BAKER NEWMAN NOYES

New Hampshire Municipal Bond Bank

Basic Financial Statements,
Management's Discussion and Analysis
and Required Supplementary Information

Year Ended June 30, 2023
With Independent Auditors' Report

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NEW HAMPSHIRE MUNICIPAL BOND BANK

BASIC FINANCIAL STATEMENTS,
MANAGEMENT'S DISCUSSION AND ANALYSIS
AND REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30, 2023

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INDEPENDENT AUDITORS' REPORT

Board of Directors
New Hampshire Municipal Bond Bank

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements, consisting of the General Operating Fund Group, Qualified School Construction Fund Group, and Non-State Guaranteed Fund Group of the New Hampshire Municipal Bond Bank (the Bond Bank), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Bank Bank's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Bond Bank, as well as the individual fund groups referred to above, as of June 30, 2023, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bond Bank and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bond Bank's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bond Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bond Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Newman & Noyes LLC

Manchester, New Hampshire
October 17, 2023

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

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, 2023. 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 $44,775,100 for fiscal year 2023, an increase of $12,965,950 or 40.76% from fiscal year 2022.

Increase in account balances from fiscal year 2022	
Interest on loans receivable from governmental units, net	$ 4,587,651
Interest income from investments	1,710,587
Net change in the fair value of investments	6,479,366
Other income	188,346
Total net increase	$12,965,950

- Investments are recorded at fair value in accordance with the Governmental Accounting Standards Board's rules. The Bond Bank generally holds investments until maturity to pay reserve fund bonds as they become due, so fluctuations in the fair value of the investments have a minimal long-term effect.

Operating income for fiscal year 2023	$2,206,001
Plus net decrease in the fair value of investments	1,307,856
Operating income for fiscal year 2023 (excluding net decrease in the fair value of investments)	$3,513,857

- Net position of the Bond Bank increased $2,206,001 in fiscal year 2023. At June 30, 2023, the Bond Bank had a net position of $32,956,188, an increase of 7.17% from June 30, 2022.

- The 5.89% increase in operating expenses in fiscal year 2023 is due to annual budget line item increases as well as equipment/furniture purchases for the office below the Bond Bank's capitalization threshold.

- The Bond Bank's bonds payable outstanding at June 30, 2023 of $1,143,462,130 represent a net increase of $60,766,749 or 5.61% from the balance at June 30, 2022. This increase was the result of the following activity in fiscal year 2023:

Issued 2022 C, 2022 D and 2023 A	$ 152,660,000
Capitalized premiums	2,110,258
Amortization of premiums	(3,668,509)
Principal paid	(90,335,000)
Total net increase	$ 60,766,749

- The Bond Bank provided $146,125,000 in new loans to local governmental units during fiscal year 2023, a decrease of $53,210,000 or 26.69% from loans provided in fiscal year 2022. Reserve bonds totaling $6,535,000 were issued as part of the 2022 C and 2022 D issue.

- In 2022, the General Operating Fund Group transferred $1,143,896 to an escrow account held by trustee to make future bond payments on Series 2021 C Bonds. During 2023, the amount due to the General Operating Fund Group for this transaction was paid by transferring excess funds within the Non-State Guaranteed Fund Group. At June 30, 2023, $558,626 is recorded within other current assets of the Non-State Guaranteed Fund Group in the accompanying statements of net position relating to residual amounts in the escrow account held by trustee to make required debt service payments in fiscal year 2024.

Overview of the Bond Bank

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

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

Since its inception, the Bond Bank has issued bonds for its non-guaranteed program pursuant to a General Resolution adopted on December 1, 1978, as amended from time to time (the 1978 Resolution). On July 14, 2005, the Bond Bank adopted a new General Resolution (the 2005 Resolution). While substantially similar to the 1978 Resolution, the 2005 Resolution contained a number of improvements, including a flexible reserve fund sizing requirement, wholesale changes in permitted investments, 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 new money bonds under the terms of the 2005 Resolution, totaling $295,571,000 and two refunding issues totaling $122,550,000. Reserve fund bonds in the amount of $5,410,000 were included in the 2015 A refunding to replace the surety policies. These policies have all terminated when all of the non-callable maturities had matured. Bonds issued under the 2005 Resolution are separately secured from all other bonds of the Bond Bank, including those issued under the 1978 Resolution. The adoption of the 2005 Resolution has not resulted in any substantive change to the Bond Bank's overall program.

The Bond Bank analyzes the cost effectiveness of the 1978 Resolution and the 2005 Resolution whenever a new issue of bonds is being considered. Due to the downgrades of the surety bond providers, this is no longer a viable method of funding the reserve fund. Depending on the structure of the new bonds and the reserve fund requirements, we analyze the best alternative by comparing the availability of investments in the market and the possibility of purchasing State of New Hampshire bonds. In fiscal year 2023, the 2022 Series C and D and 2023 Series A bonds were issued per the 1978 Resolution.

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 continues to operate under three separate fund groups, 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, deferred outflows of resources, deferred inflows of resources and liabilities, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Bond Bank is improving or deteriorating. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities, result in increased net position, which may indicate an improved financial position.

The statements of revenues, expenses, and changes in net position present information showing how the Bond Bank's net position changed during the fiscal year. Changes in net position 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.

Supplementary Information

In addition to the financial statements and the accompanying notes, this report also presents certain required supplementary information, as listed in the table of contents, to provide readers with a broader insight into the financial standing of the Bond Bank.

Financial Analysis

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the Bond Bank, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $32,956,188 at June 30, 2023. This represents an increase of $2,206,001 or 7.17% from the previous fiscal year.

By far, the largest portion of the Bond Bank's net position is its investment in loans to governmental units plus bond proceeds remaining in investments held by trustee, 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	2023	2022	Percentage Change
Current assets:			
Cash	$ 205,705	$ 199,351	3.19%
Investments held by trustee, at fair value	55,616,363	45,638,868	21.86
Loans receivable from governmental units	88,195,020	80,968,305	8.93
Accrued investment income receivable	1,733,038	1,221,771	41.85
Accrued interest receivable from governmental units	14,120,560	11,587,753	21.86
Unamortized bond insurance costs	8,515	10,527	(19.11)
Other current assets	571,172	21,543	2,551.31
Total current assets	160,450,373	139,648,118	14.90
Noncurrent assets:			
Investments held by trustee, at fair value	96,415,122	104,750,884	(7.96)
Loans receivable from governmental units	918,835,500	863,313,500	6.43
Unamortized bond insurance costs	41,473	49,988	(17.03)
Other assets	29,054	1,175,275	(97.53)
Total noncurrent assets	1,015,321,149	969,289,647	4.75
Total assets	1,175,771,522	1,108,937,765	6.03
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized rebates to governmental units	217,952	268,820	(18.92)
Unamortized deferred loss on refundings	16,973,468	19,131,968	(11.28)
Pension adjustments	97,557	68,000	43.47
Total deferred outflows of resources	17,288,977	19,468,788	(11.20)
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	21,096	29,077	(27.45)
Accrued interest payable	16,083,664	14,469,582	11.16
Bonds payable	107,686,733	93,813,908	14.79
Total current liabilities	123,791,493	108,312,567	14.29
Noncurrent liabilities:			
Accrued interest rebate payable to U.S. Government	173,544	76,058	128.17
Bonds payable	1,035,775,397	988,881,473	4.74
Accrued pension liability	329,249	229,919	43.20
Other liabilities	29,054	49,097	(40.82)
Total noncurrent liabilities	1,036,307,244	989,236,547	4.76
Total liabilities	1,160,098,737	1,097,549,114	5.70
DEFERRED INFLOWS OF RESOURCES:			
Pension adjustments	5,574	107,252	(94.80)
Total deferred inflows of resources	5,574	107,252	(94.80)
NET POSITION			
Total net position	$ 32,956,188	$ 30,750,187	7.17%

Total cash and investments held by trustee increased $1,648,087 or 1.09% at June 30, 2023 compared to June 30, 2022. 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 strips, NH G.O. Capital Improvement Bonds, NH Public Deposit Investment Pool (NHPDIP) and certificates of deposit. 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 position.

The Bond Bank's loans receivable from governmental units increased $62,748,715 or 6.65% at June 30, 2023 compared to June 30, 2022. The Bond Bank's total new loan originations to local governmental units in fiscal year 2023 of $146,125,000 were 26.69% lower than fiscal year 2022 originations of $199,335,000. Bond principal repayments in fiscal year 2023 of $90,335,000 were 7.64% higher than fiscal year 2022 principal repayments of $83,920,000. Net bonds payable increased 5.61%.

The Bond Bank continued to maintain a positive spread of income from investments and loans to governmental units over bond interest expense and operating expenses. Overall net position increased 7.17% in fiscal year 2023 as compared to an overall net position decrease of 16.27% in fiscal year 2022. The change was mainly due to a smaller impact from the change in the fair value of investments as well as increased investment income.

	2023	2022	Percentage Change
Interest on loans receivable from governmental units, net	$40,514,708	$35,927,057	12.77%
Interest income from investments	4,959,567	3,248,980	52.65
Net decrease in the fair value of investments	(1,307,856)	(7,787,222)	(83.21)
Other income	608,681	420,335	44.81
Total operating revenues	44,775,100	31,809,150	40.76
Interest expense	41,036,514	35,138,395	16.79
Operating expenses	547,783	517,309	5.89
Other expense	984,802	2,127,790	(53.72)
Total operating expenses	42,569,099	37,783,494	12.67
Operating income (loss)	2,206,001	(5,974,344)	(136.92)
Net position, beginning of year	30,750,187	36,724,531	(16.27)
Net position, end of year	$32,956,188	$30,750,187	7.17%

Operating revenues are generated principally from interest earned on investments and from fees and interest received from governmental units. The Bond Bank's annual operating budget is approved by the Board of Directors.

The net decrease in the fair value of investments in fiscal year 2023 of $1,307,856 (versus a net decrease in the fair value of investments in fiscal year 2022 of $7,787,222, which equates to a total change in this account of $6,479,366) was caused by movements in market values of the Bond Bank's investment portfolio. Increase in investment income is primarily due to the effect of rising interest rates increasing yields on cash equivalents.

The decrease in other expense was mainly due to the fact that there was one fewer new money issue in fiscal year 2023 than there was in fiscal year 2022, at a lower par amount, resulting in lower issuance costs. Additionally, the Bond Bank changed the collection of bond issuance costs in 2018 and going forward, costs will be received with interest payments for the life of the loan and recognized when earned. This in part contributed to the increase in other income.

Requests for Information

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

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF NET POSITION

June 30, 2023

ASSETS	General Operating Fund Group	Municipal Division: Qualified School Construction Fund Group	Municipal Division: Non-State Guaranteed Fund Group	Total
Current assets:				
Cash (note 3)	$ 203,636	$ –	$ 2,069	$ 205,705
Investments held by trustee, at fair value (notes 3 and 5):				
Cash equivalents	1,745,223	18,681	14,451,594	16,215,498
Investments	4,693,760	–	19,985,200	24,678,960
Reserve fund investments (note 4)	–	–	14,721,905	14,721,905
Loans receivable from governmental units (note 4)	–	2,910,000	85,285,020	88,195,020
Accrued investment income receivable	52,827	–	1,680,211	1,733,038
Accrued interest receivable from governmental units	–	186,476	13,934,084	14,120,560
Unamortized bond insurance costs	–	–	8,515	8,515
Other current assets (note 4)	12,046	–	559,126	571,172
Total current assets	6,707,492	3,115,157	150,627,724	160,450,373
Noncurrent assets:				
Investments held by trustee, at fair value (notes 3, 4 and 5):				
Reserve fund cash equivalents	–	–	23,751	23,751
Reserve fund investments	–	–	96,391,371	96,391,371
Loans receivable from governmental units (note 4)	–	8,730,000	910,105,500	918,835,500
Unamortized bond insurance costs	–	–	41,473	41,473
Other assets (note 7)	29,054	–	–	29,054
Total noncurrent assets	29,054	8,730,000	1,006,562,095	1,015,321,149
Total assets	6,736,546	11,845,157	1,157,189,819	1,175,771,522
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized rebates to governmental units	–	–	217,952	217,952
Unamortized deferred loss on refundings	–	–	16,973,468	16,973,468
Pension adjustments (note 6)	97,557	–	–	97,557
Total deferred outflows of resources	97,557	–	17,191,420	17,288,977

LIABILITIES	General Operating Fund Group	Municipal Division: Qualified School Construction Fund Group	Municipal Division: Non-State Guaranteed Fund Group	Total
Current liabilities:				
Accounts payable and accrued liabilities	$ 21,096	$ –	$ –	$ 21,096
Accrued interest payable	–	186,476	15,897,188	16,083,664
Bonds payable (note 4)	–	2,910,000	104,776,733	107,686,733
Total current liabilities	21,096	3,096,476	120,673,921	123,791,493
Noncurrent liabilities:				
Accrued interest rebate payable to U.S. Government (note 2)	–	–	173,544	173,544
Bonds payable (note 4)	–	8,730,000	1,027,045,397	1,035,775,397
Accrued pension liability (note 6)	329,249	–	–	329,249
Other liabilities (note 7)	29,054	–	–	29,054
Total noncurrent liabilities	358,303	8,730,000	1,027,218,941	1,036,307,244
Total liabilities	379,399	11,826,476	1,147,892,862	1,160,098,737
DEFERRED INFLOWS OF RESOURCES				
Pension adjustments (note 6)	5,574	–	–	5,574
NET POSITION				
Total net position	$ 6,449,130	$ 18,681	$ 26,488,377	$ 32,956,188

See accompanying notes to the financial statements.

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

For the Year Ended June 30, 2023

	Municipal Division			
	General Operating Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group	Total
Operating revenues:				
Interest on loans receivable from governmental units, net	$ –	$659,202	$39,855,506	$40,514,708
Interest income from investments	156,138	6,401	4,797,028	4,959,567
Net decrease in the fair value of investments	–	–	(1,307,856)	(1,307,856)
Other income	608,681	–	–	608,681
Total operating revenues	764,819	665,603	43,344,678	44,775,100
Operating expenses:				
Interest expense (note 4)	–	659,202	40,377,312	41,036,514
Operating expenses (note 6)	547,783	–	–	547,783
Other expense	–	–	984,802	984,802
Total operating expenses	547,783	659,202	41,362,114	42,569,099
Operating income before operating transfers	217,036	6,401	1,982,564	2,206,001
Operating transfers	612,681	–	(612,681)	–
Operating income	829,717	6,401	1,369,883	2,206,001
Net position, beginning of year	5,619,413	12,280	25,118,494	30,750,187
Net position, end of year	$6,449,130	$ 18,681	$26,488,377	$32,956,188

See accompanying notes to the financial statements.

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2023

		Municipal Division		
	General Operating Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group	Total
Operating activities:				
Cash received from governmental units	$ –	$ 3,615,821	$ 117,793,233	$ 121,409,054
Cash payments to governmental units	–	–	(146,125,000)	(146,125,000)
Cash received from other income	608,681	–	–	608,681
Cash paid for operating expenses	(587,669)	–	–	(587,669)
Cash payments for bond issuance costs	–	–	(984,802)	(984,802)
Cash received for other assets and liabilities	1,135,675	–	567,052	1,702,727
Cash paid for other assets	–	–	(1,126,178)	(1,126,178)
Cash transfer to the operating fund	612,681	–	(612,681)	–
Net cash provided (used) by operating activities	1,769,368	3,615,821	(30,488,376)	(25,103,187)
Investing activities:				
Purchases of investments	(4,014,959)	–	(45,227,786)	(49,242,745)
Proceeds from sale and maturities of investments	3,000,000	–	32,268,724	35,268,724
Interest received on investments	107,052	6,401	4,476,424	4,589,877
Interest rebate paid to U.S. Government	–	–	(44,091)	(44,091)
Net cash (used) provided by investing activities	(907,907)	6,401	(8,526,729)	(9,428,235)
Noncapital financing activities:				
Proceeds from bonds payable	–	–	154,770,258	154,770,258
Principal paid on bonds payable	–	(2,910,000)	(87,425,000)	(90,335,000)
Interest paid on bonds payable	–	(705,821)	(40,216,093)	(40,921,914)
Net cash (used) provided by noncapital financing activities	–	(3,615,821)	27,129,165	23,513,344
Increase (decrease) in cash and cash equivalents	861,461	6,401	(11,885,940)	(11,018,078)
Cash and cash equivalents, beginning of year	1,087,398	12,280	26,363,354	27,463,032
Cash and cash equivalents, end of year	$ 1,948,859	$ 18,681	$ 14,477,414	$ 16,444,954

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2023

	Municipal Division			
	General Operating Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group	Total
Statement of net position classification:				
Cash	$ 203,636	$ –	$ 2,069	$ 205,705
Cash equivalents – investments held by trustee	1,745,223	18,681	14,451,594	16,215,498
Cash equivalents – reserve fund investments held by trustee	–	–	23,751	23,751
	$ 1,948,859	$ 18,681	$ 14,477,414	$ 16,444,954
Reconciliation of operating income to net cash provided (used) by operating activities:				
Operating income	$ 829,717	$ 6,401	$ 1,369,883	$ 2,206,001
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Interest income from investments	(156,138)	(6,401)	(4,797,028)	(4,959,567)
Net decrease in the fair value of investments	–	–	1,307,856	1,307,856
Amortization of rebates to governmental units	–	–	50,868	50,868
Interest expense on bonds payable	–	659,202	40,377,312	41,036,514
Change in assets and liabilities:				
Loans receivable from governmental units	–	2,910,000	(65,658,715)	(62,748,715)
Accrued interest receivable from governmental units	–	46,619	(2,579,426)	(2,532,807)
Other current assets	9,497	–	(559,126)	(549,629)
Other assets	1,146,221	–	–	1,146,221
Accrued pension liability	(31,905)	–	–	(31,905)
Accounts payable and accrued liabilities	(7,981)	–	–	(7,981)
Other liabilities	(20,043)	–	–	(20,043)
Net cash provided (used) by operating activities	$ 1,769,368	$ 3,615,821	$ (30,488,376)	$ (25,103,187)

See accompanying notes to the financial statements.

1. Organization

The New Hampshire Municipal Bond Bank (the 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 generally enables governmental units to issue debt at a lower cost of borrowing and on more favorable terms than would be possible by financing on their own. As discussed below, the Act was amended in 1982 to establish the Educational Institutions Division.

To achieve its purpose, the Bond Bank operates the following divisions and programs:

General

General Operating Fund Group consists of the operating revenues and expenses incurred by the Bond Bank in administering the resolutions under which it is operating. The resolutions have been grouped into two categories, the Municipal Division and the Educational Institution Division. The General Operating Fund Group was created in July 2011 through transfers from the State Guaranteed Fund Group and the Qualified School Construction Fund Group. No State appropriations are made to the Bond Bank. Fees and charges, which include interest charges earned over the life of the loan for loans funded beginning in 2018, are received by the Bond Bank for the use of its services or facilities. These fees and charges, along with income from investments, provide for the annual operating costs of the Bond Bank.

Municipal Division

State Guaranteed Fund Group 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 historically 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). There are currently no outstanding loans receivable from governmental units and related bonds payable in the State Guaranteed Fund Group.

Qualified School Construction Fund Group bonds issued are not a debt of the State of New Hampshire, and the State is not liable on such bonds. However, the municipal bonds issued through the Bond Bank are guaranteed as to 75 percent of principal and interest by a pledge of the full faith and credit of the State of New Hampshire. The Bond Bank has issued bonds for its Qualified School Construction program pursuant to a General Resolution adopted on June 2, 2010 (the QSCB Resolution).

1. Organization (Continued)

Non-State Guaranteed Fund Group 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. The adoption of the 2005 Resolution has not resulted in any substantive change to the Bond Bank's overall program. Total bonds payable outstanding under the 2005 Resolution, which are reported under the Non-State Guaranteed Fund Group, were approximately $74,020,000 at June 30, 2023.

Bonds issued under the 2005 Resolution are separately secured from all other bonds of the Bond Bank, including those issued under the 1978 Resolution. Bonds issued under the 2005 Resolution (through 2008) met the reserve fund requirements through the purchase of surety bond policies. The surety policies terminate when all of the non-callable maturities have matured. All surety policies purchased by the Bond Bank were terminated on August 15, 2018.

Educational Institution Division

There were no outstanding balances or activity in the Educational Institution Division for the year ended June 30, 2023.

2. Significant Accounting Policies

Proprietary Fund Accounting

The Bond Bank is accounted for as an Enterprise Fund. An Enterprise Fund is used to account for an operation where periodic determination, on an accrual basis, of revenues earned, expenses incurred and net income is appropriate. Accordingly, the Bond Bank recognizes revenues in the period earned and expenses in the period incurred (i.e., the accrual basis of accounting).

As discussed below, the Bond Bank complies with Governmental Accounting Standards Board (GASB) statements codified under GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62).

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*.

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, and that the Bond Bank has maintained its tax-exempt status and has no uncertain tax positions that require adjustment or disclosure in these financial statements. However, the Bond Bank is subject to the arbitrage rebate requirements of Section 148 of the IRC. Section 148 requires that any arbitrage profit earned on the proceeds of tax-exempt bonds issued after 1985 must be rebated to the federal government at least once every five years, with the balance rebated no later than 60 days after the retirement of the bonds.

Arbitrage rebate expense, which is presented as a reduction in the amount of interest income from investments, for the year ended June 30, 2023, was approximately $142,000 for the Non-State Guaranteed Fund Group. In 2023, approximately $44,000 in rebate payments were made for the Non-State Guaranteed Fund Group.

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. See note 5. 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 position. Interest earnings on principal-only strips within the Non-State Guaranteed Fund Group have been recorded as interest income from investments. Reserve fund investments that are not expected to be utilized to fund bond principal and interest payments until after one year from the statement of net position date 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. However, bond insurance costs and original issue discounts or premiums associated with bond issues are deferred and are being amortized to interest expense over the life of the 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 insurance costs are recorded as deferred charges included in unamortized bond insurance costs. Other premiums and discounts are passed on to borrowers and are, therefore, not recorded in the accompanying financial statements.

Pension Plan

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan (the Pension Plan) and additions to/deductions from the Pension Plan's fiduciary net position have been determined on the same basis as they are reported by the Pension Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

2. Significant Accounting Policies (Continued)

Refundings

All advanced refundings 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 deferred outflow of resources. Amortization for the year ended June 30, 2023 was approximately $2,158,000 for the Non-State Guaranteed Fund Group.

The Board of Directors determines what percentage, if any, of the gains, losses and economic benefits of advanced refundings within the Municipal Divisions gets passed on to the respective governmental units. Refunding benefits for governmental units are distributed to the governmental units as a one-time, upfront, rebate or as reduced debt service payments allocated over the remaining life of the refunded bonds. If the refunding benefits are distributed as a one-time, upfront, rebate, the refunding benefits 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.

Recently Issued Accounting Pronouncement

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement: (a) defines a SBITA, (b) establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, (c) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (d) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The effective date for GASB 96 is to reporting periods beginning after June 15, 2022, with earlier application permitted. The adoption of this statement did not have a significant impact on the Bond Bank's financial statements.

2. Significant Accounting Policies (Continued)

Subsequent Events

For the purposes of recognition and disclosure in these financial statements, management of the Bond Bank has evaluated subsequent events through October 17, 2023, which is the date these financial statements were available to be issued.

In August 2023, the Bond Bank issued $100,150,000 in Non-State Guaranteed Fund Group Series B bonds. The issue included $94,125,000 for loans to sixteen municipalities and $6,025,000 in reserve fund bonds. The coupon rate ranged from 4.00% to 5.00%.

3. Cash, Cash Equivalents and Investments

At June 30, 2023, the bank balance of the Bond Bank's operating cash accounts (not held by trustee) was $283,377.

Cash includes funds held in interest bearing demand deposit and savings accounts, which, at times, may exceed amounts guaranteed by the Federal Deposit Insurance Corporation. The Bond Bank has not experienced any losses in such accounts and management believes the Bond Bank is not exposed to any significant risk of loss on cash.

Investments held by trustee and reserve fund investments held by trustee consist primarily of U.S. Government obligations, U.S. Treasury strips, Government-sponsored enterprises, New Hampshire government obligations, certificates of deposit and shares of money market funds which invest in U.S. Government and Government Agency obligations. All investments are held by a trustee in the Bond Bank's name. In addition to the above, the Bond Bank's internal investment policies allow operating investments to include fixed-income mutual funds, which hold diversified portfolios in investment-grade debt securities.

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

3. Cash, Cash Equivalents and Investments (Continued)

The 1978 and 1979 Resolutions require their respective debt service funds be sized to meet the maximum amount of maturing municipal bond debt service in any calendar year. The 2005 Resolution requires that for each issue of bonds, the reserve fund requirement shall equal the lesser of (i) 10% of the aggregate original net proceeds of such Series of Bonds, (ii) 125% of the average annual aggregate Debt Service on such Bonds, or (iii) the maximum aggregate amount of Debt Service due on such Bonds in any succeeding bond year. This requirement is subject to change by an amendment to the 2005 Resolution under certain circumstances, but only once 100 loans have been made by the Bank under the 2005 Resolution. Through June 30, 2023, the Bank had made 78 loans under the 2005 Resolution.

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

Reserve fund investments and investments held by trustee must be invested in any of the following obligations: (a) direct obligations of the United States of America or direct obligations of the State or obligations for which the faith and credit of the United States of America or the State is pledged to provide for the payment of the principal and interest, (b) any bond, debenture, note, participation or other similar obligation issued by the Federal National Mortgage Association, and (c) any other obligation of the United States of America or any Federal agencies which may then be purchased with funds belonging to the State or held in the State Treasury.

Investments of the Bond Bank consist of short-term money market funds that are 100% collateralized by government securities, investments in U.S. Treasury securities, U.S. Government-sponsored enterprise securities, N.H. G.O. Capital improvement bonds, mutual funds and certificates of deposit. At June 30, 2023, investments are categorized as follows:

	Fair Value
General Operating Fund Group	
Investments held by trustee:	
Cash equivalents	$ 1,745,223
Operating investments:	
Mutual fund	$ 1,093,760
Certificates of deposit	3,600,000
	$ 4,693,760
Qualified School Construction Fund Group	
Investments held by trustee:	
Cash equivalents	$ 18,681

3. Cash, Cash Equivalents and Investments (Continued)

	Fair Value
Non-State Guaranteed Fund Group	
Investments held by trustee:	
Cash equivalents	$ 14,451,594
Certificates of deposit	10,000,000
U.S. Government obligations	9,985,200
	$ 34,436,794
Reserve fund investments held by trustee:	
Cash equivalents	$ 23,751
U.S. Government obligations	65,504,199
U.S. Treasury strips	3,301,245
U.S. Government-sponsored enterprises strips[(1)]	6,994,162
N.H. G.O. capital improvement bonds	35,313,670
	$ 111,137,027

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

The investment of general operating funds is to provide income to supplement administration of current programs, provide a source of capital for new programs, reduce susceptibility to unanticipated expenditures or revenue shortfalls, and to help maintain credit ratings. Relative to the investment of bond funds, 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 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, 2023:

	Total Fair Value	Less than One Year	One to Five Years	Six to Ten Years	More than Ten Years
Non-State Guaranteed Fund Group					
Certificates of deposit	$ 10,000,000	$ 10,000,000	$ –	$ –	$ –
U.S. Government obligations	75,489,399	21,771,485	12,076,080	11,971,894	29,669,940
U.S. Treasury strips	3,301,245	129,563	469,154	496,201	2,206,327
U.S. Government-sponsored enterprises strips	6,994,162	2,806,057	3,924,531	263,574	–
N.H. G.O. capital improvement bonds	35,313,670	–	6,331,351	10,679,330	18,302,989
	$ 131,098,476	$ 34,707,105	$ 22,801,116	$ 23,410,999	$ 50,179,256

The General Operating Fund Group's certificates of deposit have a total fair value of $3,600,000, all of which matures in less than one year.

3. Cash, Cash Equivalents and Investments (Continued)

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 U.S. Bank. Management of the Bond Bank is not aware of any issues with respect to custodial credit risk at U.S. Bank at June 30, 2023.

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 considered to have minimal credit risk.

At June 30, 2023, the Bond Bank is invested in the State of New Hampshire's general obligation capital improvement bonds within the Non-State Guaranteed Fund Group.

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 statement of net position. At June 30, 2023, the fair value of these investments is $10,295,407 within the Non-State Guaranteed Fund Group.

The fair value of individual investments that represent 5% or more of the Bond Bank's investments within each fund group are as follows:

General Operating Fund Group		
Dreyfus Government Cash Management	$ 1,745,223	27%
Primary Bank Certificates of Deposit	2,100,000	33
Bar Harbor Bank & Trust Certificate of Deposit	1,500,000	23
NH Public Deposit Investment Pool (NHPDIP)	1,093,760	17
Non-State Guaranteed Fund Group		
Dreyfus Government Cash Management	$14,475,345	10%

4. Bonds Payable

The carrying amounts of bonds payable at June 30, 2023, by program, are as follows:

Municipal Division:	
Qualified School Construction	$ 11,640,000
Non-State Guaranteed	1,131,822,130
	$ 1,143,462,130

4. Bonds Payable (Continued)

Following is a comprehensive summary of bonds payable, with original interest rates and maturity dates, by program, at June 30, 2023:

Municipal Division – Qualified School Construction

Series 2010 C Bonds maturing September 15, 2011 to September 15, 2026 with interest at 5.39%	$11,640,000
Current portion	2,910,000
Noncurrent portion	$ 8,730,000

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

Fiscal year Ending June 30,	Principal	Interest	Total
2024	$ 2,910,000	$ 548,972	$ 3,458,972
2025	2,910,000	392,123	3,302,123
2026	2,910,000	235,274	3,145,274
2027	2,910,000	78,423	2,988,423
	$11,640,000	$1,254,792	$12,894,792

Municipal Division – Non-State Guaranteed

Series 2003 D Bonds, maturing August 15, 2004 to August 15, 2023, with interest ranging from 2.00% to 5.00%	$ 700,000
Series 2012 D Bonds, maturing February 15, 2014 to February 15, 2033 with interest ranging from 2.00% to 5.00%	1,805,000
Series 2013 A Refunding Bonds, maturing August 15, 2013 to August 15, 2025 with interest ranging from 3.00% to 5.00%	13,790,000
Series 2013 C Bonds, maturing August 15, 2014 to August 15, 2024 with interest ranging from 4.00% to 5.50%	5,215,000
Series 2014 A Bonds, maturing August 15, 2015 to August 15, 2034 with interest ranging from 3.00% to 5.00%	37,670,000
Series 2014 B Refunding Bonds, maturing February 15, 2016 to February 15, 2035 with interest ranging from 3.00% to 5.00%	9,300,000
Series 2015 A Refunding Bonds, maturing August 15, 2015 to August 15, 2036 with interest ranging from 3.00% to 5.00%	44,770,000
Series 2015 C Bonds, maturing August 15, 2016 to August 15, 2033 with interest ranging from 2.00% to 4.00%	2,890,000
Series 2016 A Bonds, maturing February 15, 2017 to February 15, 2036 with interest ranging from 2.00% to 4.00%	2,565,000

4. Bonds Payable (Continued)

Municipal Division – Non-State Guaranteed (Continued)

Series 2016 B Bonds, maturing August 15, 2017 to August 15, 2045 with interest ranging from 2.00% to 5.00%	$	31,065,000
Series 2016 C Bonds, maturing August 15, 2017 to August 15, 2035 with interest ranging from 2.00% to 4.00%		7,100,000
Series 2016 D Refunding Bonds, maturing February 15, 2017 to August 15, 2039 with interest ranging from 2.00% to 5.00%		89,775,000
Series 2016 E Refunding Bonds, maturing February 15, 2017 to August 15, 2037 with interest ranging from 2.00% to 5.00%		29,250,000
Series 2017 A Refunding Bonds, maturing August 15, 2017 to February 15, 2024 with interest ranging from 3.00% to 5.00%		2,480,000
Series 2017 B Bonds, maturing August 15, 2018 to August 15, 2046 with interest ranging from 3.00% to 5.00%		98,385,000
Series 2018 A Bonds, maturing February 15, 2019 to February 15, 2038 with interest ranging from 3.00% to 5.00%		7,285,000
Series 2018 B Bonds, maturing August 15, 2019 to August 15, 2043 with interest ranging from 3.00% to 5.00%		43,455,000
Series 2019 A Bonds, maturing February 15, 2020 to February 15, 2039 with interest ranging from 3.00% to 5.00%		12,615,000
Series 2019 B Bonds, maturing August 15, 2020 to August 15, 2044 with interest ranging from 2.50% to 5.00%		7,370,000
Series 2019 C Refunding Bonds, maturing February 15, 2020 to February 15, 2041 with interest ranging from 1.81% to 2.82%		71,965,000
Series 2020 A Bonds, maturing February 15, 2021 to February 15, 2040 with interest ranging from 2.13% to 5.00%		33,175,000
Series 2020 B Bonds and Refunding Bonds, maturing August 15, 2021 to August 15, 2045 with interest ranging from 2.10% to 5.10%		82,755,000
Series 2020 C Bonds, maturing August 15, 2021 to August 15, 2040 with interest ranging from 1.50% to 2.20%		7,485,000
Series 2020 D Refunding Bonds, maturing February 15, 2021 to February 2033 with interest ranging from 0.23% to 1.77%		38,845,000
Series 2021 A Bonds, maturing February 15, 2022 to February 15, 2046 with interest ranging from 2.00% to 5.00%		30,295,000
Series 2021 B Bonds, maturing February 15, 2022 to February 15, 2040 with interest ranging from 2.00% to 5.00%		26,220,000
Series 2021 C Bonds, maturing August 15, 2022 to August 15, 2050 with interest ranging from 2.00% to 5.00%		111,835,000
Series 2021 D Bonds, maturing August 15, 2022 to August 15, 2041 with interest ranging from 1.40% to 3.00%		9,835,000
Series 2022 A Bonds, maturing February 15, 2023 to February 15, 2051 with interest ranging from 2.16% to 5.00%		52,480,000
Series 2022 B Bonds, maturing February 15, 2023 to February 15, 2044 with interest ranging from 2.75% to 5.00%		30,545,000

4. Bonds Payable (Continued)

Municipal Division – Non-State Guaranteed (Continued)

Series 2022 C Bonds, maturing August 15, 2023 to August 15, 2051 with interest ranging from 4.00% to 5.00%	$ 125,055,000
Series 2022 D Bonds, maturing February 15, 2024 to February 15, 2048 with interest ranging from 4.375% to 5.00%	20,845,000
Series 2023 A Bonds, maturing February 15, 2024 to February 15, 2043 with interest ranging from 3.125% to 5.00%	6,760,000
	1,095,580,000
Net unamortized original issue premium	36,242,130
Bonds payable	1,131,822,130
Current portion	104,776,733
Noncurrent portion	$ 1,027,045,397

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

Fiscal year Ending June 30,	Principal	Interest	Total
2024	$ 101,520,000	$ 40,456,959	$ 141,976,959
2025	88,775,000	36,393,022	125,168,022
2026	77,970,000	32,930,127	110,900,127
2027	73,690,000	29,565,518	103,255,518
2028	65,275,000	26,502,026	91,777,026
2029 – 2033	281,950,000	93,995,167	375,945,167
2034 – 2038	213,225,000	48,301,458	261,526,458
2039 – 2043	140,365,000	19,305,983	159,670,983
2044 – 2048	45,815,000	5,402,472	51,217,472
2049 – 2052	6,995,000	521,451	7,516,451
	$ 1,095,580,000	$ 333,374,183	$ 1,428,954,183

Some bonds contain provisions for prepayment at the Bond Bank's option. All bonds are secured by the payment stream of loans receivable from governmental units or institutions. The monies in the reserve funds shall be held and applied solely to the payment of the interest and principal of the reserve fund bonds as they become due and payable and for the retirement of the reserve fund bonds. In the event of a deficiency in an interest and/or principal payment from the governmental units or institutions, transfers can be made from the general reserve funds to cover the shortfall. If this transfer creates a deficiency in the required amount of the reserve funds, the State can annually appropriate and cover such deficiency through the moral obligation. Reserve funds of one division (as defined in note 1) cannot be used to cover deficiencies of another division.

4. Bonds Payable (Continued)

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. The Bond Bank accounts for these transactions by removing the trust securities and liabilities for the in-substance defeased bonds from its records and records a deferred amount on refunding. As of June 30, 2023, defeased bonds payable by irrevocable trusts were approximately $22,095,000.

The following summarizes bonds payable activity for the Bond Bank for the year ended June 30, 2023:

	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group
Balance, beginning of year	$14,550,000	$ 1,068,145,381
Issuances – par	–	152,660,000
Principal paid	(2,910,000)	(87,425,000)
Capitalized premiums	–	2,110,258
Amortization of premiums	–	(3,668,509)
Balance, end of year	$11,640,000	$ 1,131,822,130

During 2022, the General Operating Fund Group transferred $1,143,896 to an escrow account held by a trustee to make future bond payments on Series 2021 C Bonds and recorded the amount within other current assets and other assets of the General Operating Fund Group in the June 30, 2022 statement of net position. During 2023, the amount due to the General Operating Fund Group for this transaction was paid by transferring excess funds from within the Non-State Guaranteed Fund Group. At June 30, 2023, remaining funds in the escrow account held by the trustee of $558,626 after all current year required debt service payments were made are included in other current assets of the Non-State Guaranteed Fund Group on the statements of net position.

5. Fair Value Measurements

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 Bond Bank categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Bond Bank has the ability to access.

5. Fair Value Measurements (Continued)

Level 2 – Inputs to the valuation method include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- *Market approach* – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- *Cost approach* – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- *Income approach* – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques).

Each asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Cash equivalents and certificates of deposit: Fair value approximates the relative book values at June 30 as these financial instruments have short maturities.

Mutual funds: Fair value is based on quoted prices in active markets.

U.S. Government obligations, U.S. Treasury strips, U.S. Government-sponsored enterprises strips and N.H. G.O. capital improvement bonds: Fair value is determined based on quoted prices in active markets, or by using broker or dealer quotations, external pricing providers, or alternative pricing sources with reasonable levels of price transparency.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Bond Bank believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

5. Fair Value Measurements (Continued)

The following table sets forth by level, within the fair value hierarchy, the Bond Bank's assets at fair value as of June 30, 2023:

	Level 1	Level 2	Level 3	Total
General Operating Fund Group				
Cash equivalents	$ 1,745,223	$ –	$ –	$ 1,745,223
Certificates of deposit	–	3,600,000	–	3,600,000
Mutual funds:				
NHPDIP	1,093,760	–	–	1,093,760
	$ 2,838,983	$ 3,600,000	$ –	$ 6,438,983
Qualified School Construction Fund Group				
Cash equivalents	$ 18,681	$ –	$ –	$ 18,681
Non-State Guaranteed Fund Group				
Cash equivalents	$14,475,345	$ –	$ –	$ 14,475,345
Certificates of deposit	–	10,000,000	–	10,000,000
U.S. Government obligations	–	75,489,399	–	75,489,399
U.S. Treasury strips	–	3,301,245	–	3,301,245
U.S. Government-sponsored enterprises strips	–	6,994,162	–	6,994,162
N.H. G.O. capital improvement bonds	–	35,313,670	–	35,313,670
	$14,475,345	$ 131,098,476	$ –	$ 145,573,821

6. Cost-Sharing Pension Plan

General Information about the Pension Plan

Plan description – The Bond Bank participates in a Cost-Sharing Multiple Employer Defined Benefit Pension Plan (the Pension Plan) administered by the New Hampshire Retirement System (NHRS).

The Pension Plan was established in 1967 by RSA 100-A: 2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the Pension Plan. The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for the Pension Plan. That report may be obtained on the NHRS website.

6. Cost-Sharing Pension Plan (Continued)

The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and are available to pay retirement benefits to all members. Bond Bank employees participate in Group I, which is further described below.

Benefits provided – Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. For age 60, the yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. For age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service. Members may also qualify for vested deferred allowances, disability allowances and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Contributions – By statute, the Board of Trustees of the NHRS is responsible for the certification of employer and employee contribution rates, which are determined through the preparation of biennial valuations of the NHRS's assets by the NHRS's actuary using the entry age normal cost method. The Bond Bank's payroll for the year ended June 30, 2023 for payroll covered by the Plan was $245,939, which was 100% of payroll. The Bond Bank is required to contribute at an actuarially determined rate that, when combined with the contributions of other reporting entities, will be adequate to fund the Plan.

The Bond Bank's contributions for the years ended June 30, 2023, 2022 and 2021 were $36,058, $33,235 and $23,834 (employer) and $19,131, $16,919 and $24,469 (employee), respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows and Inflows of Resources Related to the Pension Plan

At June 30, 2023, the Bond Bank reported a liability of $329,249 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Bond Bank's proportionate share of the net position liability was based on a projection of the Bond Bank's long-term share of contributions to the Pension Plan relative to the projected contributions of all participating members, actuarially determined. At the June 30, 2022 actuarial valuation date, the Bond Bank's proportion was 0.0057%, which is consistent to its proportion measured as of June 30, 2021.

6. Cost-Sharing Pension Plan (Continued)

For the year ended June 30, 2023, the Bond Bank recognized pension expense of approximately $5,600 within the General Operating Fund Group. At June 30, 2023, the Bond Bank reported deferred outflows of resources and deferred inflows of resources related to the Pension Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between Bond Bank contributions and proportionate share of contributions	$25,329	$ (4,310)
Changes in assumptions and differences about future economic or demographic factors	17,513	–
Net difference between projected and actual earnings on pension plan investments	12,478	–
Differences between expected and actual experience	6,179	(1,264)
Bond Bank contributions subsequent to the measurement date	36,058	–
Total	$97,557	$ (5,574)

The above total of $36,058 reported as deferred outflows of resources related to the Pension Plan resulting from Bond Bank contributions subsequent to the measurement date (June 30, 2022) will be recognized as a reduction of the net pension liability in the Plan measurement date of June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized as an increase (reduction) in pension expense as follows:

Year Ended June 30	
2024	$12,488
2025	11,118
2026	(5,883)
2027	17,183

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following methods and assumptions, applied to all periods included in the measurement:

Actuarial Cost Method – The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements, the normal cost rate and the unfunded actuarial liability (UAL) rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each member. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of their expected future salary. The normal cost for each member is the product of their pay and their normal cost rate. The normal cost for the group is the sum of the normal costs for all members. Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

6. Cost-Sharing Pension Plan (Continued)

Asset Valuation Method – The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year a five year smoothed market for funding purposes for investment return.

Amortization – The net pension liability is amortized on a closed basis over a period of 30 years beginning July 1, 2009 (18 years beginning July 1, 2021).

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2022 and June 30, 2021 are as follows:

Investment Rate of Return – 6.75% and 7.25% per annum at June 30, 2022 and 2021, respectively, net of investment expenses, including inflation.

Salary Increases, Merit and Inflation – 5.40% and 5.60% per year at June 30, 2022 and 2021, respectively.

Mortality Rates – Based on Pub-2010 healthy retiree mortality tables with credibility adjustments for each member classification and projected fully generational mortality improvements using Scale MP-2019 for June 30, 2022. Based on RP-2014 healthy annuitant and employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study for June 30, 2021.

Inflation increases – 2.00% per annum (price) and 2.75% per annum (wage) for June 30, 2022. 2.50% per annum (price) and 3.25% per annum (wage) for June 30, 2021.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Pension Plan's target asset allocation as of June 30, 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities:		
Broad U.S. Equity	30.00%	7.60%
International equities:		
Global Ex-U.S. Equity	20.00	7.90
Fixed income:		
Core U.S. bonds	25.00	3.60
Alternative investments:		
Private equity	10.00	8.85
Private debt	5.00	7.25
Real estate	10.00	6.60

6. Cost-Sharing Pension Plan (Continued)

Discount Rate – The discount rate used to measure the collective total pension liability was 6.75% for 2022 and 2021. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the Bond Bank's proportionate share of the net pension liability as of June 30, 2022 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.75%.

	1% Decrease	Current Discount Rate	1% Increase
Bond Bank's proportionate share of the net pension liability	$441,770	$329,249	$235,699

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2023, with the following exceptions.

Differences between expected and actual experience – The difference between expected and actual experience with regard to economic or demographic factors was recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For the 2022 actuarial valuation, this was 4.8476 years.

Changes in Assumptions – Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For the 2022 actuarial valuation, this was 4.8476 years.

Differences between Projected and Actual Investment Earnings – Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period.

Changes in Employer Proportionate Share and Differences between Employer Contributions and Proportionate Share of Contributions – Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. There are no differences between employer contributions and the proportionate share of contributions because the pension plan utilizes employer contributions as a method of allocation.

7. Lease Commitments

The Bond Bank leases an office located in Concord, New Hampshire. The lease renewed on January 1, 2021 for a 5-year term ending December 31, 2024. Rent is based upon total square footage, adjusted for a yearly 2% increase. Total lease expense for the year ended June 30, 2023 was approximately $18,300.

The Bond Bank currently has two equipment leases. One beginning September 1, 2018, for a 5-year term ending in fiscal year 2023 and the other beginning July 21, 2022 for a 3-year term ending in fiscal year 2024.

The Bond Bank accounts for leases according to the provisions of GASB Statement No. 87, *Leases*. The following summarizes the amount of assets recorded under lease arrangements, included in other assets of the General Operating Fund Group in the accompanying statements of net position as of June 30, 2023:

	Beginning Balance	Additions	Deletions	Ending Balance
Leased building (intangible asset)	$ 85,801	$ –	$ –	$ 85,801
Equipment	12,214	–	–	12,214
Total assets	98,015	–	–	98,015
Less: accumulated amortization for leased building	(40,627)	(17,509)	–	(58,136)
Less accumulated amortization for equipment	(8,291)	(2,534)	–	(10,825)
Total amortization	(48,918)	(20,043)	–	(68,961)
Total, net of accumulated amortization	$ 49,097	$ (20,043)	$ –	$ 29,054

Interest expense for 2023 was not significant. Future minimum lease payments recorded as a lease liability in other liabilities of the General Operating Fund Group in the accompanying statements of net position as of June 30, 2023 are as follows:

	Principal	Interest	Total Payments
2024	$ 19,550	$ 410	$ 19,960
2025	9,504	44	9,548
Total	$ 29,054	$ 454	$ 29,508

REQUIRED SUPPLEMENTARY INFORMATION

NEW HAMPSHIRE MUNICIPAL BOND BANK

SCHEDULE OF THE BOND BANK'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Bond Bank's proportion of the net pension liability	0.0057%	0.0052%	0.0053%	0.0052%	0.0052%	0.0099%	0.0055%	0.0049%	0.0049%	0.0052%
Bond Bank's proportionate share of the net pension liability	$ 329,249	$ 229,919	$ 339,705	$ 248,212	$ 251,460	$ 487,553	$ 290,517	$ 195,102	$ 185,468	$ 222,431
Bond Bank's covered payroll	$ 245,939	$ 228,616	$ 238,909	$ 212,929	$ 215,367	$ 337,101	$ 178,730	$ 158,300	$ 153,500	$ 151,500
Bond Bank's proportionate share of the net pension liability as a percentage of its covered payroll	133.9%	100.6%	142.2%	116.6%	116.8%	144.6%	162.6%	123.2%	120.8%	146.8%
Plan fiduciary net position as a percentage of the total pension liability	65.12%	72.22%	58.72%	65.59%	64.73%	62.66%	58.30%	65.47%	66.32%	59.81%

* The amounts presented for each fiscal year were determined as of the beginning of the fiscal year.

NEW HAMPSHIRE MUNICIPAL BOND BANK

SCHEDULE OF THE BOND BANK'S PENSION CONTRIBUTIONS

Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 33,235	$ 23,834	$ 23,594	$ 22,449	$ 22,072	$ 35,232	$ 19,563	$ 16,523	$ 16,030	$ 12,851
Contributions in relation to the contractually required contribution	(33,235)	(23,834)	(23,594)	(22,449)	(22,072)	(35,232)	(19,563)	(16,523)	(16,030)	(12,851)
Contribution deficiency (excess)	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Bond Bank's covered payroll	$245,939	$228,616	$238,909	$212,929	$215,367	$337,101	$178,730	$158,300	$153,500	$151,500
Contributions as a percentage of covered payroll	13.51%	10.43%	9.88%	10.54%	10.24%	10.45%	10.95%	10.44%	10.44%	8.48%