VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)

FINANCIAL STATEMENTS AND
REPORTS ON INTERNAL CONTROL AND COMPLIANCE

YEAR ENDED DECEMBER 31, 2023

VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
TABLE OF CONTENTS
YEAR ENDED DECEMBER 31, 2023

INDEPENDENT AUDITORS' REPORT

Board of Directors
Vermont Bond Bank
Burlington, Vermont

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities and each major fund of the Vermont Bond Bank, a component unit of the state of Vermont, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Vermont Bond Bank's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Vermont Bond Bank as of December 31, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We are required to be independent of the Vermont Bond Bank, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; 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 Vermont Bond Bank's ability to continue as a going concern for twelve 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 auditor's report that includes our opinions. 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 and *Government Auditing Standards* 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, 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 Vermont 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 Vermont 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 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 (GASB) 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.

Board of Directors
Vermont Bond Bank

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2024 on our consideration of the Vermont Bond Bank's internal control over financial reporting; on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements; and on other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Vermont Bond Bank's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Andover, Massachusetts
March 28, 2024

This section of the Vermont Bond Bank's Annual Financial Statements presents readers of these financial statements a narrative, overview, and analysis of the financial activities of the Vermont Bond Bank for the fiscal year ending December 31, 2023. Readers are encouraged to consider the information presented here in conjunction with the basic financial statements as a whole.

Overview of the Organization

The Vermont Bond Bank was created by the Act in 1970 as a body corporate and politic with corporate succession and is constituted as an instrumentality exercising public and essential governmental functions of the State of Vermont. The Vermont Bond Bank's primary purpose is to provide Vermont's municipalities with inexpensive access to capital markets. As of December 31, 2023, the Vermont Bond Bank (Bond Bank) has issued over $2.8 billion in tax-exempt and taxable bonds through 102 series of bonds for municipalities, including 35 refunding bonds, and two debt series for the Vermont State College System.

This discussion of the Bond Bank's financial performance provides an overview of the Bond Bank's financial activities for the fiscal year ending December 31, 2023. The statements are divided into three funds. The Bond Fund reports the financial activities of the pool of funds loaned to municipalities. The Bond Fund assets and liabilities are held by one corporate trustee, U.S. Bank, N.A. The Operating Fund is made up of activities relating to the administrative operations of the Bond Bank. The Special Obligation Fund reports the financial activities of the funds loaned to the Vermont State College System under the 2017 General Vermont State College System Resolution.

For financial statement reporting purposes, the Bond Bank is considered a component unit of the State of Vermont. However, the Bond Bank does not receive any State appropriations for its operations, staff are employees of the Bond Bank, and contracts are held by the Bond Bank.

The Bond Bank provides services to the State of Vermont and Vermont Educational and Health Buildings Financing Agency (VEHBFA) through formalized Memorandums of Agreements (MOAs).

The Bond Bank is the financial administrator for the State of Vermont Clean Water and Drinking Water Act Revolving Loan Funds. The State of Vermont Department of Environmental Conservation approves qualified projects. The Bond Bank receives quarterly payments for management services for underwriting and loan origination. The State of Vermont Department of Environmental Conservation completes separate financial statements as a component unit of the State of Vermont.

The Bond Bank administers VEHBFA, a tax-exempt conduit debt issuer. The Bond Bank charges a management fee for the administrative and overhead charges of the program. Separate financial statements are completed for VEHBFA as a component unit of the State of Vermont.

As the result of the Bond Bank issuing tax-exempt debt, it is required to prepare arbitrage rebate calculations for each series of tax-exempt bonds outstanding and remit payment to the Internal Revenue Service every five years. The Bond Bank contracts with an arbitrage consultant to maintain and prepare all rebate calculations that will be filed with the Internal Revenue Service. Additionally, for financial reporting purposes, the consultants prepare a liability rebate calculation annually for each outstanding series of bonds.

As of December 31, 2023, within the Bond Fund, the Bond Bank had 482 loans outstanding to 191 governmental units totaling $522,877,216. As of December 31, 2022, the Bond Bank had 488 loans outstanding to 190 governmental units totaling $532,139,976.

Outstanding Loans by Debt Type as of December 31, 2023	Summary Loans	Percent Total	Amount	Percent Total
General Obligation Bonds	478	99%	$ 514,389,406	98%
Revenue Bonds	4	1%	8,497,810	2%
Total	482	100%	$ 522,887,216	100%

Outstanding Loans by Borrower Type as of December 31, 2023	Summary Loans	Percent Total	Amount	Percent Total
Local Government	324	68%	$ 328,554,240	63%
School District	127	26%	168,388,140	32%
Other Governmental Unit	31	6%	25,944,836	5%
Total	482	100%	$ 522,887,216	100%

Management Overview

The most significant events for the Bond Bank over the course of 2023 were the flooding and rain events that occurred over the summer of 2023. These resulted in two Presidential major disaster declarations and material impacts on the economic position of impacted municipalities. Fortunately, this occurred against a backdrop of municipal fiscal health. The Bond Bank annually creates financial medians for its portfolio and 2023 represented the highest Vermont municipal general fund balances and lowest debt burden of any year since 2020.

The ability of Vermont and its municipalities to withstand the impacts of the disaster related events was also observed by Standard & Poor's in its bulletin, "Vermont Flood and Storm Damage Unlikely to Have Negative Credit Implications," that was issued on July 17, 2023. The Bond Bank, State of Vermont, and other issues were highlighted in the bulletin with a statement that no imminent risk of credit deterioration was expected.

As described in the subsequent events to this audit, the Bond Bank has worked closely with the State of Vermont to develop programs to further assist in municipal flood recovery.

Additional highlights are summarized below.

- The Bond Bank's financial position is significantly influenced by changes in market conditions. This stems from a dependence on the unrestricted operating reserve—governed by the board through the General Operating Reserve Fund policy—to produce fixed income in support of operations. Financial performance is evaluated quarterly by the board of directors. Expenses are compared against either known or controllable sources of revenues, which includes coupon payments on the fixed income portfolio but not market gains and losses.

- The Bond Bank was able to take advantage of market conditions to cash defease the 2015 Series 4 taxable bonds. These bonds were issued to capitalize future excess cash flow in the corpus of the bond fund. The bonds did not, however, include an optional redemption that precluded economic refunding's during the low-rate environment that occurred until 2022. However, the increase in rates over the last year allowed the Bond Bank to fund an escrow with government securities that was purchased at a price below outstanding par. The Bond Bank employed the same strategy for the 2021 Series 2 bonds. Cash to fund the escrows was identified from excess savings realized from downsizing debt service reserve funds, which is allowed under the terms of the 1988 Resolution.

- As described in the subsequent events section of the audit, the Bond Bank is developing several new lending programs from novel funding sources. This required significant strategic investments over the course of 2023 that will not result in revenue until 2024 and 2025.

- The unrestricted reserves are governed by an investment policy and managed by an investment advisor. The investment policy stipulates a strategy that balances income and capital preservation with portfolio level target ratings of AA and target duration of between 80 to 120 percent of the benchmark of approximately 4.52 years.

- The Bond Bank's loan activity does not support the operating fund. Activity through the Pooled Loan Program is the primary source of loan activity. These loans are capitalized by the issuance of municipal bonds and the Bond Bank's cost of capital is passed along to borrowers following modest adjustments to the loan rates to ensure cash flow sufficiency.

- Loan activity does, however, impact the financial position of the bond fund. Generally, more loan activity direct corresponds with an increase of assets and related increase in liabilities as bond financed debt provides the source of capitalization for loans. The Bond Bank is nearly 100 percent matched between assets and liabilities, which minimizes any risk stemming from depressed loan activity.

- Over the past year, total loans to municipalities reported in the Bond Fund decreased from approximately \$532 million to \$523 million, or 1.69%, resulting from more loan principal payments received than new loans originated. This decline is estimated to result from a multitude of interrelated factors including uncertain project costs and availability of construction professionals, uncertainty surrounding community priorities for American Rescue Plan Act dollars, timing of federal infrastructure dollars, and potential for state level legislative changes to school construction programs.

2023 Issuance Activity

Issue	Type	Par	# Borrowers	# Projects	Refunded Net PV Savings
2023-1	New Money	$ 14,490,000	4	5	$ -
2023-2	New Money	26,370,000	10	14	-
2023-3	Refunding	20,010,000	-	-	1,481,964
		$ 60,870,000	14	19	$ 1,481,964

2022 Issuance Activity

Issue	Type	Par	# Borrowers	# Projects	Refunded Net PV Savings
2022-1	New Money	$ 8,037,000	7	10	$ -
2022-2	New Money	23,145,000	8	10	-
2022-3	Refunding	23,445,000	-	-	2,418,477
		$ 54,627,000	15	20	$ 2,418,477

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Bond Bank's financial statements, which is comprised of the Management's Discussion and Analysis, basic financial statements, and notes to the basic financial statements. The basic financial statements include the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows. The notes to the basic financial statements are intended to provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

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 statement of net position presents information on all of the Bond Bank's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position. Over time, increases and 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.

The statement of revenues, expenses and changes in net position presents information showing how the Bond Bank's net position changed during the fiscal year. All changes in net position are 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.

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, net position totaled $30,551,605 as of December 31, 2023. Combined expenses exceeded revenues in the Bond Fund, Operating Fund, and Special Obligation Fund resulting in a net increase of $3,413,420 or 12.58% over the previous fiscal year. The change in net position was driven by the increase in the fair market value of investments, combined with increased interest income from the loan portfolio.

Total Net Position as of December 31, 2023, equaled 4.53% of total Bonds Payable and Unrestricted Net Position equaled 2.68% of total Bonds Payable. Total Net Position as of December 31, 2022, equaled 3.90% of Total Bonds Payable and Unrestricted Net Position equaled 2.21% of Total Bonds Payable.

The following table summarizes the Net Position of the Bond Bank as of December 31, 2023 with comparative data from the prior fiscal year.

	2023	2022	Percentage change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Cash and cash equivalents	$ 5,819,826	$ 5,237,214	11.12%
Accrued interest receivable	2,730,831	2,767,857	-1.34%
Accounts receivable	94,029	219,297	-57.12%
Investments	23,425,796	22,486,873	4.18%
Prepaid Expenses	8,800	5,000	76.00%
Restricted cash	1,628,884	3,607,541	-54.85%
Restricted investments	57,250,617	60,530,636	-5.42%
Loans receivable (Note 5)	606,337,216	618,619,976	-1.99%
Capital assets, net	103,561	132,076	-21.59%
Deferred outflow on refunding of bonds payable	10,905,909	12,602,368	-13.46%
Total assets and deferred outflows of resources	$ 708,305,469	$ 726,208,838	-2.47%
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Accounts payable	$ 155,566	$ 36,772	323.06%
Accrued arbitrage rebate	13,008	33,864	-61.59%
Bond interest payable	2,945,481	3,018,809	-2.43%
Bonds payable	674,626,181	695,962,132	-3.07%
Related to Lease (Note 11)	13,629	19,076	-28.55%
Total liabilities and deferred inflows of resources	677,753,865	699,070,653	-3.05%
NET POSITION:			
Net investment in capital assets	103,561	132,076	-21.59%
Restricted	12,395,798	11,613,397	6.74%
Unrestricted	18,052,246	15,392,712	17.28%
Total net position	30,551,605	27,138,185	12.58%
Total liabilities and net position	$ 708,305,469	$ 726,208,838	-2.47%

Total assets and deferred outflows of resources of $708,305,469 represent a decrease of $17,903,369 or 2.47% from 2023 to 2022. The Bond Bank's loans receivable decreased $12,282,760 or 1.99%. This was due to the net decrease scheduled principal payments of $53,127,895, which was partially offset by the new loans purchased through the 2023 Series 1 and 2023 Series 2 issuances.

Restricted investments decreased $3,280,009 or 5.42% driven by resizing of the debt service reserve funds associated with the 2015 Series 4 and 2021 Series 2 cash defeasance. Unrestricted investments increased $938,923 or 4.18% due to market performance.

The deferred outflow on refunding of bonds payable decreased $1,696,459 or 13.46%. This was driven by current year amortization.

Total liabilities and deferred inflows of resources decreased by $21,316,788 or 3.05%, from 2022 to 2023. The Bond Bank's gross principal amount of bonds outstanding as of December 31, 2022, of $629,926,000 represents a decrease of $16,911,000 or 2.61% from the balance of $646,837,000 as of December 31, 2022.

The decrease was the net result of the issuance of 2023 Series 1 and 2023 Series 2 of $40,860,000 less combined scheduled debt service principal payments of $40,571,000 and 2023 Series 3 refunded par savings of $4,025,000.

The following table summarizes the combined Statement of Revenues, Expenses and Changes in Net Position of the Bond Bank as of December 31, 2023 with comparative data from the prior fiscal year.

	2023	2022	Percentage change
OPERATING REVENUES:			
Interest	$ 22,736,983	$ 23,144,003	-1.76%
Other income	339,839	293,818	15.66%
Total operating revenue	23,076,822	23,437,821	-1.54%
OPERATING EXPENSES:			
Bond issue costs	737,992	546,919	34.94%
Other expense	2,568,568	1,471,307	74.58%
Operating expenses	891,282	757,046	17.73%
Total operating expenses	4,197,842	2,775,272	51.26%
OPERATING INCOME	18,878,980	20,662,549	-8.63%
NONOPERATING REVENUE (EXPENSES):			
Net appreciation/(depreciation) in fair value of investments	106,982	(6,950,141)	-101.54%
Interest and dividends	4,070,239	3,031,245	34.28%
Interest rebate	1,389,549	1,423,417	-2.38%
Interest expense	(21,286,000)	(21,801,148)	-2.36%
Arbitrage Recovery (Rebate)	20,856	(1,865)	-1218.28%
Gain on Defeasance of Bonds	232,814	-	0.00%
Total nonoperating revenue (expenses)	(15,465,560)	(24,298,492)	-36.35%
CHANGE IN NET POSITION	3,413,420	(3,635,943)	-193.88%
Net position - beginning of year, as restated	27,138,185	30,774,128	-11.81%
NET POSITION - END OF YEAR	$ 30,551,605	$ 27,138,185	12.58%

Operating revenues decreased by $360,999 or 1.54% from 2022 driven by less interest received for the loan portfolio due to the shrinking size of the loan portfolio caused by more outstanding loans maturing than were replaced by new loans.

Operating expenses increased $1,422,570 or 51.26% from 2022 driven by increased allocated savings on refunded bonds combined with increased operating expenses due to a strategic investment for new lending programs to be established in 2024.

Net nonoperating revenues and expenses increased $8,832,932 or 36.35% from 2022. This increase is due to slight unrealized gains on investments in 2023 compared to substantial unrealized losses in 2022, increase interest on investments, and lower bond interest expenses due to the shrinking size of the bond portfolio caused by more outstanding bonds amortizing than were replaced by new bond issuance.

The Bond Bank's unrestricted investment portfolio consists of highly rated corporate and US Government bonds. As a result, the change in market condition over the course of the year impact the fair value of the portfolio. From December 30, 2022, to December 30, 2023, the 10-year U.S. Treasury Note rate decreased from 3.88% to 3.69%.

Contact for Further Information

This financial report is designed to provide the reader with a general overview of the Bond Bank's finances. Questions about this report or requests for additional financial information should be directed to Michael Gaughan, Executive Director, Vermont Bond Bank, 100 Bank Street, Suite 401, Burlington, VT 05401, at 802-654-7377 or michael@vtbondagency.org.

VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
STATEMENT OF NET POSITION
DECEMBER 31, 2023

	2023			
	Bond Fund	Special Obligation Fund	Operating Fund	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 4,511,884	$ -	$ 1,307,942	$ 5,819,826
Accrued Interest Receivable	1,650,175	930,113	150,543	2,730,831
Accounts Receivable	-	-	94,029	94,029
Current Portion of Loans Receivable (Note 5)	48,641,483	4,445,000	-	53,086,483
Investments	-	-	23,425,796	23,425,796
Prepaid Expenses	-	-	8,800	8,800
Total Current Assets	54,803,542	5,375,113	24,987,110	85,165,765
Noncurrent Assets:				
Restricted Cash	1,597,606	31,278	-	1,628,884
Restricted Investments	57,250,617	-	-	57,250,617
Loans Receivable (Note 5)	474,245,733	79,005,000	-	553,250,733
Capital Assets, Net	-	-	103,561	103,561
Total Noncurrent Assets	533,093,956	79,036,278	103,561	612,233,795
Total Assets	587,897,498	84,411,391	25,090,671	697,399,560
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow on Refunding of Bonds Payable	10,905,909	-	-	10,905,909
Total Assets and Deferred Outflows of Resources	$ 598,803,407	$ 84,411,391	$ 25,090,671	$ 708,305,469

See accompanying Notes to Financial Statements.

VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2023

	2023			
	Bond Fund	Special Obligation Fund	Operating Fund	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 248	$ -	$ 155,318	$ 155,566
Bond Interest Payable	2,015,368	930,113	-	2,945,481
Current Portion Of Bonds Payable	48,917,580	5,601,991	-	54,519,571
Total Current Liabilities	50,933,196	6,532,104	155,318	57,620,618
Noncurrent Liabilities:				
Accrued Arbitrage Rebate	13,008	-	-	13,008
Bonds Payable	535,461,405	84,645,205	-	620,106,610
Total Noncurrent Liabilities	535,474,413	84,645,205	-	620,119,618
Total Liabilities	586,407,609	91,177,309	155,318	677,740,236
DEFERRED INFLOWS OF RESOURCES				
Related to Lease (Note 11)	-	-	13,629	13,629
NET POSITION				
Net Investment In Capital Assets	-	-	103,561	103,561
Restricted	12,395,798	-	-	12,395,798
Unrestricted	-	(6,765,917)	24,818,163	18,052,246
Total Net Position	12,395,798	(6,765,917)	24,921,724	30,551,605
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 598,803,407	$ 84,411,391	$ 25,090,671	$ 708,305,469

See accompanying Notes to Financial Statements.

VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDED DECEMBER 31, 2023

	2023			
	Bond Fund	Special Obligation Fund	Operating Fund	Total
OPERATING REVENUES				
Interest	$ 18,936,672	$ 3,800,311	$ -	$ 22,736,983
Other Income	-	-	339,839	339,839
Total Operating Revenue	18,936,672	3,800,311	339,839	23,076,822
OPERATING EXPENSES				
Bond Issue Costs	737,992	-	-	737,992
Other Expense	2,568,568	-	-	2,568,568
Operating Expenses	-	-	891,282	891,282
Total Operating Expenses	3,306,560	-	891,282	4,197,842
OPERATING INCOME (LOSS)	15,630,112	3,800,311	(551,443)	18,878,980
NONOPERATING REVENUES (EXPENSES)				
Net Appreciation (Depreciation) in Fair Value of Investments	(296,879)	-	403,861	106,982
Interest and Dividends	3,094,070	38,512	937,657	4,070,239
Interest Rebate	1,389,549	-	-	1,389,549
Interest Expense	(18,697,464)	(2,588,536)	-	(21,286,000)
Arbitrage Recovery (Rebate)	20,856	-	-	20,856
Gain on Defeasance of Bonds	232,814	-	-	232,814
Total Nonoperating Revenue (Expenses)	(14,257,054)	(2,550,024)	1,341,518	(15,465,560)
NET INCOME BEFORE TRANSFERS	1,373,058	1,250,287	790,075	3,413,420
TRANSFERS				
Transfers in	92,916	-	683,573	776,489
Transfers out	(683,573)	-	(92,916)	(776,489)
Transfers, net	(590,657)	-	590,657	-
CHANGE IN NET POSITION	782,401	1,250,287	1,380,732	3,413,420
Net Position - Beginning of Year	11,613,397	(8,016,204)	23,540,992	27,138,185
NET POSITION - END OF YEAR	$ 12,395,798	$ (6,765,917)	$ 24,921,724	$ 30,551,605

See accompanying Notes to Financial Statements.

VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2023

	2023			
	Bond Fund	Special Obligation Fund	Operating Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Municipalities and the Vermont State College System:				
Principal	$ 50,097,895	$ 3,030,000	$ -	$ 53,127,895
Interest (Net of Refunding Interest Savings)	16,388,023	3,837,886	-	20,225,909
Cash Paid to Suppliers for Goods and Services	-	-	(379,389)	(379,389)
Cash Paid to Employees for Services	-	-	(366,247)	(366,247)
Loans to Municipalities	(40,845,135)	-	-	(40,845,135)
Bond Issue Costs	(573,289)	-	-	(573,289)
Other Receipts	248	-	144,414	144,662
Net Cash Provided (Used) by Operating Activities	25,067,742	6,867,886	(601,222)	31,334,406
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from Bonds Issued	66,368,644	-	-	66,368,644
Principal Reductions	(74,751,000)	(3,030,000)	-	(77,781,000)
Interest Paid	(25,482,900)	(3,870,751)	-	(29,353,651)
Interest Rebate	1,389,549	-	-	1,389,549
Transfers In	92,916		683,573	776,489
Transfers Out	(683,573)	-	(92,916)	(776,489)
Net Cash Provided (Used) by Noncapital Financing Activities	(33,066,364)	(6,900,751)	590,657	(39,376,458)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	-	-	(2,385)	(2,385)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales of Investments	18,694,442	-	30,004,930	48,699,372
Purchase of Investments	(15,711,302)	-	(30,409,918)	(46,121,220)
Interest and Dividends	3,094,070	38,512	937,657	4,070,239
Net Cash Provided by Investing Activities	6,077,210	38,512	532,669	6,648,391
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,921,412)	5,647	519,720	(1,396,045)
Cash and Cash Equivalents - Beginning of Year (Includes $3,607,541 Reported as Restricted Cash)	8,030,902	25,631	788,222	8,844,755
CASH AND CASH EQUIVALENTS - END OF YEAR (Includes $1,628,884 Reported as Restricted Cash)	$ 6,109,490	$ 31,278	$ 1,307,942	$ 7,448,710

See accompanying Notes to Financial Statements.

VERMONT BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2023

	2023			
	Bond Fund	Special Obligation Fund	Operating Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ 15,630,112	$ 3,800,311	$ (551,443)	$ 18,878,980
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	-	30,900	30,900
(Increase) Decrease In Following Assets:				
Accrued Interest Receivable	19,919	37,575	-	57,494
Accounts Receivable	164,703	-	(189,978)	(25,275)
Prepaid Expenses	-	-	(3,800)	(3,800)
Loans Receivable	9,252,760	3,030,000	-	12,282,760
Increase (Decrease) in Following Liabilities:				
Accounts Payable	248	-	118,546	118,794
Deferred Inflows	-	-	(5,447)	(5,447)
Net Cash Provided (Used) by Operating Activities	$ 25,067,742	$ 6,867,886	$ (601,222)	$ 31,334,406
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Gain on Defeasance of Bonds	$ 232,814	$ -	$ -	$ 232,814
Refunding Loss Amortization	$ 1,696,459	$ -	$ -	$ 1,696,459

See accompanying Notes to Financial Statements.

NOTE 1 AUTHORIZING LEGISLATION AND NATURE OF FUNDS

A. Authorizing Legislation

The Vermont Bond Bank was established by the General Assembly of the state of Vermont in 1970 for the purpose of fostering and promoting the provision of adequate capital markets and facilities for borrowing money by governmental units of the state of Vermont for financing public improvements or other purposes. The Vermont Bond Bank (Bond Bank) is authorized to carry out this function by borrowing money, issuing bonds and notes and purchasing bonds and notes of local governmental units. The Vermont Bond Bank is a component unit of the state of Vermont.

The Bond Bank is administered by a board of directors, with a mandate to provide municipalities with access to municipal bond proceeds at the lowest possible interest rates.

The board is comprised of five directors consisting of the Treasurer of the state of Vermont (Ex-officio) and four directors appointed by the Governor of the state of Vermont, with the advice and consent of the Senate, to serve terms of two years each, two terms expiring on February 1 in alternate years, or until a successor is appointed. The Directors elect a Chair, Secretary, and a Treasurer.

Municipalities eligible for loan programs with the Bond Bank are defined as any city, town, village, school district, fire district, consolidated sewer or water district, or a solid waste district organized under the laws of the state, and also includes every municipal corporation identified in subdivision 1751(1) of V.S.A., Title 24.

As of December 31, 2023, the following resolutions had been adopted by the Bond Bank and remain active:

Date	Resolution
February 17, 1972	General Bond Resolution “Creating and establishing an issue of bonds of the Vermont Bond Bank; providing for the issuance from time to time of said bonds; providing for the payment of principal and interest of said bonds, and providing for the rights of the holders thereof.”
May 3, 1988	General Bond Resolution “Creating and Establishing an issue of bonds for the Vermont Bond Bank; providing for the issuance from time to time of said bonds; providing for the payment of the principal and interest of said bonds; and providing for the rights of the holders thereof.”
June 16, 2008	2008 Series 2 Resolution authorizing the issuance of $5,635,000 2008 Series 2 Bonds.

NOTE 1 AUTHORIZING LEGISLATION AND NATURE OF FUNDS (CONTINUED)

A. Authorizing Legislation (Continued)

Date	Resolution
June 10, 2010	2010 Series 1 Resolution authorizing the issuance of the $23,430,000 2010 Series 1 Bonds, 2010 Series 2 Resolution authorizing the issuance of $9,770,000 Federal Taxable Recovery Zone Economic Development Bonds (RZEDBs) 2010 Series 2 Bonds, 2010 Series 3 Resolution authorizing the issuance of $1,365,000 Federally Taxable Qualified School Construction Bonds 2010 Series 3 Bonds and 2010 Series 4 Resolution authorizing the issuance of $39,305,000 Series 4 Refunding Bonds and the refunding of 2000 Series 1 Bonds and 2001 Series 1 Bonds. 2010 Series 1 was partially refunded and defeased by 2016 Series 2.
October 12, 2010	2010 Series 5 Resolution authorizing the issuance of $24,520,000 Federally Taxable RZEDBS 2010 Series 5 Bonds.
January 25, 2011	2011 Series 1 Resolution authorizing the issuance of $9,500,000 Federally Taxable Qualified School Construction Bonds 2011 Series 1 Bonds.
June 15, 2011	2011 Series 2 Resolution authorizing the issuance of $25,665,000 2011 Series 2 Bonds, 2011 Series 3 Resolution authorizing the issuance of $2,940,000 Federally Taxable Qualified School Construction Bonds 2011 Series 3 Bonds and 2011 Series 4 Resolution authorizing the issuance of $14,370,000 Series 4 Refunding Bonds and the refunding of 2002 Series 1 Bonds. 2011 Series 2 was partially refunded and defeased by 2016 Series 2.
November 7, 2011	2011 Series 5 Resolution authorizing the issuance of $43,695,000 2011 Series 5 Bonds and 2011 Series 6 Resolution authorizing the issuance of $25,895,000 Series 6 Refunding Bonds and the refunding of 2003 Series 2 Bonds. 2011 Series 5 was partially refunded and defeased by 2016 Series 2.

NOTE 1 AUTHORIZING LEGISLATION AND NATURE OF FUNDS (CONTINUED)

A. Authorizing Legislation (Continued)

Date	Resolution
June 13, 2012	2012 Series 2 Resolution authorizing the issuance of $8,855,000 Qualified School Construction Bonds 2012 Series 2 Bonds.
October 24, 2012	2012 Series 4 Resolution authorizing the issuance of $8,790,000 2012 Series 4 Bonds and 2012 Series 5 Resolution authorizing the issuance of $6,485,000 Series 5 Refunding Bonds and the refunding of 2003 Series 1 Bonds.
June 19, 2013	2013 Series 1 Resolution authorizing the issuance of $54,895,000 2013 Series 1 Bonds and 2014 Series 2 Resolution authorizing the issuance of $18,285,000 Series 2 Refunding Bonds and the partial refunding of the 2005 Series 1 Bonds.
November 20, 2013	2014 Series 1 Resolution authorizing the issuance of the $29,475,000 2014 Series 1 Bonds and the 2014 Series 2 Resolution authorizing the issuance of the $18,285,000 2014 Series 2 Refunding Bonds and the refunding of the 2005 Series 1 Bonds.
June 10, 2014	2014 Series 3 Resolution authorizing the issuance of the $51,025,000 2014 Series 3 Bonds and the 2014 Series 4 Resolution authorizing the issuance of $21,035,000 Series 4 Refunding Bonds and the refunding of the 2006 Series 1 Bonds.
April 14, 2015	2015 Series 1 Resolution authorizing the issuance of the $30,630,000 2015 Refunding Bonds and the refunding of the 2004 Series 2 Bonds and the partial refunding of the 2007 Series 1 Bonds.
June 22, 2015	2015 Series 2 Resolution authorizing the issuance of the $7,975,000 2015 Series 2 Serial Bonds and the 2015 Series 3 Resolution authorizing the issuance of $14,535,000 2015 Series 3 Refunding Bonds with the partial refunding of the 2005 Series 2 Bonds and the partial refunding of the 2005 Series 3 Bonds and the 2015 Series 5 Resolution authorizing the issuance of $52,400,000 2015 Series 5 Refunding Bonds with the partial refunding of the 2008 Series 1 Bonds and the partial refunding of the 2009 Series 1 Bonds.

NOTE 1 AUTHORIZING LEGISLATION AND NATURE OF FUNDS (CONTINUED)

A. Authorizing Legislation (Continued)

Date	Resolution
October 8, 2015	2015 Series 4 Resolution authorizing the issuance of the $10,425,000 2015 Series 4 Taxable Bonds.
June 7, 2016	2016 Series 1 Resolution authorizing the issuance of the $41,870,000 2016 Series 1 Bonds and 2016 Series 2 Resolution authorizing the issuance of the $52,390,000 2016 Series 2 Refunding Bonds the partial refunding of the 2007 Series 2 Bonds, the 2010 Series 1 Bonds, the 2011 Series 2 Bonds and the 2011 Series 5 Bonds.
February 7, 2017	2017 Series 1 Resolution authorizing the issuance of the $31,920,000 2017 Series 1 Bonds and 2017 Series 2 Resolution authorizing the issuance of the $6,115,000 2017 Series 2 Green Bonds.
March 30, 2017	2017 General Vermont State Colleges System (VSCS) Bond Resolution allowing for multiple series of parity bonds that will constitute special not general obligations of the Bond Bank (VSCS Program Resolution) and 2017 Series A Resolution authorizing the issuance of the $67,660,000 2017 VSCS Series A Bonds.
June 21, 2017	2017 Series 3 Resolution authorizing the issuance of the $26,990,000 2017 Series 3 Bonds and 2017 Series 4 Resolution authorizing the issuance of $27,380,000 Series 4 Refunding Bonds and the partial refunding of the 2013 Series 1 Bonds.
January 25, 2018	2018 Series 1 Resolution authorizing the issuance of the $7,990,000 2018 Series 1 Local Investment Bonds.
June 11, 2018	2018 Series 2 Resolution authorizing the issuance of the $33,175,000 2018 Series 2 Local Investment Bonds.
January 30, 2019	2019 Series 1 Resolution authorizing the issuance of the $24,870,000 2019 Series 1 Local Investment Bonds.
June 11, 2019	2019 Series 2 Resolution authorizing the issuance of the $31,500,000 2019 Series 2 Local Investment Bonds.
December 18, 2019	VSCS 2020 Series A under the VSCS Program Resolution authorizing the issuance of the $24,185,000 VSCS 2020 Series A Bonds which are special not general obligations of the Bond Bank.

NOTE 1 AUTHORIZING LEGISLATION AND NATURE OF FUNDS (CONTINUED)

A. Authorizing Legislation (Continued)

Date	Resolution
January 30, 2020	2020 Series 1 Resolution authorizing the issuance of the $22,365,000 2020 Series 1 Local Investment Bonds.
June 25, 2020	2020 Series 2 Resolution authorizing the issuance of the $15,890,000 2020 Series 2 Local Investment Bonds.
January 28, 2021	2021 Series 1 Resolution authorizing the issuance of the $30,295,000 2021 Series 1 Local Investment Bonds and the $2,795,000 Federally Taxable 2021 Series 2 Refunding Bonds and the refunding of the 2010 Series 4 Bonds.
June 30, 2021	2021 Series 3 Resolution authorizing the issuance of the $17,615,000 2021 Series 3 Local Investment Bonds and the $10,955,000 2021 Series 4 Refunding Bonds and the refunding of the 2011 Series 4 Bonds and 2011 Series 6 Bonds.
September 17, 2021	Assignment of the Royalton Fire District #1 refunded USDA loan to the 2015 Series 4 Taxable Bonds.
January 27, 2022	2022 Series 1 Resolution authorizing the issuance of $9,000,000 2022 Series 1 Local Investment Bonds.
June 27, 2022	2022 Series 2 Resolution authorizing the issuance of the $28,000,000 2022 Series 2 Local Investment Bonds and the $23,445,000 2022 Series 3 Refunding Bonds and the refunding of the 2012 Series 1, 2012 Series 3, 2012 Series 5 and partial refunding of the 2012 Series 4 Bonds.
January 26, 2023	2023 Series 1 Resolution authorizing the issuance of $14,490,000 2023 Series 1 Local Investment Bonds.
June 29, 2023	2023 Series 2 Resolution authorizing the issuance of the $26,370,000 2023 Series 2 Local Investment Bonds and the $20,010,000 2023 Series 3 Refunding Bonds and the refunding of the 2014 Series 1 Bonds and the 2014 Series 2 Refunding Bonds.

NOTE 1 AUTHORIZING LEGISLATION AND NATURE OF FUNDS (CONTINUED)

B. Basis of Presentation and Nature of Funds

The financial statement presentation follows the recommendations of the Governmental Accounting Standards Board (GASB) in its Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The Bond Bank is a special-purpose entity with only business-type activities. Under GASB Statement No. 34, such entities should present only the financial statements required for enterprise funds. The accompanying financial statements include three distinct funds, each of which is considered a separate accounting entity. The Vermont Bond Bank reports the following three major funds:

Operating Fund

The Operating Fund is used to administer the operations of the Bond Bank and derives its revenues principally from investment income.

Bond Fund

The Bond Fund is used to administer the activities of the Bond Bank for the municipal loan program. The Fund issues bonds which are utilized to finance capital improvements or other purposes for local municipalities throughout the state of Vermont.

Special Obligation Fund

The Bond Fund is used to administer the activities of the Bond Bank for the purpose of issuing loans to the Vermont State College System (VSCS). The bonds were issued under the 2017 General VSCS Bond Resolution allowing for multiple series of parity bonds that will constitute special not general obligations of the Bond Bank. The bonds are direct obligations of the Bank payable solely from the funds and accounts established by the General Resolution for the VSCS Program.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

A. Advance Refundings

All advance refundings completed 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 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. The unamortized portion is reported as a deferred outflow of resources.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Accounting

The financial statements of the Bond Bank have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) in conformity with the principles of fund accounting as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing *Governmental Accounting and Financial Reporting Standards* which, along with the subsequent GASB pronouncements (Statements and Interpretations), constitutes U.S. GAAP for governmental units.

C. Measurement Focus and Basis of Accounting

The Bond Bank uses the economic resources measurement focus and the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when the obligation for payment is incurred. Interest expense on related bonds payable is recorded as a nonoperating expense in accordance with GASB Statements No. 9 and 34.

D. Cash Equivalents

The Bond Bank considers all unrestricted highly liquid investments with original maturities of three months or less to be cash equivalents.

E. Investments

The Board of Directors appoints trustees to oversee the investments in the Bond Fund. As of December 31, 2023, the Trustee is the U.S. Bank National Association. The Directors engaged Loomis, Sayles & Company, L.P. to provide investment management services for the Operating Fund. Investments with readily determinable fair values are reported at their fair values on the statement of net position. See Note 4.

F. Accounts Receivable

The Bond Fund and Special Obligation Fund report loans receivable (see Note 5), accrued interest on loans receivable, and general receivables. The Operating Fund reports accounts receivable related to leases as well as management fees associated with program administration for the State of Vermont Special Environmental Revolving Fund and the Vermont Educational and Health Buildings Financing Agency (see Note 14). The recognition of revenue related to accounts receivable is reported under the accrual basis of accounting whereby receivables and revenues are recorded in the year accrued.

Accounts receivable are considered 100% collectible by the Bond Bank.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets and Depreciation

The Bond Bank records capital assets in the Operating Fund. Capital assets are defined by the Bond Bank as assets with an initial, individual cost of $1,000 and an estimated life in excess of one year. Such assets are recorded at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated acquisition value at the date of the donation. Capital assets are depreciated using the straight-line method over the useful lives shown below:

Computers	3 Years
Furniture and Equipment	7 Years
Leasehold Improvements	7 Years
Lease Asset	5 Years

H. Deferred Outflows and Deferred Inflows of Resources

In addition to assets and liabilities, deferred outflows of resources, and deferred inflows of resources are reported as separate sections on the statement of net position.

Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense) until that time. The Bond Bank reports deferred outflows of resources related to the deferred loss on refunding of bonds payable. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The Bond Bank reports deferred inflows of resources related to leases as discussed in Note 12.

I. Arbitrage Rebate Payable

The accrued arbitrage rebate payable is based on interim arbitrage rebate analysis performed by the Bond Bank's arbitrage rebate counsel for bonds issued prior to 2023.

J. Long-Term Obligations

The Bond Bank reports long-term debt and other long-term obligations as liabilities in the statement of net position.

K. Use of Estimates

The presentation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred outflows/inflows of resources as well as 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Net Position

For proprietary funds the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

NOTE 3 CUSTODIAL CREDIT RISK - DEPOSITS

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Bond Bank’s deposits may not be recovered. Cash consists of money market accounts invested primarily in commercial paper and government securities. The Bond Bank’s custodial credit risk policy directs management to invest in cash or near cash investments that are either 100% FDIC insured or AAAm rated funds or government securities. As of December 31, 2023, general operating reserve cash was $879,557. Of this total, $214,437 was in collateralized and FDIC insured cash accounts. The remaining total of $665,120 was held within “government money markets funds” and therefore was exposed to custodial credit risk. Unrestricted cash and cash equivalents in the Bond Fund of $4,843,388 was held within “government money markets funds” rated AAAm by S&P, held by the Trustee. These funds are secured in eligible investments as defined in the General Resolution.

NOTE 4 INVESTMENTS

Unrestricted Investments – Operating Fund

The Bond Bank's investment objectives for its unrestricted investments are 1) to obtain regular, predictable interest income, through the investment in a diversified portfolio of U.S. Treasury and other government securities, corporate, mortgage and asset-backed securities, and other fixed income securities; and 2) to outperform the investment returns of the Barclays Intermediate Aggregate Bond Index.

The Bond Bank reports fair value measures of its assets and liabilities using a three-level hierarchy that prioritizes the inputs used to measure fair value. GASB Statement No. 72, *Fair Value Measurement and Application*, requires that entities maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The asset or liability's measurement within the fair value hierarchy is based on the lowest level of input that is significant to the measurement. The three levels of inputs used to measure fair value are as follows.

Level 1 – Quoted prices for identical assets or liabilities in active markets to which the organization has access at the measurement date.

Level 2 – Inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets in markets that are not active;
- observable inputs other than quoted prices for the asset or liability (for example, interest rates and yield curves); and
- inputs derived principally from, or corroborated by, observable market data by correlation or by other means.

Level 3 – Unobservable inputs for the asset or liability. Unobservable inputs should be used to measure the fair value if observable inputs are not available.

The Bond Bank measures fair value using level 1 inputs because they are available and generally provide the most reliable evidence of fair value for the Bond Bank's measurement of investments. The classification and fair value of unrestricted investments held at December 31, 2023 are identified as follows.

	Operating Fund
Agency Securities	$ 467,217
Asset-Backed Securities	898,691
Corporate Securities	4,748,813
Corporate Securities: Yankee	371,053
Mortgage Backed Securities (MBS)	8,731,603
U.S. Treasury Securities	8,208,419
Total	$ 23,425,796

NOTE 4 INVESTMENTS (CONTINUED)

Unrestricted Investments – Operating Fund (Continued)

The Bond Bank's investment policy permits the following ranges expressed as percentages of market value of the account:

Sector	Min%	Max%	Quality	Min%	Max%
U.S. Treasury	- %	100 %	U.S. Treasury	- %	100 %
Federal Agency	-	50	Federal Agency	-	100
Mortgage-Backed Securities	-	50	Aaa/AAA	-	50
Corporate	-	50	Aa/AA	-	50
Asset-Backed Securities	-	35	A/A	-	40
Commercial MBS	-	10	Baa/BBB	-	15
Supranational	-	10	Ba/BB	-	10

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer. With the exception of U.S. Treasury, agency and agency mortgage issues, the Bond Bank's investment policy provides that no more than 5% of the portfolio may be invested in the obligations of any one issuer. As of December 31, 2023, the Bond Bank was not exposed to concentration of credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. In addition to the ranges listed above, the Bond Bank's investment policy provides that the weighted average portfolio quality must be rated at least Aa2 by Moody's Investor Service and/or AA by S&P. Issues downgraded below BB-/Ba3 must be disposed of in a prudent manner with a target disposition within 90 days after the date of the downgrade. As of December 31, 2023, the Bond Bank's unrestricted investments are identified in the table below:

S&P Credit Ratings	Agency Securities	Asset-Backed Securities	Corporate Securities	Foreign Bonds	Mortgage Backed Securities	U.S. Treasury Securities
AAA	$ 467,217	$ 755,386	$ -	$ -	$ 8,731,603	$ 8,049,956
AA+	-	34,010	-	-	-	158,463
AA	-	109,295	33,288	-	-	-
A+	-	-	729,652	142,602	-	-
A	-	-	420,788	120,554	-	-
A-	-	-	439,559	40,434	-	-
BBB+	-	-	1,032,930	36,453	-	-
BBB	-	-	1,205,464	-	-	-
BBB-	-	-	854,269	31,010	-	-
BB-	-	-	32,863	-	-	-
Total	$ 467,217	$ 898,691	$ 4,748,813	$ 371,053	$ 8,731,603	$ 8,208,419

NOTE 4 INVESTMENTS (CONTINUED)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will affect the fair value of certain investments. In accordance with its investment policy, the Bond Bank manages its exposure to declines in fair values of its unrestricted investments by limiting the weighted average maturity of its investment portfolio to within a range of 80% to 120% of that of the Barclays Intermediate Aggregate Bond Index. There are no limitations on the duration, or maturity, of specific securities. The weighted average duration for unrestricted investments is as follows:

	Weighted Average Duration by Asset Class (Years)
Agency Securities	0.90
Asset-Backed Securities	1.28
Corporate Securities	3.71
Corporate Securities: Yankee	4.65
Mortgage Backed Securities (MBS)	5.52
MBS: Collateralized	4.44
U.S. Treasury Securities	4.47

Restricted Investments

The Bond Fund investments are restricted to meet the reserve requirements for each issue. The General Resolution provides that all monies held by the Trustees shall be continuously and fully secured, for the benefit of the Bond Bank and the holders of the bonds. The restricted investments in the Bond Fund are to be invested in obligations with maturity dates which coincide as nearly as practicable with dates of debt service or other purposes provided in the General Resolution. Allowable investments are limited by certain restrictions and include 1) direct obligations of the United States of America or obligations which are guaranteed or insured by the United States of America, or instrumentality or agency thereof; 2) state and municipal bonds provided they are rated at least A at the time of investment; 3) interest bearing obligations issued, assumed, or guaranteed by any solvent U.S. institution rated at least A at the time of investment, certificates of deposit or time deposits at banking institutions with capital surplus and undivided profits of not less than $25,000,000; 4) repurchase agreements with maturities of not more than 30 days with a bank or trust company that has a combined capital surplus and undivided profits not less than $100,000,000 or with primary government dealers who are members of the Securities Investor Protection Corporation; and 5) units of a taxable government money market portfolio comprised solely of obligations listed above. The funds may also be deposited in an interest bearing account held by the Trustee provided that the account is fully secured by direct obligations of the United States of America.

NOTE 4 INVESTMENTS (CONTINUED)

Restricted Investments (Continued)

The classification and fair value of restricted investments held at December 31, 2023 are as follows:

	Bond Fund
U.S. Treasury Bonds	$ 26,304,133
U.S. Treasury Notes	29,636,582
U.S. Treasury Strips	216,461
U.S. Governments	1,093,441
Total	$ 57,250,617

Restricted investments in the Bond Fund at December 31, 2023 mature as follows:

		Investment Maturity (in Years)			
Investment Type	Fair Value	< 1	1-5	6-10	> 10
U.S. Treasury Bonds	$ 26,304,133	$ -	$ 10,208,927	$ 6,827,892	$ 9,267,314
U.S. Treasury Notes	29,636,582	1,251,433	9,979,763	8,605,201	9,800,185
U.S. Treasury Strips	216,461	-	216,461	-	-
U.S. Governments	1,093,441	-	-	1,093,441	-
Total	$ 57,250,617	$ 1,251,433	$ 20,405,151	$ 16,526,534	$ 19,067,499

Restricted Cash

On December 31, 2023, $1,597,606 and $31,278, respectively, of cash in reserve funds reported in the Bond Fund and Special Obligation Fund, respectively, was restricted by the terms of the bond requirements.

NOTE 5 LOANS RECEIVABLE

Bond Fund

Loans receivable represent loans to municipalities which are secured by revenues or are general obligations of the municipalities. Interest rates correspond with the interest rates on the related bonds payable by the Bond Bank plus, in some cases, an increment is added to fund capitalized interest, reserve requirements and issue costs. The loans mature during the same periods as the related bonds payable.

Special Obligation Fund

Loans receivable represent loans to the VSCS originating from loan agreements between the Vermont Bond Bank and VSCS under the 2017 General Bond Resolution for VSCS. Interest rates correspond with the interest rates on the related bonds payable by the Bond Bank. The loans mature during the same periods as the related bonds payable, and the payment of principal and interest on the bonds payable is made solely from funds of the Bond Bank held under the 2017 General Resolution.

NOTE 5 LOANS RECEIVABLE (CONTINUED)

Special Obligation Fund (Continued)

The activity of loans receivable during the year is as follows:

Description	Bond Fund	Special Obligation Fund
Loans Receivable:		
January 1, 2023	$ 532,139,976	$ 86,480,000
Loan Disbursements	40,845,135	-
Loan Repayments	(50,097,895)	(3,030,000)
Loans Receivable:		
December 31, 2023	$ 522,887,216	$ 83,450,000

Interest savings from refundings may be passed through to the municipalities and are included in other expense. Other expense for the year ended December 31, 2023 included interest credits to municipalities from the following refundings.

	Other Expense
Refundings:	
2014 Series 2	$ 1,852
2014 Series 4	80,000
2015 Series 1	183,885
2015 Series 3	147,791
2015 Series 4	12,862
2015 Series 5	263,317
2016 Series 2	116,996
2017 Series 4	34,139
2021 Series 2	35,885
2021 Series 4	137,389
2022 Series 1	2,254
2022 Series 3	724,161
2023 Series 3	828,037
Total	$ 2,568,568

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023 is shown in the following table:

	Balance January 1, 2023	Increase	Decrease	Balance December 31, 2023
Capital Assets Being Depreciated:				
Computer Equipment	$ 5,235	$ 2,385	$ -	$ 7,620
Furniture and Fixtures	51,745	-	-	51,745
Leasehold Improvements	46,273	-	-	46,273
Lease Asset	75,442	-	-	75,442
Total Capital Assets Being Depreciated	178,695	2,385	-	181,080
Less: Accumulated Depreciation for:				
Computer Equipment	(1,455)	(1,809)	-	(3,264)
Furniture and Fixtures	(9,240)	(7,392)	-	(16,632)
Leasehold Improvements	(8,262)	(6,611)	-	(14,873)
Lease Asset	(27,662)	(15,088)	-	(42,750)
Total Accumulated Depreciation	(46,619)	(30,900)	-	(77,519)
Capital Assets, Net	$ 132,076	$ (28,515)	$ -	$ 103,561

NOTE 7 BOND LIABILITY ACTIVITY

Bond liability activity for the year ended December 31, 2023, was as follows:

	January 1, 2023	Additions	Reductions	December 31, 2023	Amounts Due Within One Year
Bonds Payable	$ 646,837,000	$ 60,870,000	$ (77,781,000)	$ 629,926,000	$ 45,656,000
Plus Unamortized Premium (Discount)	49,125,132	5,498,644	(9,923,595)	44,700,181	8,863,571
Total Bonds Payable	695,962,132	66,368,644	(87,704,595)	674,626,181	54,519,571
Accrued Arbitrage Rebate	33,864	2,824	(23,680)	13,008	-
Total	$ 695,995,996	$ 66,371,468	$ (87,728,275)	$ 674,639,189	$ 54,519,571

NOTE 8 BONDS PAYABLE

Bonds payable as of December 31, 2023 consist of the following:

Issuance	Maturity Date	Interest Rate (%)	Outstanding at January 1, 2023	Issued	Redeemed	Outstanding at December 31, 2023
Term Bonds:						
2008 Series 2 Bonds	12/01/32	6.25%	$ 4,955,000	$ -	$ (235,000)	$ 4,720,000
2010 Series 2 Bonds	12/01/25	5.12%	1,370,000	-	(465,000)	905,000
2010 Series 2 Bonds	12/01/30	5.738%	1,845,000	-	-	1,845,000
2010 Series 3 Bonds	12/01/26	5.388%	1,365,000	-	-	1,365,000
2010 Series 5 Bonds	12/01/23	5.204%	3,440,000	-	(1,180,000)	2,260,000
2010 Series 5 Bonds	12/01/35	6.036%	8,150,000	-	-	8,150,000
2010 Series 5 Bonds	12/01/40	6.186%	495,000	-	-	495,000
2011 Series 1 Bonds	12/01/25	5.66%	9,500,000	-	-	9,500,000
2011 Series 3 Bonds	12/01/27	4.749%	2,940,000	-	-	2,940,000
2012 Series 2 Bonds	12/01/27	3.513%	300,000	-	-	300,000
2012 Series 2 Bonds	12/01/32	3.960%	8,555,000	-	-	8,555,000
2012 Series 4 Bonds	12/01/43	3.375%	365,000	-	-	365,000
2014 Series 3 Bonds	12/01/44	5.00%	1,450,000	-	-	1,450,000
2015 Series 1 Bonds	12/01/37	3.75%	695,000	-	-	695,000
2015 Series 2 Bonds	12/01/45	4.00%	1,740,000	-	-	1,740,000
2015 Series 4 Bonds	12/01/40	4.494%	4,000,000	-	(4,000,000)	-
2015 Series 4 Bonds	12/01/45	4.60%	4,275,000	-	(4,275,000)	-
2015 Series 5 Bonds	12/01/39	4.00%	2,080,000	-	-	2,080,000
2016 Series 1 Bonds	12/01/41	5.00%	3,145,000	-	-	3,145,000
2016 Series 1 Bonds	12/01/46	5.00%	1,240,000	-	-	1,240,000
2016 Series 2 Bonds	12/01/41	3.00%	2,165,000	-	-	2,165,000
2017 Series 1 Bonds	12/01/47	3.75%	4,420,000	-	-	4,420,000
2017 Series 2 Bonds	12/01/47	3.75%	1,755,000	-	-	1,755,000
2017 Series 3 Bonds	12/01/47	5.00%	3,895,000	-	-	3,895,000
2017 Series 4 Bonds	12/01/37	3.25%	360,000	-	-	360,000
2017 Series 4 Bonds	12/01/43	4.00%	640,000	-	-	640,000
2018 Series 1 Bonds	12/01/38	3.375%	1,310,000	-	-	1,310,000
2018 Series 1 Bonds	12/01/44	3.50%	1,685,000	-	-	1,685,000
2018 Series 2 Bonds	12/01/43	3.375%	755,000	-	-	755,000
2019 Series 1 Bonds	12/01/44	3.50%	4,195,000	-	-	4,195,000
2019 Series 1 Bonds	12/01/49	4.00%	3,740,000	-	-	3,740,000
2019 Series 2 Bonds	12/01/44	3.00%	1,280,000	-	-	1,280,000
2019 Series 2 Bonds	12/01/49	3.00%	800,000	-	-	800,000
2020 Series 1 Bonds	12/01/45	3.00%	2,000,000	-	-	2,000,000
2020 Series 1 Bonds	12/01/50	4.00%	1,815,000	-	-	1,815,000
2020 Series 2 Bonds	12/01/45	4.00%	965,000	-	-	965,000
2020 Series 2 Bonds	12/01/50	4.00%	835,000	-	-	835,000
2021 Series 1 Bonds	12/01/46	2.375%	1,660,000	-	-	1,660,000
2021 Series 1 Bonds	12/01/51	2.50%	1,510,000	-	-	1,510,000
2021 Series 3 Bonds	12/01/38	2.00%	2,925,000	-	-	2,925,000
2021 Series 3 Bonds	12/01/41	2.00%	2,695,000	-	-	2,695,000
2022 Series 1 Bonds (1)	12/01/46	1.95%	7,937,000	-	(436,000)	7,501,000
2022 Series 2 Bonds	12/01/42	5.00%	1,850,000	-	-	1,850,000
2022 Series 3 Bonds	12/01/42	4.00 - 5.00%	2,045,000	-	-	2,045,000
2023 Series 1 Bonds	12/01/48	4.17%	-	1,535,000	-	1,535,000
2023 Series 1 Bonds	12/01/53	4.22%	-	585,000	-	585,000
2023 Series 2 Bonds	12/01/48	4.15%	-	3,875,000	-	3,875,000
2023 Series 2 Bonds	12/01/53	4.18%	-	890,000	-	890,000
Serial Bonds:						
2010 Series 5 Bonds	12/01/25	5.454 - 5.604%	135,000	-	-	135,000
2013 Series 1 Bonds	12/01/23	5.00%	3,235,000	-	(3,235,000)	-
2014 Series 1 Bonds	12/01/33	4.00 - 5.00%	19,235,000	-	(19,235,000)	-
2014 Series 3 Bonds	12/01/34	5.00%	28,945,000	-	(2,920,000)	26,025,000
2015 Series 2 Bonds	12/01/35	2.00 - 5.00%	4,245,000	-	(290,000)	3,955,000
2015 Series 4 Bonds	12/01/25	2.80 - 3.45%	600,000	-	(600,000)	-
2016 Series 1 Bonds	12/01/36	2.00 - 5.00%	26,245,000	-	(1,895,000)	24,350,000
2017 Series 1 Bonds	12/01/37	2.50 - 5.00%	22,750,000	-	(1,305,000)	21,445,000
2017 Series 2 Bonds	12/01/30	2.25 - 5.00%	2,700,000	-	(335,000)	2,365,000
2017 Series 3 Bonds	12/01/37	5.00%	18,730,000	-	(1,255,000)	17,475,000

NOTE 8 BONDS PAYABLE (CONTINUED)

Issuance	Maturity Date	Interest Rate (%)	Outstanding at January 1, 2023	Issued	Redeemed	Outstanding at December 31, 2023
2018 Series 1 Bonds	12/01/34	4.00 - 5.00%	$ 3,970,000	$ -	$ (315,000)	$ 3,655,000
2018 Series 2 Bonds	12/01/38	2.25 - 5.00%	27,160,000	-	(1,620,000)	25,540,000
2019 Series 1 Bonds	12/01/39	3.00 - 5.00%	14,720,000	-	(750,000)	13,970,000
2019 Series 2 Bonds	12/01/39	3.00 - 5.00%	25,585,000	-	(1,470,000)	24,115,000
2020 Series 1 Bonds	12/01/40	2.00 - 5.00%	17,260,000	-	(680,000)	16,580,000
2020 Series 2 Bonds	12/01/40	2.00 - 5.00%	13,570,000	-	(310,000)	13,260,000
2021 Series 1 Bonds	12/01/41	2.125 - 5.00%	25,975,000	-	(1,180,000)	24,795,000
2021 Series 3 Bonds	12/01/35	4.00 - 5.00%	11,255,000	-	(760,000)	10,495,000
2022 Series 2 Bonds	12/01/43	3.50 - 5.00%	21,295,000	-	(890,000)	20,405,000
2023 Series 1 Bonds	12/01/46	4.00 - 5.00%	-	12,370,000	-	12,370,000
2023 Series 2 Bonds	12/01/40	5.00%	-	21,605,000	-	21,605,000
Refunding Bonds:						
2014 Series 2 Bonds	12/01/25	5.00%	4,800,000	-	(4,800,000)	-
2014 Series 4 Bonds	12/01/26	3.00 - 5.00%	8,115,000	-	(2,065,000)	6,050,000
2015 Series 1 Bonds	12/01/27	1.875 - 5.00%	13,090,000	-	(2,505,000)	10,585,000
2015 Series 3 Bonds	12/01/25	2.00 - 3.00%	330,000	-	(110,000)	220,000
2015 Series 5 Bonds	12/01/35	2.00 - 5.00%	34,110,000	-	(4,660,000)	29,450,000
2016 Series 2 Bonds	12/01/36	5.00%	44,285,000	-	(4,020,000)	40,265,000
2017 Series 4 Bonds	12/01/33	3.125 - 5.00%	25,945,000	-	(100,000)	25,845,000
2021 Series 2 Bonds	12/01/26	1.05%	760,000	-	(760,000)	-
2021 Series 2 Bonds	12/01/31	2.00%	710,000	-	(710,000)	-
2021 Series 4 Bonds	12/01/33	4.00 - 5.00%	4,060,000	-	(2,830,000)	1,230,000
2022 Series 3 Bonds	12/01/33	4.00 - 5.00%	21,400,000	-	(1,740,000)	19,660,000
2023 Series 3 Bonds	12/01/33	5.00%	-	20,010,000	(815,000)	19,195,000
Special Obligation Bonds - VSCS:						
2017 Series A Bonds	12/01/37	4.00 - 5.00%	62,295,000	-	(2,890,000)	59,405,000
2020 Series A Bonds	12/01/37	3.00 - 5.00%	24,185,000	-	(140,000)	24,045,000
Subtotal Long-Term Debt			646,837,000	60,870,000	(77,781,000)	629,926,000
Unamortized Premium			49,125,132	5,498,644	(9,923,595)	44,700,181
Total			$ 695,962,132	$ 66,368,644	$ (87,704,595)	$ 674,626,181

Bonds from direct borrowing

The annual requirements to amortize bonds payable as of December 31, 2023 are as follows:

Year Ending December 31,	Total Principal	Total Interest
2024	$ 45,656,000	$ 27,903,662
2025	55,056,000	25,754,175
2026	45,565,000	23,027,963
2027	47,117,000	20,923,662
2028	41,852,000	18,703,840
2029 to 2033	197,776,000	64,400,932
2034 to 2038	123,027,000	26,991,664
2039 to 2043	48,691,000	9,336,744
2044 to 2048	19,471,000	3,219,504
2049 to 2053	5,715,000	454,819
Total	629,926,000	220,716,965
Unamortized Premium	44,700,181	-
Total	$ 674,626,181	$ 220,716,965

NOTE 8 BONDS PAYABLE (CONTINUED)

The deferred outflow on refunding of bonds payable at December 31, 2023 consists of the deferred loss on refunding of debt related to the following issuances:

Refundings:	
2014 Series 4	$ 472,204
2015 Series 1	424,062
2015 Series 3	562,724
2015 Series 5	2,595,642
2016 Series 2	5,023,500
2017 Series 4	1,827,777
Total	$ 10,905,909

2023 Defeasance

On December 1, 2023, the Bond Bank placed $8,777,551 of funds into an irrevocable trust to provide for the payment of $8,875,000 of 2015 Series 4 Bonds and $1,270,000 of 2021 Series 2 Bonds. The bonds are scheduled to be called on December 1, 2024 and are considered defeased as of December 31, 2023. Cash to fund the escrows was identified from excess savings realized from downsizing debt service reserve funds, which is allowed under the terms of the 1988 Resolution.

2023 Refunding

The Bond Bank issued $20,010,000 of 2023 Series 3 General Obligation Refunding Bonds, dated December 1, 2023, for the purpose of refunding of $19,235,000 of the 2014 Series 1 Bonds and $4,800,000 of 2014 Series 2 Refunding Bonds. The interest rate on the bonds is 5%. Payments to bondholders are scheduled to commence on December 1, 2024, and terminate on December 1, 2033. As a result of the refunding transaction, the Bond Bank reduces its total debt service payments over the next 10 years by $4,159,892 and achieves an economic gain of $1,479,457.

Vermont State College System

In May 2017 and January 2020, the VMBB issued $67,660,000 2017 Series A Bonds and $24,185,000 2020 Series A Bonds, respectively, for the purpose of issuing loans to the Vermont State College System. The bonds were issued under the 2017 General Vermont State Colleges System Bond Resolution allowing for multiple series of parity bonds that will constitute special not general obligations of the Vermont Bond Bank. The bonds are direct obligations of the Vermont Bond Bank payable solely from the funds and accounts established by the General Resolution for the VSCS Program. None of the funds and accounts established under the Bond Fund, or any other funds of the Vermont Bond Bank not held under the General Resolution for the VSCS Program, are pledged to the security of the Bonds. At December 31, 2023, the VSCS outstanding bonds payable were $59,405,000 of 2017 VSCS Series A Bonds and $24,045,000 of 2020 VSCS Series A under this resolution.

NOTE 9 RESERVE REQUIREMENT

The Bond Bank is required to maintain certain amounts in reserve funds. The Trustees' evaluation of the reserve fund and the reserve requirements are summarized as follows:

	2023
Reserve Fund:	
Amortized Value	$ 47,301,704
Reserve Requirement	40,337,498
Excess Above Requirement	$ 6,964,206

The value includes amortization of premium or discount and accrued interest on securities held in the reserve funds. Restricted cash of $1,597,606 is included in the amortized value at December 31, 2023.

NOTE 10 INTERFUND TRANSFERS

Interfund transfers between the Bond Fund and the Operating Fund include $683,573 of Qualified School Construction Bond (QSCB) interest transferred from the Operating Fund to the Bond Fund; as well as a $92,916 transfer from the Operating Fund to the Bond Fund for costs related to defeasance transaction expenses.

NOTE 11 LEASES

Lessee

In 2022, the Vermont Bond Bank entered into a five-year lease agreement as lessee for the acquisition and use of office space. The minimum rent of $75,442 for five years was paid in one lump sum on commencement of the lease. Accordingly, the Bond Bank recorded a right-to-use lease asset of $75,442 as of December 31, 2022. The lease asset is depreciated using the straight-line method over a useful life of five years.

Depreciation expense of $15,088 was recognized for the year ended December 31, 2023. Total occupancy expense was $19,454 for the fiscal year ended December 31, 2023.

Lessor

In 2022, the Vermont Bond Bank began contract leasing a portion of its leased office space to a third party. The lease is for five years and the rent of $27,231 which was due in one lump sum on commencement of the lease was recorded as deferred inflow of resources that will be recognized as revenue over the term of the lease. The Vermont Bond Bank recognized $12,644 in lease revenue during the year related to this lease; which includes revenue from variable components of the lease totaling $7,198. As of December 31, 2023, the balance of the deferred inflow of resources was $13,629. The lease provides that the lessee will pay common area maintenance in monthly installments at a rate per square foot documented in the lease and pay a pro rata share of real estate taxes and insurance based on the percentage of property leased. The lessee is responsible for payment directly for all charges for telecommunications, utilities, cleaning, and trash services used in connection with the premises.

NOTE 12 RETIREMENT PLAN

As of December 31, 2023, the Bond Bank had a simplified employee pension (SEP) plan for regular employees. In 2023, the Bond Bank's policy was to contribute 10% of annual compensation. To be eligible, an active employee must be 21 years of age and have been employed by the Bond Bank for over one year. In 2023, the Bond Bank contributed to retirement plans in the amount of $36,273.

NOTE 13 RELATED PARTY TRANSACTIONS

The Bond Bank receives reimbursements from related parties for general and administrative services. The amount of related party reimbursements was $327,195 for the year ended December 31, 2023. The total amount receivable in the Operating Fund as of December 31, 2023 was $83,029 from these related parties.

NOTE 14 DEFICIT FUND NET POSITION

At December 31, 2023, the Special Obligation Fund reported a deficit net position of $6,765,917. This deficit is the result of the unamortized bond premiums associated with the VSCS 2017 Series A and 2020 Series A issuances and will be amortized in future years as a component of interest expense.

NOTE 15 COMMITMENTS

The Rural Utilities Service of the United State Department of Agriculture approved a loan commitment for the Bond Bank in the amount of $40 million (the “USDA Loan”) in August 2023. The interest free loan will be used by the Bond Bank to make low interest loans to Governmental Units to implement durable cost-effective energy efficient measures and to fund program expenses. The Bond Bank expects to adopt a resolution separate from the General Resolution to secure the USDA Loan and a liquidity facility from a bank to secure the USDA Loan. The USDA Loan will be payable from different funds and assets than, and not on parity with General Resolution Bonds, including the Bonds. The Vermont Bond Bank will begin drawing upon this loan in Fiscal Year 2024.

NOTE 16 SUBSEQUENT EVENTS

On January 26, 2024, the State of Vermont provided a loan to the Bond Bank (the State Loan) of up to $15 million pursuant to the State of Vermont's "10% in Vermont" program to provide low interest loans to promote economic development. The Bond Bank used the proceeds of the State of Vermont Loan to make loans to Governmental Units to fund projects to mitigate the damage from the Summer 2023 flooding and use the loan repayments from such Governmental Units to repay the State of Vermont Loan. The State of Vermont Loan is payable from different funds and assets than, and is not on a parity with, the Bonds. None of the funds and accounts established under the General Resolution or any funds of the Bond Bank not received in connection with the State of Vermont Loan will be pledged to secure the State of Vermont Loan.

On March 13, 2024, the Vermont Bond Bank issued the 2024 Series 1 Bonds in the amount of $66,015,000. The bonds were authorized under the 1988 General Resolution and designated as Local Investment Bonds to reflect the local impact of the projects that are capitalized by the 2024 Bonds.

The Bond Bank has evaluated subsequent events through March 28, 2024, the date on which the financial statements were available to be issued.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Vermont Bond Bank
Burlington, Vermont

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Vermont Bond Bank, a component unit of the state of Vermont, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Vermont Bond Bank's basic financial statements, and have issued our report thereon dated March 28, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Vermont Bond Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Vermont Bond Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Vermont Bond Bank's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Vermont Bond Bank's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Vermont Bond Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Vermont Bond Bank's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Vermont Bond Bank's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Andover, Massachusetts
March 28, 2024