coe-Brown Northwood Academy	<u>1,215,000</u>
	<u>\$ 977,814,876</u>

Following is a comprehensive summary of bonds payable, with original interest rates, by program at June 30, 2011:

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%	\$ 290,043
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 B Refunding Bonds, maturing August 15, 2003 to February 15, 2012, with interest ranging from 2% to 5%	4,210,000
Series 2003 G Refunding Bonds, maturing February 15, 2004 to August 15, 2012, with interest ranging from 2% to 4%	90,000
Series 2009 B Refunding Bonds, maturing August 15, 2009 to August 15, 2017 with interest ranging from 2.25% to 4.00%	<u>5,535,000</u>
	10,400,043
Net unamortized original issue premium	345,754
Unamortized deferred loss on refundings	<u>(426,291)</u>
Bonds payable	10,319,506
Current portion	<u>5,611,666</u>
Noncurrent portion	<u>\$ 4,707,840</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

4. Bonds Payable (Continued)

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

Fiscal year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 5,710,322	\$ 495,681	\$ 6,206,003
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 – 2018	<u>895,000</u>	<u>42,300</u>	<u>937,300</u>
	<u>\$10,400,043</u>	<u>\$1,463,803</u>	<u>\$11,863,846</u>

Municipal Division – Qualified School Construction Bond

Bonds payable consist of the following at June 30, 2011:

Series 2010 C Bonds maturing September 15, 2011 to
September 15, 2026 with interest at 5.39% \$46,812,349

Current portion 2,952,349

Noncurrent portion \$43,860,000

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

Fiscal year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,952,349	\$ 2,443,620	\$ 5,395,969
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 – 2021	14,625,000	6,676,189	21,301,189
2022 – 2026	14,550,000	2,744,857	17,294,857
2027	<u>2,910,000</u>	<u>78,424</u>	<u>2,988,424</u>
	<u>\$46,812,349</u>	<u>\$20,129,557</u>	<u>\$66,941,906</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

4. Bonds Payable (Continued)

Municipal Division – Non-State Guaranteed

Series 2001 A Bonds, maturing August 15, 2002 to August 15, 2016, with interest ranging from 4.125% to 4.8%	\$ 2,560,000
Series 2002 A Bonds, maturing June 15, 2003 to June 15, 2022, with interest ranging from 3.5% to 4.75%	500,000
Series 2002 B Bonds, maturing August 15, 2003 to August 15, 2018, with interest ranging from 3% to 4.6%	10,280,000
Series 2002 C Bonds, maturing August 15, 2003 to August 15, 2022, with interest ranging from 3% to 4.75%	3,880,000
Series 2002 D Refunding Bonds, maturing August 15, 2003 to August 15, 2016, with interest ranging from 2% to 5%	41,160,000
Series 2002 E Bonds, maturing January 15, 2004 to January 15, 2022, with interest ranging from 4.25% to 4.85%	2,260,000
Series 2003 A Refunding Bonds, maturing August 15, 2003 to February 15, 2012, with interest ranging from 2% to 5%	870,000
Series 2003 C Bonds, maturing August 15, 2004 to August 15, 2023, with interest ranging from 3% to 6%	33,255,000
Series 2003 D Bonds, maturing August 15, 2004 to August 15, 2023, with interest ranging from 2% to 5%	9,100,000
Series 2003 E Bonds, maturing August 15, 2004 to August 15, 2018, with interest ranging from 3.5% to 5%	11,260,000
Series 2003 F Bonds, maturing January 15, 2005 to January 15, 2024, with interest ranging from 4% to 5%	28,010,000
Series 2004 A Refunding Bonds, maturing August 15, 2005 to February 15, 2020, with interest ranging from 2% to 5%	57,705,000
Series 2004 B Bonds, maturing August 15, 2005 to August 15, 2024 with interest ranging from 3% to 5%	57,020,000
Series 2004 C Bonds, maturing January 15, 2006 to January 15, 2025 with interest ranging from 3.75% to 5%	4,515,000
Series 2005 A Refunding Bonds, maturing August 15, 2009 to August 15, 2020 with interest ranging from 3% to 5%	33,405,000
Series 2005 B Bonds, maturing August 15, 2006 to August 15, 2025 with interest ranging from 4% to 5%	46,130,000
Series 2005 C Bonds, maturing March 15, 2006 to March 15, 2028 with interest ranging from 3% to 5%	18,885,000
Series 2005 D Bonds, maturing July 15, 2006 to July 15, 2029 with interest ranging from 3% to 5%	41,285,000
Series 2006 A Bonds, maturing August 15, 2007 to August 15, 2026 with interest ranging from 4% to 5%	43,330,000
Series 2006 B Bonds, maturing January 15, 2008 to January 15, 2027 with interest ranging from 4% to 5%	14,385,000
Series 2007 A Refunding Bonds, maturing August 15, 2008 to February 15, 2029 with interest ranging from 3.75% to 4.50%	36,910,000
Series 2007 B Bonds, maturing August 15, 2008 to August 15, 2036 with interest ranging from 4% to 5%	60,810,000
Series 2007 C Bonds, maturing January 15, 2009 to January 15, 2037 with interest ranging from 4.25% to 5.25%	8,975,000

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

4. Bonds Payable (Continued)

Municipal Division – Non-State Guaranteed (Continued)

Series 2008 A Bonds, maturing August 15, 2009 to August 15, 2037 with interest ranging from 4% to 5.25%	\$ 37,815,000
Series 2008 B Bonds, maturing January 15, 2010 to January 15, 2029 with interest ranging from 4.50% to 5.875%	9,430,000
Series 2009 A Refunding Bonds, maturing August 15, 2009 to February 15, 2026 with interest ranging from 2.50% to 4.25%	8,985,000
Series 2009 C Bonds, maturing August 15, 2010 to August 15, 2029 with interest ranging from 3.00% to 5.00%	21,760,000
Series 2009 D Bonds, maturing July 15, 2010 to July 15, 2039 with interest ranging from 2.50% to 5.50%	27,395,000
Series 2009 E Bonds, maturing January 15, 2011 to January 15, 2030 with interest ranging from 3.00% to 5.00%	28,110,000
Series 2010 A Refunding Bonds, maturing August 15, 2010 to August 15, 2022 with interest ranging from 2.00% to 5.00%	98,525,000
Series 2010 B Bonds, maturing August 15, 2011 to August 15, 2039 with interest ranging from 3.00% to 5.00%	104,560,000
Series 2010 D Bonds, maturing January 15, 2012 to January 15, 2031 with interest ranging from 3.00% to 4.50%	2,875,000
Series 2011 A Bonds, maturing August 15, 2011 to August 15, 2021 with interest ranging from 2.00% to 4.50%	<u>8,625,000</u>
	914,570,000
Net unamortized original issue premium on refundings	24,216,051
Unamortized deferred loss on refundings	<u>(19,318,030)</u>
Bonds payable	919,468,021
Current portion	<u>69,925,401</u>
Noncurrent portion	<u>\$849,542,620</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>
2012	\$ 69,440,000	\$ 40,716,821	\$ 110,156,821
2013	65,940,000	37,814,844	103,754,844
2014	78,255,000	34,642,831	112,897,831
2015	59,665,000	31,390,744	91,055,744
2016	57,965,000	28,688,206	86,653,206
2017 – 2021	256,275,000	106,375,608	362,650,608
2022 – 2026	192,370,000	53,530,612	245,900,612
2027 – 2031	72,630,000	22,709,275	95,339,275
2032 – 2036	30,020,000	11,658,541	41,678,541
2037 – 2040	<u>32,010,000</u>	<u>3,664,531</u>	<u>35,674,531</u>
	<u>\$ 914,570,000</u>	<u>\$ 371,192,013</u>	<u>\$ 1,285,762,013</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

4. Bonds Payable (Continued)

Educational Institution Division – Coe-Brown Northwood Academy

Bonds payable at June 30, 2011 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 \$ 1,215,000

Current portion 150,000

Noncurrent portion \$1,065,000

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

<u>Fiscal year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 150,000	\$ 60,000	\$ 210,000
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 – 2018	<u>390,000</u>	<u>29,500</u>	<u>419,500</u>
	<u>\$1,215,000</u>	<u>\$254,000</u>	<u>\$1,469,000</u>

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, 2011, defeased bonds payable by irrevocable trusts were approximately \$136,315,000.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

4. Bonds Payable (Continued)

The following summarizes bonds payable activity for the Bond Bank for the year ended June 30, 2011:

	<u>State Guaranteed Fund Group</u>	<u>Qualified School Construction Fund Group</u>	<u>Non-State Guaranteed Fund Group</u>	<u>Coe-Brown Northwood Academy Fund Group</u>
Balance, beginning of year	\$14,619,004	\$46,812,349	\$ 871,282,513	\$1,360,000
Issuances	-	-	116,060,000	-
Redemptions	(4,446,159)	-	(68,840,000)	(145,000)
Capitalized premiums	-	-	1,472,442	-
Amortization of premiums and deferred losses, net	<u>146,661</u>	<u>-</u>	<u>(506,934)</u>	<u>-</u>
Balance, end of year	<u>\$10,319,506</u>	<u>\$46,812,349</u>	<u>\$ 919,468,021</u>	<u>\$1,215,000</u>

5. Subsequent Events

On July 21, 2011, the Bond Bank issued \$24,685,000 in Non State Guaranteed Bonds. The issue included \$23,390,000 for loans to six municipalities and \$1,295,000 issued as Reserve Fund Bonds. The coupon rate ranged from 2.00% to 4.00% with a True Interest Cost (TIC) of 2.97%.

On September 21, 2011, the Bond Bank issued \$8,480,000 in Non State Guaranteed Bonds. The issue included \$7,810,000 to one municipality and \$670,000 issued as Reserve Fund Bonds. The coupon rate ranged from 2.00% to 4.00% with a TIC of 2.49%.

On October 20, 2011, the Bond Bank issued \$43,970,000 in Non-State Guaranteed Advanced Refunding Bonds. The issue refunded \$44,260,000 in bonds with an average coupon rate of 4.81%. The average coupon rate of the new bonds is 4.55% with a TIC of 2.97%. The present value savings was 4.02%.