

VERMONT MUNICIPAL BOND BANK
FINANCIAL STATEMENTS
DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR 2020
AND
INDEPENDENT AUDITOR'S REPORTS

VERMONT MUNICIPAL BOND BANK
DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR 2020

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Vermont Municipal Bond Bank

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Vermont Municipal Bond Bank (the Vermont Bond Bank), a component unit of the State of Vermont, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Bond Bank's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Vermont Municipal Bond Bank as of December 31, 2021, 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; 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.

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.

Auditor's 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 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, 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.

Report on Summarized Comparative Information

We have previously audited the Vermont Bond Bank's 2020 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and each major fund in our report dated May 28, 2021. In our opinion, the summarized comparative information presented herein, as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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, 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. 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 May 26, 2022 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 Bond Bank's internal control over financial reporting and compliance.

Montpelier, Vermont
May 26, 2022

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**VERMONT MUNICIPAL BOND BANK
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021**

The Vermont Municipal Bond Bank (d/b/a Vermont Bond Bank) was created by the Vermont General Assembly 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, 2021, the Vermont Bond Bank (Bond Bank) has issued nearly \$2.6 billion in tax-exempt and taxable bonds through 96 series of bonds for municipalities, including 30 refunding bonds, and two conduit 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 ended December 31, 2021. The statements are divided into two 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.

2021 Financial Highlights

In 2021, the Bond Bank issued \$61,660,000 through two series of Local Investment Bonds and two series of refunding bonds. The 2021 Series 1 Bonds were issued in the amount of \$30,295,000 and provided loans to 11 municipalities with 16 projects. The 2021 Series 2 bonds that were issued in the amount of \$2,795,000 refunded the 2010 Series 4 bonds and resulted in \$172,000, or 6.39% of refunded par, of present value savings.

The 2021 Series 3 Bonds were issued in the amount of \$17,615,000 to provide loans to 10 municipalities with 13 projects. The 2021 Series 4 Bonds that were issued in the amount of \$10,955,000 refunded the 2011 Series 4 and 2011 Series 6 bonds and resulted in \$572,000, or 4.71% of refunded par, of present value savings.

In 2020, the Bond Bank issued \$38,255,000 through two series of Local Investment Bonds. The 2020 Series 1 Bonds were issued in the amount of \$22,365,000 and provided loans to 9 municipalities with 10 projects. The 2020 Series 2 Bonds were issued in the amount of \$15,890,000 to provide loans to 10 municipalities with 12 projects.

As of December 31, 2021, the Bond Bank had 493 loans outstanding to 193 governmental units totaling \$551,089,308. As of December 31, 2020, the Bond Bank had 488 loans outstanding to 197 governmental units totaling \$549,693,481.

Outstanding Loans by Debt Type as of 12/31/21	Summary			
	# Loans	% Total	Amount	% Total
General Obligation Bonds	488	99%	\$539,801,938	98%
Revenue Bonds	5	1%	11,287,370	2%
Total	493	100%	\$551,089,308	100%

Outstanding Loans by Borrower Type as of 12/31/21	Summary			
	# Loans	% Total	Amount	% Total
Local Government	317	64%	\$349,252,370	63%
School District	143	29%	183,784,476	33%
Other Governmental Unit	33	7%	18,052,462	4%
Total	493	100%	\$551,089,308	100%

Assets and Deferred Outflows of Resources

Combined total Assets and Deferred Outflows of Resources in the Bond Fund decreased by \$1,350,241, or 0.21%, from 2020 to 2021 and was driven by a decrease in deferred outflow on refunding of bonds payable that resulted from the current refunding of three previously refunded bonds.

Total assets within the Operating Fund decreased by \$714,964, or 2.60%, from the prior year. Assets grew over the year as the Bond Bank entered into a new office space lease and fit-up the space with new office furniture and equipment that were recorded as capital assets within the Operating Fund. These will be depreciated over the lives of the assets. The increase in assets was not enough to compensate for changes in the market, which resulted in a decline in value of the investment portfolio, which is invested in highly rated fixed income securities.

Liabilities and Deferred Inflows of Resources

Changes in Total Liabilities and Deferred Inflows of Resources were nearly all recorded in the Bond Fund. The total increased by \$1,972,409 or 0.32%, from 2020 to 2021. This was due to bond issuance activity. The Bond Bank entered into a sub-lease agreement with Evernorth for a portion of the new leased office space. This sub-lease has been recorded within deferred inflows of resources because the subtenant prepaid rent alongside the Bond Bank. The unearned revenue on sublease will be recognized as revenue over the lease term.

Net Position

Restricted Net Position in the Bond Fund decreased from 2020 to 2021 by \$3,233,927 or 19.32%.

Unrestricted Net Position in the Operating Fund decreased by \$963,531 or 3.51% over the same period.

These changes in net position were due to declines in the fair value of investments. After accounting for market changes, total revenue, which includes net nonoperating revenue, was less than total expenses by \$3,307,161 in the Bond Fund. Losses due to market changes extended to the Operating Fund when taking into consideration both operating and nonoperating revenue. The Operating Fund had a net loss of \$730,454.

Total Net Position as of December 31, 2021, equaled 6.42% of Total Bonds Payable and Unrestricted Net Position equaled 4.24% of Total Bonds Payable. Total Net Position as of December 31, 2020, equaled 7.67% of Total Bonds Payable and Unrestricted Net Position equaled 4.76% of Total Bonds Payable.

Major Statement of Net Position items changed as follows from 2020 to 2021:

	Bond Fund				Operating Fund				Total			
	2020	2021	Change		2020	2021	Change		2020	2021	Change	
			#	%			#	%			#	%
Total Assets and Deferred Outflow of Resources	641,740,568	640,390,327	(1,350,241)	-0.21%	27,454,971	26,740,006	(714,965)	-2.60%	669,195,539	667,130,333	(2,065,206)	-0.31%
Total Liabilities and Deferred Inflow of Resources	624,997,749	626,881,435	1,883,686	0.30%	25,030	113,753	88,723	354.47%	625,022,779	626,995,188	1,972,409	0.32%
Net Position												
Investment in Capital Assets	-	-	-	-	0	159,843	159,843	0.00%	0	159,843	159,843	0.00%
Net Position Unrestricted	-	-	-	-	27,429,941	26,466,410	(963,531)	-3.51%	27,429,941	26,466,410	(963,531)	-3.51%
Net Position Restricted	16,742,819	13,508,892	(3,233,927)	-19.32%	-	-	-	-	16,742,819	13,508,892	(3,233,927)	-19.32%
Total Net Position	16,742,819	13,508,892	(3,233,927)	-19.32%	27,429,941	26,626,253	(803,688)	-2.93%	44,172,760	40,135,145	(4,037,615)	-9.14%

Operating Summary

Revenues in both the Bond Fund and Operating Fund decreased by approximately 10.88% and 94.85%, respectively. Changes were driven by decreases in the fair value of investments and lower reinvestment rates, which reduced interest and investment revenue. In the Operating Fund, interest and investment revenue decreased from \$612,595 in 2020 to \$552,999 in 2021.

In the Operating Fund, expenses increased \$224,977 due to a Memorandum of Agreement with the Vermont Educational and Health Building Finance Agency (the Agency) that became effective in January 2021. This organization is disclosed as a related party in the financial statements. Shared expenses are recorded fully in the Bond Bank and the increased expenses are offset dollar for dollar by increased revenue from the Agency. Previously, the shared expenses were allocated between the organizations.

Net transfers out of the operating fund were \$73,234 which includes two equity contributions and an arbitrage rebate payment. These transfers were partially offset by unrestricted interest earnings in the Bond Fund that were transferred to the Operating Fund.

Major Revenue and Expense item changes from 2020 to 2021 are as follows:

	Bond Fund				Operating Fund				Total			
	2020	2021	Change		2020	2021	Change		2020	2021	Change	
			#	%			#	%			#	%
Revenues	25,365,479	22,606,113	(2,759,366)	-10.88%	1,851,090	95,288	(1,755,802)	-94.85%	27,216,569	22,701,401	(4,515,168)	-16.59%
Expenses	24,349,041	25,913,274	1,564,233	6.42%	600,765	825,742	224,977	37.45%	24,949,806	26,739,016	1,789,210	7.17%
Net Income (Loss) Prior to Transfers	1,016,438	(3,307,161)	-	-	1,250,325	(730,454)	-	-	2,266,763	(4,037,615)	-	-
Net Transfers In / Out	839,936	73,234	(766,702)	-91.28%	(839,936)	(73,234)	(766,702)	-91.28%	0	0	0	-
Change in Net Position	1,856,374	(3,233,927)	-	-	410,389	(803,688)	-	-	2,266,763	(4,037,615)	-	-

Investment Portfolio

The Bond Bank's unrestricted investment portfolio consists of highly rated corporate and US Government bonds. As a result, the change in market conditions over the course of the year impacted the value of the portfolio. From January 4, 2021, to December 31, 2021, the 10-year U.S. Treasury Note rate increased from 0.93% to 1.52%. The value of the portfolio decreased \$804,108.

The investment portfolio performed well relative to the benchmark in a declining market. The portfolio showed a negative return of 0.92% versus a negative return of 1.29% for the benchmark. On December 31, 2021, the fair value of the investment portfolio was \$24,094,895, excluding cash and cash equivalent investments of \$1,653,998. On December 31, 2020 the fair value of the portfolio was \$24,937,482, excluding cash and cash equivalent investments of \$1,627,254.

COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, was declared a pandemic by the World Health Organization. The COVID-19 pandemic has negatively affected national, state, and local economies and global financial markets, and the local government landscape in general. The Bond Bank is closely monitoring the COVID-19 pandemic and its impact on the investment earnings of the Bond Bank and financial health of its loan portfolio.

Subsequent Events

In February 2022, the Bond Bank issued the 2022 Series 1 Bonds in the amount of \$8,037,000 through a direct purchase of the bonds by Northfield Savings Bank. The bonds were authorized under the 1988 General Resolution.

Contact for Further Information

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

VERMONT MUNICIPAL BOND BANK
STATEMENT OF NET POSITION
DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR 2020
(Page 1 of 2)

	2021			2020
	Bond Fund	Operating Fund	Total	Summarized Total
ASSETS AND DEFERRED				
OUTFLOWS OF RESOURCES				
ASSETS:				
Current assets -				
Cash and cash equivalents	\$ 5,153,740	\$ 2,348,245	\$ 7,501,985	\$ 6,063,088
Accrued interest receivable	1,699,244	-	1,699,244	1,673,650
Accounts receivable	8,550	132,023	140,573	264,138
Current portion of loans to municipalities	49,722,188	-	49,722,188	48,468,735
Investments	-	24,094,895	24,094,895	24,937,482
Prepaid expenses	-	5,000	5,000	-
Total current assets	56,583,722	26,580,163	83,163,885	81,407,093
Noncurrent assets -				
Restricted cash	2,293,497	-	2,293,497	1,617,047
Restricted investments	65,036,720	-	65,036,720	65,056,512
Loans to municipalities	501,367,120	-	501,367,120	501,224,746
Capital assets, net	-	159,843	159,843	-
Total noncurrent assets	568,697,337	159,843	568,857,180	567,898,305
Total assets	625,281,059	26,740,006	652,021,065	649,305,398
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflow on refunding of bonds payable	15,109,268	-	15,109,268	19,890,141
Total assets and deferred outflows of resources	\$ 640,390,327	\$ 26,740,006	\$ 667,130,333	\$ 669,195,539
LIABILITIES, DEFERRED				
INFLOWS OF RESOURCES				
AND NET POSITION				
LIABILITIES:				
Current liabilities -				
Accounts payable	\$ -	\$ 89,231	\$ 89,231	\$ 25,030
Accrued arbitrage rebate	6,228	-	6,228	91,969
Bond interest payable	2,133,871	-	2,133,871	2,156,739
Current portion of bonds payable	45,385,000	-	45,385,000	44,440,000
Total current liabilities	47,525,099	89,231	47,614,330	46,713,738
Noncurrent liabilities -				
Accrued arbitrage rebate	25,771	-	25,771	153,256
Bonds payable	579,330,565	-	579,330,565	578,155,785
Total noncurrent liabilities	579,356,336	-	579,356,336	578,309,041
Total liabilities	626,881,435	89,231	626,970,666	625,022,779

The notes to financial statements are an integral part of this statement.

VERMONT MUNICIPAL BOND BANK
STATEMENT OF NET POSITION
DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR 2020
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	<u>2021</u>			<u>2020</u>
	<u>Bond</u>	<u>Operating</u>	<u>Total</u>	<u>Summarized</u>
	<u>Fund</u>	<u>Fund</u>		<u>Total</u>
DEFERRED INFLOWS OF RESOURCES:				
Unearned revenue on sublease	-	24,522	24,522	-
NET POSITION:				
Net investment in capital assets	-	159,843	159,843	-
Restricted	13,508,892	-	13,508,892	16,742,819
Unrestricted	-	26,466,410	26,466,410	27,429,941
Total net position	<u>13,508,892</u>	<u>26,626,253</u>	<u>40,135,145</u>	<u>44,172,760</u>
Total liabilities, deferred inflows of resources and net position	\$ <u>640,390,327</u>	\$ <u>26,740,006</u>	\$ <u>667,130,333</u>	\$ <u>669,195,539</u>

The notes to financial statements are an integral part of this statement.

VERMONT MUNICIPAL BOND BANK
STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020

	2021			2020
	Bond Fund	Operating Fund	Total	Summarized Total
OPERATING REVENUES:				
Interest	\$ 20,134,021	\$ -	\$ 20,134,021	\$ 20,156,287
Other income	-	346,397	346,397	216,848
Total operating revenue	20,134,021	346,397	20,480,418	20,373,135
OPERATING EXPENSES:				
Bond issue costs	614,065	-	614,065	459,736
Other expense	1,912,247	-	1,912,247	1,263,654
Operating expenses	-	825,742	825,742	600,765
Total operating expenses	2,526,312	825,742	3,352,054	2,324,155
OPERATING INCOME (LOSS)	17,607,709	(479,345)	17,128,364	18,048,980
NONOPERATING REVENUE (EXPENSES):				
Net appreciation/(depreciation) in fair value of investments	(872,810)	(804,108)	(1,676,918)	2,568,101
Interest and investment revenue	1,697,360	552,999	2,250,359	2,785,743
Interest rebate	1,456,730	-	1,456,730	1,489,590
Interest expense	(23,386,962)	-	(23,386,962)	(22,332,673)
Arbitrage recovery (rebate)	190,812	-	190,812	(292,978)
Total nonoperating revenue (expenses)	(20,914,870)	(251,109)	(21,165,979)	(15,782,217)
NET INCOME (LOSS) BEFORE TRANSFERS	(3,307,161)	(730,454)	(4,037,615)	2,266,763
NET TRANSFER TO BOND FUND	73,234	(73,234)	-	-
CHANGE IN NET POSITION	(3,233,927)	(803,688)	(4,037,615)	2,266,763
NET POSITION, beginning of year	16,742,819	27,429,941	44,172,760	41,905,997
NET POSITION, end of year	\$ 13,508,892	\$ 26,626,253	\$ 40,135,145	\$ 44,172,760

The notes to financial statements are an integral part of this statement.

VERMONT MUNICIPAL BOND BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020
(Page 1 of 2)

	2021			2020
	Bond Fund	Operating Fund	Total	Summarized Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from municipalities -				
Principal	\$ 48,591,443	\$ -	\$ 48,591,443	\$ 48,549,681
Interest (net of refunding interest savings)	18,190,315	-	18,190,315	18,988,557
Cash paid to suppliers for goods and services	-	(412,320)	(412,320)	(393,247)
Cash paid to employees for services	-	(337,999)	(337,999)	(214,682)
Loans to municipalities	(49,987,270)	-	(49,987,270)	(40,689,194)
Bond issue costs	(614,065)	-	(614,065)	(464,686)
Other receipts	-	338,126	338,126	170,002
Net cash provided (used) by operating activities	<u>16,180,423</u>	<u>(412,193)</u>	<u>15,768,230</u>	<u>25,946,431</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Proceeds from bonds issued	66,440,873	-	66,440,873	41,498,014
Principal reductions	(58,035,000)	-	(58,035,000)	(44,965,000)
Interest expense	(24,915,050)	-	(24,915,050)	(24,724,086)
Arbitrage recovery (rebate)	(22,414)	-	(22,414)	(181,889)
Interest rebate	1,613,088	-	1,613,088	1,324,682
Transfers	73,234	(73,234)	-	-
Net cash provided (used) by noncapital financing activities	<u>(14,845,269)</u>	<u>(73,234)</u>	<u>(14,918,503)</u>	<u>(27,048,279)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition of capital assets	-	(176,065)	(176,065)	-
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(176,065)</u>	<u>(176,065)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sales of investments	7,912,471	3,578,703	11,491,174	4,567,487
Purchase of investments	(8,569,130)	(2,736,116)	(11,305,246)	(8,690,999)
Earnings (loss) on investments	(872,810)	(804,108)	(1,676,918)	2,568,101
Investment income	1,703,226	552,999	2,256,225	2,785,294
Net cash provided (used) by investing activities	<u>173,757</u>	<u>591,478</u>	<u>765,235</u>	<u>1,229,883</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,508,911	(70,014)	1,438,897	128,035
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,644,829</u>	<u>2,418,259</u>	<u>6,063,088</u>	<u>5,935,053</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 5,153,740</u>	<u>\$ 2,348,245</u>	<u>\$ 7,501,985</u>	<u>\$ 6,063,088</u>

The notes to financial statements are an integral part of this statement.

**VERMONT MUNICIPAL BOND BANK
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2020**
(Page 2 of 2)

	2021			2020
	Bond Fund	Operating Fund	Total	Summarized Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 17,607,709	\$ (479,345)	\$ 17,128,364	\$ 18,048,980
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -				
Depreciation expense	-	16,222	16,222	-
(Increase)/decrease in following assets, deferred outflows, liabilities and deferred inflows:				
Accrued municipal interest receivable	(31,459)	-	(31,459)	95,924
Accounts receivable	-	(32,793)	(32,793)	(46,846)
Prepaid expenses	-	(5,000)	(5,000)	-
Loans to municipalities	(1,395,827)	-	(1,395,827)	7,860,487
Accounts payable	-	64,201	64,201	-
Deferred inflows	-	24,522	24,522	(12,114)
Net cash provided (used) by operating activities	\$ <u>16,180,423</u>	\$ <u>(412,193)</u>	\$ <u>15,768,230</u>	\$ <u>25,946,431</u>

SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES

Refunding loss amortization:	\$ <u>4,780,873</u>	\$ <u>-</u>	\$ <u>4,780,873</u>	\$ <u>3,243,014</u>
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The notes to financial statements are an integral part of this statement.

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

1. Authorizing legislation and nature of funds:

- A. Authorizing legislation - The Vermont Municipal Bond Bank (d/b/a 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 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.

Eligible municipalities 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, 2021, the following resolutions had been adopted by the Bond Bank and remain active:

<u>Date</u>	<u>Resolution</u>
February 17, 1972	General Bond Resolution “Creating and establishing an issue of bonds of the Vermont Municipal 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 Municipal 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.

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

1. Authorizing legislation and nature of funds (continued):

A. Authorizing legislation (continued) -

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.
June 13, 2012	2012 Series 1 Resolution authorizing the issuance of \$36,125,000 2012 Series 1 Bonds, 2012 Series 2 Resolution authorizing the issuance of \$8,855,000 Qualified School Construction Bonds 2012 Series 2 Bonds and 2012 Series 3 Resolution authorizing the issuance of \$26,590,000 Series 3 Refunding Bonds and the refunding of 2004 Series 1 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.

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

1. Authorizing legislation and nature of funds (continued):

A. Authorizing legislation (continued) -

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.
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.

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

1. Authorizing legislation and nature of funds (continued):

A. Authorizing legislation (continued) -

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.
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.

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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 two distinct funds, each of which is considered a separate accounting entity. The following funds are used by the Bond Bank.

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.

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.
- 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 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 a liability for payment is incurred. Operating revenues include interest from loans to municipalities and accrued interest receivable from municipalities. 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.

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of significant accounting policies (continued):

- E. Investments - The Directors appoint trustees to oversee the investments in the Bond Fund. As of December 31, 2021, 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 are reported at fair value. See Note 4.
- F. 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. 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

- G. Deferred outflows/inflows of resources - In addition to assets and liabilities, deferred outflows of resources and deferred inflows of resources, if applicable, 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 in the current period. 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 in the current period.
- H. Leases - as Lessee - The Bond Bank is a lessee for a noncancellable lease of the right to use office space. A lease is defined as a contract that conveys the right to use another entity's nonfinancial asset, including buildings and equipment, as specified in the contract for a period of time. The Bond Bank accounts for contracts meeting this definition under GASB Statement No. 87, *Leases*. The Bond Bank recognizes a lease liability and a right to use lease asset (lease asset) in the financial statements. At the commencement of a lease, the lease liability is measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is measured as the initial amount of the lease liability plus any payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is depreciated on a straight-line basis over its useful life. Key estimates and judgments include how the Bond Bank determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) the lease term, and (3) lease payments. The Bond Bank uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Bond Bank uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are fixed payments that the Bond Bank is reasonably certain to exercise. The Bond Bank monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if changes occur that are expected to significantly affect the amount of the lease liability. Lease assets are reported with other capital assets and lease liabilities are reported as current and noncurrent liabilities.

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of significant accounting policies (continued):

- I. Leases - as Lessor - The Bond Bank is a lessor for a noncancellable lease of office space. The Bond Bank recognizes a lease receivable and a deferred inflow of resources in the financial statements at the commencement of a lease. The Bond Bank measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments include how the Bond Bank determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) the lease term, and (3) lease receipts. The Bond Bank uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable are fixed payments the Bond Bank is reasonably certain to receive. The Bond Bank monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.
- J. Long-term obligations - Governmental activities, business-type activities and proprietary funds report long-term debt and other long-term obligations as liabilities in the applicable 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.
- L. Prior year totals - The financial statements include certain prior year summarized comparative information in total but not by fund as presented in the prior year. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Bond Bank's financial statements for the year ended December 31, 2020, from which the summarized information was derived.
- M. Net Position - For enterprise 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.

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

2. Summary of significant accounting policies (continued):

N. New Accounting Standard - The Bond Bank has implemented GASB Statement No. 87, *Leases*. This statement improves accounting and financial reporting for leases by governments. The impact on these financial statements is that the Bond Bank implemented the standard for office space leases entered into during 2021. See Note 2.H., Note 2.I. and Note 12.

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, 2021, general operating reserve cash was \$2,352,598. Of this total, \$144,468 was in collateralized and FDIC insured cash accounts. Of the remaining total of \$2,208,130, \$903,261 was held within "government money markets funds" and \$1,304,869 was in U.S. Treasury Bills maturing on or before January 27, 2022, rated AAAM and AAA, respectively, by Standard & Poor's Global Credit Rating Agency (Standard & Poor's). Unrestricted cash and cash equivalents in the Bond Fund of \$5,153,740 was held within "government money markets funds" rated AAAM by Standard and Poor's, held by the Trustee. These funds are secured in eligible investments as defined in the General Resolution.

4. Investments:

Unrestricted investments - 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 investments at fair value 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.

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

4. Investments (continued):

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 investments. The classification and fair value of unrestricted investments held at December 31, 2021 and 2020 are identified as follows:

	<u>Operating Fund</u>	
	<u>2021</u>	<u>2020</u>
Agency Securities	\$ 867,018	\$ 1,657,651
Asset-Backed Securities	1,689,417	2,248,418
Corporate Securities	5,846,454	7,308,205
Corporate Securities: Yankee	843,527	351,918
Mortgage-Backed Securities (MBS)	5,719,066	8,220,448
MBS: Collateralized	1,219,290	1,251,752
U.S. Treasury Securities	<u>7,910,123</u>	<u>3,899,090</u>
	<u>\$ 24,094,895</u>	<u>\$ 24,937,482</u>

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

<u>Sector</u>	<u>Min%</u>	<u>Max%</u>	<u>Quality</u>	<u>Min%</u>	<u>Max%</u>
U.S. Treasury	0%	100%	U.S. Treasury	0%	100%
Federal Agency	0%	50%	Federal Agency	0%	100%
Mortgage-Backed Securities	0%	50%	Aaa/AAA	0%	50%
Corporate	0%	50%	Aa/AA	0%	50%
Asset-Backed Securities	0%	35%	A/A	0%	40%
Commercial MBS	0%	10%	Baa/BBB	0%	15%
Supranational	0%	10%	Ba/BB	0%	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.

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 Standard & Poor's (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, 2021, the Bond Bank's unrestricted investments are identified on the next page.

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

4. Investments (continued)

S&P Credit Ratings	Agency Securities	Asset- Backed Securities	Corporate Securities	Corporate Securities: Yankee	Mortgage Backed Securities	MBS: Collateralized	U.S. Treasury Securities
AAA	\$ 867,018	\$ 1,510,691	\$ 328,488	\$ -	\$ 5,719,066	\$ 1,219,290	\$ 7,910,123
AA+	-	109,086	-	-	-	-	-
AA	-	49,632	38,669	-	-	-	-
AA-	-	-	64,571	84,858	-	-	-
A+	-	-	539,345	74,527	-	-	-
A	-	20,008	644,017	530,060	-	-	-
A-	-	-	763,117	-	-	-	-
BBB+	-	-	832,759	-	-	-	-
BBB	-	-	1,322,983	154,082	-	-	-
BBB-	-	-	1,097,384	-	-	-	-
BB+	-	-	107,718	-	-	-	-
BB	-	-	61,642	-	-	-	-
BB-	-	-	45,761	-	-	-	-
	<u>\$ 867,018</u>	<u>\$ 1,689,417</u>	<u>\$ 5,846,454</u>	<u>\$ 843,527</u>	<u>\$ 5,719,066</u>	<u>\$ 1,219,290</u>	<u>\$ 7,910,123</u>

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	1.87
Asset-Backed Securities	1.06
Corporate Securities	4.62
Corporate Securities: Yankee	3.60
Mortgage Backed Securities (MBS)	2.65
MBS: Collateralized	5.47
U.S. Treasury Securities	4.39

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

4. Investments (continued)

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. The classification and fair value of restricted investments held at December 31, 2021 and 2020 are as follows:

	<u>Bond Fund</u>	
	<u>2021</u>	<u>2020</u>
U.S. Treasury Bonds	\$ 21,588,308	\$ 17,995,198
U.S. Treasury Notes	39,915,847	41,846,814
U.S. Treasury Strips	1,786,670	1,820,751
U.S. Governments	<u>1,745,895</u>	<u>3,393,749</u>
	<u>\$ 65,036,720</u>	<u>\$ 65,056,512</u>

Restricted investments in the Bond Fund at December 31, 2021 mature as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturity (in Years)</u>			
		<u>< 1</u>	<u>1-5</u>	<u>6-10</u>	<u>> 10</u>
U.S. Treasury Bonds	\$ 21,588,308	\$ 431,790	\$ 8,196,549	\$ 6,568,480	\$ 6,391,489
U.S. Treasury Notes	39,915,847	948,969	8,543,921	12,450,389	17,972,568
U.S. Treasury Strips	1,786,670	13,985	1,772,685	-	-
U.S. Governments	<u>1,745,895</u>	<u>382,948</u>	<u>21,348</u>	<u>1,341,599</u>	-
	<u>\$ 65,036,720</u>	<u>\$ 1,777,692</u>	<u>\$ 18,534,503</u>	<u>\$ 20,360,468</u>	<u>\$ 24,364,057</u>

Restricted cash - On December 31, 2021, \$2,293,497 of cash in reserve funds was restricted by the terms of the bond requirements.

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

5. Loans to municipalities:

Loans to municipalities 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.

Interest savings from refundings may be passed through to the municipalities and are included in other expense. Other expense for the fiscal years ended December 31, 2021 and 2020 included interest credits to municipalities from the following refundings.

	<u>Other Expense</u>	
	<u>2021</u>	<u>2020</u>
Refundings		
2010 Series 4	\$ -	\$ 276,338
2011 Series 4	-	50,000
2012 Series 3	185,000	180,000
2014 Series 2	100,000	115,000
2014 Series 4	85,000	160,000
2015 Series 1	193,175	194,292
2015 Series 3	496,840	105,569
2015 Series 4	16,410	-
2015 Series 5	274,062	145,363
2016 Series 2	120,532	-
2017 Series 4	35,660	37,092
2021 Series 2	102,544	-
2021 Series 4	<u>303,024</u>	<u>-</u>
	\$ <u>1,912,247</u>	\$ <u>1,263,654</u>

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

6. Capital assets:

Capital asset activity for the year ended December 31, 2021 is shown in the following table:

	<u>Balance</u> <u>January 1, 2021</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>December 31, 2021</u>
Capital assets, depreciated:				
Computer equipment	\$ -	\$ 2,605	\$ -	\$ 2,605
Furniture and Fixtures	-	51,745	-	51,745
Leashold Improvements	-	46,273	-	46,273
Lease asset	<u>-</u>	<u>75,442</u>	<u>-</u>	<u>75,442</u>
Total capital assets, depreciated	<u>-</u>	<u>176,065</u>	<u>-</u>	<u>176,065</u>
Less accumulated depreciation for:				
Furniture and equipment	-	1,996	-	1,996
Leashold Improvements	-	1,652	-	1,652
Lease asset	<u>-</u>	<u>12,574</u>	<u>-</u>	<u>12,574</u>
Total accumulated depreciation	<u>-</u>	<u>16,222</u>	<u>-</u>	<u>16,222</u>
Capital assets, net	<u>\$ -</u>	<u>\$ 159,843</u>	<u>\$ -</u>	<u>\$ 159,843</u>

7. Bond liability activity:

Bond liability activity for the year ended December 31, 2021, was as follows:

	<u>January 1,</u> <u>2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2021</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds payable	\$ 575,810,000	\$ 61,660,000	\$ 58,035,000	\$ 579,435,000	\$ 45,385,000
Plus unamortized premium (discount)	<u>46,785,785</u>	<u>6,781,832</u>	<u>8,287,052</u>	<u>45,280,565</u>	<u>-</u>
Total bonds payable	622,595,785	68,441,832	66,322,052	624,715,565	45,385,000
Accrued arbitrage rebate	<u>245,225</u>	<u>7,264</u>	<u>220,490</u>	<u>31,999</u>	<u>6,228</u>
	<u>\$ 622,841,010</u>	<u>\$ 68,449,096</u>	<u>\$ 66,542,542</u>	<u>\$ 624,747,564</u>	<u>\$ 45,391,228</u>

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

8. Bonds payable:

Bonds payable consist of the following.

	<u>2021</u>	<u>2020</u>
2008 Series 2 Bonds consist of \$5,145,000 Term Bonds with interest at 6.25% through December 1, 2032; interest payable semi-annually.	\$ 5,145,000	\$ 5,300,000
2010 Series 2 Bonds consist of \$1,765,000 5.12% Term Bonds with interest at 5.12% through December 1, 2025 and \$1,845,000 with interest at 5.738% Term Bonds maturing December 1, 2030; interest payable semi-annually.	3,610,000	4,010,000
2010 Series 3 Bonds consist of \$1,365,000 Term Bonds with interest at 5.388% maturing December 1, 2026; interest payable semi-annually.	1,365,000	1,365,000
2010 Series 4 Bonds consist of \$2,695,000 Refunding Bonds with interest at 3.3% to 5.0% through December 1, 2031; plus unamortized premium of \$9,842; interest payable semi-annually. Refunded by 2021 Series 2.	-	2,704,842
2010 Series 5 Bonds consist of \$1,280,000 Serial Bonds with interest at 5.454% to 5.604% through December 1, 2025; \$3,440,000 5.204% Term Bonds due December 1, 2023; \$8,150,000 6.036% Term Bonds due December 1, 2035; and \$495,000 6.186% Term Bonds due December 1, 2040; interest payable semi-annually.	13,365,000	14,480,000
2011 Series 1 Bonds consist of \$9,500,000 Term Bonds with interest at 5.66% maturing December 1, 2025; interest payable semi-annually.	9,500,000	9,500,000
2011 Series 2 Bonds consist of \$1,470,000 Serial Bonds with interest at 3.0% through December 1, 2021; interest payable semi-annually. Partially refunded by 2016 Series 2.	-	1,470,000
2011 Series 3 Bonds consist of \$2,940,000 Term Bonds with interest at 4.749% maturing December 1, 2027; interest payable semi-annually.	2,940,000	2,940,000

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

8. Bonds payable (continued):

	<u>2021</u>	<u>2020</u>
2011 Series 4 Bonds consist of \$2,670,000 Refunding Bonds with interest at 3.375% to 5.0% through December 1, 2032; plus unamortized premium of \$60,635; interest payable semi-annually. Refunded by 2021 Series 4.	-	2,730,635
2011 Series 5 Bonds consist of \$1,675,000 Serial Bonds with interest at 4.0% through December 1, 2021; interest payable semi-annually. Partially refunded by 2016 Series 2.	-	1,675,000
2011 Series 6 Bonds consist of \$9,480,000 Refunding Bonds with interest at 3.0% to 5.0% through December 1, 2033; plus unamortized premium of \$275,849; interest payable semi-annually. Refunded by 2021 Series 4.	-	9,755,849
2012 Series 1 Bonds consist of \$19,130,000 Serial Bonds with interest at 3.0% to 5.0% through December 1, 2032; \$1,645,000 4.0% Term bonds maturing December 1, 2042; plus unamortized premium of \$1,063,506; interest payable semi-annually.	21,838,506	23,880,847
2012 Series 2 Bonds consist of \$300,000 Term Bonds with interest at 3.513% maturing December 1, 2027; and \$8,555,000 3.960% Term Bonds due December 1, 2032; interest payable semi-annually.	8,855,000	8,855,000
2012 Series 3 Bonds consist of \$7,210,000 Refunding Bonds with interest at 5.0% through December 1, 2024; plus unamortized premium of \$300,518; interest payable semi-annually.	7,510,518	10,244,180
2012 Series 4 Bonds consist of \$3,415,000 Serial Bonds with interest at 4.0% to 5.0% through December 1, 2032; \$540,000 5.0% Term Bonds maturing December 1, 2034; \$555,000 5.0% Term Bonds maturing December 1, 2037; and \$365,000 3.375% Term Bonds maturing December 1, 2043; plus unamortized premium of \$362,871; interest payable semi-annually.	5,237,871	5,800,198
2012 Series 5 Bonds consist of \$505,000 Refunding Bonds with interest at 3.0% to 5.0% through December 1, 2023; plus unamortized premium of \$22,039; interest payable semi-annually.	527,039	553,320

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

8. Bonds payable (continued):

	<u>2021</u>	<u>2020</u>
2013 Series 1 Bonds consist of \$6,420,000 Serial Bonds with interest at 5.0% through December 1, 2023; plus unamortized premium of \$159,013; interest payable semi-annually. Partially refunded by 2017 Series 4.	6,579,013	9,906,877
2014 Series 1 Bonds consist of \$20,505,000 Serial Bonds with interest at 4.0% to 5.0% through December 1, 2033; plus unamortized premium of \$786,787; interest payable semi-annually.	21,291,787	22,705,570
2014 Series 2 Bonds consist of \$6,635,000 refunding Bonds with interest at 5.0% through December 1, 2025; plus unamortized premium of \$243,081; interest payable semi-annually.	6,878,081	8,969,827
2014 Series 3 Bonds consist of \$31,830,000 Serial Bonds with interest at 5.0% through December 1, 2034; \$1,450,000 5.0% Term Bonds maturing December 1, 2044; plus unamortized premium of \$2,407,892; interest payable semi-annually.	35,687,892	39,044,231
2014 Series 4 Bonds consist of \$10,175,000 Refunding Bonds with interest at 3.0% to 5.0% through December 1, 2026; plus unamortized premium of \$544,407; interest payable semi-annually.	10,719,407	13,037,348
2015 Series 1 Bonds consist of \$15,620,000 Refunding Bonds with interest at 1.875% to 5.0% through December 1, 2027; \$695,000 3.75% Term Bonds maturing on December 1, 2037; plus unamortized premium of \$840,380; interest payable semi-annually.	17,155,380	20,094,379
2015 Series 2 Bonds consist of \$4,530,000 Serial Bonds with interest at 2.0% to 5.0% through December 1, 2035; \$1,740,000 4.0% Term Bonds maturing December 1, 2045; plus unamortized premium of \$134,353; interest payable semi-annually.	6,404,353	6,724,287
2015 Series 3 Bonds consist of \$440,000 Refunding Bonds with interest at 2.0% to 3.0% through December 1, 2025; plus unamortized premium of \$5,776; interest payable semi-annually.	445,776	1,404,710

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

8. Bonds payable (continued):

	<u>2021</u>	<u>2020</u>
2015 Series 4 Bonds consist of \$775,000 Taxable Serial Bonds with interest at 2.8% to 3.45% through December 1, 2025; \$4,000,000 4.494% Taxable Term Bonds maturing December 1, 2040; \$4,275,000 4.6% Term Bonds maturing December 1, 2045; interest payable semi-annually.	9,050,000	9,275,000
2015 Series 5 Bonds consist of \$38,605,000 Refunding Serial Bonds with interest at 2.0% to 5.0% through December 1, 2035; \$2,080,000 4.0% Term Bonds maturing December 1, 2039; plus unamortized premium of \$1,130,650; interest payable semi-annually.	41,815,650	47,045,488
2016 Series 1 Bonds consist of \$28,125,000 Serial Bonds with interest at 2.0% to 5.0% through December 1, 2036; \$3,145,000 5.0% Term Bonds maturing December 1, 2041; \$1,240,000 5.0% Term Bonds maturing December 1, 2046; plus unamortized premium of \$4,809,534; interest payable semi-annually.	37,319,534	39,818,027
2016 Series 2 Bonds consist of \$48,435,000 Refunding Serial Bonds with interest at 5.0% through December 1, 2036; \$2,165,000 3.0% Term Bonds maturing December 1, 2041; plus unamortized premium of \$7,139,428; interest payable semi-annually.	57,739,428	59,940,733
2017 Series 1 Bonds consist of \$24,030,000 Serial Bonds with interest at 2.5% to 5.0% through December 1, 2037; \$4,420,000 3.75% Term Bonds maturing December 1, 2047; plus unamortized premium of \$2,395,545; interest payable semi-annually.	30,845,545	32,115,937
2017 Series 2 Bonds consist of \$3,030,000 Serial Bonds with interest at 2.25% to 5.0% through December 1, 2030; \$1,755,000 3.75% Term Bonds maturing December 1, 2047; plus unamortized premium of \$53,984; interest payable semi-annually.	4,838,984	5,194,466
2017 Series 3 Bonds consist of \$19,675,000 Serial Bonds with interest at 5.0% through December 1, 2037; \$3,895,000 5.0% Term Bonds maturing December 1, 2047; plus unamortized premium of \$3,162,522; interest payable semi-annually.	26,732,522	28,110,794

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

8. Bonds payable (continued):

	<u>2021</u>	<u>2020</u>
2017 Series 4 Bonds consist of \$26,040,000 Refunding Serial Bonds with interest at 3.125% to 5.0% through December 1, 2033; \$360,000 3.25% Term Bonds maturing December 1, 2037; \$640,000 4.0% Term Bonds maturing December 1, 2043; plus unamortized premium of \$2,369,337; interest payable semi-annually.	29,409,337	29,928,147
2018 Series 1 Bonds consist of \$4,280,000 Serial Bonds with interest at 4.0% to 5.0% through December 1, 2034; \$1,310,000 3.375% Term Bonds maturing December 1, 2038; \$1,685,000 3.5% Term Bonds maturing December 1, 2044; plus unamortized premium of \$361,514; interest payable semi-annually.	7,636,514	7,975,333
2018 Series 2 Bonds consist of \$28,770,000 Serial Bonds with interest at 2.25% to 5.0% through December 1, 2038; \$755,000 3.375% Term Bonds maturing December 1, 2043; plus unamortized premium of \$1,459,681 interest payable semi-annually.	30,984,681	32,703,372
2019 Series 1 Bonds consist of \$15,465,000 Serial Bonds with interest at 3.0% to 5.0% through December 1, 2039; \$4,195,000 3.5% Term Bonds maturing December 1, 2044; \$3,740,000 4.0% Term Bonds maturing December 1, 2049 plus unamortized premium of \$1,521,894; interest payable semi-annually.	24,921,894	25,888,979
2019 Series 2 Bonds consist of \$27,020,000 Serial Bonds with interest at 3.0% to 5.0% through December 1, 2039; \$1,280,000 3.0% Term Bonds maturing December 1, 2044; \$800,000 3.0% Term Bonds maturing December 1, 2049; plus unamortized premium of \$2,678,012; interest payable semi-annually.	31,778,012	33,629,589
2020 Series 1 Bonds consist of \$17,915,000 Serial Bonds with interest at 2.0% to 5.0% through December 1, 2040; \$2,000,000 3.0% Term Bonds maturing December 1, 2045; \$1,815,000 4.0% Term Bonds maturing December 1, 2050 plus unamortized premium of \$2,757,319; interest payable semi-annually.	24,487,319	25,579,818

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

8. Bonds payable (continued):

	<u>2021</u>	<u>2020</u>
2020 Series 2 Bonds consist of \$13,865,000 Serial Bonds with interest at 2.0% to 5.0% through December 1, 2040; \$965,000 4.0% Term Bonds maturing December 1, 2045; \$835,000 4.0% Term Bonds maturing December 1, 2050; plus unamortized premium of \$2,033,432; interest payable semi-annually.	17,698,432	18,238,002
2021 Series 1 Bonds consist of \$27,125,000 Serial Bonds with interest at 2.125% to 5.0% through December 1, 2041; \$1,660,000 2.375% Term Bonds maturing December 1, 2046; \$1,510,000 2.5% Term Bonds maturing December 1, 2051; plus unamortized premium of \$3,349,275; interest payable semi-annually.	33,644,275	-
2021 Series 2 Refunding Bonds consist of \$965,000 Term Bonds with interest at 1.05% maturing December 1, 2026; \$710,000 2.0% Term Bonds maturing December 1, 2031; interest payable semi-annually.	1,675,000	-
2021 Series 3 Bonds consist of \$11,995,000 Serial Bonds with interest at 4.0% to 5.0% through December 1, 2035; \$2,925,000 2.0% Term Bonds maturing December 1, 2038; \$2,695,000 2.0% Term Bonds maturing December 1, 2041; plus unamortized premium of \$2,698,886; interest payable semi-annually.	20,313,886	-
2021 Series 4 Refunding Bonds consist of \$8,280,000 Serial Bonds with interest at 4.0% to 5.0% through December 1, 2033; plus unamortized premium of \$488,928; interest payable semi-annually.	<u>8,768,928</u>	<u>-</u>
	624,715,565	622,595,785
Less current portion of bonds payable	<u>(45,385,000)</u>	<u>(44,440,000)</u>
Long term bonds payable plus unamortized net premium	<u>\$ 579,330,565</u>	<u>\$ 578,155,785</u>

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

8. Bonds payable (continued):

The annual requirements to amortize bonds payable as of December 31, 2021 are as follows:

Year ending December 31,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 45,385,000	\$ 25,606,429	\$ 70,991,429
2023	44,595,000	23,574,104	68,169,104
2024	40,970,000	21,590,814	62,560,814
2025	48,800,000	19,670,228	68,470,228
2026	38,185,000	17,260,521	55,445,521
2027 to 2031	164,640,000	61,193,199	225,833,199
2032 to 2036	114,955,000	27,162,099	142,117,099
2037 to 2041	52,465,000	10,147,050	62,612,050
2042 to 2046	21,030,000	3,781,734	24,811,734
2047 to 2051	8,410,000	662,413	9,072,413
	<u>579,435,000</u>	<u>210,648,591</u>	<u>790,083,591</u>
Unamortized premium (discount) at December 31, 2021	<u>45,280,565</u>	<u>-</u>	<u>45,280,565</u>
	<u>\$ 624,715,565</u>	<u>\$ 210,648,591</u>	<u>\$ 835,364,156</u>

The deferred outflow on refunding of bonds payable at December 31, 2021 includes, \$865,561 in 2012 Series 3 Bonds, \$145,504 in 2012 Series 5 Bonds, \$401,252 in 2014 Series 2 Bonds, \$787,006 in 2014 Series 4 Bonds, \$1,272,184 in 2015 Series 1 Bonds, \$1,125,446 in 2015 Series 3 Bonds, \$2,920,096 in 2015 Series 5 Bonds, \$5,581,666 in 2016 Series 2 Bonds and \$2,010,553 in 2017 Series 4 Bonds.

In 2017, the Bond Bank defeased certain 2013 Series 1 bonds placing the proceeds in an irrevocable trust with an escrow agent to provide for payment of the refunded bonds. Accordingly, the trust account assets and the liability for those bonds has been removed from the Bond Bank's financial statements. At December 31, 2021, \$26,480,000 of 2013 Series 1 Bonds to be called on December 1, 2023, are still outstanding and are considered defeased.

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 (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. None of the funds and accounts established under the Bond Fund, or any other funds of the Bank not held under the General Resolution for the VSCS Program, are pledged to the security of the Bonds. Accordingly, the bonds are not reported as liabilities, and any related assets held by trustees are not reported as assets, in the accompanying financial statements. At December 31, 2021, the VSCS outstanding bonds payable were \$65,045,000 of 2017 VSCS Series A Bonds and \$24,185,000 of 2020 VSCS Series A under this resolution.

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

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:

	<u>2021</u>	<u>2020</u>
Reserve Fund -		
Amortized value	\$ 55,059,878	\$ 54,462,784
Reserve requirement	<u>44,009,110</u>	<u>43,583,554</u>
Excess above requirement	<u>\$ 11,050,768</u>	<u>\$ 10,879,230</u>

The value includes amortization of premium or discount and accrued interest on securities held in the reserve funds. Restricted cash of \$2,293,497 and \$1,617,047 is included in the amortized value at December 31, 2021 and December 31, 2020, respectively.

10. Accrued 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 2021.

11. Transfer to Bond Fund:

The \$73,234 transfer during 2021 to the Bond Fund includes cost of issuance equity contributions of \$101,203, refinancing of USDA loan \$251,708 assigned to 2015 Series 4 bonds, and an arbitrage payment of \$2,376 for the 2010 Series 1 bonds from the Operating Fund. Unrestricted interest earnings of \$282,053 were transferred to the Operating Fund.

12. Leases:

Lease - as Lessee - During the year, the Bond Bank entered into a five year contract for the right to the use of office space. The minimum rent of \$75,442 for five years was paid in one lump sum on commencement of the lease. An initial lease liability was recorded in the amount of \$75,442 and reduced to \$0 during the current fiscal year. The lease provides that the Bond Bank 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 the property leased. The Bond Bank is responsible for payment directly for all charges for telecommunications, utilities, cleaning and trash services used in connection with the premises. The Bond Bank recorded a lease asset of \$75,442 in capital assets and depreciation of \$12,574 for the year. The lease asset is depreciated using the straight-line method over a useful life of five years.

Total occupancy expense was \$14,735 and \$19,602 for the fiscal years ended December 31, 2021 and December 31, 2020, respectively.

**VERMONT MUNICIPAL BOND BANK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021**

12. Leases (continued):

Lease - as Lessor - During the year, the 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 a deferred inflow of resources that will be recognized as revenue over the lease term. The Bond Bank recognized \$2,709 in lease revenue and \$0 in interest revenue during the current fiscal year related to this lease. As of December 31, 2021, the balance of the deferred inflow of resources was \$24,522. 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 the 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.

13. Retirement plan:

As of December 31, 2021, the Bond Bank had a simplified employee pension (SEP) plan for regular employees. In 2021, the Bond Bank's policy was to contribute 10% of annual compensation. To be eligible, an active employee must be twenty-one years of age and have been employed by the Bond Bank for over one year. In 2021 and 2020, the Bond Bank contributed to retirement plans in the amount of \$32,542 and \$17,401, respectively.

14. Related party transactions:

The Bond Bank receives reimbursements from related parties for general and administrative services. The amount of related party reimbursements was \$310,493 and \$239,726 for the years ended December 31, 2021 and December 31, 2020, respectively. The total amounts receivable in the Operating Fund as of December 31, 2021 and December 31, 2020 were \$101,074 and \$99,230, respectively from these related parties.

15. Subsequent events:

In February 2022, the Bond Bank issued the 2022 Series 1 Bonds in the amounts of \$8,037,000, through a direct purchase of the bonds by Northfield Savings Bank. 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 2022 Bonds.

The Bond Bank has evaluated subsequent events through May 26, 2022, the date on which the financial statements were available to be issued.

**INDEPENDENT AUDITOR'S 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***

The Board of Directors
Vermont Municipal Bond Bank

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 Municipal Bond Bank, a component unit of the State of Vermont, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Vermont Municipal Bond Bank's basic financial statements, and have issued our report thereon dated May 26, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Vermont Municipal 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 Municipal Bond Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Vermont Municipal 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 Municipal 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 Municipal 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 Municipal 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 Municipal Bond Bank's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Montpelier, Vermont
May 26, 2022

Melgett Bennett 4
Shosh-Nia, P.L.