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

FINANCIAL STATEMENTS AND
REPORTS ON INTERNAL CONTROL AND COMPLIANCE

YEAR ENDED DECEMBER 31, 2022

VERMONT MUNICIPAL BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
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YEAR ENDED DECEMBER 31, 2022

INDEPENDENT AUDITORS' REPORT

Board of Directors
Vermont Municipal Bond Bank
Burlington, Vermont

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, 2022, 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 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 Bond Bank as of December 31, 2022, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, effective January 1, 2022, the Vermont Bond Bank adopted Governmental Accounting Standards Board Statement No. 91, *Conduit Debt Obligations*. This guidance required the Vermont Bond Bank to recognize certain obligations which were not previously reported in the financial statements. Our opinions are not modified with respect to this matter.

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.

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 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.

Board of Directors
Vermont Municipal Bond Bank

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. 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 April 24, 2023 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

Boston, Massachusetts
April 24, 2023

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, 2022. 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 Municipal Bond Bank (d/b/a 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 Bond Bank's primary purpose is to provide Vermont's municipalities with inexpensive access to capital markets. As of December 31, 2022, the Vermont Bond Bank (Bond Bank) has issued over $2.7 billion in tax-exempt and taxable bonds through 99 series of bonds for municipalities, including 34 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, 2022. 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, 2022, within the Bond Fund, the Bond Bank had 488 loans outstanding to 190 governmental units totaling $532,139,976. As of December 31, 2021, the Bond Bank had 493 loans outstanding to 193 governmental units totaling $551,089,308.

	Summary			
Outstanding Loans by Debt Type as of December 31, 2022	Loans	Percent Total	Amount	Percent Total
General Obligation Bonds	483	99%	$ 522,244,885	98%
Revenue Bonds	5	1%	9,895,091	2%
Total	488	100%	$ 532,139,976	100%

	Summary			
Outstanding Loans by Borrower Type as of December 31, 2022	Loans	Percent Total	Amount	Percent Total
Local Government	323	66%	$341,193,308	64%
School District	133	27%	173,251,697	33%
Other Governmental Unit	32	7%	17,694,971	3%
Total	488	100%	$ 532,139,976	100%

Management Overview

The 2022 Financial Statements do not include summarized comparative information due to the addition of a new fund within the Bond Bank's financial statements. This follows the Bond Bank's implementation of GASB Statement No. 91, *Conduit Debt Obligations*, in which the transactions related to the Vermont State College System (VSCS) were added to the financial statements via the Special Obligation Fund.

The transactions were undertaken by the Bond Bank to credit enhance the underlying loans via the Vermont State Intercept Program, however, the payment on the bonds is solely payable from the VSCS Program Bonds and Bond Payments. No other funds of the Bond Bank are available to pay the VSCS bonds under the General Resolution for the VSCS Program. Under GASB 91, the bonds cannot be considered conduit obligations as both the Bond Bank and VSCS ultimately are incorporated in the State of Vermont Annual Financial Report. The basic financial statements within the Management's Discussion and Analysis incorporate the Special Obligation Fund for 2022.

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 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 $551 million to $532 million, or 3.44%, 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 Recovery Plan Act dollars, timing of federal infrastructure dollars, and potential for state level legislative changes to school construction programs.

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

2021 Issuance Activity

Issue	Type	Par	# Borrowers	# Projects	Refunded Net PV Savings
2021-1	New Money	$ 30,295,000	11	16	$ -
2021-2	Refunding	2,795,000	-	-	172,303
2021-3	New Money	17,615,000	10	13	-
2021-4	Refunding	10,955,000	-	-	572,548
		$ 61,660,000	21	29	$ 744,851

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 $27,138,185 as of December 31, 2022. Combined expenses exceeded revenues in the Bond Fund, Operating Fund, and Special Obligation Fund resulting in a net decrease of $3,635,943 or 11.81% over the previous fiscal year. The change in net position was driven by the decrease in the fair market value of investments, combined with lower interest income from the loan portfolio.

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. 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.

The following table summarizes the Net Position of the Bond Bank as of December 31, 2022 with comparative data from the prior fiscal year.

	2022	2021	Percentage change
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES:			
Cash and cash equivalents	$ 5,237,214	$ 7,501,985	-30.19%
Accrued interest receivable	2,767,857	1,699,244	62.89%
Accounts receivable	219,297	140,573	56.00%
Investments	22,486,873	24,094,895	-6.67%
Prepaid Expenses	5,000	5,000	0.00%
Restricted cash	3,607,541	2,293,497	57.29%
Restricted investments	60,530,636	65,036,720	-6.93%
Loans receivable (Note 5)	618,619,976	551,089,308	12.25%
Capital assets, net	132,076	159,843	-17.37%
Deferred outflow on refunding of bonds payable	12,602,368	15,109,268	-16.59%
Total assets and deferred outflows of resources	$ 726,208,838	$ 667,130,333	8.86%
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES:			
Accounts payable	$ 36,772	$ 89,231	-58.79%
Accrued arbitrage rebate	33,864	31,999	5.83%
Bond interest payable	3,018,809	2,133,871	41.47%
Bonds payable	695,962,132	624,715,565	11.40%
Related to Lease (Note 12)	19,076	24,522	-22.21%
Total liabilities and deferred inflows of resources	699,070,653	626,995,188	11.50%
NET POSITION:			
Net investment in capital assets	132,076	159,843	-17.37%
Restricted	11,613,397	13,508,892	-14.03%
Unrestricted	15,392,712	26,466,410	-41.84%
Total net position	27,138,185	40,135,145	-32.38%
Total liabilities and net position	$ 726,208,838	$ 667,130,333	8.86%

Total assets and deferred outflows of resources of $726,208,838 represent an increase of $59,078,505 or 8.86% from 2022 to 2021. The Bond Bank's loans receivable increased $67,530,668 or 12.25%. This increase was the result of the implementation of GASB Statement No. 91, *Conduit Debt Obligations,* which required the Vermont Bond Bank report $86,480,000 loans receivable as of December 31, 2022 related to the Vermont State Colleges System (VSCS) 2017 Series A and 2020 Series A issuances. This increase was supplemented by the net decrease of the 2022 Series 1 and 2022 Series 2 issuance of $31,110,250, and offset by scheduled principal payments of $50,059,582.

Investments, both restricted and unrestricted, decreased $6,114,106 this was driven by unrealized losses due to poor market performance as a result of the continued upward movement of market interest rates.

The deferred outflow on refunding of bonds payable decreased $2,506,900 or 16.59%. This was driven by current year amortization, partially offset by the deferred outflow recorded for the refunded 2022 Series 3.

Total liabilities and deferred inflows of resources increased by $72,075,465 or 11.50%, from 2021 to 2022. The Bond Bank's gross principal amount of bonds outstanding as of December 31, 2022, of $646,837,000 represents an increase of $67,402,000 or 11.63% from the balance of $579,435,000 as of December 31, 2021. This increase was the result of the implementation of GASB Statement No. 91 which required the Bond Bank to report $94,521,835 of bonds payable and unamortized premium as of December 31, 2022 related to the VSCS 2017 Series A and 2020 Series A issuances. The increase was supplemented by the net result of the issuance of 2022 Series 1 and 2022 Series 2 of

$31,182,000, and offset by combined scheduled debt service principal payments of $48,235,000 and 2022 Series 3 refunded par savings of $4,775,000.

The following table summarizes the combined Statement of Revenues, Expenses and Changes in Net Position of the Bond Bank as of December 31, 2022 with comparative data from the prior fiscal year.

	2022	2021	Percentage change
OPERATING REVENUES:			
Interest	$ 23,144,003	$ 20,134,021	14.95%
Other income	293,818	346,397	-15.18%
Total operating revenue	23,437,821	20,480,418	14.44%
OPERATING EXPENSES:			
Bond issue costs	546,919	614,065	-10.93%
Other expense	1,471,307	1,912,247	-23.06%
Operating expenses	757,046	825,742	-8.32%
Total operating expenses	2,775,272	3,352,054	-17.21%
OPERATING INCOME	20,662,549	17,128,364	20.63%
NONOPERATING REVENUE (EXPENSES):			
Net appreciation/(depreciation) in fair value of investments	(6,950,141)	(1,676,918)	314.46%
Interest and dividends	3,031,245	2,250,359	34.70%
Interest rebate	1,423,417	1,456,730	-2.29%
Interest expense	(21,801,148)	(23,386,962)	-6.78%
Arbitrage recovery (rebate)	(1,865)	190,812	-100.98%
Total nonoperating revenue (expenses)	(24,298,492)	(21,165,979)	14.80%
CHANGE IN NET POSITION	(3,635,943)	(4,037,615)	-9.95%
Net position - beginning of year, as restated	30,774,128	44,172,760	-30.33%
NET POSITION - END OF YEAR	$ 27,138,185	$ 40,135,145	-32.38%

Operating revenues increased by $2,957,403 or 14.44% from 2021 driven by the implementation of GASB Statement No. 91 which resulted in reporting $3,966,216 of revenues associated with the loan agreements with VSCS for the 2017 Series A and 2020 Series A issuances.

Operating expenses decreased $576,782 or 17.21% from 2021 driven by lower allocated savings on refunded bonds combined with lower operating expenses due to a decrease in salary and benefits expense due to vacancy savings, and lower bond issuance costs related to the lower par amount of bonds issued.

Net nonoperating revenues and expenses decreased $3,132,513 or 14.80% from 2021 due to the implementation of GASB Statement No. 91 which resulted in reporting $2,647,034 of interest expense associated with the VSCS 2017 Series A and 2020 Series A issuances.

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 significantly. From December 30, 2021, to December 30, 2022, the 10-year U.S. Treasury Note rate increased from 1.52% to 3.88%.

The investment portfolio performed well relative to the benchmark despite larger market trends. Returns provided by the investment advisor show a portfolio loss of 8.97% versus 9.51% for the benchmark. on December 31, 2022, was valued at "fair market value" of $22,486,873, excluding cash and cash equivalent investments of $335,931. The December 31, 2021 "fair market value" of the investment portfolio was $24,094,895, excluding cash and cash equivalent investments of $1,653,998.

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 Municipal Bond Bank, 100 Bank Street, Suite 401, Burlington, VT 05401, at 802-654-7377 or michael@vtbondagency.org.

VERMONT MUNICIPAL BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	2022			
	Bond Fund	Special Obligation Fund	Operating Fund	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 4,448,992	$ -	$ 788,222	$ 5,237,214
Accrued Interest Receivable	1,670,094	967,688	130,075	2,767,857
Accounts Receivable	164,703	-	54,594	219,297
Current Portion of Loans Receivable (Note 5)	50,097,894	3,030,000	-	53,127,894
Investments	-	-	22,486,873	22,486,873
Prepaid Expenses	-	-	5,000	5,000
Total Current Assets	56,381,683	3,997,688	23,464,764	83,844,135
Noncurrent Assets:				
Restricted Cash	3,581,910	25,631	-	3,607,541
Restricted Investments	60,530,636	-	-	60,530,636
Loans Receivable (Note 5)	482,042,082	83,450,000	-	565,492,082
Capital Assets, Net	-	-	132,076	132,076
Total Noncurrent Assets	546,154,628	83,475,631	132,076	629,762,335
Total Assets	602,536,311	87,473,319	23,596,840	713,606,470
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflow on Refunding of Bonds Payable	12,602,368	-	-	12,602,368
Total Assets and Deferred Outflows of Resources	$ 615,138,679	$ 87,473,319	$ 23,596,840	$ 726,208,838

See accompanying Notes to Financial Statements.

VERMONT MUNICIPAL BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2022

	2022			
	Bond Fund	Special Obligation Fund	Operating Fund	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ -	$ -	$ 36,772	$ 36,772
Accrued Arbitrage Rebate	23,680	-	-	23,680
Bond Interest Payable	2,051,121	967,688	-	3,018,809
Current Portion Of Bonds Payable	50,409,751	4,274,638	-	54,684,389
Total Current Liabilities	52,484,552	5,242,326	36,772	57,763,650
Noncurrent Liabilities:				
Accrued Arbitrage Rebate	10,184	-	-	10,184
Bonds Payable	551,030,546	90,247,197	-	641,277,743
Total Noncurrent Liabilities	551,040,730	90,247,197	-	641,287,927
Total Liabilities	603,525,282	95,489,523	36,772	699,051,577
DEFERRED INFLOWS OF RESOURCES				
Related to Lease (Note 12)	-	-	19,076	19,076
NET POSITION				
Net Investment In Capital Assets	-	-	132,076	132,076
Restricted	11,613,397	-	-	11,613,397
Unrestricted	-	(8,016,204)	23,408,916	15,392,712
Total Net Position	11,613,397	(8,016,204)	23,540,992	27,138,185
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 615,138,679	$ 87,473,319	$ 23,596,840	$ 726,208,838

See accompanying Notes to Financial Statements.

VERMONT MUNICIPAL BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
YEAR ENDED DECEMBER 31, 2022

	2022			
	Bond Fund	Special Obligation Fund	Operating Fund	Total
OPERATING REVENUES				
Interest	$ 19,177,787	$ 3,966,216	$ -	$ 23,144,003
Other Income	-	-	293,818	293,818
Total Operating Revenue	19,177,787	3,966,216	293,818	23,437,821
OPERATING EXPENSES				
Bond Issue Costs	546,919	-	-	546,919
Other Expense	1,471,307	-	-	1,471,307
Operating Expenses	-	-	757,046	757,046
Total Operating Expenses	2,018,226	-	757,046	2,775,272
OPERATING INCOME (LOSS)	17,159,561	3,966,216	(463,228)	20,662,549
NONOPERATING REVENUES (EXPENSES)				
Net Appreciation (Depreciation) in Fair Value of Investments	(3,988,128)	-	(2,962,013)	(6,950,141)
Interest and Dividends	2,356,411	25,631	649,203	3,031,245
Interest Rebate	1,423,417	-	-	1,423,417
Interest Expense	(19,154,114)	(2,647,034)	-	(21,801,148)
Arbitrage Recovery (Rebate)	(1,865)	-	-	(1,865)
Total Nonoperating Revenue (Expenses)	(19,364,279)	(2,621,403)	(2,312,810)	(24,298,492)
NET LOSS BEFORE TRANSFERS	(2,204,718)	1,344,813	(2,776,038)	(3,635,943)
NET TRANSFER TO BOND FUND	309,223	-	(309,223)	-
CHANGE IN NET POSITION	(1,895,495)	1,344,813	(3,085,261)	(3,635,943)
Net Position - Beginning of Year, As Restated	13,508,892	(9,361,017)	26,626,253	30,774,128
NET POSITION - END OF YEAR	$ 11,613,397	$ (8,016,204)	$ 23,540,992	$ 27,138,185

See accompanying Notes to Financial Statements.

VERMONT MUNICIPAL BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

	2022			
	Bond Fund	Special Obligation Fund	Operating Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Municipalities and the Vermont State College System:				
Principal	$ 50,059,592	$ 2,750,000	$ -	$ 52,809,592
Interest (Net of Refunding Interest Savings)	17,735,630	4,000,591	-	21,736,221
Cash Paid to Suppliers for Goods and Services	-	-	(467,659)	(467,659)
Cash Paid to Employees for Services	-	-	(311,449)	(311,449)
Loans to Municipalities	(31,110,260)	-	-	(31,110,260)
Bond Issue Costs	(538,369)	-	-	(538,369)
Other Receipts	-	-	235,726	235,726
Net Cash Provided (Used) by Operating Activities	36,146,593	6,750,591	(543,382)	42,353,802
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from Bonds Issued	59,873,768	-	-	59,873,768
Principal Reductions	(73,705,000)	(2,750,000)	-	(76,455,000)
Interest Paid	(26,174,000)	(4,008,249)	-	(30,182,249)
Arbitrage Recovery (Rebate)	-	-	-	-
Interest Rebate	1,258,714	-	-	1,258,714
Transfers	309,223	-	(309,223)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(38,437,295)	(6,758,249)	(309,223)	(45,504,767)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of Capital Assets	-	-	(2,630)	(2,630)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales of Investments	10,468,879	-	47,315,100	57,783,979
Purchase of Investments	(7,594,511)	-	(48,669,091)	(56,263,602)
Interest and Dividends	-	25,631	649,203	674,834
Net Cash Provided (Used) by Investing Activities	2,874,368	25,631	(704,788)	2,195,211
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	583,666	17,973	(1,560,023)	(958,384)
Cash and Cash Equivalents - Beginning of year (includes $2,301,155 reported as restricted cash)	7,447,236	7,658	2,348,245	9,803,139
CASH AND CASH EQUIVALENTS - END OF YEAR (includes $3,607,541 reported as restricted cash)	$ 8,030,902	$ 25,631	$ 788,222	$ 8,844,755

See accompanying Notes to Financial Statements.

VERMONT MUNICIPAL BOND BANK
(A COMPONENT UNIT OF THE STATE OF VERMONT)
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

	2022			
	Bond Fund	Special Obligation Fund	Operating Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	$ 17,159,561	$ 3,966,216	$ (463,228)	$ 20,662,549
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	-	-	30,397	30,397
(Increase) Decrease In Following Assets:				
Accrued Interest Receivable	29,150	34,375	-	63,525
Accounts Receivable	8,550	-	(52,646)	(44,096)
Prepaid Expenses	-	-	-	-
Loans Receivable	18,949,332	2,750,000	-	21,699,332
Increase (Decrease) in Following Liabilities:				
Accounts Payable	-	-	(52,459)	(52,459)
Deferred Inflows	-	-	(5,446)	(5,446)
Net Cash Provided (Used) by Operating Activities	$ 36,146,593	$ 6,750,591	$ (543,382)	$ 42,353,802
SUPPLEMENTAL DISCLOSURES OF NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Refunding Loss Amortization	$ 2,506,900	$ -	$ -	$ 2,506,900

See accompanying Notes to Financial Statements.

NOTE 1 AUTHORIZING LEGISLATION AND NATURE OF FUNDS

A. Authorizing Legislation

The Vermont Municipal Bond Bank (dba: 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, 2022, 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 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.

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.

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. Adoption of New Accounting Standards

GASB Statement No. 91, Conduit Debt Obligations

In May 2019, the GASB issued GASB Statement No. 91, *Conduit Debt Obligations.* This standard clarifies the existing definition of a conduit debt obligation; establishes that a conduit debt obligation is not a liability of the issuer; establishes standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangement associated with conduit debt obligations.

The Vermont Bond Bank adopted the requirements of the guidance effective January 1, 2022, and has applied the provisions of this standard to the beginning of the period of adoption. The restatement as a result of this implementation is as follows:

		Special Obligation Fund
Net Position, December 31, 2021, as previously reported	$	-
Cumulative Affects of Restatement:		
Implementation of GASB Statement No. 91,		
Conduit Debt Obligations		(9,361,017)
Net Position, December 31, 2021, as restated	$	(9,361,017)

D. 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.

E. Cash Equivalents

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Investments

The Directors appoint trustees to oversee the investments in the Bond Fund. As of December 31, 2022, 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.

G. 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 13). 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 Vermont Bond Bank.

H. 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

I. 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 Vermont Bond Bank reports deferred outflows of resources related to the deferred loss on refunding of bonds payable.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Vermont Bond Bank reports deferred inflows of resources related to leases as discussed in Note 12.

J. 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 2022.

K. Long-Term Obligations

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

L. 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.

M. 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, 2022, general operating reserve cash was $788,222. Of this total, $204,033 was in collateralized and FDIC insured cash accounts. The remaining total of $584,189 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 $4,461,513 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

<u>Unrestricted Investments – Operating Fund</u>

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.

NOTE 4 INVESTMENTS (CONTINUED)

Unrestricted Investments – Operating Fund (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 measurement of investments. The classification and fair value of unrestricted investments held at December 31, 2022 are identified as follows.

	Operating Fund 2022
Agency Securities	$ 461,790
Asset-Backed Securities	876,347
Corporate Securities	5,839,613
Corporate Securities: Yankee	778,674
Mortgage Backed Securities (MBS)	7,336,151
MBS: Collateralized	863,531
U.S. Treasury Securities	6,330,767
Total	$ 22,486,873

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	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. As of December 31, 2022, 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, 2022, the Bond Bank's unrestricted investments are identified on the next page.

NOTE 4 INVESTMENTS (CONTINUED)

Credit Risk (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	$ 461,790	$ 541,346	$ 143,965	$ -	$ 1,064,757	$ -	$ -
AA+	-	23,194	250,761	-	6,271,394	863,531	6,330,767
AA	-	292,716	120,582	-	-	-	-
AA-	-	-	32,641	86,808	-	-	-
A+	-	-	385,264		-	-	-
A	-	19,091	594,641	114,669	-	-	-
A-	-	-	863,203	425,933	-	-	-
BBB+	-	-	1,106,976	56,023	-	-	-
BBB	-	-	1,061,386	-	-	-	-
BBB-	-	-	1,210,878	95,241	-	-	-
BB+	-	-	69,316	-	-	-	-
Total	$ 461,790	$ 876,347	$ 5,839,613	$ 778,674	$ 7,336,151	$ 863,531	$ 6,330,767

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	1.84
Asset-Backed Securities	1.05
Corporate Securities	3.88
Corporate Securities: Yankee	4.13
Mortgage Backed Securities (MBS)	5.60
MBS: Collateralized	1.73
U.S. Treasury Securities	4.39

NOTE 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, 2022 are as follows:

	Bond Fund 2022
U.S. Treasury Bonds	$ 22,483,170
U.S. Treasury Notes	35,937,006
U.S. Treasury Strips	996,424
U.S. Governments	1,114,036
Total	$ 60,530,636

Restricted investments in the Bond Fund at December 31, 2022 mature as follows:

		Investment Maturity (in Years)			
Investment Type	Fair Value	< 1	1-5	6-10	> 10
U.S. Treasury Bonds	$ 22,483,170	$ -	$ 8,441,175	$ 6,907,597	$ 7,134,398
U.S. Treasury Notes	35,937,006	1,320,040	9,518,581	12,140,367	12,958,018
U.S. Treasury Strips	996,424	202,885	793,539	-	-
U.S. Governments	1,114,036	-	-	1,114,036	-
Total	$ 60,530,636	$ 1,522,925	$ 18,753,295	$ 20,162,000	$ 20,092,416

Restricted Cash

On December 31, 2022, $3,581,910 and $25,631, 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 Vermont 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 Vermont 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 Bank held under the 2017 General Resolution.

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

Description	Bond Fund	Special Obligation Fund
Loans Receivable January 1, 2022, As Restated (1):	$ 551,089,308	$ 89,230,000
Loan Disbursements	31,110,260	-
Loan Repayments	(50,059,592)	(2,750,000)
Loans Receivable December 31, 2022:	$ 532,139,976	$ 86,480,000

(1) The January 1, 2022 receivable balances in the Special Obligation Fund were restated due to the implementation of GASB Statement No. 91. See Note 2.c.

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, 2022 included interest credits to municipalities from the following refundings.

	Other Expense 2022
Refundings:	
2012 Series 3	$ 205,000
2014 Series 2	105,000
2014 Series 4	79,999
2015 Series1	190,826
2015 Series 3	158,577
2015 Series 4	14,632
2015 Series 5	261,254
2016 Series 2	94,630
2017 Series 4	35,213
2021 Series 2	43,837
2021 Series 4	280,605
2022 Series 1	1,734
Total	$ 1,471,307

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022 is shown in the following table:

	Balance January 1, 2022	Increase	Decrease	Balance December 31, 2022
Capital Assets Being Depreciated:				
Computer Equipment	$ 2,605	$ 2,630	$ -	$ 5,235
Furniture and Fixtures	51,745	-	-	51,745
Leashold Improvements	46,273	-	-	46,273
Lease Asset	75,442	-	-	75,442
Total Capital Assests Being Depreciated	176,065	2,630	-	178,695
Less: Accumulated Depreciation for:				
Computer Equipment	(148)	(1,307)	-	(1,455)
Furniture and Fixtures	(1,848)	(7,392)	-	(9,240)
Leashold Improvements	(1,652)	(6,610)	-	(8,262)
Lease Asset	(12,574)	(15,088)	-	(27,662)
Total Accumulated Depreciation	(16,222)	(30,397)	-	(46,619)
Capital Assets, Net	$ 159,843	$ (27,767)	$ -	$ 132,076

NOTE 7 BOND LIABILITY ACTIVITY

Bond liability activity for the year ended December 31, 2022, was as follows:

	January 1, 2022, As Restated (1)	Additions	Reductions	December 31, 2022	Amounts Due Within One Year
Bonds Payable	$ 668,665,000	$ 54,627,000	$ (76,455,000)	$ 646,837,000	$ 45,801,000
Plus Unamortized Premium (Discount)	54,649,240	5,246,768	(10,770,876)	49,125,132	8,883,389
Total Bonds Payable	723,314,240	59,873,768	(87,225,876)	695,962,132	54,684,389
Accrued Arbitrage Rebate	31,999	10,032	(8,167)	33,864	23,680
Total	$ 723,346,239	$ 59,883,800	$ (87,234,043)	$ 695,995,996	$ 54,708,069

(1) The January 1, 2022 liability balances related to the VSCS issuances were restated due to the implementation of GASB Statement No. 91. See Note 2.c.

NOTE 8 BONDS PAYABLE

Bonds payable as of December 31, 2022 consist of the following:

Issuance	Maturity Date	Interest Rate (%)	Outstanding at January 1, 2022 As Restated (2)	Issued	Redeemed	Outstanding at December 31, 2022
Term Bonds						
2008 Series 2 Bonds	12/01/32	6.25%	$ 5,145,000	$ -	$ (190,000)	$ 4,955,000
2010 Series 2 Bonds	12/01/25	5.12%	1,765,000	-	(395,000)	1,370,000
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	-	-	3,440,000
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 1 Bonds	12/01/42	4.00%	1,645,000	-	(1,645,000)	-
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	12/01/34	5.00%	540,000	-	-	540,000
2012 Series 4 Bonds	12/01/37	5.00%	555,000	-	-	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%	-	8,037,000	(100,000)	7,937,000
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

NOTE 8 BONDS PAYABLE (CONTINUED)

Issuance	Maturity Date	Interest Rate (%)	Outstanding at January 1, 2022 As Restated (2)	Issued	Redeemed	Outstanding at December 31, 2022
Serial Bonds						
2010 Series 5 Bonds	12/01/25	5.454 - 5.604%	$ 1,280,000	$ -	$ (1,145,000)	$ 135,000
2012 Series 1 Bonds	12/01/32	3.00 - 5.00%	19,130,000	-	(19,130,000)	-
2012 Series 4 Bonds	12/01/32	4.00 - 5.00%	3,415,000	-	(4,510,000)	(1,095,000)
2013 Series 1 Bonds	12/01/23	5.00%	6,420,000	-	(3,185,000)	3,235,000
2014 Series 1 Bonds	12/01/33	4.00 - 5.00%	20,505,000	-	(1,270,000)	19,235,000
2014 Series 3 Bonds	12/01/34	5.00%	31,830,000	-	(2,885,000)	28,945,000
2015 Series 2 Bonds	12/01/35	2.00 - 5.00%	4,530,000	-	(285,000)	4,245,000
2015 Series 4 Bonds	12/01/25	2.80 - 3.45%	775,000	-	(175,000)	600,000
2016 Series 1 Bonds	12/01/36	2.00 - 5.00%	28,125,000	-	(1,880,000)	26,245,000
2017 Series 1 Bonds	12/01/37	2.50 - 5.00%	24,030,000	-	(1,280,000)	22,750,000
2017 Series 2 Bonds	12/01/30	2.25 - 5.00%	3,030,000	-	(330,000)	2,700,000
2017 Series 3 Bonds	12/01/37	5.00%	19,675,000	-	(945,000)	18,730,000
2018 Series 1 Bonds	12/01/34	4.00 - 5.00%	4,280,000	-	(310,000)	3,970,000
2018 Series 2 Bonds	12/01/38	2.25 - 5.00%	28,770,000	-	(1,610,000)	27,160,000
2019 Series 1 Bonds	12/01/39	3.00 - 5.00%	15,465,000	-	(745,000)	14,720,000
2019 Series 2 Bonds	12/01/39	3.00 - 5.00%	27,020,000	-	(1,435,000)	25,585,000
2020 Series 1 Bonds	12/01/40	2.00 - 5.00%	17,915,000	-	(655,000)	17,260,000
2020 Series 2 Bonds	12/01/40	2.00 - 5.00%	13,865,000	-	(295,000)	13,570,000
2021 Series 1 Bonds	12/01/41	2.125 - 5.00%	27,125,000	-	(1,150,000)	25,975,000
2021 Series 3 Bonds	12/01/35	4.00 - 5.00%	11,995,000	-	(740,000)	11,255,000
2022 Series 2 Bonds	12/01/43	3.50 - 5.00%	-	21,295,000	-	21,295,000
Refunding Bonds						
2012 Series 3 Bonds	12/01/24	5.00%	7,210,000	-	(7,210,000)	-
2012 Series 5 Bonds	12/01/23	3.00 - 5.00%	505,000	-	(505,000)	-
2014 Series 2 Bonds	12/01/25	5.00%	6,635,000	-	(1,835,000)	4,800,000
2014 Series 4 Bonds	12/01/26	3.00 - 5.00%	10,175,000	-	(2,060,000)	8,115,000
2015 Series 1 Bonds	12/01/27	1.875 - 5.00%	15,620,000	-	(2,530,000)	13,090,000
2015 Series 3 Bonds	12/01/25	2.00 - 3.00%	440,000	-	(110,000)	330,000
2015 Series 5 Bonds	12/01/35	2.00 - 5.00%	38,605,000	-	(4,495,000)	34,110,000
2016 Series 2 Bonds	12/01/36	5.00%	48,435,000	-	(4,150,000)	44,285,000
2017 Series 4 Bonds	12/01/33	3.125 - 5.00%	26,040,000	-	(95,000)	25,945,000
2021 Series 2 Bonds	12/01/26	1.05%	965,000	-	(205,000)	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%	8,280,000	-	(4,220,000)	4,060,000
2022 Series 3 Bonds	12/01/33	4.00 - 5.00%	-	21,400,000	-	21,400,000
Special Obligation Bonds - VSCS (2)						
2017 Series A Bonds	12/01/37	4.00 - 5.00%	65,045,000	-	(2,750,000)	62,295,000
2020 Series A Bonds	12/01/37	3.00 - 5.00%	24,185,000	-	-	24,185,000
Subtotal Long-Term Debt			668,665,000	54,627,000	(76,455,000)	646,837,000
Unamortized Premium			54,649,240	5,246,768	(10,770,876)	49,125,132
Total			$ 723,314,240	$ 59,873,768	$ (87,225,876)	$ 695,962,132

(1) Bonds from direct borrowing.
(2) The January 1, 2022 liability balances related to the VSCS issuances were restated due to the implementation of GASB Statement No. 91. See Note 2.c.

NOTE 8 BONDS PAYABLE (CONTINUED)

The annual requirements to amortize bonds payable as of December 31, 2022 are as follows:

	Total	
Year Ending December 31,	Principal	Interest
2023	$ 45,801,000	$ 28,484,163
2024	45,571,000	26,451,121
2025	54,441,000	24,313,783
2026	44,110,000	21,635,324
2027	45,137,000	19,610,291
2028 to 2032	197,420,000	69,014,015
2033 to 2037	133,565,000	29,740,125
2038 to 2042	54,634,000	9,938,041
2043 to 2047	20,163,000	3,309,335
2048 to 2052	5,995,000	481,075
Total	646,837,000	232,977,273
Unamortized Premium (Discount) at December 31, 2022	49,125,132	-
Total	$ 695,962,132	$ 232,977,273

The deferred outflow on refunding of bonds payable at December 31, 2022 consists of the deferred loss on refunding of debt related to the following issuances:

Refundings:	
2014 Series 2	$ 300,938
2014 Series 4	629,605
2015 Series 1	848,123
2015 Series 3	844,085
2015 Series 5	2,757,869
2016 Series 2	5,302,583
2017 Series 4	1,919,165
Total:	$ 12,602,368

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, 2022, $26,480,000 of 2013 Series 1 Bonds to be called on December 1, 2023, are still outstanding and are considered defeased.

NOTE 8 BONDS PAYABLE (CONTINUED)

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, 2022, the VSCS outstanding bonds payable were $62,295,000 of 2017 VSCS Series A Bonds and $24,185,000 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:

	2022
Reserve Fund:	
Amortized Value	$ 54,156,650
Reserve Requirement	42,394,710
Excess Above Requirement	$ 11,761,940

The value includes amortization of premium or discount and accrued interest on securities held in the reserve funds. Restricted cash of $3,581,910 is included in the amortized value at December 31, 2022.

NOTE 10 TRANSFER TO BOND FUND

The $309,223 transfer during 2022 from the Operating Fund to the Bond Fund includes cost of issuance equity contributions of $144,520 and bridge dollars for a late direct pay subsidy of $164,703.

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. The Bond Bank recorded a lease asset of $75,442 in capital assets and depreciation of $15,088 for the year. The lease asset is depreciated using the straight-line method over a useful life of five years.

Total occupancy expense was $13,873 for the fiscal year ended December 31, 2022.

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 $9,957 in lease revenue during the year related to this lease. As of December 31, 2022, the balance of the deferred inflow of resources was $19,076. 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, 2022, the Bond Bank had a simplified employee pension (SEP) plan for regular employees. In 2022, 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 2022, the Bond Bank contributed to retirement plans in the amount of $29,007.

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 $283,206 for the year ended December 31, 2022. The total amount receivable in the Operating Fund as of December 31, 2022 was $54,594 from these related parties.

NOTE 14 DEFICIT FUND NET POSITION

At December 31, 2022, the Special Obligation Fund reported a deficit net position of $8,016,204. 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 SUBSEQUENT EVENTS

In March 2023, the Vermont Bond Bank issued the 2023 Series 1 Bonds in the amount of $14,490,000. 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 2023 Bonds.

The Bond Bank has evaluated subsequent events through April 24, 2023, the date on which the financial statements were available to be issued.

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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 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 (Vermont Bond Bank), a component unit of the state of Vermont, as of and for the year ended December 31, 2022, 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 April 24, 2023.

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.

Board of Directors
Vermont Municipal Bond Bank

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 Municipal Bond Bank's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
April 24, 2023