

New Hampshire Municipal Bond Bank

Basic Financial Statements
and Management's Discussion and Analysis

Year Ended June 30, 2009
With Independent Auditors' Report

NEW HAMPSHIRE MUNICIPAL BOND BANK

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

For the Year Ended June 30, 2009

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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 (the Bond Bank) as of and for the year ended June 30, 2009, as listed in the accompanying table of contents. These financial statements are the responsibility of the Bond Bank's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Municipal Bond Bank, including the individual fund groups referred to above, as of June 30, 2009, 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 29, 2009



Limited Liability Company

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

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, 2009. 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 \$44,085,257 for fiscal year 2009, a decrease of \$4,122,310 or 8.55% below fiscal year 2008. Much of the change is attributed to a net decrease in fair value of investments of approximately \$215,000 in 2009 versus a net increase in fair value of investments of approximately \$2.2 million in 2008. Investments are recorded at fair value to comply with Governmental Accounting Standards Board 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. The remainder of the decrease is attributed to the decrease in loan receivables and related interest income, and the decline in short-term interest rates.
- Net assets of the Bond Bank increased \$896,847 in fiscal year 2009. At June 30, 2009, the Bond Bank had net assets of \$21,417,784, an increase of 4.37% from the prior year.
- The Bond Bank's net bonds outstanding at June 30, 2009 of \$896,806,963 represents a net decrease of \$25,624,756 from the balance at June 30, 2008. This decrease was primarily due to the net result of issuing two new series of bonds totaling \$52,805,000, less the scheduled 2009 debt service principal payments of \$76,522,196 and the issuance of two refunding series of bonds totaling \$21,590,000 less the refunded maturities totaling \$23,635,000.
- The Bond Bank provided loans to local governmental units during fiscal year 2009 totaling \$52,402,500 which was a 34% decrease from the loans provided in fiscal year 2008.
- Two refunding issues were issued in the spring of 2009 resulting in approximately \$1.2 million in savings in debt service.
- The 2009 Series C bonds closed in July 2009. Since the surety providers had been downgraded, we worked with the State of New Hampshire to purchase a State of New Hampshire bond to meet our reserve fund requirement under the 2005 Resolution. There was no cost to the State and the Bond Bank saved considerable costs due to the decline of investment rates.
- The 2009 Series D bonds closed in July 2009 under the 1978 Resolution. The State of New Hampshire bond option was not available for this series because the State cannot issue beyond 20 years and the term of the 2009 D bonds was 29 years. It was more cost effective to add to the 1978 Reserve Funds due to the 29 year term.

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

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 required payments.

Since its inception, the Bond Bank issued bonds for its nonguaranteed 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 has not resulted in any substantive change to the Bond Bank's overall program.

The Bond Bank has issued six series of bonds under the terms of the 2005 Resolution, totaling \$242,836,000.

In June 2008, 2008 Series A was issued under the 2005 Resolution. A surety bond was purchased to meet the reserve fund requirement. In December 2008, 2008 Series B was issued under the 1978 resolution. Purchase of a surety bond was not possible due to the downgrades of surety providers. Adding to the existing reserve funds under the 1978 Resolution proved to be more cost effective than establishing a new reserve fund in the 2005 Resolution because of the decline of investment rates for the reserve fund bonds. Two refunding issues, 2009 Series A and 2009 Series B, were issued in the spring of 2009. Detailed information pertaining to the refundings can be found in note 4 to the audited financial statements.

As of August 31, 2008, amendments to RSA 35-A:24 allow the State Treasurer to intercept amounts payable to a municipality from the state's general fund and its education trust fund, in the event that a municipality defaults on a scheduled debt service payment to the Bond Bank. Amounts so intercepted are then payable by the State Treasurer to the Bond Bank's trustee to make-up any shortfall in revenue of the Bond Bank on account of such default. Prior to this amendment, the State Treasurer had the authority to simply withhold such amounts until such time as the defaulting municipality had cured its debt service default.

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

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 July 2008 and September 2009. The table below summarizes the surety policies purchased by the Bond Bank:

Surety Provider	Amount of Surety Policies	Ratings as of July 2, 2008			Ratings as of June 10, 2009 (2009 C Official Statement)			Ratings as of September 28, 2009		
		Moody's	S&P	Fitch	Moody's	S&P	Fitch	Moody's	S&P	Fitch
FSA	\$3,420,269	Aaa	AAA	AAA	Aa3	AAA	AA+	Aa3	AAA	AA+
National Public Finance (formerly MBIA Illinois)*	\$8,247,430	A2	AA	withdrawn	Baa1	A	withdrawn	Baa1	A	withdrawn
FGIC	\$6,782,925	B1	BB	BBB	withdrawn	withdrawn	withdrawn	withdrawn	withdrawn	withdrawn

*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 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 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.

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

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 \$21,417,784 at June 30, 2009. This represents an increase of \$896,847 or 4.37% from the previous fiscal year.

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

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

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>	<u>Percentage Change</u>
Current assets:			
Cash	\$ 51,070	\$ 51,778	(1.37)%
Investments held by trustee, at fair value	18,684,371	17,531,699	6.57
Loans receivable from governmental units	70,405,608	69,324,959	1.56
Accrued investment income receivable	883,234	876,637	.75
Accrued interest receivable from governmental units	14,987,833	15,476,373	(3.16)
Unamortized rebates to governmental units and bond issuance costs	757,160	732,664	3.34
Other assets	<u>5,988</u>	<u>86</u>	<u>6862.79</u>
Total current assets	105,775,264	103,994,196	1.71
Noncurrent assets:			
Investments held by trustee, at fair value	98,878,077	108,808,830	(9.13)
Loans receivable from governmental units	726,012,607	744,360,715	(2.46)
Unamortized rebates to governmental units and bond issuance costs	<u>5,105,031</u>	<u>5,559,688</u>	<u>(8.18)</u>
Total noncurrent assets	<u>829,995,715</u>	<u>858,729,233</u>	<u>(3.35)</u>
Total assets	<u>\$935,770,979</u>	<u>\$962,723,429</u>	<u>(2.80)%</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 20,850	\$ 27,599	(24.45)%
Accrued interest payable	15,801,505	16,563,028	(4.60)
Accrued interest rebate payable to U.S. Government	629,836	1,846,375	(65.89)
Bonds payable	<u>77,708,523</u>	<u>79,558,424</u>	<u>(2.33)</u>
Total current liabilities	94,160,714	97,995,426	(3.91)
Noncurrent liabilities:			
Accrued interest rebate payable to U.S. Government	1,094,041	1,333,771	(17.97)
Bonds payable	<u>819,098,440</u>	<u>842,873,295</u>	<u>(2.82)</u>
Total noncurrent liabilities	<u>820,192,481</u>	<u>844,207,066</u>	<u>(2.84)</u>
Total liabilities	914,353,195	942,202,492	(2.96)
Net assets	<u>21,417,784</u>	<u>20,520,937</u>	<u>4.37</u>
Total liabilities and net assets	<u>\$935,770,979</u>	<u>\$962,723,429</u>	<u>(2.80)%</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

Total cash and investments held by trustee decreased \$8,778,789, or 6.95% at June 30, 2009 compared to June 30, 2008. The Bond Bank's investment portfolio is comprised of cash and cash equivalents, U.S. Government obligations (including treasury bills, notes, and bonds), U.S. Treasury strips, U.S. Government sponsored enterprise notes and strips, and bank investment contracts. The Bond Bank's investments are carried at fair value. Unrealized gains and losses (primarily due to fluctuations in market values) are recognized in the statements of revenues, expenses and changes in net assets.

The Bond Bank's loans receivable from governmental units decreased \$17,267,459 in fiscal year 2009. The Bond Bank's total new loan originations in 2009 of \$52,402,500 were 34.14% lower than 2008 originations of \$79,561,000. Net bonds payable decreased 2.78%.

Net Assets increased 4.37% in fiscal year 2009. 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>2009</u>	<u>2008</u>	<u>Percentage Change</u>
Interest on loans receivable from governmental units	\$38,755,510	\$39,990,143	(3.09)%
Interest income from investments	5,106,264	5,556,189	(8.10)
Net increase in the fair value of investments	(215,312)	2,226,511	(109.67)
Other income	<u>438,795</u>	<u>434,724</u>	<u>.94</u>
Total operating revenues	44,085,257	48,207,567	(8.55)
Interest expense	42,642,240	44,016,958	(3.12)
Operating expenses	361,255	366,709	(1.49)
Other expense	<u>184,915</u>	<u>215,175</u>	<u>(14.06)</u>
Total operating expenses	<u>43,188,410</u>	<u>44,598,842</u>	<u>(3.16)</u>
Operating income	896,847	3,608,725	(75.15)
Net assets, beginning of year	<u>20,520,937</u>	<u>16,912,212</u>	<u>21.34</u>
Net assets, end of year	<u>\$21,417,784</u>	<u>\$20,520,937</u>	<u>4.37%</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 2009 decreased 8.10% from 2008. This decrease was the result of a decreasing interest rate environment.

The net decrease in the fair value of investments in 2009 of \$215,312 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, 2009

	<u>Municipal Division</u>	
	<u>State Guaranteed Fund Group</u>	<u>Non-State Guaranteed Fund Group</u>
<u>ASSETS</u>		
Current assets:		
Cash (note 3)	\$ -	\$ 10,250
Investments held by trustee, at fair value (note 3):		
Cash equivalents	1,493,838	2,545,926
Investments	4,125,540	10,519,067
Loans receivable from governmental units (note 4)	5,568,108	63,447,500
Accrued investment income receivable	38,452	844,782
Accrued interest receivable from governmental units	549,193	14,371,255
Unamortized rebates to governmental units and bond issuance costs	134,610	622,550
Other assets	<u>-</u>	<u>5,988</u>
Total current assets	11,909,741	92,367,318
Noncurrent assets:		
Reserve Fund investments held by trustee, at fair value (notes 3 and 4):		
Cash equivalents	977,227	3,274,654
Investments	5,046,836	89,579,360
Loans receivable from governmental units (note 4)	10,496,207	700,586,400
Unamortized rebates to governmental units and bond issuance costs	<u>337,668</u>	<u>4,767,363</u>
Total noncurrent assets	<u>16,857,938</u>	<u>798,207,777</u>
Total assets	<u>\$28,767,679</u>	<u>\$ 890,575,095</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 4,738	\$ 16,112
Accrued interest payable	397,434	15,336,686
Accrued interest rebate payable to U.S. Government	130,345	499,491
Bonds payable (note 4)	<u>6,988,039</u>	<u>69,330,484</u>
Total current liabilities	7,520,556	85,182,773
Noncurrent liabilities:		
Accrued interest rebate payable to U.S. Government	266,772	827,269
Bonds payable (note 4)	<u>14,646,183</u>	<u>789,522,257</u>
Total noncurrent liabilities	<u>14,912,955</u>	<u>790,349,526</u>
Total liabilities	22,433,511	875,532,299
Net assets	<u>6,334,168</u>	<u>15,042,796</u>
Total liabilities and net assets	<u>\$28,767,679</u>	<u>\$ 890,575,095</u>

See accompanying notes to the financial statements.

Educational Institutions Division

<u>Pinkerton Academy Fund Group</u>	<u>Coe-Brown Northwood Academy Fund Group</u>	<u>Total</u>
\$ 17,501	\$ 23,319	\$ 51,070
—	—	4,039,764
—	—	14,644,607
1,250,000	140,000	70,405,608
—	—	883,234
55,450	11,935	14,987,833
—	—	757,160
—	—	5,988
<u>1,322,951</u>	<u>175,254</u>	<u>105,775,264</u>
—	—	4,251,881
—	—	94,626,196
13,570,000	1,360,000	726,012,607
—	—	5,105,031
<u>13,570,000</u>	<u>1,360,000</u>	<u>829,995,715</u>
<u>\$14,892,951</u>	<u>\$1,535,254</u>	<u>\$ 935,770,979</u>
\$ —	\$ —	\$ 20,850
55,450	11,935	15,801,505
—	—	629,836
<u>1,250,000</u>	<u>140,000</u>	<u>77,708,523</u>
1,305,450	151,935	94,160,714
—	—	1,094,041
<u>13,570,000</u>	<u>1,360,000</u>	<u>819,098,440</u>
<u>13,570,000</u>	<u>1,360,000</u>	<u>820,192,481</u>
14,875,450	1,511,935	914,353,195
<u>17,501</u>	<u>23,319</u>	<u>21,417,784</u>
<u>\$14,892,951</u>	<u>\$1,535,254</u>	<u>\$ 935,770,979</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

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

For the Year Ended June 30, 2009

	<u>Municipal Division</u>	
	<u>State</u>	<u>Non-State</u>
	<u>Guaranteed</u>	<u>Guaranteed</u>
	<u>Fund Group</u>	<u>Fund Group</u>
Operating revenues:		
Interest on loans receivable from governmental units	\$1,185,450	\$ 36,753,104
Interest income from investments	366,055	4,739,767
Net decrease in the fair value of investments	(135,800)	(79,512)
Other income	<u>5</u>	<u>436,290</u>
Total operating revenues	1,415,710	41,849,649
Operating expenses:		
Interest expense	1,394,305	40,430,979
Operating expenses	150,002	207,353
Other expense	<u>—</u>	<u>184,915</u>
Total operating expenses	<u>1,544,307</u>	<u>40,823,247</u>
Operating income (loss)	(128,597)	1,026,402
Net assets, beginning of year	<u>6,462,765</u>	<u>14,016,394</u>
Net assets, end of year	<u>\$6,334,168</u>	<u>\$15,042,796</u>

See accompanying notes to the financial statements.

Educational Institutions Division

<u>Pinkerton Academy Fund Group</u>	<u>Coe-Brown Northwood Academy Fund Group</u>	<u>Total</u>
\$734,327	\$82,629	\$38,755,510
398	44	5,106,264
—	—	(215,312)
<u>2,000</u>	<u>500</u>	<u>438,795</u>
736,725	83,173	44,085,257
734,327	82,629	42,642,240
3,510	390	361,255
<u>—</u>	<u>—</u>	<u>184,915</u>
<u>737,837</u>	<u>83,019</u>	<u>43,188,410</u>
(1,112)	154	896,847
<u>18,613</u>	<u>23,165</u>	<u>20,520,937</u>
<u>\$ 17,501</u>	<u>\$23,319</u>	<u>\$21,417,784</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2009

	<u>Municipal Division</u>	
	State	Non-State
	Guaranteed	Guaranteed
	<u>Fund Group</u>	<u>Fund Group</u>
Operating activities:		
Cash received from governmental units	\$ 7,387,441	\$ 99,793,842
Cash payments to governmental units	-	(52,402,500)
Cash received from other income	5	436,290
Cash payments for operating expenses	(145,264)	(218,840)
Cash payments for bond issuance costs	(116,276)	(377,239)
Cash paid for other assets	<u>-</u>	<u>(5,902)</u>
Net cash provided by operating activities	7,125,906	47,225,651
Investing activities:		
Purchases of investments	(2,034,441)	(3,478,179)
Proceeds from sale and maturities of investments	1,738,702	7,797,009
Interest received on investments	581,594	5,155,261
Interest rebate paid to U.S. Government	<u>(946,034)</u>	<u>(1,147,865)</u>
Net cash provided by (used by) investing activities	(660,179)	8,326,226
Noncapital financing activities:		
Proceeds from bonds payable	8,166,220	66,742,257
Deposit to refunding escrow	(8,549,944)	(15,727,846)
Principal paid on bonds payable	(6,881,196)	(68,221,000)
Interest paid on bonds payable	<u>(1,330,532)</u>	<u>(40,754,991)</u>
Net cash used by noncapital financing activities	<u>(8,595,452)</u>	<u>(57,961,580)</u>
(Decrease) Increase in cash and cash equivalents	(2,129,725)	(2,409,703)
Cash and cash equivalents, beginning of year	<u>4,600,790</u>	<u>8,240,533</u>
Cash and cash equivalents, end of year	<u>\$ 2,471,065</u>	<u>\$ 5,830,830</u>
Balance sheet classification:		
Cash	\$ -	\$ 10,250
Cash equivalents – investments held by trustee	1,493,838	2,545,926
Cash equivalents – reserve fund investments held by trustee	<u>977,227</u>	<u>3,274,654</u>
	<u>\$ 2,471,065</u>	<u>\$ 5,830,830</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>
\$ 1,938,439	\$ 304,550	\$109,424,272
-	-	(52,402,500)
2,000	500	438,795
(3,510)	(390)	(368,004)
-	-	(493,515)
<u>-</u>	<u>-</u>	<u>(5,902)</u>
1,936,929	304,660	56,593,146
-	-	(5,512,620)
-	-	9,535,711
398	44	5,737,297
<u>-</u>	<u>-</u>	<u>(2,093,899)</u>
398	44	7,666,489
-	-	74,908,477
-	-	(24,277,790)
(1,200,000)	(220,000)	(76,522,196)
<u>(738,439)</u>	<u>(84,550)</u>	<u>(42,908,512)</u>
<u>(1,938,439)</u>	<u>(304,550)</u>	<u>(68,800,021)</u>
(1,112)	154	(4,540,386)
<u>18,613</u>	<u>23,165</u>	<u>12,883,101</u>
\$ <u>17,501</u>	\$ <u>23,319</u>	\$ <u>8,342,715</u>
\$ 17,501	\$ 23,319	\$ 51,070
-	-	4,039,764
<u>-</u>	<u>-</u>	<u>4,251,881</u>
\$ <u>17,501</u>	\$ <u>23,319</u>	\$ <u>8,342,715</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2009

	<u>Municipal Division</u>	
	State	Non-State
	Guaranteed	Guaranteed
	<u>Fund Group</u>	<u>Fund Group</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (128,597)	\$ 1,026,402
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Interest income from investments	(366,055)	(4,739,767)
Net decrease in the fair value of investments	135,800	79,512
Amortization of rebates to governmental units	76,803	433,460
Interest expense on bonds payable	1,394,305	40,430,979
Change in assets and liabilities:		
Loans receivable from governmental units	5,961,196	9,886,263
Accrued interest receivable from governmental units	163,992	318,515
Unamortized rebates to governmental units and bond issuance costs	(116,276)	(192,324)
Other assets	-	(5,902)
Accounts payable and accrued liabilities	<u>4,738</u>	<u>(11,487)</u>
Net cash provided by operating activities	<u>\$7,125,906</u>	<u>\$47,225,651</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>
\$ (1,112)	\$ 154	\$ 896,847
(398)	(44)	(5,106,264)
—	—	215,312
—	—	510,263
734,327	82,629	42,642,240
1,200,000	220,000	17,267,459
4,112	1,921	488,540
—	—	(308,600)
—	—	(5,902)
—	—	<u>(6,749)</u>
<u>\$1,936,929</u>	<u>\$304,660</u>	<u>\$56,593,146</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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 \$228,745,000 at June 30, 2009, consisting primarily of loans to governmental units and bonds payable.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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 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 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 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. 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, 2009

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, 2009 was approximately \$233,000 and \$404,000 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 net assets.

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, 2007 and 2009 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 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, 2009 was approximately \$379,000 and \$1,579,000 for the State Guaranteed and Non-State Guaranteed Fund Groups, respectively.

The gains, losses and economic benefits of advance refundings completed within the Educational Institutions 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.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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 \$40,820 as of June 30, 2009.

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 require the establishment of a debt service reserve fund. Each of the Municipal Division's General Bond resolutions is secured separately from all other general bond resolutions of the Bond Bank. Amounts on deposit in the debt service reserve fund of each of the Municipal Division's general bond 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 the Municipal Division's general bond 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 the least 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, 2009, the Bank had made 65 loans under the 2005 Resolution.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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, 2009, investments are categorized as follows:

	<u>Fair Value</u>
<u>State Guaranteed Fund Group</u>	
Investments held by trustee:	
Cash equivalents	\$ <u>1,493,838</u>
Reserve fund investments held by trustee:	
Cash equivalents	\$ 977,227
U.S. Treasury strips	1,674,816
U.S. Government-sponsored enterprises ⁽¹⁾	2,009,380
U.S. Government-sponsored enterprises strips ⁽¹⁾	<u>5,488,180</u>
	\$ <u>10,149,603</u>
<u>Non-State Guaranteed Fund Group</u>	
Investments held by trustee:	
Cash equivalents	\$ <u>2,545,926</u>
Reserve fund investments held by trustee:	
Cash equivalents	\$ 3,274,654
U.S. Government obligations	49,660,117
U.S. Treasury strips	29,406,322
U.S. Government-sponsored enterprises ⁽¹⁾	2,384,047
U.S. Government-sponsored enterprises strips ⁽¹⁾	<u>18,647,941</u>
	\$ <u>103,373,081</u>

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

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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, 2009:

	<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>					
U.S. Treasury strips	\$ 1,674,816	\$ 93,890	\$ 1,260,269	\$ 320,657	\$ —
U.S. Government- sponsored enterprises	2,009,380	2,009,380	—	—	—
U.S. Government- sponsored enterprises strips	<u>5,488,180</u>	<u>2,022,270</u>	<u>3,465,910</u>	<u>—</u>	<u>—</u>
	<u>\$ 9,172,376</u>	<u>\$ 4,125,540</u>	<u>\$ 4,726,179</u>	<u>\$ 320,657</u>	<u>\$ —</u>
<u>Non-State Guaranteed Fund Group</u>					
U.S. Government obligations	\$ 49,660,117	\$ 1,415,981	\$ 29,138,102	\$ 1,536,981	\$ 17,569,053
U.S. Treasury strips	29,406,322	3,954,186	12,819,846	9,591,497	3,040,793
U.S. Government- sponsored enterprises	2,384,047	2,020,793	363,254	—	—
U.S. Government- sponsored enterprises strips	<u>18,647,941</u>	<u>3,128,107</u>	<u>6,436,720</u>	<u>4,547,050</u>	<u>4,536,064</u>
	<u>\$100,098,427</u>	<u>\$10,519,067</u>	<u>\$48,757,922</u>	<u>\$15,675,528</u>	<u>\$25,145,910</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, 2009.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

3. **Cash, Cash Equivalents and Investments (Continued)**

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.

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, 2009, the fair value of these investments is approximately \$7,163,000 and \$48,054,000 with the State Guaranteed and Non-State Guaranteed Fund Groups, respectively.

4. **Bonds Payable**

Bonds payable at June 30, 2009, by program, are as follows:

Municipal Division:	
State Guaranteed	\$ 21,634,222
Non-State Guaranteed	858,852,741
Educational Institutions Division:	
Pinkerton Academy	14,820,000
Coe-Brown Northwood Academy	<u>1,500,000</u>
	<u>\$ 896,806,963</u>

Following is a comprehensive summary of bonds payable by program at June 30, 2009:

Municipal Division – State Guaranteed

Bonds payable consist of the following at June 30, 2009:

Series 1994 D Bonds, maturing August 15, 1995 to August 15, 2014, with interest ranging from 4.25% to 7.15%	\$ 469,315
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%	13,030,000
Series 2003 G Refunding Bonds, maturing February 15, 2004 to August 15, 2012, with interest ranging from 2% to 4%	320,000
Series 2009 B Refunding Bonds, maturing August 15, 2009 to August 15, 2017 with interest ranging from 2.25% to 4.00%	<u>7,880,000</u>
	21,974,315

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

4. Bonds Payable (Continued)

Municipal Division – State Guaranteed (Continued)

Net unamortized original issue premium on 2003 B, 2003 G and 2009 B Refunding Bonds	\$ 829,383
Unamortized deferred loss on 2003 B, 2003 G and 2009 B advance refundings	<u>(1,169,476)</u>
Bonds payable	21,634,222
Current portion	<u>6,988,039</u>
Noncurrent portion	<u>\$14,646,183</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>
2010	\$ 7,128,108	\$ 870,990	\$ 7,999,098
2011	4,446,165	641,025	5,087,190
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 – 2019	<u>1,910,057</u>	<u>341,411</u>	<u>2,251,468</u>
	<u>\$21,974,315</u>	<u>\$2,975,818</u>	<u>\$24,950,133</u>

Municipal Division – Non-State Guaranteed

Series 1999 A Bonds, maturing January 15, 2000 to January 15, 2029, with interest ranging from 4% to 4.9%	\$ 890,000
Series 1999 B Bonds, maturing August 15, 2000 to August 15 2009, with interest ranging from 4.5% to 5.25%	6,885,000
Series 1999 C Bonds, maturing January 15, 2001 to January 15, 2010, with interest ranging from 5.375% to 5.5%	2,175,000
Series 2000 A Bonds, maturing August 15, 2001 to August 15, 2010, with interest ranging from 5.125% to 5.2%	3,715,000
Series 2000 B Bonds, maturing January 15, 2002 to January 15, 2013, with interest ranging from 4.75% to 5%	1,160,000
Series 2001 A Bonds, maturing August 15, 2002 to August 15, 2015, with interest ranging from 4.125% to 4.8%	15,140,000
Series 2002 A Bonds, maturing June 15, 2003 to June 15, 2022, with interest ranging from 3.5% to 4.75%	2,830,000
Series 2002 B Bonds, maturing August 15, 2003 to August 15, 2018, with interest ranging from 3% to 4.6%	35,465,000

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

4. Bonds Payable (Continued)

Municipal Division – Non-State Guaranteed (Continued)

Series 2002 C Bonds, maturing August 15, 2003 to August 15, 2022, with interest ranging from 3% to 4.75%	\$ 15,630,000
Series 2002 D Refunding Bonds, maturing August 15, 2003 to August 15, 2016, with interest ranging from 2% to 5%	60,515,000
Series 2002 E Bonds, maturing January 15, 2004 to January 15, 2022, with interest ranging from 4.25% to 4.85%	8,765,000
Series 2003 A Refunding Bonds, maturing August 15, 2003 to February 15, 2012, with interest ranging from 2% to 5%	11,770,000
Series 2003 C Bonds, maturing August 15, 2004 to August 15, 2023, with interest ranging from 3% to 6%	61,755,000
Series 2003 D Bonds, maturing August 15, 2004 to August 15, 2023, with interest ranging from 2% to 5%	10,500,000
Series 2003 E Bonds, maturing August 15, 2004 to August 15, 2018, with interest ranging from 3.5% to 5%	24,615,000
Series 2003 F Bonds, maturing January 15, 2005 to January 15, 2024, with interest ranging from 4% to 5%	39,420,000
Series 2004 A Refunding Bonds, maturing August 15, 2005 to February 15, 2020, with interest ranging from 2% to 5%	65,050,000
Series 2004 B Bonds, maturing August 15, 2005 to August 15, 2024 with interest ranging from 3% to 5%	86,030,000
Series 2004 C Bonds, maturing January 15, 2006 to January 15, 2025 with interest ranging from 3.75% to 5%	4,980,000
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%	57,475,000
Series 2005 C Bonds, maturing March 15, 2006 to March 15, 2028 with interest ranging from 3% to 5%	21,025,000
Series 2005 D Bonds, maturing July 15, 2006 to July 15, 2029 with interest ranging from 3% to 5%	43,950,000
Series 2006 A Bonds, maturing August 15, 2007 to August 15, 2026 with interest ranging from 4% to 5%	48,565,000
Series 2006 B Bonds, maturing January 15, 2008 to January 15, 2027 with interest ranging from 4% to 5%	17,125,000
Series 2007 A Refunding Bonds, maturing August 15, 2008 to February 15, 2029 with interest ranging from 3.75% to 4.50%	37,195,000
Series 2007 B Bonds, maturing August 15, 2008 to August 15, 2036 with interest ranging from 4% to 5%	66,680,000
Series 2007 C Bonds, maturing January 15, 2009 to January 15, 2037 with interest ranging from 4.25% to 5.25%	10,115,000
Series 2008 A Bonds, maturing February 15, 2009 to August 15, 2037 with interest ranging from 4% to 5.25%	42,310,000

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

4. Bonds Payable (Continued)

Municipal Division – Non-State Guaranteed (Continued)

Series 2008 B Bonds maturing January 15, 2010 to January 15, 2029 with interest ranging from 4.50% to 5.875%	\$ 10,495,000
Series 2009 A Refunding Bonds maturing August 15, 2009 to February 15, 2026 with interest ranging from 2.50% to 4.25%	<u>13,710,000</u>
	859,970,000
Net unamortized original issue premium on Series 1998 A, 2002 D, 2003A, 2004 A, 2005 A, 2007 A and 2009 A advance refundings	12,408,852
Unamortized deferred loss on Series 2002 D, 2003 A, 2004 A, 2005 A, 2007 A and 2009 A advance refundings	<u>(13,526,111)</u>
Bonds payable	858,852,741
Current portion	<u>69,330,484</u>
Noncurrent portion	<u>\$ 789,522,257</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>
2010	\$ 69,285,000	\$ 38,579,430	\$ 107,864,430
2011	65,075,000	35,496,064	100,571,064
2012	62,915,000	32,644,844	95,559,844
2013	58,565,000	29,938,281	88,503,281
2014	70,870,000	26,948,049	97,818,049
2015 – 2019	238,730,000	96,112,146	334,842,146
2020 – 2024	198,955,000	46,049,834	245,004,834
2025 – 2029	79,065,000	11,287,565	90,352,565
2030 – 2034	10,780,000	2,441,650	13,221,650
2035 – 2038	<u>5,730,000</u>	<u>464,438</u>	<u>6,194,438</u>
	<u>\$859,970,000</u>	<u>\$319,962,301</u>	<u>\$1,179,932,301</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

4. Bonds Payable (Continued)

Educational Institutions Division – Pinkerton Academy

Bonds payable at June 30, 2009 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%	\$14,105,000
2001 B Pinkerton Academy Project Refunding Revenue Bonds, maturing June 1, 2002 to June 1, 2011, with variable interest rate (.57% at June 30, 2009)	<u>715,000</u>
Bonds payable	14,820,000
Current portion	<u>1,250,000</u>
Noncurrent portion	<u>\$13,570,000</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>
2010	\$ 1,250,000	\$ 688,313	\$ 1,938,313
2011	1,305,000	648,068	1,953,068
2012	980,000	604,863	1,584,863
2013	1,025,000	559,538	1,584,538
2014	1,075,000	510,850	1,585,850
2015 – 2019	6,235,000	1,702,750	7,937,750
2020 – 2021	<u>2,950,000</u>	<u>223,000</u>	<u>3,173,000</u>
	<u>\$14,820,000</u>	<u>\$4,937,382</u>	<u>\$19,757,382</u>

Educational Institutions Division – Coe-Brown Northwood Academy

Bonds payable at June 30, 2009 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	\$1,500,000
Current portion	<u>140,000</u>
Noncurrent portion	<u>\$1,360,000</u>

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

4. Bonds Payable (Continued)

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>
2010	\$ 140,000	\$ 72,825	\$ 212,825
2011	145,000	66,525	211,525
2012	150,000	60,000	210,000
2013	155,000	53,250	208,250
2014	165,000	45,500	210,500
2015 – 2018	<u>745,000</u>	<u>95,250</u>	<u>840,250</u>
	<u>\$1,500,000</u>	<u>\$393,350</u>	<u>\$1,893,350</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. 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, 2009, defeased bonds payable by irrevocable trusts were approximately \$112,705,000.

On March 18, 2009, the Bond Bank issued \$13,710,000 in Non-State Guaranteed Fund Group bonds with an average interest rate of 3.23% to advance refund \$15,255,000 of various outstanding maturities of the 1997 C, 1998 A, 1999 A, 2000 B and 2001 A series bonds with an average interest rate of 4.80%. The net proceeds of approximately \$15,728,000 including bond premium of approximately \$210,000, an equity contribution of \$2,000,000 by the Bond Bank and after payment of approximately \$192,000 in underwriting fees, insurance and other issuance costs, were used to purchase U.S. government securities which will provide for all future debt service payments on the refunded bonds. Although the advance refunding resulted in the recognition of a deferred accounting loss of approximately \$387,000 in the year ended June 30, 2009, the Bond Bank in effect reduced its aggregate debt service payments by approximately \$2.63 million over the next seventeen years and obtained an economic gain (difference between the present value of the old and new debt service payments, less Bond Bank equity contribution of \$2 million) of approximately \$634,000.

NEW HAMPSHIRE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

4. Bonds Payable (Continued)

On April 14, 2009, the Bond Bank issued \$7,880,000 in State Guaranteed Fund Group bonds with an average interest rate of 3.32% to advance refund \$8,380,000 of various outstanding maturities of the 1997 B, 1997 D and 1998 B series bonds with an average interest rate of 5.00%. The net proceeds of approximately \$8,550,000 including bond premium of approximately \$286,000, an equity contribution of \$500,000 by the Bond Bank and after payment of approximately \$116,000 in underwriting fees, insurance and other issuance costs, were used to purchase U.S. government securities which will provide for all future debt service payments on the refunded bonds. Although the advance refunding resulted in the recognition of a deferred accounting loss of approximately \$96,000 in the year ended June 30, 2009, the Bond Bank in effect reduced its aggregate debt service payments by approximately \$1.05 million over the next eight years and obtained an economic gain (difference between the present value of the old and new debt service payments, less Bond Bank equity contribution of \$500,000) of approximately \$552,000.

The following summarizes bonds payable activity for the Bond Bank for the year ended June 30, 2009:

	<u>State Guaranteed Fund Group</u>	<u>Non-State Guaranteed Fund Group</u>	<u>Pinkerton Academy Fund Group</u>	<u>Coe-Brown Northwood Academy Fund Group</u>
Balance, beginning of year	\$28,667,449	\$876,024,270	\$16,020,000	\$1,720,000
Issuances	7,880,000	66,515,000	-	-
Redemptions	(6,881,196)	(68,221,000)	(1,200,000)	(220,000)
Refunded bonds	(8,380,000)	(15,255,000)		
Capitalized premiums and deferred losses, net	189,997	(159,357)	-	-
Amortization of premiums and deferred losses, net	<u>157,972</u>	<u>(51,172)</u>	<u>-</u>	<u>-</u>
Balance, end of year	<u>\$21,634,222</u>	<u>\$858,852,741</u>	<u>\$14,820,000</u>	<u>\$1,500,000</u>

5. Subsequent Events

On July 16, 2009, the Bond Bank issued \$23,250,000 in Non-State Guaranteed Bonds. At June 30, 2009, the Bond Bank had committed all of the proceeds to governmental unit loans.

On July 30, 2009, the Bond Bank issued \$27,845,000 in Non-State Guaranteed Bonds.