New Hampshire Municipal Bond Bank

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

Year Ended June 30, 2020
With Independent Auditors' Report

Baker Newman & Noyes LLC
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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, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
New Hampshire Municipal Bond Bank

Report on the Financial Statements

We have audited the accompanying financial statements, consisting of the General Operating Fund Group, Qualified School Construction Fund Group, and Non-State Guaranteed Fund Group of New Hampshire Municipal Bond Bank, which comprise the statements of net position as of June 30, 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Hampshire Municipal Bond Bank, as well as the individual fund groups referred to above, as of June 30, 2020, and the respective changes in net position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Board of Directors
New Hampshire Municipal Bond Bank

Other Matter

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, 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
September 15, 2020

NEW HAMPSHIRE MUNICIPAL BOND BANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

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, 2020. 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 $40,082,153 for fiscal year 2020, a decrease of $1,033,281 or 2.51% from fiscal year 2019.

Increase (decrease) in account balances from fiscal year 2019	
Interest on loans receivable from governmental units, net	$ (2,269,084)
Interest income from investments	110,286
Net change in the fair value of investments	1,091,392
Other income	34,125
Total net decrease	$ (1,033,281)

- 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 2020	$ 7,527,741
Less net increase in the fair value of investments	(4,154,068)
Operating income for 2020 (excluding net increase in the fair value of investments)	$ 3,373,673

- Net position of the Bond Bank increased $7,527,741 in fiscal year 2020. At June 30, 2020, the Bond Bank had a net position of $34,787,229, an increase of 27.62% from the prior year.

- The 7.27% increase in operating expenses is largely due to the fact that there were two new money issues and one refunding bond issue in fiscal year 2020 versus one new money issue in fiscal year 2019.

- The Bond Bank's bonds outstanding at June 30, 2020 of $868,860,031 represent a net decrease of $35,558,737 or 3.93% from the balance at June 30, 2019. This decrease was the result of the following activity in fiscal year 2020:

Issued 2019 B, 2019 C and 2020 A bonds	$ 124,305,000
Capitalized premiums	417,777
Amortization of premiums	(8,771,514)
Refunded principal	(68,985,000)
Principal paid	(82,525,000)
Total net decrease	$ (35,558,737)

- The Bond Bank provided $45,350,000 in new loans to local governmental units during fiscal year 2020, an increase of $26,765,000 or 144.01% from loans provided in fiscal year 2019. Reserve bonds totaling $3,125,000 were issued as part of the 2019 B and 2020 A issue.

- The 2019 C series, issued in December, 2019, was a refunding issue with bonds totaling $75,830,000 that refinanced $68,985,000 of then outstanding bonds resulting in a net present value savings of $5.1 million.

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. The policies will terminate when all of the non-callable maturities have 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 2020, the 2019 Series B, C and 2020 Series A bonds were issued per the 1978 Resolution.

The Bond Bank had purchased surety bond policies to meet the reserve fund requirements for bonds issued under the terms of the 2005 Resolution. All surety policies purchased by the Bond Bank were terminated on August 15, 2018.

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 $34,787,229 at June 30, 2020. This represents an increase of $7,527,741 or 27.62% 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	2020	2019	Percentage Change
Current assets:			
Cash	$ 9,304	$ 111,677	(91.67)%
Investments held by trustee, at fair value	44,626,991	30,189,776	47.82
Loans receivable from governmental units	64,624,900	75,680,500	(14.61)
Accrued investment income receivable	1,396,830	1,194,219	16.97
Accrued interest receivable from governmental units	8,891,422	11,325,546	(21.49)
Unamortized bond insurance costs	10,527	10,527	0.00
Other current assets	6,109	6,381	(4.26)
Total current assets	119,566,083	118,518,626	0.88
Noncurrent assets:			
Investments held by trustee, at fair value	97,817,839	100,363,907	(2.54)
Loans receivable from governmental units	674,215,000	701,565,000	(3.90)
Unamortized bond insurance costs	71,042	81,569	(12.91)
Total noncurrent assets	772,103,881	802,010,476	(3.73)
Total assets	891,669,964	920,529,102	(3.14)
DEFERRED OUTFLOWS OF RESOURCES			
Unamortized rebates to governmental units	374,909	506,502	(25.98)
Unamortized deferred loss on refundings	25,056,959	25,193,126	(0.54)
Pension adjustments	116,326	167,831	(30.69)
Total deferred outflows of resources	25,548,194	25,867,459	(1.23)
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	28,209	21,861	29.04
Accrued interest payable	12,760,871	13,912,746	(8.28)
Accrued interest rebate payable to U.S. Government	372,734	–	0.00
Bonds payable	81,555,106	87,710,627	(7.02)
Total current liabilities	94,716,920	101,645,234	(6.82)
Noncurrent liabilities:			
Accrued interest rebate payable to U.S. Government	27,543	354,895	(92.24)
Bonds payable	787,304,925	816,708,141	(3.60)
Accrued pension liability	248,212	251,460	(1.29)
Total noncurrent liabilities	787,580,680	817,314,496	(3.64)
Total liabilities	882,297,600	918,959,730	(3.99)
DEFERRED INFLOWS OF RESOURCES:			
Pension adjustments	133,329	177,343	(24.82)
Total deferred inflows of resources	133,329	177,343	(24.82)
NET POSITION			
Total net position	$ 34,787,229	$ 27,259,488	27.62%

Total cash and investments held by trustee increased $11,788,774 or 9.02% at June 30, 2020 compared to June 30, 2019. 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 decreased $38,405,600 or 4.94% at June 30, 2020 compared to June 30, 2019. The Bond Bank's total new loan originations to local governmental units in 2020 of $45,350,000 were 144.01% higher than 2019 originations of $18,585,000. Principal repayments in 2020 of $82,525,000 were 15.3% higher than 2019 principal repayments of $71,589,000. Net bonds payable decreased 3.93%.

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 27.62% in fiscal year 2020 mainly due to the net increase in the fair value of investments.

	2020	2019	Percentage Change
Interest on loans receivable from governmental units, net	$31,292,433	$33,561,517	(6.76)%
Interest income from investments	4,444,954	4,334,668	2.54
Net increase in the fair value of investments	4,154,068	3,062,676	35.64
Other income	190,698	156,573	21.79
Total operating revenues	40,082,153	41,115,434	(2.51)
Interest expense	31,073,577	34,077,763	(8.82)
Operating expenses	513,297	478,524	7.27
Other expense	967,538	133,176	626.51
Total operating expenses	32,554,412	34,689,463	(6.15)
Operating income	7,527,741	6,425,971	17.15
Net position, beginning of year	27,259,488	20,833,517	30.84
Net position, end of year	$34,787,229	$27,259,488	27.62%

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 increase in the fair value of investments in 2020 of $4,154,068 (versus a net increase in the fair value of investments in 2019 of $3,062,676, which equates to a total change in this account of $1,091,392) was caused by movements in market values of the Bond Bank's investment portfolio.

The increase in other expense was mainly due to the fact that there were two new money issues and one refunding bond issue in fiscal year 2020 versus one new money issue in fiscal year 2019. 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, 2020

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)	$ 9,303	$ –	$ 1	$ 9,304
Investments held by trustee, at fair value (notes 3 and 5):				
Cash equivalents	899,219	12,041	23,027,737	23,938,997
Investments	4,177,168	–	11,714,516	15,891,684
Reserve Fund investments (note 4)	–	–	4,796,310	4,796,310
Loans receivable from governmental units (note 4)	–	2,925,000	61,699,900	64,624,900
Accrued investment income receivable	54,369	–	1,342,461	1,396,830
Accrued interest receivable from governmental units	–	326,573	8,564,849	8,891,422
Unamortized bond insurance costs	–	–	10,527	10,527
Other current assets	6,109	–	–	6,109
Total current assets	5,146,168	3,263,614	111,156,301	119,566,083
Noncurrent assets:				
Investments held by trustee, at fair value (notes 3, 4 and 5):				
Reserve Fund cash equivalents	–	–	806,246	806,246
Reserve Fund investments	–	–	97,011,593	97,011,593
Loans receivable from governmental units (note 4)	–	17,460,000	656,755,000	674,215,000
Unamortized bond insurance costs	–	–	71,042	71,042
Total noncurrent assets	–	17,460,000	754,643,881	772,103,881
Total assets	5,146,168	20,723,614	865,800,182	891,669,964
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized rebates to governmental units	–	–	374,909	374,909
Unamortized deferred loss on refundings	–	–	25,056,959	25,056,959
Pension adjustments (note 6)	116,326	–	–	116,326
Total deferred outflows of resources	116,326	–	25,431,868	25,548,194

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	$ 28,209	$ –	$ –	$ 28,209
Accrued interest payable	–	326,573	12,434,298	12,760,871
Accrued interest rebate payable to U.S. Government	–	–	372,734	372,734
Bonds payable (note 4)	–	2,925,000	78,630,106	81,555,106
Total current liabilities	28,209	3,251,573	91,437,138	94,716,920
Noncurrent liabilities:				
Accrued interest rebate payable to U.S. Government	–	–	27,543	27,543
Bonds payable (note 4)	–	17,460,000	769,844,925	787,304,925
Accrued pension liability (note 6)	248,212	–	–	248,212
Total noncurrent liabilities	248,212	17,460,000	769,872,468	787,580,680
Total liabilities	276,421	20,711,573	861,309,606	882,297,600
DEFERRED INFLOWS OF RESOURCES				
Pension adjustments (note 6)	133,329	–	–	133,329
NET POSITION				
Total net position	$4,852,744	$ 12,041	$ 29,922,444	$ 34,787,229

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, 2020

	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	$ –	$1,130,720	$30,161,713	$31,292,433
Interest income from investments	103,040	5,601	4,336,313	4,444,954
Net increase in the fair value of investments	–	–	4,154,068	4,154,068
Other income	190,698	–	–	190,698
Total operating revenues	293,738	1,136,321	38,652,094	40,082,153
Operating expenses:				
Interest expense (note 4)	–	1,130,720	29,942,857	31,073,577
Operating expenses (note 6)	513,297	–	–	513,297
Other expense	–	–	967,538	967,538
Total operating expenses	513,297	1,130,720	30,910,395	32,554,412
Operating income (loss) before operating transfers	(219,559)	5,601	7,741,699	7,527,741
Operating transfers	494,222	–	(494,222)	–
Operating income	274,663	5,601	7,247,477	7,527,741
Net position, beginning of year	4,578,081	6,440	22,674,967	27,259,488
Net position, end of year	$4,852,744	$ 12,041	$29,922,444	$34,787,229

See accompanying notes to the financial statements.

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2020

	Municipal Division			
	General Operating Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group	Total
Operating activities:				
Cash received from governmental units	$ –	$ 4,102,580	$ 113,511,170	$117,613,750
Cash payments to governmental units	–	–	(45,350,000)	(45,350,000)
Cash received from other income	190,698	–	–	190,698
Cash paid for operating expenses	(502,706)	–	–	(502,706)
Cash payments for bond issuance costs	–	–	(967,538)	(967,538)
Cash received for other assets	272	–	–	272
Cash transfer to the operating fund	494,222	–	(494,222)	–
Net cash provided by operating activities	182,486	4,102,580	66,699,410	70,984,476
Investing activities:				
Purchases of investments	(431,602)	–	(11,588,577)	(12,020,179)
Proceeds from sale and maturities of investments	400,000	–	16,837,026	17,237,026
Interest received on investments	73,956	5,601	4,208,168	4,287,725
Net cash provided by investing activities	42,354	5,601	9,456,617	9,504,572
Noncapital financing activities:				
Proceeds from bonds payable	–	–	124,722,777	124,722,777
Deposit to refunding escrow	–	–	(72,013,374)	(72,013,374)
Principal paid on bonds payable	–	(2,925,000)	(79,600,000)	(82,525,000)
Interest paid on bonds payable	–	(1,177,580)	(36,644,318)	(37,821,898)
Net cash used by noncapital financing activities	–	(4,102,580)	(63,534,915)	(67,637,495)
Increase in cash and cash equivalents	224,840	5,601	12,621,112	12,851,553
Cash and cash equivalents, beginning of year	683,682	6,440	11,212,872	11,902,994
Cash and cash equivalents, end of year	$ 908,522	$ 12,041	$ 23,833,984	$ 24,754,547

NEW HAMPSHIRE MUNICIPAL BOND BANK

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2020

	Municipal Division			
	General Operating Fund Group	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group	Total
Statement of net position classification:				
Cash	$ 9,303	$ –	$ 1	$ 9,304
Cash equivalents – investments held by trustee	899,219	12,041	23,027,737	23,938,997
Cash equivalents – reserve fund investments held by trustee	–	–	806,246	806,246
	$ 908,522	$ 12,041	$ 23,833,984	$ 24,754,547
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 274,663	$ 5,601	$ 7,247,477	$ 7,527,741
Adjustments to reconcile operating income to net cash provided by operating activities:				
Interest income from investments	(103,040)	(5,601)	(4,336,313)	(4,444,954)
Net increase in the fair value of investments	–	–	(4,154,068)	(4,154,068)
Amortization of rebates to governmental units	–	–	131,593	131,593
Interest expense on bonds payable	–	1,130,720	29,942,857	31,073,577
Change in assets and liabilities:				
Loans receivable from governmental units	–	2,925,000	35,480,600	38,405,600
Accrued interest receivable from governmental units	–	46,860	2,387,264	2,434,124
Other current assets	272	–	–	272
Accrued pension liability	4,243	–	–	4,243
Accounts payable and accrued liabilities	6,348	–	–	6,348
Net cash provided by operating activities	$ 182,486	$ 4,102,580	$ 66,699,410	$ 70,984,476

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 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 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 $103,820,000 at June 30, 2020.

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, 2020.

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, 2020 was approximately $45,000 for the Non-State Guaranteed Fund Group. There were no payments made by the Non-State Guaranteed Fund Group in 2020 as there were no payments required. Subsequent to June 30, 2020, a payment of approximately $328,000 was 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 has 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 June 30, 2021 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.

2. Significant Accounting Policies (Continued)

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.

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, 2020 was approximately $3,165,000 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.

2. Significant Accounting Policies (Continued)

Risks and Uncertainties

The outbreak of the COVID-19 pandemic has caused significant disruptions in the U.S. economy and governmental units in the State. Governmental units that have loan agreements with the Bond Bank have not shown signs of inability to pay future loan payments at this time; however, future uncertainties could impair their ability to fulfill their financial obligations to the Bond Bank. Other financial effects could occur, though such potential impact is unknown at this time.

Recently Issued Accounting Pronouncement

In June 2017, GASB issued Statement No. 87, *Leases*. This statement requires government entities that are lessees to recognize the following: (a) a lease liability and (b) an intangible asset representing the lessee's right to use the leased asset; and report in its financial statements: (a) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (b) interest expense on the lease liability, and (c) note disclosures about the lease. Government entities that are lessors must recognize the following: (a) a lease receivable and (b) a deferred inflow of resources and continue to report the leased asset in its financial statements; and report in its financial statements: (a) lease revenue, recognized over the term of the lease, corresponding with the reduction of the deferred inflow, (b) interest income on the receivable; and (c) note disclosures about the lease. The statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments, and certain regulated leases. The statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, nonlease components embedded in lease contracts (such as service agreements), and leases with related parties. In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which deferred the effective date for GASB 87 to reporting periods beginning after June 15, 2021, with earlier application permitted. The Bond Bank is currently evaluating the impact of the pending adoption of this statement on its financial statements.

Subsequent Events

For the purposes of recognition and disclosure in these financial statements, management of the Bond Bank has evaluated subsequent events through September 15, 2020, which is the date these financial statements were available to be issued.

On July 14, 2020 the Bond Bank issued $90,280,000 in Non-State Guaranteed Fund Group Series B bonds. The issue included $85,615,500 for loans to eighteen municipalities. The coupon rate ranged from 2.10% to 5.10%.

On July 14, 2020 the Bond Bank issued $7,827,225 in Non-State Guaranteed Fund Group Series C bonds. The issue included $7,827,225 for loans to five municipalities. The coupon rate ranged from 1.60% to 2.40%.

3. Cash, Cash Equivalents and Investments

At June 30, 2020, the bank balance of the Bond Bank's operating cash accounts (not held by trustee) was $5,197.

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. Treasury obligations, U.S. 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.

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, 2020, 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 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.

3. Cash, Cash Equivalents and Investments (Continued)

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, 2020, investments are categorized as follows:

	Fair Value
General Operating Fund Group	
Investments held by trustee:	
Cash equivalents	$ 899,219
Operating investments:	
Mutual fund	$ 2,077,168
Certificates of deposits	2,100,000
	$ 4,177,168
Qualified School Construction Fund Group	
Investments held by trustee:	
Cash equivalents	$ 12,041
Non-State Guaranteed Fund Group	
Investments held by trustee:	
Cash equivalents	$ 23,027,737
Certificates of deposit	11,714,516
	$ 34,742,253
Reserve fund investments held by trustee:	
Cash equivalents	$ 806,246
Certificates of deposit	385,484
U.S. Government obligations	44,729,573
U.S. Treasury strips	10,212,393
U.S. Government-sponsored enterprises strips[(1)]	9,668,622
N.H. G.O. capital improvement bonds	36,811,831
	$ 102,614,149

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

3. Cash, Cash Equivalents and Investments (Continued)

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, 2020:

	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	$ 12,100,000	$12,100,000	$ –	$ –	$ –
U.S. Government obligations	44,729,573	510,155	23,667,210	6,411,770	14,140,438
U.S. Treasury strips	10,212,393	3,646,016	1,985,819	633,700	3,946,858
U.S. Government-sponsored enterprises strips	9,668,622	254,655	7,069,643	2,344,324	–
N.H. G.O. capital improvement bonds	36,811,831	–	1,334,977	13,671,336	21,805,518
	$ 113,522,419	$16,510,826	$34,057,649	$23,061,130	$39,892,814

The General Operating Fund Group's certificates of deposits have a total fair value of $2,100,000, of which all $2,100,000 matures in less than one year.

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 were held by People's United Bank through October 17, 2019. The Bond Bank's investments were transferred to U.S. Bank on October 17, 2019 and are now 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, 2020.

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, 2020, the Bond Bank is invested in the State of New Hampshire's general obligation capital improvement bonds within the Non-State Guaranteed Fund Group.

3. Cash, Cash Equivalents and Investments (Continued)

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, 2020, the fair value of these investments is approximately $19,881,000 with 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	$ 899,219	18%
NHPDIP	2,077,168	41
Primary Bank Certificates of Deposit	2,100,000	41
Non-State Guaranteed Fund Group		
N.H. G.O. Capital Improvement Bond, 8/15/2033	7,533,979	5
Dreyfus Government Cash Management	21,733,983	16

4. Bonds Payable

The carrying amounts of bonds payable at June 30, 2020, by program, are as follows:

Municipal Division:	
Qualified School Construction	$ 20,385,000
Non-State Guaranteed	848,475,031
	$ 868,860,031

Following is a comprehensive summary of bonds payable, with original interest rates and maturity dates, by program, at June 30, 2020:

Municipal Division – Qualified School Construction Bond

Series 2010 C Bonds maturing September 15, 2011 to September 15, 2026 with interest at 5.39%	$20,385,000
Current portion	2,925,000
Noncurrent portion	$17,460,000

4. Bonds Payable (Continued)

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

Fiscal year Ending June 30,	Principal	Interest	Total
2021	$ 2,925,000	$ 1,019,923	$ 3,944,923
2022	2,910,000	862,670	3,772,670
2023	2,910,000	705,821	3,615,821
2024	2,910,000	548,972	3,458,972
2025	2,910,000	392,123	3,302,123
2026 – 2027	5,820,000	313,698	6,133,698
	$20,385,000	$ 3,843,207	$24,228,207

Municipal Division – Non-State Guaranteed

Series 2003 D Bonds, maturing August 15, 2004 to August 15, 2023, with interest ranging from 2% to 5%	$ 2,800,000
Series 2009 A Refunding Bonds, maturing August 15, 2009 to February 15, 2026 with interest ranging from 2.50% to 4.25%	1,085,000
Series 2010 A Refunding Bonds, maturing August 15, 2010 to August 15, 2022 with interest ranging from 2.00% to 5.00%	6,865,000
Series 2010 B Bonds, maturing August 15, 2011 to August 15, 2020 with interest ranging from 3.00% to 5.00%	3,375,000
Series 2010 D Bonds, maturing January 15, 2012 to January 15, 2021 with interest ranging from 3.00% to 5.00%	140,000
Series 2011 A Bonds, maturing August 15, 2011 to August 15, 2021 with interest ranging from 2.00% to 4.50%	1,595,000
Series 2011 B Bonds, maturing August 15, 2012 to August 15, 2023 with interest ranging from 2.00% to 4.00%	6,420,000
Series 2011 C Bonds, maturing January 1, 2012 to January 1, 2024 with interest ranging from 2.00% to 4.00%	1,980,000
Series 2011 D Bonds, maturing February 15, 2012 to February 15, 2023 with interest ranging from 2.00% to 5.00%	23,255,000
Series 2011 E Bonds, maturing January 15, 2013 to January 15, 2025 with interest ranging from 3.00% to 5.00%	7,285,000
Series 2011 F Bonds, maturing from July 15, 2012 to July 15, 2021 with interest ranging from 2.00% to 4.00%	540,000
Series 2012 A Refunding Bonds, maturing August 15, 2012 to February 15, 2025 with interest ranging from 2.00% to 5.00%	21,590,000
Series 2012 B Bonds, maturing August 15, 2013 to August 15, 2032 with interest ranging from 2.00% to 5.00%	8,145,000
Series 2012 C Bonds, maturing February 15, 2013 to February 15, 2032 with interest ranging from 2.00% to 5.00%	12,245,000
Series 2012 D Bonds, maturing February 15, 2014 to February 15, 2033 with interest ranging from 2.00% to 5.00%	4,060,000
Series 2013 A Refunding Bonds, maturing August 15, 2013 to August 15, 2025 with interest ranging from 3.00% to 5.00%	23,500,000

4. Bonds Payable (Continued)

Municipal Division – Non-State Guaranteed (Continued)

Series 2013 C Bonds, maturing August 15, 2014 to August 15, 2026 with interest ranging from 4.00% to 5.50%	$ 18,050,000
Series 2014 A Bonds, maturing August 15, 2015 to August 15, 2034 with interest ranging from 3.00% to 5.00%	47,075,000
Series 2014 B Refunding Bonds, maturing February 15, 2016 to February 15, 2035 with interest ranging from 3.00% to 5.00%	13,230,000
Series 2015 A Refunding Bonds, maturing August 15, 2015 to August 15, 2036 with interest ranging from 3.00% to 5.00%	64,630,000
Series 2015 B Refunding Bonds, maturing August 15, 2015 to August 15, 2020 with interest of 5.00%	3,045,000
Series 2015 C Bonds, maturing August 15, 2016 to August 15, 2033 with interest ranging from 2.00% to 4.00%	4,220,000
Series 2016 A Bonds, maturing February 15, 2017 to February 15, 2036 with interest ranging from 2.00% to 4.00%	3,675,000
Series 2016 B Bonds, maturing August 15, 2017 to August 15, 2045 with interest ranging from 2.00% to 5.00%	38,725,000
Series 2016 C Bonds, maturing August 15, 2017 to August 15, 2035 with interest ranging from 2.00% to 4.00%	8,555,000
Series 2016 D Refunding Bonds, maturing February 15, 2017 to August 15, 2039 with interest ranging from 2.00% to 5.00%	99,970,000
Series 2016 E Refunding Bonds, maturing February 15, 2017 to August 15, 2037 with interest ranging from 2.00% to 5.00%	39,190,000
Series 2017 A Refunding Bonds, maturing August 15, 2017 to February 15, 2024 with interest ranging from 3.00% to 5.00%	23,900,000
Series 2017 B Bonds, maturing August 15, 2018 to August 15, 2046 with interest ranging from 3.00% to 5.00%	111,600,000
Series 2018 A Bonds, maturing February 15, 2019 to February 15, 2038 with interest ranging from 3.00% to 5.00%	9,980,000
Series 2018 B Bonds, maturing August 15, 2019 to August 15, 2043 with interest ranging from 3.00% to 5.00%	52,615,000
Series 2019 A Bonds, maturing February 15, 2020 to February 15, 2039 with interest ranging from 3.00% to 5.00%	17,070,000
Series 2019 B Bonds, maturing August 15, 2020 to August 15, 2044 with interest ranging from 2.50% to 5.00%	9,710,000
Series 2019 C Refunding Bonds, maturing February 15, 2020 to February 15, 2041 with interest ranging from 1.81% to 2.82%	74,785,000
Series 2020 A Bonds, maturing February 15, 2021 to February 15, 2040 with interest ranging from 2.13% to 5.00%	38,765,000
	803,670,000
Net unamortized original issue premium	44,805,031
Bonds payable	848,475,031
Current portion	78,630,106
Noncurrent portion	$ 769,844,925

4. Bonds Payable (Continued)

Municipal Division – Non-State Guaranteed (Continued)

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

Fiscal year Ending June 30,	Principal	Interest	Total
2021	$ 72,290,000	$ 31,559,671	$ 103,849,671
2022	71,690,000	28,313,939	100,003,939
2023	68,775,000	25,043,805	93,818,805
2024	74,970,000	21,843,963	96,813,963
2025	60,930,000	18,793,558	79,723,558
2026 – 2030	209,715,000	62,775,685	272,490,685
2031 – 2035	133,445,000	31,303,831	164,748,831
2036 – 2040	86,665,000	12,828,664	99,493,664
2041 – 2045	17,295,000	2,993,367	20,288,367
2046 – 2047	7,895,000	368,675	8,263,675
	$ 803,670,000	$ 235,825,158	$ 1,039,495,158

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

In periods of declining interest rates, the Bond Bank has refunded certain bond obligations by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. The Bond Bank accounts for these transactions by removing the U.S. Treasury obligations and liabilities for the in-substance defeased bonds from its records, and records a deferred amount on refunding. As of June 30, 2020, defeased bonds payable by irrevocable trusts were approximately $142,420,000.

4. Bonds Payable (Continued)

The following summarizes bonds payable activity for the Bond Bank for the year ended June 30, 2020:

	Qualified School Construction Fund Group	Non-State Guaranteed Fund Group
Balance, beginning of year	$23,310,000	$ 881,108,768
Issuances – par	–	124,305,000
Redemptions	(2,925,000)	(79,600,000)
Capitalized premiums	–	417,777
Refunded principal	–	(68,985,000)
Amortization of premiums	–	(8,771,514)
Balance, end of year	$20,385,000	$ 848,475,031

On November 22, 2019, the Bond Bank issued $75,830,000 in Non-State Guaranteed Fund Group bonds with an average coupon rate of 4.64% to advance refund $610,000 of various outstanding maturities of the 2010D series bonds with an average coupon rate of 4.63%, $5,540,000 of various outstanding maturities of the 2011B series bonds with an average coupon rate of 4.00%, $980,000 of various outstanding maturities of the 2011C series bonds with an average coupon rate of 4.00%, $13,825,000 of various outstanding maturities of the 2011D series bonds with an average coupon rate of 5.00%, $16,230,000 of various outstanding maturities of the 2011E series bonds with an average coupon rate of 4.01%, $2,080,000 of various outstanding maturities of the 2012B series bonds with an average coupon rate of 5.00%, $12,080,000 of various outstanding maturities of the 2012C series bonds with an average coupon rate of 5.00%, and $17,640,000 of various outstanding maturities of the 2013C series bonds with an average coupon rate of 5.00%. The net proceeds of approximately $75,316,200, after payment of approximately $512,300 in underwriting fees and other issuance costs and additional proceeds of approximately $1,500, were used to purchase U.S. government securities which will provide for all future debt service payments on the refunded bonds. Although the refunding resulted in the recognition of a deferred accounting loss of approximately $3,028,000 in the year ended June 30, 2020, the Bond Bank in effect reduced its aggregate debt service payments by approximately $6,120,000 over the next twenty-two years and obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately $5,106,000. The refunding resulted in a net present value savings of 7.40% of the refunded bonds.

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.

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's 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.

5. Fair Value Measurements (Continued)

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.

The following table sets forth by level, within the fair value hierarchy, the Bond Bank's assets at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
General Operating Fund Group				
Cash equivalents	$ 899,219	$ –	$ –	$ 899,219
Certificates of deposit	–	2,100,000		2,100,000
Mutual funds:				
NHPDIP	2,077,168	–	–	2,077,168
	$ 2,976,387	$ 2,100,000	$ –	$ 5,076,387
Qualified School Construction Fund Group				
Cash equivalents	$ 12,041	$ –	$ –	$ 12,041
Non-State Guaranteed Fund Group				
Cash equivalents	$23,833,983	$ –	$ –	$ 23,833,983
Certificates of deposit	–	12,100,000	–	12,100,000
U.S. Government obligations	–	44,729,573	–	44,729,573
U.S. Treasury strips	–	10,212,393	–	10,212,393
U.S. Government-sponsored enterprises strips	–	9,668,622	–	9,668,622
N.H. G.O. capital improvement bonds	–	36,811,831	–	36,811,831
	$23,833,983	$ 113,522,419	$ –	$ 137,356,402

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).

6. Cost-Sharing Pension Plan (Continued)

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.

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, 2020 for payroll covered by the Plan was $212,929, 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, 2020, 2019 and 2018 were $23,594, $22,449 and $22,072 (employer) and $15,180, $14,182 and $13,944 (employee), respectively.

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

At June 30, 2020, the Bond Bank reported a liability of $248,212 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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 June 30, 2019, the Bond Bank's proportion was 0.0052%, which is consistent to its proportion measured as of June 30, 2018.

6. Cost-Sharing Pension Plan (Continued)

For the year ended June 30, 2020, the Bond Bank recognized pension expense of approximately $28,000 within the General Operating Fund Group. At June 30, 2020, 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	$ 82,454	$125,964
Changes in assumptions and differences about future economic or demographic factors	8,906	–
Net difference between projected and actual earnings on pension plan investments	–	2,028
Differences between expected and actual experience	1,372	5,337
Bond Bank contributions subsequent to the measurement date	23,594	–
Total	$116,326	$133,329

The above total of $23,594 reported as deferred outflows of resources related to the Pension Plan resulting from Bond Bank contributions subsequent to the measurement date (June 30, 2019) will be recognized as a reduction of the net pension liability in the Plan measurement date of June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized as an increase (decrease) in pension expense as follows:

Year Ended June 30	
2021	$ 7,673
2022	(4,686)
2023	(630)
2024	556

Actuarial Methods and Assumptions

The total pension liability in the June 30, 2019 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.

6. Cost-Sharing Pension Plan (Continued)

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 his/her expected future salary. The normal cost for each member is the product of his/her pay and his/her 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.

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 21 years beginning July 1, 2018.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2019 and June 30, 2018 are as follows:

Investment Rate of Return – 7.25% per annum at June 30, 2019 and 2018 compounded annually.

Salary Increases, Merit and Inflation – 5.60% per year at June 30, 2019 and 2018.

Mortality Rates – 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, 2019 and 2018.

Inflation increases – 2.50% per annum (price) and 3.25% per annum (wage) for June 30, 2019 and June 30, 2018.

6. Cost-Sharing Pension Plan (Continued)

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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities:		
Large cap	22.50%	4.25%
Small/Mid cap	7.50	4.50
International equities:		
Unhedged	13.00	4.50
Emerging	7.00	6.00
Fixed income:		
Core bonds	9.00	1.12
Global multi-sector	10.00	2.46
Absolute return	6.00	1.50
Alternative investments:		
Private equity	10.00	7.90
Private debt	5.00	4.86
Real estate	10.00	3.00

Discount Rate – The discount rate used to measure the collective total pension liability was 7.25% for 2019 and 2018. 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.

6. Cost-Sharing Pension Plan (Continued)

The following table shows how the Bond Bank's proportionate share of the net pension liability as of June 30, 2019 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 7.25%.

	1% Decrease	Current Discount Rate	1% Increase
Bond Bank's proportionate share of the net pension liability	$332,366	$248,212	$178,659

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2020 with the following exceptions.

Differences between expected and actual experience – The difference between expected and actual experience with regard to economic or demographic factors 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 2019 actuarial valuation, this was 4.80 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 2019 actuarial valuation, this was 5.08 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 Commitment

The Bond Bank leases an office located in Concord, New Hampshire. The lease renewed on January 1, 2020 for a 5-year term ending in fiscal year 2025. Rent is based upon total square footage, adjusted for a yearly 2% increase. Total lease expense for the year ended June 30, 2020 was $16,188.

7. Lease Commitment (Continued)

Future minimum lease payments required as of June 30, 2020 are as follows:

Fiscal Year Ended June 30	
2021	$ 17,610
2022	17,958
2023	18,312
2024	18,678
2025	9,432

REQUIRED SUPPLEMENTARY INFORMATION

NEW HAMPSHIRE MUNICIPAL BOND BANK

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

Last 7 Fiscal Years*

	2020	2019	2018	2017	2016	2015	2014
Bond Bank's proportion of the net pension liability	0.0052%	0.0052%	0.0099%	0.0055%	0.0049%	0.0049%	0.0052%
Bond Bank's proportionate share of the net pension liability	$248,212	$251,460	$487,553	$290,517	$195,102	$185,468	$222,431
Bond Bank's covered payroll	$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	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	65.59%	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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	$ 22,449	$ 22,072	$ 35,232	$ 19,563	$ 16,523	$ 16,030	$ 12,851	$ 13,558	$ 13,364	$ 12,762
Contributions in relation to the contractually required contribution	(22,449)	(22,072)	(35,232)	(19,563)	(16,523)	(16,030)	(12,851)	(13,558)	(13,364)	(12,762)
Contribution deficiency (excess)	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –
Bond Bank's covered payroll	$212,929	$215,367	$337,101	$178,730	$158,300	$153,500	$151,500	$155,500	$147,000	$139,700
Contributions as a percentage of covered payroll	10.54%	10.24%	10.45%	10.95%	10.44%	10.44%	8.48%	8.72%	9.09%	9.14%