New Hampshire Municipal Bond Bank

Basic Financial Statements
and Management's Discussion and Analysis

Year Ended June 30, 2010
With Independent Auditors' Report

NEW HAMPSHIRE MUNICIPAL BOND BANK

BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2010

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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, 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, 2010, as listed in the accompanying table of contents. These financial statements are the responsibility of the Bond Bank's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Bond Bank, including the individual fund groups referred to above, as of June 30, 2010, 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.

Baker Newman & Noyes
Limited Liability Company

Manchester, New Hampshire
November 5, 2010

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2010

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, 2010. 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 consistent between 2009 and 2010. Revenues in 2010 of $44,280,047 represented an increase of $194,790 or .44% above fiscal year 2009. Investments are recorded at fair value to comply with Governmental Accounting Standards Board (GASB) rules. The Bond Bank generally holds investments until maturity to pay reserve fund bonds as they become due, so fluctuations in the fair value of the investments have a minimal long-term effect.

- Net assets of the Bond Bank increased $4,637,323 in fiscal year 2010. At June 30, 2010, the Bond Bank had net assets of $26,055,107, an increase of 21.65% from the prior year.

- The Bond Bank's bonds outstanding at June 30, 2010 of $934,073,866 represent a net increase of $37,266,903 from the balance at June 30, 2009. This increase was the result of the following activity in fiscal year 2010:

o Issued 2009 C, D and E bonds totaling	$ 80,580,000
o Issued 2010 A Refunding bonds	98,975,000
o Issued 2010 C Qualified School Construction bonds	46,812,349
o Adjustment to deferred loss and premiums	5,162,662
o 2010 debt service paid	(76,553,108)
o Removed bonds refunded by 2010 A	(102,890,000)
o Removed bonds refunded by Pinkerton Academy	(14,820,000)
	$ 37,266,903

- The Bond Bank provided $120,292,349 of new loans to local governmental units during fiscal year 2010, less the $14,820,000 refunded Pinkerton Academy loans, resulting in a net increase of $105,472,349, which was a 101.27% increase from the loans provided in fiscal year 2009.

- One refunding issue was issued in the Spring of 2010 resulting in approximately $6 million in savings in debt service. The net present value savings was approximately $5 million.

- Since the surety providers had been downgraded, we worked with the State of NH to purchase a State of NH bond to meet our reserve fund requirement under the 2005 Resolution. We purchased State of NH bonds for 2009C and 2009E bonds. There was no cost to the State and the Bond Bank saved considerable costs due to the decline of investment rates.

- Pinkerton Academy refinanced their NH Municipal Bond Bank Education Division loans through NH Health and Higher Education Facilities Authority.

- On June 2, 2010, the Bond Bank adopted a new General Resolution (the "QSCB Resolution"), authorizing the issuance of New Hampshire Municipal Bond Bank Bonds (Qualified School Construction Bond Issue). This enabled five school districts to issue $46,812,349 in Qualified School Construction Bonds through the Bond Bank.

Overview of the Bond Bank

The Bond Bank was created in 1977 by an Act of the New Hampshire Legislature, RSA:35-A, is a public body corporate and politic and is constituted as an instrumentality exercising public and essential governmental functions of the State. The Bond Bank was established to issue bonds for the purpose, among other things, of providing funds to enable it to lend money to counties, cities, towns, school districts or other districts (the "governmental units") within the State of New Hampshire. The provision of funds is accomplished by the direct purchase from such governmental units of their bonds, notes or evidence of debt payable from taxes, charges for services or assessments.

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

Since its inception, the Bond Bank has issued bonds for its non guaranteed program pursuant to a General Resolution adopted on December 1, 1978, as amended from time to time (the "1978 Resolution"). 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 contained a number of improvements, including a flexible reserve fund sizing requirement, wholesale changes in permitted investments, and 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 NH bonds. In fiscal year 2010, 2009 Series C and 2009 Series B were issued per the 2005 Resolution and State of NH bonds were purchased to fund the reserve fund, 2010 Series A Refunding Bonds were issued per the 1978 Resolution because the refunded bonds were issued under the 1978 Resolution (no reserve fund bonds were required), and 2009 Series D was sold per the 1978 Resolution and investments were purchased in the market to fund the reserve fund.

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 October 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 October 25, 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	A	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.

The Bond Bank's Refunding Policy stipulates that advanced and current refundings will be considered, if the par amount to be issued is at least $30 million and the net present value of savings is at least 3.0%. One refunding issue, $98,975,000 2010 Series A, was issued in the spring of 2010, with a net present value of 4.89%. Detailed information can be found in Note 4 in the Financial Statements.

As of May 3, 2010, Pinkerton Academy prepaid $715,000, the June 2010 and 2011 maturities of the 2001 Series B bonds and advanced refunded the outstanding balance of $14,105,000 of the 2001 Series A bonds through the New Hampshire Health and Higher Education Facilities Authority.

On June 2, 2010, the Bond Bank adopted a new General Resolution (the "QSCB Resolution"), authorizing the issuance of New Hampshire Municipal Bond Bank Bonds (Qualified School Construction Bond Issue). This enabled five school districts to issue $46,812,349 in Qualified School Construction Bonds through the Bond Bank. The 2010 Series C bonds closed on June 29, 2010 with an interest rate of 5.39%. The individual school districts are responsible for filing certain federal forms required to receive a federal subsidy that is available for their outstanding Qualified School Construction Bonds. The municipal bonds are guaranteed as to 75% of principal and interest by a pledge of the full faith and credit of the State of New Hampshire.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Bond Bank's financial statements, which is comprised of the basic financial statements and the notes to the financial statements. Since the Bond Bank operates under five separate bond resolutions, the financial statements reflect individual fund activity.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Bond Bank's finances, in a manner similar to a private-sector business.

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

The statements of revenues, expenses, and changes in net assets present information showing how the Bond Bank's net assets changed during the fiscal year. Changes in net assets are generally reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

Net Assets may serve, over time, as a useful indicator of a government's financial position. In the case of the Bond Bank, assets exceeded liabilities by $26,055,107 at June 30, 2010. This represents an increase of $4,637,323 or 21.65% from the previous fiscal year.

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

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

ASSETS	2010	2009	Percentage Change
Current assets:			
Cash	$ 41,987	$ 51,070	(17.79)%
Investments held by trustee, at fair value	16,636,021	18,684,371	(10.96)
Loans receivable from governmental units	64,926,165	70,405,608	(7.78)
Accrued investment income receivable	927,652	883,234	5.03
Accrued interest receivable from governmental units	14,595,292	14,987,833	(2.62)
Unamortized rebates to governmental units and bond issuance costs	817,200	757,160	7.93
Other current assets	191,483	5,988	3097.78
Total current assets	98,135,800	105,775,264	(7.22)
Noncurrent assets:			
Investments held by trustee, at fair value	104,056,635	98,878,077	5.24
Loans receivable from governmental units	766,888,791	726,012,607	5.63
Unamortized rebates to governmental units and bond issuance costs	5,350,822	5,105,031	4.81
Total noncurrent assets	876,296,248	829,995,715	5.58
Total assets	$974,432,048	$935,770,979	4.13%

LIABILITIES AND NET ASSETS	2010	2009	Percentage Change
Current liabilities:			
Accounts payable and accrued liabilities	$ 142,492	$ 20,850	583.41%
Accrued interest payable	12,746,121	15,801,505	(19.34)
Accrued interest rebate payable to U.S. Government	379,617	629,836	(39.73)
Bonds payable	73,758,925	77,708,523	(5.08)
Total current liabilities	87,027,155	94,160,714	(7.58)
Noncurrent liabilities:			
Accrued interest rebate payable to U.S. Government	1,034,845	1,094,041	(5.41)
Bonds payable	860,314,941	819,098,440	5.03
Total noncurrent liabilities	861,349,786	820,192,481	5.02
Total liabilities	948,376,941	914,353,195	3.72
Net assets	26,055,107	21,417,784	21.65
Total liabilities and net assets	$974,432,048	$935,770,979	4.13%

Total cash and investments held by trustee increased $3,121,125, or 2.65% at June 30, 2010 compared to June 30, 2009. 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 $35,396,741 in fiscal year 2010. The Bond Bank's total new loan originations in 2010 of $120,292,349 less the $14,820,000 refunded by Pinkerton Academy were 101.27% higher than 2009 originations of $52,402,500. Net bonds payable increased 4.16%.

Net assets increased 21.65% in fiscal year 2010. The Bond Bank continued to maintain a positive spread of income from investments and loans to governmental units over bond interest and operating expenses.

	2010	2009	Percentage Change
Interest on loans receivable from governmental units	$37,594,034	$38,755,510	(3.00)%
Interest income from investments	5,079,182	5,106,264	(.53)
Net increase (decrease) in the fair value of investments	754,963	(215,312)	(450.64)
Other income	851,868	438,795	94.14
Total operating revenues	44,280,047	44,085,257	.44
Interest expense	38,762,118	42,642,240	(9.10)
Operating expenses	386,132	361,255	6.89
Other expense	494,474	184,915	167.41
Total operating expenses	39,642,724	43,188,410	(8.21)
Operating income	4,637,323	896,847	417.07
Net assets, beginning of year	21,417,784	20,520,937	4.37
Net assets, end of year	$26,055,107	$21,417,784	21.65%

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 2010 decreased .53% from 2009. This decrease was the result of a decreasing interest rate environment.

The net increase in the fair value of investments in 2010 of $754,963 was caused by movements in market interest rates during the year that had a positive impact on the fair value of investments held by the Bond Bank.

The increase in other income and other expense was primarily due to the proceeds and costs related to the increase of bond issuance over the previous year.

Requests for Information

This financial report is designed to provide a general overview of the Bond Bank's financial statements for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Executive Director, New Hampshire Municipal Bond Bank, 25 Triangle Park Drive, Suite 102, Concord, NH 03301.

NEW HAMPSHIRE MUNICIPAL BOND BANK

BALANCE SHEETS

June 30, 2010

ASSETS	Municipal Division State Guaranteed Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group
Current assets:			
Cash (note 3)	$ –	$ –	$ 19,417
Investments held by trustee, at fair value (note 3):			
Cash equivalents	1,776,649	–	5,303,633
Reserve Fund investments	1,767,638	–	7,788,101
Loans receivable from governmental units (note 4)	3,596,165	–	61,185,000
Accrued investment income receivable	–	–	927,652
Accrued interest receivable from governmental units	414,799	7,009	14,162,581
Unamortized rebates to governmental units and bond issuance costs	150,538	–	666,662
Other assets	–	190,900	583
Total current assets	7,705,789	197,909	90,053,629
Noncurrent assets:			
Reserve Fund investments held by trustee, at fair value (notes 3 and 4):			
Cash equivalents	2,973,587	–	4,796,839
Investments	3,477,528	–	92,808,681
Loans receivable from governmental units (note 4)	6,945,042	46,812,349	711,916,400
Unamortized rebates to governmental units and bond issuance costs	334,908	–	5,015,914
Total noncurrent assets	13,731,065	46,812,349	814,537,834
Total assets	$21,436,854	$47,010,258	$904,591,463

Educational Institutions Division		
Pinkerton Academy Fund Group	Coe-Brown Northwood Academy Fund Group	Total
$ –	$ 22,570	$ 41,987
–	–	7,080,282
–	–	9,555,739
–	145,000	64,926,165
–	–	927,652
–	10,903	14,595,292
–	–	817,200
–	–	191,483
–	178,473	98,135,800
–	–	7,770,426
–	–	96,286,209
–	1,215,000	766,888,791
–	–	5,350,822
–	1,215,000	876,296,248
$ –	$1,393,473	$974,432,048

NEW HAMPSHIRE MUNICIPAL BOND BANK

BALANCE SHEETS (CONTINUED)

June 30, 2010

LIABILITIES AND NET ASSETS	Municipal Division State Guaranteed Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group
Current liabilities:			
Accounts payable and accrued liabilities	$ –	$ 120,900	$ 21,592
Accrued interest payable	340,705	7,009	12,387,504
Accrued interest rebate payable to U.S. Government	–	–	379,617
Bonds payable (note 4)	4,306,096	–	69,307,829
Total current liabilities	4,646,801	127,909	82,096,542
Noncurrent liabilities:			
Accrued interest rebate payable to U.S. Government	497,008	–	537,837
Bonds payable (note 4)	10,312,908	46,812,349	801,974,684
Total noncurrent liabilities	10,809,916	46,812,349	802,512,521
Total liabilities	15,456,717	46,940,258	884,609,063
Net assets	5,980,137	70,000	19,982,400
Total liabilities and net assets	$21,436,854	$47,010,258	$904,591,463

See accompanying notes to the financial statements.

Educational Institutions Division		
Pinkerton Academy Fund Group	Coe-Brown Northwood Academy Fund Group	Total
$ –	$ –	$ 142,492
–	10,903	12,746,121
–	–	379,617
–	145,000	73,758,925
–	155,903	87,027,155
–	–	1,034,845
–	1,215,000	860,314,941
–	1,215,000	861,349,786
–	1,370,903	948,376,941
–	22,570	26,055,107
$ –	$1,393,473	$974,432,048

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2010

	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	$ 822,442	$ 7,009	$36,402,898
Interest income from investments	323,606	–	4,755,472
Net increase (decrease) in the fair value of investments	(337,935)	–	1,092,898
Other income	–	190,900	660,468
Total operating revenues	808,113	197,909	42,911,736
Operating expenses:			
Interest expense	1,012,144	7,009	37,381,280
Operating expenses	150,000	–	217,278
Other expense	–	120,900	373,574
Total operating expenses	1,162,144	127,909	37,972,132
Operating income (loss)	(354,031)	70,000	4,939,604
Net assets, beginning of year	6,334,168	–	15,042,796
Net assets, end of year	$5,980,137	$ 70,000	$19,982,400

See accompanying notes to the financial statements.

Educational Institutions Division		
Pinkerton Academy Fund Group	Coe-Brown Northwood Academy Fund Group	Total
$289,892	$71,793	$37,594,034
93	11	5,079,182
–	–	754,963
–	500	851,868
289,985	72,304	44,280,047
289,892	71,793	38,762,118
17,594	1,260	386,132
–	–	494,474
307,486	73,053	39,642,724
(17,501)	(749)	4,637,323
17,501	23,319	21,417,784
$ –	$22,570	$26,055,107

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2010

	Municipal Division		
	State Guaranteed Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group
Operating activities:			
Cash received from governmental units	$ 6,577,147	$ –	$ 101,500,235
Cash payments to governmental units	–	(46,812,349)	(73,505,000)
Cash received from other income	–	–	660,468
Cash payments for operating expenses	(154,738)	–	(211,798)
Cash payments for bond issuance costs	–	–	(1,015,803)
Cash received for other assets	–	–	5,405
Net cash provided (used) by operating activities	6,422,409	(46,812,349)	27,433,507
Investing activities:			
Purchases of investments	–	–	(7,260,773)
Proceeds from sale and maturities of investments	3,589,275	–	7,855,316
Interest received on investments	583,722	–	4,894,473
Interest rebate paid to U.S. Government	(121,773)	–	(631,177)
Net cash provided by investing activities	4,051,224	–	4,857,839
Noncapital financing activities:			
Proceeds from bonds payable	–	46,812,349	184,802,962
Deposit to refunding escrow	–	–	(102,890,000)
Principal paid on bonds payable	(7,128,108)	–	(69,285,000)
Interest paid on bonds payable	(1,066,354)	–	(40,630,249)
Net cash provided (used) by noncapital financing activities	(8,194,462)	46,812,349	(28,002,287)
Increase (decrease) in cash and cash equivalents	2,279,171	–	4,289,059
Cash and cash equivalents, beginning of year	2,471,065	–	5,830,830
Cash and cash equivalents, end of year	$ 4,750,236	$ –	$ 10,119,889

Educational Institutions Division		
Pinkerton Academy Fund Group	Coe-Brown Northwood Academy Fund Group	Total
$ 15,165,342	$ 212,825	$ 123,455,549
–	–	(120,317,349)
–	500	660,968
(17,594)	(1,260)	(385,390)
–	–	(1,015,803)
–	–	5,405
15,147,748	212,065	2,403,380
–	–	(7,260,773)
–	–	11,444,591
93	11	5,478,299
–	–	(752,950)
93	11	8,909,167
–	–	231,615,311
–	–	(102,890,000)
(14,820,000)	(140,000)	(91,373,108)
(345,342)	(72,825)	(42,114,770)
(15,165,342)	(212,825)	(4,762,567)
(17,501)	(749)	6,549,980
17,501	23,319	8,342,715
$ –	$ 22,570	$ 14,892,695

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2010

	Municipal Division		
	State Guaranteed Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group
Balance sheet classification:			
Cash	$ –	$ –	$ 19,417
Cash equivalents – investments held by trustee	1,776,649	–	5,303,633
Cash equivalents – reserve fund investments held by trustee	2,973,587	–	4,796,839
	$4,750,236	$ –	$10,119,889
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	$ (354,031)	70,000	$ 4,939,604
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Interest income from investments	(323,606)	–	(4,755,472)
Net (increase) decrease in the fair value of investments	337,935	–	(1,092,898)
Amortization of rebates to governmental units	97,203	–	451,163
Interest expense on bonds payable	1,012,144	7,009	37,381,280
Change in assets and liabilities:			
Loans receivable from governmental units	5,523,108	(46,812,349)	(9,067,500)
Accrued interest receivable from governmental units	134,394	(7,009)	208,674
Unamortized rebates to governmental units and bond issuance costs	–	–	(642,229)
Other assets	–	(190,900)	5,405
Accounts payable and accrued liabilities	(4,738)	120,900	5,480
Net cash provided (used) by operating activities	$6,422,409	$(46,812,349)	$27,433,507

See accompanying notes to the financial statements.

Educational Institutions Division			
Pinkerton Academy Fund Group	Coe-Brown Northwood Academy Fund Group	Total
$ –	$ 22,570	$ 41,987
–	–	7,080,282
–	–	7,770,426
$ –	$ 22,570	$ 14,892,695
$ (17,501)	$ (749)	$ 4,637,323
(93)	(11)	(5,079,182)
–	–	(754,963)
–	–	548,366
289,892	71,793	38,762,118
14,820,000	140,000	(35,396,741)
55,450	1,032	392,541
–	–	(642,229)
–	–	(185,495)
–	–	121,642
$15,147,748	$212,065	$ 2,403,380

1. <u>Organization</u>

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:

<u>Municipal Division</u>

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.

On June 2, 2010, the Bond Bank adopted a new General Resolution (the "QSCB Resolution"), authorizing the issuance of New Hampshire Municipal Bond Bank Bonds (Qualified School Construction Bond Issue). The Bond Bank issued the $46,812,349 2010 Series C Bonds (Qualified School Construction Bond Issue) on June 29, 2010 with an interest rate of 5.39%. Loan agreements were signed by five school districts matching the 2010 Series C Bonds issued by the Bond Bank. The individual school districts are responsible for filing certain federal forms required to receive a federal subsidy that is available for their outstanding Qualified School Construction Bonds.

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

1. Organization (Continued)

Since its inception, the Bond Bank has issued bonds for its Non-State Guaranteed program pursuant to a General Resolution adopted on December 1, 1978, as amended from time to time (the 1978 Resolution). On July 14, 2005, the Bond Bank adopted a new General Resolution (the 2005 Resolution). While substantially similar to the 1978 Resolution, the 2005 Resolution contains a number of improvements, including a flexible reserve fund sizing requirement, some changes in permitted investments, and 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 $270,490,000 at June 30, 2010, consisting primarily of loans to governmental units and bonds payable.

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 (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).

2. Significant Accounting Policies (Continued)

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.

Arbitrage rebate expense, which is presented as a reduction in the amount of interest income from investments, for the year ended June 30, 2010 was approximately $222,000 for both 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 2010. 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, 2010 was approximately $388,000 and $1,795,000 for the State Guaranteed and Non-State Guaranteed Fund Groups, respectively.

2. Significant Accounting Policies (Continued)

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. The refunding benefits rebated to governmental units are deferred and amortized over the life of the refunded bonds (which is equivalent to the life of the loans receivable) using a method which approximates the effective interest method.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Bond Bank to make estimates and assumptions that affect the amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Total Columns

The "total" columns contain the totals of the similar accounts of the various funds. Since the assets of the funds are restricted, the combination of the accounts, including assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in the separate funds.

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 $22,570 as of June 30, 2010.

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.

3. Cash, Cash Equivalents and Investments (Continued)

The 1978 and 1979 Resolutions require their respective debt service funds be sized to meet the maximum amount of maturing municipal bond debt service in any calendar year. The 2005 Resolution requires that for each issue of bonds, the reserve fund requirement shall equal the lesser of (i) 10% of the aggregate original net proceeds of such Series of Bonds, (ii) 125% of the average annual aggregate Debt Service on such Bonds, or (iii) the maximum aggregate amount of Debt Service due on such Bonds in any succeeding bond year. This requirement is subject to change by an amendment to the 2005 Resolution under certain circumstances, but only once 100 loans have been made by the Bank under the 2005 Resolution. At June 30, 2010, the Bank had made 78 loans under the 2005 Resolution.

As permitted by the bond resolution, any funds not required for loans to government units or deposit to reserve funds, may be held by the Bond Bank as unrestricted investments. These amounts are classified as investments 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, 2010, investments are categorized as follows:

	Fair Value
State Guaranteed Fund Group	
Investments held by trustee:	
Cash equivalents	$ 1,776,649
Reserve fund investments held by trustee:	
Cash equivalents	$ 2,973,587
U.S. Treasury strips	1,665,926
U.S. Government-sponsored enterprises strips[1]	3,579,240
	$ 8,218,753
Non-State Guaranteed Fund Group	
Investments held by trustee:	
Cash equivalents	$ 5,303,633
Reserve fund investments held by trustee:	
Cash equivalents	$ 4,796,839
U.S. Government obligations	51,163,489
U.S. Treasury strips	27,580,917
U.S. Government-sponsored enterprises[1]	357,801
U.S. Government-sponsored enterprises strips[1]	17,239,575
N.H. G.O. capital improvement bonds	4,255,000
	$105,393,621

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

3. Cash, Cash Equivalents and Investments (Continued)

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Bond Bank's investment policy provides that investment maturities be closely matched with future bond principal and interest requirements, which are the primary use of invested assets. The Bond Bank's general practice has been to hold all debt securities to their maturity, at which point the funds are needed to make required bond principal and interest payments for the respective resolutions. The following table provides information on future maturities of the Bond Bank's investments as of June 30, 2010:

	Fair Value	Less than One Year	One to Five Years	Six to Ten Years	More than Ten Years
State Guaranteed Fund Group					
U.S. Treasury strips	$ 1,665,926	$ 794,542	$ 511,915	$ 359,469	$ –
U.S. Government-sponsored enterprises strips	3,579,240	973,095	2,606,145	–	–
	$ 5,245,166	$1,767,637	$ 3,118,060	$ 359,469	$ –
Non-State Guaranteed Fund Group					
U.S. Government obligations	$ 51,163,489	$1,478,247	$27,663,589	$ 1,543,038	$20,478,615
U.S. Treasury strips	27,580,917	2,699,015	10,692,122	10,694,872	3,494,908
U.S. Government-sponsored enterprises	357,801	295,561	62,240	–	–
U.S. Government-sponsored enterprises strips	17,239,575	3,315,278	3,387,640	5,145,025	5,391,632
N.H. G.O. capital improvement bonds	4,255,000	–	–	–	4,255,000
	$100,596,782	$7,788,101	$41,805,591	$17,382,935	$33,620,155

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Bond Bank will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Bond Bank's investments are held by People's United Bank, a state-charted and publicly traded commercial bank. Management of the Bond Bank is not aware of any issues with respect to custodial credit risk at People's United Bank at June 30, 2010.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Bond Bank. The Bond Bank's investment policy limits its investments to those with high credit quality such as U.S. Treasury Obligations and U.S. Government-sponsored enterprises.

3. Cash, Cash Equivalents and Investments (Continued)

Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are 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, 2010, the fair value of these investments is approximately $5,245,000 and $44,821,000 with the State Guaranteed and Non-State Guaranteed Fund Groups, respectively.

4. Bonds Payable

Bonds payable at June 30, 2010, by program, are as follows:

Municipal Division:	
State Guaranteed	$ 14,619,004
Qualified School Construction	46,812,349
Non-State Guaranteed	871,282,513
Educational Institutions Division:	
Pinkerton Academy	–
Coe-Brown Northwood Academy	1,360,000
	$934,073,866

Following is a comprehensive summary of bonds payable by program at June 30, 2010:

Municipal Division – State Guaranteed

Bonds payable consist of the following at June 30, 2010:

Series 1994 D Bonds, maturing August 15, 1995 to August 15, 2014, with interest ranging from 4.25% to 7.15%	$ 376,207
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%	7,275,000
Series 2003 G Refunding Bonds, maturing February 15, 2004 to August 15, 2012, with interest ranging from 2% to 4%	135,000
Series 2009 B Refunding Bonds, maturing August 15, 2009 to August 15, 2017 with interest ranging from 2.25% to 4.00%	6,785,000
	14,846,207

4. **Bonds Payable (Continued)**

Municipal Division – State Guaranteed (Continued)

Net unamortized original issue premium	$ 621,353
Unamortized deferred loss on refundings	(848,556)
Bonds payable	14,619,004
Current portion	4,306,096
Noncurrent portion	$10,312,908

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

Fiscal year Ending June 30,	Principal	Interest	Total
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	720,057	258,886	978,943
2016 – 2018	1,190,000	82,525	1,272,525
	$14,846,207	$2,104,828	$16,951,035

Municipal Division – Qualified School Construction Bond

Bonds payable consist of the following at June 30, 2010: Series 2010 C Bonds maturing September 15, 2011 to September 15, 2026 with interest at 5.39%	$46,812,349
Current portion	–
Noncurrent portion	$46,812,349

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

Fiscal year Ending June 30,	Principal	Interest	Total
2011	$ –	$ 1,794,265	$ 1,794,265
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 – 2020	14,640,000	7,464,881	22,104,881
2021 – 2025	14,565,000	3,529,507	18,094,507
2026 – 2027	5,820,000	313,698	6,133,698
	$46,812,349	$21,923,823	$68,736,172

4. Bonds Payable (Continued)

Municipal Division – Non-State Guaranteed

Series 2000 A Bonds, maturing August 15, 2001 to August 15, 2010, with interest ranging from 5.125% to 5.2%	$ 1,865,000
Series 2000 B Bonds, maturing January 15, 2002 to January 15, 2013, with interest ranging from 4.75% to 5%	330,000
Series 2001 A Bonds, maturing August 15, 2002 to August 15, 2015, with interest ranging from 4.125% to 4.8%	5,725,000
Series 2002 A Bonds, maturing June 15, 2003 to June 15, 2022, with interest ranging from 3.5% to 4.75%	995,000
Series 2002 B Bonds, maturing August 15, 2003 to August 15, 2018, with interest ranging from 3% to 4.6%	14,600,000
Series 2002 C Bonds, maturing August 15, 2003 to August 15, 2022, with interest ranging from 3% to 4.75%	5,670,000
Series 2002 D Refunding Bonds, maturing August 15, 2003 to August 15, 2016, with interest ranging from 2% to 5%	50,400,000
Series 2002 E Bonds, maturing January 15, 2004 to January 15, 2022, with interest ranging from 4.25% to 4.85%	3,220,000
Series 2003 A Refunding Bonds, maturing August 15, 2003 to February 15, 2012, with interest ranging from 2% to 5%	5,770,000
Series 2003 C Bonds, maturing August 15, 2004 to August 15, 2023, with interest ranging from 3% to 6%	36,380,000
Series 2003 D Bonds, maturing August 15, 2004 to August 15, 2023, with interest ranging from 2% to 5%	9,800,000
Series 2003 E Bonds, maturing August 15, 2004 to August 15, 2018, with interest ranging from 3.5% to 5%	12,850,000
Series 2003 F Bonds, maturing January 15, 2005 to January 15, 2024, with interest ranging from 4% to 5%	30,105,000
Series 2004 A Refunding Bonds, maturing August 15, 2005 to February 15, 2020, with interest ranging from 2% to 5%	64,215,000
Series 2004 B Bonds, maturing August 15, 2005 to August 15, 2024 with interest ranging from 3% to 5%	61,770,000
Series 2004 C Bonds, maturing January 15, 2006 to January 15, 2025 with interest ranging from 3.75% to 5%	4,750,000
Series 2005 A Refunding Bonds, maturing August 15, 2009 to August 15, 2020 with interest ranging from 3% to 5%	33,910,000
Series 2005 B Bonds, maturing August 15, 2006 to August 15, 2025 with interest ranging from 4% to 5%	48,930,000
Series 2005 C Bonds, maturing March 15, 2006 to March 15, 2028 with interest ranging from 3% to 5%	19,950,000
Series 2005 D Bonds, maturing July 15, 2006 to July 15, 2029 with interest ranging from 3% to 5%	42,645,000
Series 2006 A Bonds, maturing August 15, 2007 to August 15, 2026 with interest ranging from 4% to 5%	45,965,000
Series 2006 B Bonds, maturing January 15, 2008 to January 15, 2027 with interest ranging from 4% to 5%	15,755,000

4. Bonds Payable (Continued)

Municipal Division – Non-State Guaranteed (Continued)

Series 2007 A Refunding Bonds, maturing August 15, 2008 to February 15, 2029 with interest ranging from 3.75% to 4.50%	$ 37,055,000
Series 2007 B Bonds, maturing August 15, 2008 to August 15, 2036 with interest ranging from 4% to 5%	63,755,000
Series 2007 C Bonds, maturing January 15, 2009 to January 15, 2037 with interest ranging from 4.25% to 5.25%	9,545,000
Series 2008 A Bonds, maturing February 15, 2009 to August 15, 2037 with interest ranging from 4% to 5.25%	40,090,000
Series 2008 B Bonds maturing January 15, 2010 to January 15, 2029 with interest ranging from 4.50% to 5.875%	9,970,000
Series 2009 A Refunding Bonds maturing August 15, 2009 to February 15, 2026 with interest ranging from 2.50% to 4.25%	11,780,000
Series 2009 C Bonds maturing August 15, 2010 to August 15, 2029 with interest ranging from 3.00% to 5.00%	23,250,000
Series 2009 D Bonds maturing July 15, 2010 to July 15, 2033 with interest ranging from 2.50% to 5.50%	27,845,000
Series 2009 E Bonds maturing January 15, 2011 to January 15, 2030 with interest ranging from 3.00% to 5.00%	29,485,000
Series 2010 A Refunding Bonds maturing August 15, 2010 to August 15, 2022 with interest ranging from 2.00% to 5.00%	98,975,000
	867,350,000
Net unamortized original issue premium on refundings	25,668,817
Unamortized deferred loss on refundings	(21,736,304)
Bonds payable	871,282,513
Current portion	69,307,829
Noncurrent portion	$801,974,684

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

Fiscal year Ending June 30,	Principal	Interest	Total
2011	$ 68,840,000	$ 38,065,739	$ 106,905,739
2012	66,145,000	35,603,856	101,748,856
2013	61,720,000	32,820,556	94,540,556
2014	74,025,000	29,766,194	103,791,194
2015	55,415,000	26,647,656	82,062,656
2016 – 2020	248,200,000	96,904,660	345,104,660
2021 – 2025	193,915,000	45,907,738	239,822,738
2026 – 2030	73,655,000	13,795,160	87,450,160
2031 – 2035	13,215,000	4,486,816	17,701,816
2036 – 2040	12,220,000	1,340,456	13,560,456
	$867,350,000	$325,338,831	$1,192,688,831

4. Bonds Payable (Continued)

Educational Institutions Division – Pinkerton Academy

As of May 3, 2010, Pinkerton Academy prepaid the June 2010 and 2011 maturities of the 2001 Series B bonds and advanced refunded the outstanding balance of $14,105,000 of the 2001 Series A bonds through the New Hampshire Health and Higher Education Facilities Authority.

Educational Institutions Division – Coe-Brown Northwood Academy

Bonds payable at June 30, 2010 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	$1,360,000
Current portion	145,000
Noncurrent portion	$1,215,000

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

Fiscal year Ending June 30,	Principal	Interest	Total
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	175,000	37,250	212,250
2016 – 2018	570,000	58,000	628,000
	$1,360,000	$320,525	$1,680,525

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, 2010, defeased bonds payable by irrevocable trusts were approximately $149,665,000.

4. Bonds Payable (Continued)

On March 30, 2010, the Bond Bank issued $98,975,000 in Non-State Guaranteed Fund Group bonds with an average coupon rate of 4.78% to advance refund $102,890,000 of various outstanding maturities of the 1999A, 2000B, 2001A, 2002A, 2002B, 2002C, 2002E, 2003C, 2003E, 2003F, 2004B and 2005B series bonds with an average coupon rate of 4.73%. The net proceeds of approximately $113,490,000 including bond premium of approximately $15,157,000 and after payment of approximately $642,000 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 $9,966,000 in the year ended June 30, 2010, the Bond Bank in effect reduced its aggregate debt service payments by approximately $6 million over the next seventeen years and obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately $5,034,000. The advanced refunding resulted in a net present value savings of 4.89% of the refunded bonds.

The following summarizes bonds payable activity for the Bond Bank for the year ended June 30, 2010:

	State Guaranteed Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group	Pinkerton Academy Fund Group	Coe-Brown Northwood Academy Fund Group
Balance, beginning of year	$21,634,222	$ –	$ 858,852,741	$ 14,820,000	$1,500,000
Issuances	–	46,812,349	179,555,000	–	–
Redemptions	(7,128,108)	–	(69,285,000)	(14,820,000)	(140,000)
Refunded bonds	–	–	(102,890,000)	–	–
Capitalized premiums and deferred losses, net	–	–	5,247,963	–	–
Amortization of premiums and deferred losses, net	112,890	–	(198,191)	–	–
Balance, end of year	$14,619,004	$46,812,349	$ 871,282,513	$ –	$1,360,000

5. Subsequent Events

On July 22, 2010, the Bond Bank issued $104,560,000 in Non State Guaranteed Bonds. The issue included $97,960,000 for loans to twelve municipalities and $6,600,000 issued as Reserve Fund Bonds. The coupon rates range from 3.0% to 5.0% with a True Interest Cost (TIC) of 4.22%.