

# MAINE STATE LEGISLATURE

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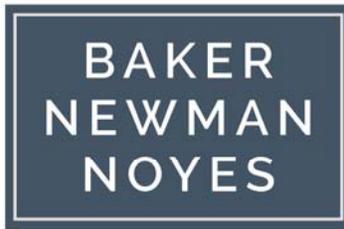
# Annual Report Maine Municipal Bond Bank

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2020







# **Maine Municipal Bond Bank**

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

*Year Ended June 30, 2020*  
*With Independent Auditors' Report*

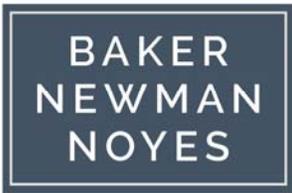
# MAINE MUNICIPAL BOND BANK

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

For the Year Ended June 30, 2020

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Maine Municipal Bond Bank

### Report on the Financial Statements

We have audited the accompanying financial statements, consisting of the General Operating Account, General Tax-Exempt Fund Group, Grant Anticipation Fund Group, Transportation Infrastructure Fund Group, Qualified School Construction Fund Group, Liquor Operation Revenue Fund Group, Clean Water and Drinking Water Revolving Loan Fund Groups and Operating Fund Group and the School Facilities Fund Group of Maine Municipal Bond Bank (the Bond Bank), which comprise the statements of net position as of June 30, 2020, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements. The Bond Bank is a component unit of the State of Maine.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

***Opinion***

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

***Other Matters***

***Required Supplementary Information***

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

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Bond Bank's basic financial statements. The Schedule of Activities is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2020 on our consideration of the Bond Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Bond Bank's 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 Maine Municipal Bond Bank's internal control over financial reporting and compliance.

*Baker Newman & Noyes LLC*

Portland, Maine  
September 4, 2020

# MAINE MUNICIPAL BOND BANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2020

As financial management of the Maine Municipal Bond Bank (the "Bond Bank"), we offer readers of these financial statements this narrative, overview and analysis of the financial activities of the Bond Bank for the fiscal year ended June 30, 2020. This discussion and analysis is designed to assist the reader in focusing on the significant financial matters and activities of the Bond Bank and to identify any significant changes in financial position. Readers should consider the information presented here only in conjunction with the basic financial statements as a whole.

### Financial Highlights

- Revenues for the Bond Bank's General Operating Account were \$999,735 for fiscal year 2020, a decrease of \$253,674 or 20.2% from fiscal year 2019. This was primarily attributed to a decrease in total net investment income, including net change in fair value, of approximately \$161,952.
- Net position in the Bond Bank's General Operating Account increased \$633,326 in fiscal year 2020. This increase is the net result of Operating Revenues totaling \$999,735, Operating Transfers totaling \$1,032,903 and Operating Expenses totaling \$1,399,312. Operating Transfers from the General Tax-Exempt Fund Group are mandated by the Bond Bank's annual operating budget. At June 30, 2020, the Bond Bank's General Operating Account had a total net position of \$30,989,042.
- The Bond Bank's gross principal amount of bonds outstanding at June 30, 2020 of \$1,550,996,380 represents a net decrease of \$90,145,000 from the balance at June 30, 2019. This decrease was the net result of the General Tax Exempt Resolution issuing Series 2019B and 2020A bonds totaling \$60,615,000, less the scheduled debt service principal payments of \$149,455,000 and in-substance defeased bonds totaling \$1,305,000. Refer to note 4 and note 9 to the basic financial statements for a detail of bonds payable activity in 2020.
- The Bond Bank committed loans to local governmental units during fiscal year 2020 totaling \$128,498,812, which was a decrease of \$210,927,563 or 62.1% from the loans committed in fiscal year 2019. Approximately \$205.3 million of the decrease was in the General Tax Exempt Fund Group. The Bond Bank also provided borrowers participating in the Drinking Water Revolving Loan Fund Program, the Clean Water Revolving Loan Fund Program, and the School Facilities Revolving Loan Fund Program \$16,028,127 in new potential loan forgiveness in fiscal year 2020, which was a 221.7% increase over fiscal year 2019.

### Overview of the Bond Bank

The Bond Bank was created in 1972 by an Act of the Maine Legislature, as a public body corporate and politic and is constituted as an instrumentality, exercising public and essential governmental functions of the State. The Bond Bank was initially established to issue bonds for the purpose, among other things, of providing funds to enable it to lend money to counties, cities, towns, school administrative districts, community school districts or other quasi-municipal corporations (the "governmental units") within the State of Maine. The provision of funds is accomplished by the direct purchase from such governmental units of their bonds, notes or evidence of debt payable from taxes, charges for services or assessments.

## MAINE MUNICIPAL BOND BANK

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2020

For financial statement reporting purposes, the Bond Bank is considered a component unit of the State of Maine. However, the Bond Bank does not receive any State appropriations for its operations. The Bond Bank does receive grant monies from the State to fund the revolving loan funds for clean water, drinking water and school facilities fund groups. The Bond Bank may also administer pass-through grants from time-to-time for various state agencies within its General Operating Account. The Bond Bank periodically receives allocations of the State's tax-exempt bond cap and is a member of the State's Tax Cap Allocation Committee.

The Bond Bank administers the Grant Anticipation Fund Group under which the Bond Bank issues bonds or notes for the purpose of making advances to finance qualified transportation projects approved by the State of Maine Department of Transportation. These bonds or notes are repaid from future federal highway grant monies received by the State of Maine.

The Bond Bank administers the Transportation Infrastructure Fund Group under which the Bond Bank issues bonds or notes for the purpose of making advances to finance qualified transportation projects approved by the State of Maine Department of Transportation. These bonds or notes are repaid from a portion of allocated fees and taxes (i.e., motor fuel taxes, title fees, registration fees, excise fuel taxes, vanity license plate fees, etc.) collected by the State of Maine, and paid to the Bond Bank monthly or quarterly.

The Bond Bank administers the Qualified School Construction Fund Group Resolution under which the Bond Bank issues bonds which are exempt from State of Maine income taxes (but not federal income taxes) and makes loans to qualified governmental units for the construction, rehabilitation, or repair of a public school facility, or for the acquisition of land on which such a facility is to be constructed. Interest payments are made semi-annually by the borrowers and are net of any federal subsidy payments that are received from the US Department of the Treasury. Principal payments are made annually to the Bond Bank by the borrowers and are deposited into a sinking fund. The sinking fund will be used to pay off the bonds on the final maturity date.

The Bond Bank administers the Liquor Operations Fund Group under which the Bond Bank issues bonds which are exempt from State of Maine income taxes (but not federal income taxes) for the purpose of making advances to the State of Maine to make payments to health care providers for services provided prior to December 1, 2012 under the MaineCare program. The bonds are repaid from a portion of future liquor revenues collected by the State Bureau of Alcoholic Beverages and Lottery Operations, and paid to the Bond Bank monthly.

The Bond Bank administers the Federal Clean Water Act and Drinking Water Act Revolving Loan Funds. Each of the Revolving Loan Funds periodically receives capitalization grants from the Environmental Protection Agency and matching funds from the State of Maine. Additionally, both of the revolving loan funds received *American Recovery and Reinvestment Act of 2009* (ARRA) grant awards in 2009. The State of Maine Department of Environmental Protection approves low interest revolving loans to eligible borrowers, under the Clean Water Act Fund, that may be comprised of bond proceeds and federal and state equity monies or solely equity monies. The Drinking Water Revolving Loan Fund operates similar to the Clean Water Revolving Loan Fund whereby the Maine Department of Human Services (Office of Drinking Water) approves low interest revolving loans, under the *Drinking Water Act*, to eligible borrowers that may be comprised of bond proceeds and federal and state equity monies or solely equity monies.

# MAINE MUNICIPAL BOND BANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2020

Under the base Clean Water and Drinking Water Revolving Loan Program, a portion of each federal capitalization grant may be provided to borrowers as loan forgiveness. Beginning in fiscal year 2010 federal grants, the programs have provided a maximum of 30% of the federal grants awarded as additional subsidies, which includes loan forgiveness, to eligible borrowers.

The Bond Bank administers the School Facilities Revolving Loan Fund, which is capitalized by monies received from the State of Maine. The Department of Education approves qualified projects that are eligible for interest-free revolving loans, subject to the Bond Bank's approval, to school administrative units for renovation and maintenance of school facilities. Borrowers are eligible to receive a minimum of 30% and a maximum of 70% loan forgiveness.

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 consultant prepares a rebate calculation annually for each outstanding series of bonds on the respective bond's anniversary date.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Bond Bank's financial statements, which is comprised of the basic financial statements, notes to the financial statements, and required supplementary information. Since the Bond Bank operates under separate resolutions, the financial statements reflect individual fund activity.

### **Basic Financial Statements**

The basic financial statements are designed to provide readers with a broad overview of the Bond Bank's finances, in a manner similar to a private-sector business.

The 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 or decreases in net position may serve as a useful indicator of whether the financial position of the Bond Bank is improving or deteriorating. Net position increases when revenues exceed expenses.

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.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

# MAINE MUNICIPAL BOND BANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2020

### **Supplementary Information**

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

### **Financial Analysis**

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the Bond Bank, net position totaled \$812,949,961 at June 30, 2020. This represents an increase of \$37,782,698 or 4.9% over the previous fiscal year. Most of this increase is due to revenues exceeding expenses in the Sewer and Water Fund Groups, as federal and state matching grants are received to fund revolving loans to eligible borrowers. In addition, the fair value of the investments held by the Bond Bank increased significantly during fiscal year 2020.

## MAINE MUNICIPAL BOND BANK

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2020

The Bond Bank's financial position and operations for the past two years are summarized below based on information included in the basic financial statements.

#### MAINE MUNICIPAL BOND BANK

##### Statements of Net Position

June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Percentage Change</u>
<b>Current assets:</b>			
Cash	\$ 61,271	\$ 793,425	(92.3)%
Investments held by trustee	378,114,023	341,274,466	10.8
Operating investments	25,320,589	25,159,573	0.6
Grant receivable from State of Maine	-	18,000,000	(100.0)
Loans receivable from governmental units	143,026,727	139,577,248	2.5
Advances to State of Maine	56,703,183	54,902,247	3.3
Accrued investment income receivable	631,972	1,712,210	(63.1)
Accrued interest and fees receivable on loans to governmental units and advances to State of Maine	17,905,525	15,467,650	15.8
Undisbursed federal letter of credit payments	27,726,429	24,124,514	14.9
Due from other funds	6,774,115	6,078,197	11.4
Other assets	<u>263,852</u>	<u>323,518</u>	<u>(18.4)</u>
Total current assets	656,527,686	627,413,048	4.6
<b>Noncurrent assets:</b>			
Investments held by trustee	207,729,325	201,345,507	3.2
Loans receivable from governmental units	1,494,403,330	1,531,946,289	(2.5)
Advances to State of Maine	263,489,520	320,192,704	(17.7)
Property and equipment, net of depreciation	<u>1,131,575</u>	<u>281,821</u>	<u>301.5</u>
Total noncurrent assets	<u>1,966,753,750</u>	<u>2,053,766,321</u>	<u>(4.2)</u>
Total assets	<u>2,623,281,436</u>	<u>2,681,179,369</u>	<u>(2.2)</u>
<b>Deferred outflows of resources:</b>			
Unamortized refunding benefits rebated to governmental units	4,053	17,917	(77.4)
Unamortized deferred loss on refundings	20,891,423	26,285,068	(20.5)
OPEB adjustments	153,819	60,603	153.8
Pension contributions	<u>217,374</u>	<u>214,971</u>	<u>1.1</u>
Total deferred outflows of resources	21,266,669	26,578,559	(20.0)%

**MAINE MUNICIPAL BOND BANK**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>Percentage Change</u>
Current liabilities:			
Accounts payable and accrued liabilities	\$ 583,675	\$ 505,935	15.4%
Due to other funds	6,774,115	6,078,197	11.4
Accrued interest payable	13,368,176	13,975,028	(4.3)
Unearned grant revenue	4,944,296	4,942,496	0.0
Undisbursed loans	20,548,164	21,203,206	(3.1)
Accrued interest rebate payable to U.S. Government	868,874	538,750	61.3
Due to State of Maine	104,001,597	107,548,716	(3.3)
Bonds payable, net	<u>173,310,807</u>	<u>168,516,653</u>	<u>2.8</u>
Total current liabilities	<u>324,399,704</u>	<u>323,308,981</u>	<u>0.3</u>
Noncurrent liabilities:			
Accrued interest rebate payable to U.S. Government	322,363	885,414	(63.6)
Bonds payable, net	1,505,005,321	1,606,762,092	(6.3)
Accrued pension and other post-employment benefit liabilities	<u>1,524,510</u>	<u>1,396,942</u>	<u>9.1</u>
Total noncurrent liabilities	<u>1,506,852,194</u>	<u>1,609,044,448</u>	<u>(6.4)</u>
Total liabilities	<u>1,831,251,898</u>	<u>1,932,353,429</u>	<u>(5.2)</u>
Deferred inflows of resources:			
Pension adjustments	169,274	171,746	(1.4)
OPEB adjustments	<u>176,972</u>	<u>65,490</u>	<u>170.2</u>
Total deferred inflows of resources	346,246	237,236	46.0
Net position:			
Net investment in capital assets	1,131,575	281,821	301.5
Restricted	724,482,526	698,464,039	3.7
Unrestricted	<u>87,335,860</u>	<u>76,421,403</u>	<u>14.3</u>
Total net position	<u>\$ 812,949,961</u>	<u>\$ 775,167,263</u>	<u>4.9%</u>

## MAINE MUNICIPAL BOND BANK

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2020

Total short and long-term investments held by trustee at June 30, 2020 increased \$43,223,375 or 8.0% from June 30, 2019. The increase is primarily attributed to receipt of grant funds from the State of Maine in the School Facilities Fund Group, as well as receipt of funds from the State of Maine in the Transportation Infrastructure and Liquor Operation Revenue Fund Groups in excess of required debt service payments on the related bonds payable and any payments for projects from these fund groups. Current year repayments on loans receivable from governmental units in the revolving loan funds also outpaced new monies loaned to governmental units as discussed below. There was also an increase in General Tax Exempt Fund Group reserve fund investments tied to the \$60 million in bonds issued in 2020. Additionally, investments had a net increase in fair value of \$12,280,022 in 2020, as compared to a net increase of \$9,859,922 in 2019. The Bond Bank's investment portfolio is comprised of cash and cash equivalents, U.S. Government obligations (including treasury bills, notes, and bonds), U.S. Government-sponsored enterprises securities (i.e. FNMA, FMLMC), U.S. Treasury and U.S. Government-sponsored enterprise strips, guaranteed investment contracts, collateralized repurchase agreements, and certificates of deposit. The Bond Bank's investments are carried at fair value. Unrealized gains and losses (primarily due to fluctuations in market interest rates) are recognized in the statements of revenues, expenses and changes in net position. A significant amount of the Bond Bank's investments are scheduled to mature to meet operating or debt service requirements and are normally held until maturity.

Loans (bond and equity) receivable from governmental units at June 30, 2020 decreased \$34,093,480 or 2.0% from June 30, 2019. The current year decrease is attributed to scheduled repayments outpacing new monies loaned to governmental units. Total new loan commitment in 2020 of approximately \$128,499,000 was a decrease of 62.1% from the 2019 commitments of approximately \$339,426,000.

Accrued investment income receivable decreased \$1,080,238 or 63.1% from fiscal year 2019, which is the result of investments that matured during the year and were reinvested in money market funds at a lower rate.

Accrued interest and fees receivable on loans to governmental units and advances to the State of Maine increased \$2,437,875 or 15.8% from fiscal year 2019, which is primarily the result of an approximate \$2.8 million increase in fees due from State of Maine in the Liquor Operation Revenue Fund Group.

Undisbursed federal letter of credit payments increased \$3,601,915 or 14.9% from fiscal year 2019. The increase is primarily attributed to an increase in federal capitalization grants in fiscal 2020.

Grants receivable from the State of Maine was \$0 at June 30, 2020 as compared to \$18,000,000 at June 30, 2019. The amount receivable at prior year end represented unappropriated surplus in the State's general fund that was approved by the legislature to be distributed to the School Facilities Fund Group. There were no such amounts at June 30, 2020.

Advances to State of Maine decreased \$54,902,248 or 14.6% from balances at June 30, 2019 due to continued repayments within the Transportations Fund Groups and Liquor Operation Revenue Fund Group. There were no new advances in any of these Fund Groups in fiscal 2020.

Property and equipment, net of depreciation, increased \$849,754 or 301.5% from fiscal year 2019, which is a direct result of a major building renovation project undertaken in fiscal year 2020.

Unamortized refunding benefits rebated to governmental units decreased \$13,864 or 77.4% from 2019. Unamortized deferred loss on refundings decreased \$5,393,645 or 20.5% from 2019. The decreases are due to current year amortization.

**MAINE MUNICIPAL BOND BANK**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2020

The Bond Bank's financial position improved as net assets increased 4.9% in fiscal year 2020. The Bond Bank continued to maintain a positive spread of income from investments, interest on loans to governmental units, fee revenue from State of Maine and grants over bond interest and operating expenses.

MAINE MUNICIPAL BOND BANK  
 Statements of Revenues, Expenses and Changes in Net Position  
 For the Years Ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Percentage Change</u>
Operating revenues:			
Interest on loans receivable from governmental units	\$ 40,561,635	\$ 38,509,248	5.3%
Program revenue from State of Maine	11,227,870	11,017,405	1.9
Interest income from investments	12,399,205	13,656,761	(9.2)
Net increase in the fair value of investments	12,280,022	9,859,922	24.5
Grant revenue from Environmental Protection Agency	23,304,000	23,531,000	(1.0)
Grant revenue from State of Maine	4,727,207	22,706,200	(79.2)
Other income	<u>1,385,644</u>	<u>1,937,998</u>	<u>(28.5)</u>
Total operating revenues	105,885,583	121,218,534	(12.6)
Operating expenses:			
Interest expense	56,650,072	54,944,231	3.1
Operating expenses (direct and shared)	6,994,882	6,076,598	15.1
Cost of issuance expenses	303,075	1,801,296	(83.2)
Loan forgiveness	4,140,992	4,093,671	1.2
Amortization of refunding benefits rebated to governmental units	<u>13,864</u>	<u>40,085</u>	<u>(65.4)</u>
Total operating expenses	<u>68,102,885</u>	<u>66,955,881</u>	<u>1.7</u>
Operating income	37,782,698	54,262,653	(30.4)
Net position, beginning of year	<u>775,167,263</u>	<u>720,904,610</u>	<u>7.5</u>
Net position, end of year	<u>\$ 812,949,961</u>	<u>\$ 775,167,263</u>	<u>4.9%</u>

## MAINE MUNICIPAL BOND BANK

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2020

The General Tax-Exempt Fund Group reimburses the Operating Fund for the annual budget approved by the Board of Commissioners.

Interest income from investments in 2020 decreased \$1,257,556 or 9.2% from 2019. This decrease was primarily the result of a declining short-term interest rate environment that resulted in the purchase of lower yield investments that lead to less interest earned over fiscal 2020.

The net increase in the fair value of investments was \$12,280,022 in fiscal 2020 versus \$9,859,922 in fiscal 2019. This increase was primarily in the General Tax-Exempt Fund Group where investments are held to maturity. During periods of declining interest rates, the fair value of a portfolio of high yielding investments will experience an increase.

Grant Revenue from State of Maine decreased \$17,978,993 in fiscal year 2020 from fiscal year 2019 or 79.2%. The decrease is the result of the School Facilities Fund Group receiving grants in fiscal year 2020 totaling \$66,407 as compared to \$18,000,000 in fiscal 2019.

Other Income decreased \$552,354 or 28.5% in 2020 from fiscal year 2019. This was primarily attributed to a decrease in amounts received to pay costs of issuance of \$498,012 in fiscal year 2020 within the Grant Anticipation Fund Group.

Operating Expenses increased \$918,284 or 15.1% in 2020 from fiscal year 2019. This was a direct result of increased Department of Environmental Protection and Department of Health and Human Services administrative draws in the Sewer and Water Fund Groups and increased pension and OPEB plan expenses in the General Operating Account Fund Group.

Cost of issuance expenses decreased \$1,498,221 or 83.2% in fiscal year 2020 from fiscal year 2019. The decrease was a result of the Bond Bank issuing Grant Anticipation Fund Group bonds in fiscal year 2019, which incurred additional costs for rating agencies, legal and other costs, which did not occur in fiscal year 2020. Also, the par amount of General Tax-Exempt bonds issued in fiscal year 2020 were substantially less than fiscal year 2019, reducing cost of issuance expenses.

Loan forgiveness increased \$47,321 or 1.2% in fiscal year 2020 from fiscal year 2019. Portions of the loans made to eligible borrowers under the Drinking Water and Clean Water Revolving Loan Fund Programs may be forgiven if certain continuing criteria are met as the borrowers repay the loans. The total amount forgiven under these programs in 2020 was \$2,133,354 and \$1,163,801 within the Drinking Water and Clean Water Revolving Loan Fund Program, respectively, as compared to \$2,151,402 and \$1,003,497 respectively in 2019. Also, portions of the loans made to school administrative units under the School Facilities Fund Group are forgiven at the time the loans are disbursed to the units. The amount forgiven within the School Facilities Fund Group in 2020 was \$843,837, as compared to \$938,772 in 2019. Forgiveness expense will vary from year to year depending upon repayment and drawdown activity within the respective programs, and the amount of potential forgiveness loans that are made each year.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Bond Bank's financial statements for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Executive Director, Maine Municipal Bond Bank, P.O. Box 2268, Augusta, Maine 04338-2268.

**MAINE MUNICIPAL BOND BANK**

**STATEMENTS OF NET POSITION**

June 30, 2020

	<u>General Operating Account</u>	<u>General Tax-Exempt Fund Group</u>	<u>Transportation Fund Groups Grant Anticipation Fund Group</u>	<u>Transportation Infrastructure Fund Group</u>
<b><u>ASSETS</u></b>				
Current assets:				
Cash	\$ 61,271	\$ –	\$ –	\$ –
Investments held by trustee (notes 3, 5 and 10)	–	50,201,009	–	36,943,138
Operating investments (notes 3 and 10)	25,320,589	–	–	–
Loans receivable from governmental units (note 4)	–	102,208,907	–	–
Advances to State of Maine (note 4)	–	–	18,604,642	15,278,541
Accrued investment income receivable	32,690	225,962	–	4,805
Accrued interest and fees receivable on loans to governmental units and advances to State of Maine	–	7,734,529	2,064,775	–
Undisbursed federal letter of credit payments	–	–	–	–
Due from other funds	6,160,787	–	–	–
Other assets	<u>255,403</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total current assets	31,830,740	160,370,407	20,669,417	52,226,484
Noncurrent assets:				
Investments held by trustee (notes 3, 5 and 10)	–	146,735,748	–	12,630,978
Loans receivable from governmental units (note 4)	–	1,022,357,117	–	–
Advances to State of Maine (note 4)	–	–	119,935,638	96,302,397
Property and equipment, net of depreciation of \$1,936,480 (note 11)	<u>1,131,575</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total noncurrent assets	<u>1,131,575</u>	<u>1,169,092,865</u>	<u>119,935,638</u>	<u>108,933,375</u>
Total assets	<u>32,962,315</u>	<u>1,329,463,272</u>	<u>140,605,055</u>	<u>161,159,859</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>				
Unamortized refunding benefits rebated to governmental units (note 9)	–	4,053	–	–
Unamortized deferred loss on refundings (note 9)	–	16,360,446	–	4,398,474
OPEB adjustments (note 8)	153,819	–	–	–
Pension contributions (note 8)	<u>217,374</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total deferred outflows of resources	<u>371,193</u>	<u>16,364,499</u>	<u>–</u>	<u>4,398,474</u>

Qualified School Construction Fund Group	Liquor Operation Revenue Fund Group	Sewer and Water Fund Groups			Operating Fund Group	School Facilities Fund Group	Total
		Revolving Loan Fund Groups	Clean Water	Drinking Water			
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,271	
-	59,098,908	162,070,774	32,761,085	8,548,749	28,490,360	378,114,023	
-	-	-	-	-	-	25,320,589	
1,934,260	-	26,947,171	10,438,326	-	1,498,063	143,026,727	
-	22,820,000	-	-	-	-	56,703,183	
208,542	4,323	125,598	2,955	412	26,685	631,972	
301,725	6,658,437	834,824	311,235	-	-	17,905,525	
-	-	22,916,742	4,809,687	-	-	27,726,429	
-	-	476,716	-	136,612	-	6,774,115	
-	-	3,758	4,691	-	-	263,852	
2,444,527	88,581,668	213,375,583	48,327,979	8,685,773	30,015,108	656,527,686	
18,864,490	27,551,819	1,785,231	161,059	-	-	207,729,325	
11,839,095	-	286,669,351	166,829,786	-	6,707,981	1,494,403,330	
-	47,251,485	-	-	-	-	263,489,520	
-	-	-	-	-	-	1,131,575	
<u>30,703,585</u>	<u>74,803,304</u>	<u>288,454,582</u>	<u>166,990,845</u>	<u>-</u>	<u>6,707,981</u>	<u>1,966,753,750</u>	
<u>33,148,112</u>	<u>163,384,972</u>	<u>501,830,165</u>	<u>215,318,824</u>	<u>8,685,773</u>	<u>36,723,089</u>	<u>2,623,281,436</u>	
-	-	-	-	-	-	4,053	
-	-	132,503	-	-	-	20,891,423	
-	-	-	-	-	-	153,819	
-	-	-	-	-	-	217,374	
-	-	132,503	-	-	-	21,266,669	

**MAINE MUNICIPAL BOND BANK**

STATEMENTS OF NET POSITION (CONTINUED)

June 30, 2020

	<u>General Operating Account</u>	<u>General Tax-Exempt Fund Group</u>	<u>Transportation Fund Groups Grant Anticipation Fund Group</u>	<u>Transportation Infrastructure Fund Group</u>
<b><u>LIABILITIES</u></b>				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 473,710	\$ —	\$ —	\$ —
Due to other funds	—	5,912,717	—	22,882
Accrued interest payable	—	8,758,059	2,064,775	1,869,833
Unearned grant revenue	—	—	—	—
Undisbursed loans	—	—	—	—
Accrued interest rebate payable to U.S. Government	—	868,874	—	—
Due to State of Maine	—	—	—	37,884,307
Bonds payable, net (note 4)	<u>—</u>	<u>113,926,903</u>	<u>18,604,642</u>	<u>16,567,373</u>
Total current liabilities	473,710	129,466,553	20,669,417	56,344,395
Noncurrent liabilities:				
Accrued interest rebate payable to U.S. Government	—	322,363	—	—
Bonds payable, net (note 4)	—	1,164,158,485	119,935,638	109,213,938
Accrued pension and other post-employment benefit liabilities (note 8)	<u>1,524,510</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total noncurrent liabilities	<u>1,524,510</u>	<u>1,164,480,848</u>	<u>119,935,638</u>	<u>109,213,938</u>
Total liabilities	<u>1,998,220</u>	<u>1,293,947,401</u>	<u>140,605,055</u>	<u>165,558,333</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>				
Pension adjustments (note 8)	169,274	—	—	—
OPEB adjustments (note 8)	<u>176,972</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total deferred inflows of resources	<u>346,246</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b><u>NET POSITION</u></b>				
Net investment in capital assets	1,131,575	—	—	—
Restricted (notes 5, 6 and 7)	—	4,670,829	—	—
Unrestricted (notes 6 and 7)	<u>29,857,467</u>	<u>47,209,541</u>	<u>—</u>	<u>—</u>
Total net position	<u>\$30,989,042</u>	<u>\$ 51,880,370</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to the financial statements.

Qualified School Construction Fund Group	Liquor Operation Revenue Fund Group	Sewer and Water Fund Groups			Operating Fund Group	School Facilities Fund Group	Total
		Revolving Loan Fund Groups		Clean Water			
		Clean Water	Drinking Water				
\$ -	\$ -	\$ 109,965	\$ -	\$ -	\$ -	\$ 583,675	
-	17,705	166,550	632,715	-	21,546	6,774,115	
301,732	334,977	29,138	9,662	-	-	13,368,176	
-	-	2,474,600	2,469,696	-	-	4,944,296	
-	-	17,405,451	697,279	-	2,445,434	20,548,164	
-	-	-	-	-	-	868,874	
-	66,117,290	-	-	-	-	104,001,597	
-	22,820,000	1,181,889	210,000	-	-	173,310,807	
301,732	89,289,972	21,367,593	4,019,352	-	2,466,980	324,399,704	
-	-	-	-	-	-	322,363	
32,846,380	74,095,000	3,640,880	1,115,000	-	-	1,505,005,321	
-	-	-	-	-	-	1,524,510	
32,846,380	74,095,000	3,640,880	1,115,000	-	-	1,506,852,194	
33,148,112	163,384,972	25,008,473	5,134,352	-	2,466,980	1,831,251,898	
-	-	-	-	-	-	169,274	
-	-	-	-	-	-	176,972	
-	-	-	-	-	-	346,246	
-	-	-	-	-	-	1,131,575	
-	-	476,896,176	209,884,257	-	33,031,264	724,482,526	
-	-	58,019	300,215	8,685,773	1,224,845	87,335,860	
\$ -	\$ -	\$ 476,954,195	\$ 210,184,472	\$ 8,685,773	\$ 34,256,109	\$ 812,949,961	

**MAINE MUNICIPAL BOND BANK**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2020

	<u>General Operating Account</u>	<u>General Tax-Exempt Fund Group</u>	<u>Transportation Fund Groups Grant Anticipation Fund Group</u>	<u>Transportation Infrastructure Fund Group</u>
Operating revenues:				
Interest on loans receivable from governmental units	\$ —	\$36,108,505	\$ —	\$ —
Program revenue from State of Maine	—	—	4,462,523	3,648,988
Interest income from investments	410,996	5,917,540	—	859,891
Net increase in the fair value of investments	128,782	10,124,295	—	666,140
Grant revenue from Environmental Protection Agency (note 6)	—	—	—	—
Grant revenue from State of Maine (notes 6 and 7)	—	—	—	—
Other income	<u>459,957</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total operating revenues	999,735	52,150,340	4,462,523	5,175,019
Operating expenses:				
Interest expense	—	40,485,110	4,305,213	5,071,380
Operating expenses (direct and shared) (note 8)	1,399,312	65,181	157,310	103,639
Cost of issuance expenses	—	303,075	—	—
Loan forgiveness (notes 6 and 7)	—	—	—	—
Amortization of refunding benefits rebated to governmental units	<u>—</u>	<u>13,864</u>	<u>—</u>	<u>—</u>
Total operating expenses	<u>1,399,312</u>	<u>40,867,230</u>	<u>4,462,523</u>	<u>5,175,019</u>
Operating (loss) income before operating transfers	(399,577)	11,283,110	—	—
Operating transfers, net	<u>1,032,903</u>	<u>(441,500)</u>	<u>—</u>	<u>—</u>
Operating income (loss)	633,326	10,841,610	—	—
Net position, beginning of year	<u>30,355,716</u>	<u>41,038,760</u>	<u>—</u>	<u>—</u>
Net position, end of year	<u>\$30,989,042</u>	<u>\$51,880,370</u>	<u>\$ —</u>	<u>\$ —</u>

See accompanying notes to the financial statements.

Qualified School Construction <u>Fund Group</u>	Liquor Operation Revenue <u>Fund Group</u>	<u>Sewer and Water Fund Groups</u>			Operating Fund <u>Group</u>	School Facilities Fund <u>Group</u>	<u>Total</u>
		<u>Revolving Loan Fund Groups</u>		Clean <u>Water</u>			
		Drinking <u>Water</u>					
\$ 333,219	\$ –	\$ 3,031,411	\$ 1,088,500	\$ –	\$ –	\$ 40,561,635	
–	3,116,359	–	–	–	–	11,227,870	
581,934	1,579,196	2,041,934	484,452	100,960	422,302	12,399,205	
895,239	169,540	244,693	28,171	4,917	18,245	12,280,022	
–	–	12,300,000	11,004,000	–	–	23,304,000	
–	–	2,460,000	2,200,800	–	66,407	4,727,207	
–	–	–	–	925,687	–	1,385,644	
<u>1,810,392</u>	<u>4,865,095</u>	<u>20,078,038</u>	<u>14,805,923</u>	<u>1,031,564</u>	<u>506,954</u>	<u>105,885,583</u>	
1,810,392	4,759,933	157,271	60,773	–	–	56,650,072	
–	105,162	916,137	3,157,075	227,822	863,244	6,994,882	
–	–	–	–	–	–	303,075	
–	–	1,163,801	2,133,354	–	843,837	4,140,992	
–	–	–	–	–	–	13,864	
<u>1,810,392</u>	<u>4,865,095</u>	<u>2,237,209</u>	<u>5,351,202</u>	<u>227,822</u>	<u>1,707,081</u>	<u>68,102,885</u>	
–	–	17,840,829	9,454,721	803,742	(1,200,127)	37,782,698	
–	–	(385,516)	145,630	(351,517)	–	–	
–	–	17,455,313	9,600,351	452,225	(1,200,127)	37,782,698	
–	–	459,498,882	200,584,121	8,233,548	35,456,236	775,167,263	
<u>\$ –</u>	<u>\$ –</u>	<u>\$ 476,954,195</u>	<u>\$ 210,184,472</u>	<u>\$ 8,685,773</u>	<u>\$ 34,256,109</u>	<u>\$ 812,949,961</u>	

**MAINE MUNICIPAL BOND BANK**

STATEMENTS OF CASH FLOWS

For the Year Ended June 30, 2020

	<u>General Operating Account</u>	<u>General Tax-Exempt Fund Group</u>	<u>Transportation Fund Groups Grant Anticipation Fund Group</u>	<u>Transportation Infrastructure Fund Group</u>
<b>OPERATING ACTIVITIES:</b>				
Cash received from governmental units and State of Maine	\$ –	\$ 135,988,704	\$ 22,843,572	\$ 40,774,588
Cash payments to governmental units	–	(65,969,834)	–	–
Cash payments to State of Maine	–	–	–	(36,100,000)
Cash received from other income	459,957	–	–	–
Cash payments for operating expenses	(1,219,572)	(65,181)	(157,310)	(103,639)
Cash paid for bond issuance costs	–	(303,075)	–	–
Cash received from (paid to) other funds	344,151	254,446	–	2,747
Cash received from other assets and liabilities	<u>59,666</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net cash (used) provided by operating activities	(355,798)	69,905,060	22,686,262	4,573,696
<b>NONCAPITAL FINANCING ACTIVITIES:</b>				
Proceeds from bonds payable	–	73,316,704	–	–
Principal paid on bonds payable	–	(95,620,000)	(16,135,000)	(14,105,000)
Interest paid on bonds payable	–	(52,023,219)	(6,551,262)	(5,912,613)
Grant receipts from Environmental Protection Agency and State of Maine	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net cash (used) provided by noncapital financing activities	–	(74,326,515)	(22,686,262)	(20,017,613)
<b>INVESTING ACTIVITIES:</b>				
Purchase of investment securities	(71,333,303)	(223,780,443)	–	(241,863,975)
Proceeds from sale and maturities of investment securities	71,301,069	223,416,564	–	256,240,972
Income received from investments	466,763	5,416,099	–	1,066,920
Interest rebate paid to U.S. Government	–	(630,765)	–	–
Additions to property and equipment	<u>(810,885)</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net cash (used) provided by investing activities	<u>(376,356)</u>	<u>4,421,455</u>	<u>–</u>	<u>15,443,917</u>
Decrease in cash	(732,154)	–	–	–
Cash, beginning of year	<u>793,425</u>	<u>–</u>	<u>–</u>	<u>–</u>
Cash, end of year	\$ <u><u>61,271</u></u>	\$ <u><u>–</u></u>	\$ <u><u>–</u></u>	\$ <u><u>–</u></u>

<u>Qualified School Construction Fund Group</u>	<u>Liquor Operation Revenue Fund Group</u>	<u>Sewer and Water Fund Groups</u>			<u>Operating Fund Group</u>	<u>School Facilities Fund Group</u>	<u>Total</u>
		<u>Revolving Loan Fund Groups</u>		<u>Operating Fund Group</u>			
		<u>Clean Water</u>	<u>Drinking Water</u>				
\$ 3,741,343	\$ 59,469,623	\$ 36,818,420	\$ 10,732,221	\$ -	\$ 2,172,165	\$ 312,540,636	
-	-	(27,738,361)	(24,841,284)	-	(2,191,952)	(120,741,431)	
-	(27,000,000)	-	-	-	-	(63,100,000)	
-	-	-	-	925,687	-	1,385,644	
-	(105,162)	(916,047)	(3,157,075)	(227,822)	(863,244)	(6,815,052)	
-	-	-	-	-	-	(303,075)	
-	6,060	(368,346)	109,966	(358,683)	9,659	-	
-	-	-	-	-	-	59,666	
3,741,343	32,370,521	7,795,666	(17,156,172)	339,182	(873,372)	123,026,388	
-	-	-	-	-	-	73,316,704	
-	(22,015,000)	(1,380,000)	(200,000)	-	-	(149,455,000)	
(1,810,392)	(4,827,226)	(195,718)	(62,173)	-	-	(71,382,603)	
-	-	9,132,092	15,232,593	-	18,066,407	42,431,092	
(1,810,392)	(26,842,226)	7,556,374	14,970,420	-	18,066,407	(105,089,807)	
(8,482,240)	(346,557,280)	(343,733,108)	(72,316,927)	(10,008,929)	(137,073,615)	(1,455,149,820)	
5,972,430	339,108,362	326,020,026	73,934,110	9,554,543	119,478,420	1,425,026,496	
578,859	1,920,623	2,361,042	568,569	115,204	402,160	12,896,239	
-	-	-	-	-	-	(630,765)	
-	-	-	-	-	-	(810,885)	
<u>(1,930,951)</u>	<u>(5,528,295)</u>	<u>(15,352,040)</u>	<u>2,185,752</u>	<u>(339,182)</u>	<u>(17,193,035)</u>	<u>(18,668,735)</u>	
-	-	-	-	-	-	(732,154)	
-	-	-	-	-	-	793,425	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 61,271</u>	

**MAINE MUNICIPAL BOND BANK**

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2020

	General Operating <u>Account</u>	General Tax-Exempt <u>Fund Group</u>	<u>Transportation Fund Groups</u> Grant Anticipation <u>Fund Group</u>	Transportation Infrastructure <u>Fund Group</u>
Reconciliation of operating income (loss) to net cash (used) provided by operating activities:				
Operating income (loss)	\$ 633,326	\$ 10,841,610	\$ -	\$ -
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:				
Interest income from investments	(410,996)	(5,917,540)	-	(859,891)
Net increase in the fair value of investments	(128,782)	(10,124,295)	-	(666,140)
Loan forgiveness	-	-	-	-
Depreciation	111,802	-	-	-
Amortization of refunding benefits rebated to governmental units	-	13,864	-	-
Interest expense on bonds payable Federal and State grants	-	40,485,110	4,305,213	5,071,380
Change in assets and liabilities:				
Loans receivable from governmental units and advances to State of Maine	-	33,804,916	18,143,091	14,744,157
Accrued interest and fees receivable on loans to governmental units and advances to State of Maine	-	105,449	237,958	-
Due to/from other funds	(688,752)	695,946	-	2,747
Other assets	59,666	-	-	-
Accrued pension and other post-employment benefit liabilities	140,959	-	-	-
Accounts payable and accrued liabilities	(73,021)	-	-	-
Due to State of Maine	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,718,557)</u>
Net cash (used) provided by operating activities	\$ <u>(355,798)</u>	\$ <u>69,905,060</u>	\$ <u>22,686,262</u>	\$ <u>4,573,696</u>

Summary of noncash transactions:

Within the General Operating Account, \$150,671 of property and equipment purchases are included in accounts payable and accrued expenses.

Within the General Tax-Exempt Fund Group, \$1,305,000 of loans receivable from governmental units and bonds payable were reduced as part of an in-substance defeasance – see note 9.

See accompanying notes to the financial statements.

Qualified School Construction Fund Group	Liquor Operation Revenue Fund Group	Sewer and Water Fund Groups			Operating Fund Group	School Facilities Fund Group	Total
		Revolving Loan Fund Groups	Clean Water	Drinking Water			
\$ -	\$ -	\$ 17,455,313	\$ 9,600,351	\$ 452,225	\$ (1,200,127)	\$ 37,782,698	
(581,934)	(1,579,196)	(2,041,934)	(484,452)	(100,960)	(422,302)	(12,399,205)	
(895,239)	(169,540)	(244,693)	(28,171)	(4,917)	(18,245)	(12,280,022)	
-	-	1,163,801	2,133,354	-	843,837	4,140,992	
-	-	-	-	-	-	111,802	
-	-	-	-	-	-	13,864	
1,810,392	4,759,933	157,271	60,773	-	-	56,650,072	
-	-	(14,760,000)	(13,204,800)	-	(66,407)	(28,031,207)	
3,408,577	22,015,000	5,964,630	(15,165,890)	-	(19,787)	82,894,694	
(453)	(2,833,174)	84,018	(31,673)	-	-	(2,437,875)	
-	6,060	17,170	(35,664)	(7,166)	9,659	-	
-	-	-	-	-	-	59,666	
-	-	-	-	-	-	140,959	
-	-	90	-	-	-	(72,931)	
-	10,171,438	-	-	-	-	(3,547,119)	
<u>\$ 3,741,343</u>	<u>\$ 32,370,521</u>	<u>\$ 7,795,666</u>	<u>\$(17,156,172)</u>	<u>\$ 339,182</u>	<u>\$(873,372)</u>	<u>\$ 123,026,388</u>	

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 1. Organization

The Maine Municipal Bond Bank (the Bond Bank) is constituted as an instrumentality and a component unit of the State of Maine, organized and existing under and pursuant to M.R.S.A., Article 30-A, Title 5901 (the Act), as amended.

Under the Act, the Bond Bank is authorized to issue bonds for the purpose, among other things, of providing funds to enable it to lend money to counties, cities, towns, school administrative districts, community school districts, other quasi-municipal corporations or other eligible borrowers as designated by the Legislature (the governmental units) within the State of Maine. The provision of funds is accomplished by the direct purchase from such governmental units of their bonds, notes or evidence of debt payable from taxes, charges for services, grants or assessments. The Bond Bank is also authorized by the Legislature to issue bonds on behalf of the State of Maine to finance qualified transportation projects and payments to healthcare providers, to be repaid by taxes, fees and grant and liquor revenues.

The Bond Bank has an arrangement with related parties, Maine Health and Higher Educational Facilities Authority (MHHEFA) and Maine Governmental Facilities Authority (MGFA), whereby the Bond Bank administers and manages MHHEFA and MGFA programs under the direction of each Authority's Board of Commissioners. The Bond Bank allocates general overhead expenses from its operations to each Authority. The arrangement is approved annually by the Board of Commissioners through the budgetary approval process. At June 30, 2020, the General Operating Account has approximately \$50,300 of amounts due from these related parties, which is included in other assets in the accompanying statements of net position.

The General Operating Account consists of the operating revenues and expenses incurred by the Bond Bank in administering each of the resolutions under which it is operating. The funds and accounts of these resolutions have been grouped within each of the resolutions and fund groups as described below.

The General Operating Account also administers various loan and grant programs in conjunction with the State of Maine. Additionally, the General Operating Account from time-to-time will provide loans to municipalities (governmental units) experiencing financial difficulties. At June 30, 2020, there were no such loans outstanding.

General Tax-Exempt Fund Group: This fund group consists of funds and accounts established under the Bond Bank's General Bond Resolution adopted July 11, 1973, as amended and supplemented by the First Supplemental Resolution adopted September 20, 1977, the Second Supplemental Resolution adopted July 18, 1984, the Third Supplemental Resolution adopted May 7, 1993, the Fourth Supplemental Resolution adopted June 25, 1993 and the Fifth Supplemental Resolution adopted September 18, 2003. Under these resolutions, the Bond Bank issues bonds on which the interest is exempt from State of Maine income taxes and either exempt or non-exempt from federal income taxes. The proceeds on the bonds are used to make loans to local governmental units. In addition, the Bond Bank issues taxable bonds that receive a federal interest subsidy payment on each debt service payment date. The total federal interest subsidy received in 2020 was approximately \$799,800, and is included in interest on loans receivable from governmental units in the statement of revenues, expenses and changes in net position.

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 1. Organization (Continued)

Transportation Fund Groups: These fund groups consist of funds and accounts established under the Bond Bank's Grant Anticipation General Bond Resolution adopted December 10, 2004 and the Bond Bank's Transportation Infrastructure General Bond Resolution adopted September 24, 2008. Under these resolutions, the Bond Bank issues bonds or notes exempt from Federal and State of Maine income taxes for the purpose of making advances to the State of Maine Department of Transportation to finance qualified transportation projects. The Grant Anticipation bonds or notes are to be repaid from future federal highway grant monies received by the State of Maine and the Transportation Infrastructure bonds or notes are to be repaid from a portion of future fees and taxes collected by the State of Maine, which are paid to the Bond Bank monthly or quarterly. In addition, the Bond Bank issues taxable bonds that receive a federal interest subsidy payment on each debt service payment date. The total federal interest subsidy received in 2020 was approximately \$285,000 and is included in program revenue from State of Maine in the Grant Anticipation Fund Group statement of revenues, expenses and changes in net position.

Qualified School Construction Fund Group: This fund group consists of funds and accounts established under the Bond Bank's General Bond Resolution adopted November 18, 2010. Under this resolution, the Bond Bank issues bonds which are exempt from State of Maine income taxes (but not federal income taxes) and makes loans to qualified governmental units. The bonds issued in this fund group receive a federal interest subsidy payment on each debt service payment date. The total federal interest subsidy received in 2020 was approximately \$1,564,600 and is included in interest on loans receivable from governmental units in the statement of revenues, expenses and changes in net position.

Liquor Operation Revenue Fund Group: This fund group consists of funds and accounts established under the Bond Bank's State Liquor Operation Revenue Bonds Resolution adopted August 21, 2013. Under this resolution, the Bond Bank issues bonds which are exempt from State of Maine income taxes (but not federal income taxes) for the purpose of making advances to the State of Maine to make payments to health care providers for services provided prior to December 1, 2012 under the MaineCare program. The bonds are to be repaid from a portion of future liquor revenues collected by the State Bureau of Alcoholic Beverages and Lottery Operations and transferred to the Bond Bank monthly.

Sewer and Water Fund Groups: These fund groups consist of funds and accounts established under the Bond Bank's Sewer and Water General Bond Resolution adopted February 7, 1990, as amended and supplemented by the First Supplemental Resolution adopted March 6, 1991, by the Second Supplemental Resolution adopted August 21, 1998, and by the Third Supplemental Resolution adopted March 14, 2003. Under this resolution, the Bond Bank issues bonds exempt from federal and State of Maine income taxes for the purpose of making revolving loans to governmental units to finance wastewater collection, treatment system or water supply system projects. Under the Drinking Water Fund Group, eligible borrowers consist of public water systems, which include municipalities, districts, private for-profit and non-profit water systems. Some of these projects may be financed by grants from the Environmental Protection Agency and the State of Maine under the State Revolving Fund Program and the Drinking Water State Revolving Loan Fund Program. The Operating Fund Group collects fees paid by eligible borrowers of the Sewer and Water Fund Groups and pays administrative expenses to the Bond Bank and other expenses permitted within the resolution that are not covered under the Sewer and Water Revolving Fund Groups. The fees earned are recorded in other income on the statement of revenues, expenses and changes in net position.

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 1. Organization (Continued)

School Facilities Fund Group: This fund group consists of funds and accounts established under the Maine School Facilities Finance Program. Under this program, the Bond Bank receives appropriations from the State of Maine for the purpose of making loans to school administrative units for school repair and renovation. This fund group is not a part of any bond resolution.

### 2. Significant Accounting Policies

Proprietary Fund Accounting: As the Bond Bank's operations are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs of providing goods or services is financed through user charges, it meets the criteria for an enterprise fund and, therefore, is accounted for under the accrual basis of accounting.

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

The financial statements are prepared in accordance with GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus – an amendment of GASB Statement No. 21 and No. 34*, and No. 38, *Certain Financial Statement Note Disclosures*.

Accounting Method: As stated above, the Bond Bank uses the accrual basis of accounting and, accordingly, recognizes revenues as earned and expenses as incurred.

Federal Income Taxes: It is the opinion of management that the Bond Bank is exempt from federal income taxes under Internal Revenue Code (IRC) Section 115, and that the Bond Bank has maintained its tax-exempt status and has no uncertain tax positions that require adjustment or disclosure in these financial statements. However, because the Bond Bank issues tax-exempt bonds, it is subject to the arbitrage rebate requirements of Section 148 of the IRC. Section 148 requires that any arbitrage profit earned on the proceeds of tax-exempt bonds issued after 1985 must be rebated to the federal government at least once every five years, with the balance rebated no later than 60 days after the retirement of the bonds.

Arbitrage rebate expense, which is presented as a reduction in the amount of interest income from investments, for the year ended June 30, 2020 was approximately \$398,900 in the General Tax-Exempt Fund Group. Arbitrage rebate expense in any other Fund Group for the year ended June 30, 2020 was not significant.

Cash and Cash Equivalents: The Bond Bank considers all checking and savings deposits and highly liquid investments with maturities of three months or less to be cash equivalents.

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

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 2. Significant Accounting Policies (Continued)

Investments: Investments are carried at fair value. See note 10. Changes in fair value are recorded as net increase or decrease in the fair value of investments on the statements of revenues, expenses and changes in net position. Interest earnings on long-term principal-only strips within the general tax-exempt fund group, transportation infrastructure fund group and liquor operation revenue fund group of approximately \$4,225,300, \$217,500 and \$38,700, respectively, have been recorded as interest income from investments in 2020. Reserve fund investments that are not expected to be utilized to fund bond principal and interest payments until after June 30, 2021 have been classified as long-term.

Undisbursed Federal Letter of Credit Payment: The Bond Bank has received federal capitalization grants under the Sewer and Water Bond Resolution's State Revolving Fund Program. The grants have been made available in the form of letters of credit which can only be drawn upon when needed for administrative and actual construction related costs.

Property and Equipment: The building and equipment are recorded at cost less accumulated depreciation. The provision for depreciation has been computed using the straight-line method over the estimated useful lives of the assets.

Bond Discounts, Premiums and Issuance Costs: Costs associated with issuing debt, which are generally paid by means of fees collected from governmental units, are expensed in the year incurred. Original issue discounts or premiums associated with bond issues are deferred and are being amortized to interest expense over the life of the bond using the bonds outstanding method. For each issue, bond discounts (premiums) are presented as a reduction of (increase to) the face amount of bonds payable (note 4).

Deferred Outflows of Resources: In addition to assets, the statement of net position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Bond Bank has three significant items that qualify for reporting in this category. The first, a deferred charge on refunding, results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second and third deferred charges relate to recognition of the net pension liability and net other postemployment benefit (OPEB) liability and can include: the differences between expected and actual experience, change in assumptions, the net difference between projected and actual earnings on pension and OPEB plan investments, and changes between the Bond Bank's contributions and proportionate share of contributions, and also Bond Bank contributions subsequent to the measurement date.

Deferred Inflows of Resources: In addition to liabilities, the statement of net position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources recognized on the statement of net position relate to the net pension liability which includes the net difference between projected and actual earnings on pension plan investments and changes in proportion and differences between the Bond Bank's contributions, and the net OPEB liability which includes differences between expected and actual experience and changes in actuarial assumptions.

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 2. Significant Accounting Policies (Continued)

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

Postemployment Benefits Other Than Pensions (OPEB): For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources, and OPEB expense, information about the fiduciary net position of the Bond Bank's agent multiple-employer postemployment healthcare plan administered by the Maine Municipal Employees Health Trust (the healthcare plan) and additions to/deductions from the healthcare plan's fiduciary net position have been determined on the same basis as they are reported by the healthcare plan. For this purpose, the healthcare plan recognizes benefit payments when due and payable in accordance with the benefit terms.

Advanced Refundings: Advanced refundings 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*. In an advance refunding, the Bond Bank defeases bonds by placing cash received from the advanced refunding into an irrevocable escrow account to provide for all future debt service payments on defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Bond Bank's financial statements. Under GASB Statement No. 23, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old debt, or the life of the new debt, whichever is shorter, using the bonds outstanding method. The unamortized portion of the deferred amount is reported as a deferred outflow of resources. Amortization for the year ended June 30, 2020 was approximately \$3,870,100, \$68,300, \$1,386,000 and \$69,200 for the General Tax Exempt Fund Group, Grant Anticipation Fund Group, Transportation Infrastructure Fund Group and Clean Water Revolving Loan Fund Group, respectively.

The Board of Commissioners determines what percentage, if any, of the gains, losses and economic benefits of advanced refundings gets passed on to the respective governmental units. Refunding benefits for governmental units are distributed to the governmental units either as a one-time, upfront, rebate or as reduced debt service payments generally allocated over the remaining life of the refunded bonds. If the refunding benefits are distributed as a one-time, upfront, rebate, the refunding benefits are deferred and amortized over the life of the refunded bonds (which is equivalent to the life of the loans receivable) using a method which approximates the effective interest method. The gains, losses and economic benefits of advance refundings completed within the Transportation Fund Groups inure to the State of Maine and not the Bond Bank.

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 2. Significant Accounting Policies (Continued)

Construction Funds: The Transportation Fund Groups and Sewer and Water General Bond Resolution require bond proceeds to be deposited into construction funds. Upon deposit into the construction funds, advances receivable from the State of Maine or a loan receivable from the governmental unit is recorded and the construction funds are excluded from the statement of net position. The Bond Bank maintains control over disbursement of these funds until the project is complete. There are no bond proceeds held in Clean Water or Drinking Water Construction funds as of June 30, 2020. The Transportation Fund Groups have a balance of approximately \$45,000,000 of bond proceeds in construction funds as of June 30, 2020.

Grant Revenue: Grant revenue is recognized when the qualifying commitments have been made and all other grant requirements have been met.

Interfund Transactions: Quasi-external transactions are accounted for as revenues or expenses. Transactions that constitute reimbursements to a fund for expenses initially made from it that are properly applicable to another fund are recorded as expenses in the reimbursing fund and as reductions of expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Management Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires the Bond Bank to make estimates and assumptions that affect the amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Total Columns: The “total” columns contain the totals of the similar accounts of the various funds. Since the assets of the funds are restricted, the combination of the accounts, including assets therein, is for convenience only and does not indicate that the combined assets are available in any manner other than that provided for in the separate funds.

#### Risks and Uncertainties

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

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 3. Investments Held By Trustee and Operating Investments

The Bond Bank is authorized, under Maine statutes, to invest in obligations of the U.S. Treasury, certain U.S. Government-sponsored enterprises, state and local government agencies, guaranteed investment contracts, certificates of deposit and collateralized repurchase agreements. At June 30, 2020, investments are categorized as follows:

	<u>Fair Value</u>
<u>General Operating Account</u>	
Operating investments:	
U.S. Government obligations	\$ 4,627,215
U.S. Government-sponsored enterprises	2,648,716
Cash equivalents	<u>18,044,658</u>
	<u>\$ 25,320,589</u>
 <u>General Tax-Exempt Fund Group</u>	
Investments held by trustee:	
Guaranteed investment contracts	\$ 6,154,782
U.S. Government obligations	21,899,523
U.S. Government-sponsored enterprises	11,715,975
U.S. Treasury strips	20,174,688
U.S. Government-sponsored enterprise strips	117,978,376
Cash equivalents	<u>19,013,413</u>
	<u>\$ 196,936,757</u>
 <u>Transportation Infrastructure Fund Group</u>	
Investments held by trustee:	
U.S. Treasury strips	\$ 11,610,326
Cash equivalents	<u>37,963,790</u>
	<u>\$ 49,574,116</u>
 <u>Qualified School Construction Fund Group</u>	
Investments held by trustee:	
U.S. Government obligations	\$ 16,056,572
Cash equivalents	<u>2,807,918</u>
	<u>\$ 18,864,490</u>

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

3. **Investments Held By Trustee and Operating Investments (Continued)**

	<u>Fair Value</u>
<u>Liquor Operation Revenue Fund Group</u>	
Investments held by trustee:	
U.S. Treasury strips	\$ 1,492,875
Cash equivalents	<u>85,157,852</u>
	<u>\$ 86,650,727</u>
<u>Sewer and Water Fund Groups</u>	
Investments held by trustee:	
Revolving Loan Fund Group – Clean Water:	
Guaranteed investment contracts	\$ 696,758
Collateralized repurchase agreements	641,798
U.S. Government-obligations	10,221,246
U.S. Government-sponsored enterprises	35,041,549
Certificates of deposit	14,694,164
Cash equivalents	<u>102,560,490</u>
	<u>\$ 163,856,005</u>
Revolving Loan Fund Group – Drinking Water:	
U.S. Government-sponsored enterprises	\$ 10,158,280
Cash equivalents	<u>22,763,864</u>
	<u>\$ 32,922,144</u>
Operating Fund Group:	
U.S. Government-sponsored enterprises	\$ 1,324,762
Cash equivalents	<u>7,223,987</u>
	<u>\$ 8,548,749</u>
<u>School Facilities Fund Group</u>	
Investments held by trustee:	
U.S. Government obligations	\$ 16,977,050
U.S. Government-sponsored enterprises	7,746,433
Cash equivalents	<u>3,766,877</u>
	<u>\$ 28,490,360</u>

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**3. Investments Held By Trustee and Operating Investments (Continued)**

The investments of the General Operating Account are to provide income to supplement administration of current programs, provide a source of capital for new programs and to reduce susceptibility to unanticipated expenditures or revenue shortfalls. Relative to the investment of bond funds, as a means of limiting its exposure to fair value losses arising from rising interest rates, the Bond Bank's investment policy provides that investment maturities be closely matched with future bond principal and interest requirements, which are the primary use of invested assets. Further, guaranteed investment contracts, which maturities are also closely matched with future bond principal and interest requirements, contain provisions that allow the Bond Bank to terminate individual contracts at par. The Bond Bank's general practice has been to hold most debt securities to their maturity, at which point the funds are needed to make required bond principal and interest payments for the respective resolutions. The following table provides information on future maturities of the Bond Bank's investments as of June 30, 2020:

	<u>Fair Value</u>	<u>Less than One Year</u>	<u>One to Five Years</u>	<u>Six to Ten Years</u>	<u>More than Ten Years</u>
<u>General Operating Account</u>					
U.S. Government obligations	\$ 4,627,215	\$ 2,034,540	\$ 2,592,675	\$ –	\$ –
U.S. Government-sponsored enterprises	<u>2,648,716</u>	<u>2,648,716</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u>\$ 7,275,931</u>	<u>\$ 4,683,256</u>	<u>\$ 2,592,675</u>	<u>\$ –</u>	<u>\$ –</u>
<u>General Tax Exempt Fund Group</u>					
Guaranteed investment contracts	\$ 6,154,782	\$ –	\$ –	\$ –	\$ 6,154,782
U.S. Government obligations	21,899,523	19,523,360	1,712,336	405,403	258,424
U.S. Government-sponsored enterprises	11,715,975	357,242	2,287,596	7,357,143	1,713,994
U.S. Treasury strips	20,174,688	5,758,941	13,499,044	798,109	118,594
U.S. Government-sponsored enterprise strips	<u>117,978,376</u>	<u>5,548,053</u>	<u>27,510,761</u>	<u>36,848,557</u>	<u>48,071,005</u>
	<u>\$ 177,923,344</u>	<u>\$ 31,187,596</u>	<u>\$45,009,737</u>	<u>\$45,409,212</u>	<u>\$56,316,799</u>
<u>Transportation Infra- structure Fund Group</u>					
U.S. Treasury strips	<u>\$ 11,610,326</u>	<u>\$ –</u>	<u>\$ 9,893,908</u>	<u>\$ 1,716,418</u>	<u>\$ –</u>
<u>Qualified School Con- struction Fund Group</u>					
U.S. Government obligations	<u>\$ 16,056,572</u>	<u>\$ 469,176</u>	<u>\$ –</u>	<u>\$15,587,396</u>	<u>\$ –</u>

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**3. Investments Held By Trustee and Operating Investments (Continued)**

	<u>Fair Value</u>	<u>Less than One Year</u>	<u>One to Five Years</u>	<u>Six to Ten Years</u>	<u>More than Ten Years</u>
<u>Liquor Operation Revenue</u>					
<u>Fund Group</u>					
U.S. Treasury strips	\$ <u>1,492,875</u>	\$ <u>          </u>	\$ <u>1,492,875</u>	\$ <u>          </u>	\$ <u>          </u>
<u>Revolving Loan Fund</u>					
<u>Group – Clean Water</u>					
Guaranteed investment contracts	\$ 696,758	\$ –	\$ 696,758	\$ –	\$ –
Collateralized repurchase agreements	641,798	–	641,798	–	–
U.S. Government obligations	10,221,246	10,221,246	–	–	–
U.S. Government-sponsored enterprises	35,041,549	35,041,549	–	–	–
Certificates of deposit	<u>14,694,164</u>	<u>1,936,004</u>	<u>12,758,160</u>	<u>          </u>	<u>          </u>
	\$ <u>61,295,515</u>	\$ <u>47,198,799</u>	\$ <u>14,096,716</u>	\$ <u>          </u>	\$ <u>          </u>
<u>Revolving Loan Fund</u>					
<u>Group–Drinking Water</u>					
U.S. Government-sponsored enterprises	\$ <u>10,158,280</u>	\$ <u>9,998,415</u>	\$ <u>          </u>	\$ <u>159,865</u>	\$ <u>          </u>
<u>Sewer and Water Fund</u>					
<u>Groups – Operating Fund</u>					
<u>Group</u>					
U.S. Government-sponsored enterprises	\$ <u>1,324,762</u>	\$ <u>1,324,762</u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>
<u>School Facilities Fund</u>					
<u>Group</u>					
U.S. Government obligations	\$ 16,977,050	\$ 16,977,050	\$ –	\$ –	\$ –
U.S. Government-sponsored enterprises	<u>7,746,433</u>	<u>7,746,433</u>	<u>          </u>	<u>          </u>	<u>          </u>
	\$ <u>24,723,483</u>	\$ <u>24,723,483</u>	\$ <u>          </u>	\$ <u>          </u>	\$ <u>          </u>

## MAINE MUNICIPAL BOND BANK

### NOTES TO FINANCIAL STATEMENTS

June 30, 2020

#### 3. Investments Held By Trustee and Operating Investments (Continued)

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Bond Bank will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Bond Bank's investments are primarily held by U.S. Bank and Bangor Savings Bank. Management of the Bond Bank is not aware of any issues with respect to custodial credit risk at either bank at June 30, 2020.

For an investment, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Bond Bank. Credit risk is measured by the credit quality ratings of issuers as described by nationally recognized rating organizations. The Bond Bank's investment policy limits its investments to those with high credit quality, such as U.S. Treasury Obligations and U.S. Government-sponsored enterprises securities, as rated by rating agencies such as Moody's Investor Service or Standard and Poor's, or guaranteed investment contracts backed by high credit quality banks and insurance companies. The Bond Bank requires providers of guaranteed investment contracts and collateralized repurchase agreements to have and maintain a long-term unsecured debt obligation rating or claims paying ability equal to or greater than "AA" or "Aa". If the long-term rating falls below these thresholds, the provider must either (i) pledge additional collateral to restore the rating or (ii) permit the Bond Bank to withdraw the funds at par and without penalty.

At June 30, 2020, the rating for investments in U.S. Treasury Obligations and U.S. Government-sponsored enterprise securities (includes FHLMC, FHLB, FNMA) was AA+. At June 30, 2020, the Bond Bank's guaranteed investment contracts and collateralized repurchase agreements within the General Tax Exempt Fund Group and Revolving Loan Fund Groups are primarily with two institutions, each of which is AA rated or better.

The Bond Bank has invested some of its long-term funds in U.S. Treasury and U.S. Government-sponsored enterprises principal-only strips in order to maximize yields coincident with cash needs for operations, debt service, and arbitrage. These securities are similar to zero coupon bonds which are purchased deeply discounted, with the Bond Bank receiving its only repayment stream at maturity; therefore, they are sensitive to interest rate changes. These securities are reported at fair value in the statements of net position. The fair value of these investments is \$151,256,265 at June 30, 2020.

Trustee held cash equivalents at June 30, 2020 consist primarily of money market funds secured by short-term U.S. Treasury obligations.

The cash equivalents of the Bond Bank's General Operating Account at June 30, 2020 consist entirely of money market funds secured by short-term U.S. Treasury obligations.

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**4. Bonds Payable**

Total General Tax-Exempt Fund Group Bonds payable, with original interest rates, consist of the following at June 30, 2020:

	<u>Original Maturity</u>	<u>Original Amount Issued</u>	<u>Amount Outstanding June 30, 2020</u>
Series 2009 A, 2.00% – 5.00%, dated March 17, 2009	2009 – 2020	\$ 10,060,000	\$ 1,595,000
Series 2009 G, 3.00% – 5.00%, dated October 29, 2009	2010 – 2039	9,590,000	415,000
Series 2010 A, 2.00% – 4.25%, dated May 27, 2010	2010 – 2040	8,320,000	2,145,000
Series 2010 B, 3.28% – 5.67%, dated May 27, 2010	2010 – 2034	11,735,000	9,345,000
Series 2010 C, 2.00% – 5.00%, dated October 7, 2010	2012 – 2034	99,425,000	43,560,000
Series 2010 DEF, 0.71% – 5.12%, dated October 28, 2010	2011 – 2040	80,165,000	42,705,000
Series 2011 A, 2.37% – 5.00%, dated January 27, 2011	2011 – 2031	80,275,000	4,055,000
Series 2011 C, 2.00% – 5.00%, dated May 26, 2011	2012 – 2041	77,275,000	46,305,000
Series 2011 EF, 2.00% – 5.00%, dated October 27, 2011	2012 – 2033	50,375,000	12,995,000
Series 2012 ABC, 0.67% – 5.00%, dated May 24, 2012	2013 – 2038	66,435,000	27,520,000
Series 2012 E, 1.50% – 4.00%, dated October 25, 2012	2013 – 2042	28,590,000	17,730,000
Series 2012 FG, 0.50% – 5.00%, dated December 11, 2012	2013 – 2034	41,975,000	27,650,000
Series 2013 A, 2.00% – 5.00%, dated May 23, 2013	2014 – 2043	15,905,000	11,705,000
Series 2013 B, 2.00% – 4.50%, dated October 24, 2013	2014 – 2043	13,525,000	8,365,000
Series 2014 A, 2.00% – 5.00%, dated May 22, 2014	2015 – 2044	19,250,000	15,295,000
Series 2014 BC, 2.00% – 5.00%, dated October 23, 2014	2015 – 2034	109,750,000	89,660,000
Series 2015 AB, 2.00% – 5.00%, dated May 28, 2015	2016 – 2040	70,380,000	58,815,000
Series 2015 C, 2.00% – 5.00%, dated October 22, 2015	2016 – 2045	16,405,000	11,080,000
Series 2015 D, 2.00% – 5.00%, dated November 3, 2015	2016 – 2021	53,605,000	5,715,000
Series 2016 A, 2.00% – 5.00%, dated May 26, 2016	2017 – 2036	35,410,000	30,455,000

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**4. Bonds Payable (Continued)**

	<u>Original Maturity</u>	<u>Original Amount Issued</u>	<u>Amount Outstanding June 30, 2020</u>
Series 2016 B, 2.25% – 5.00% dated May 26, 2016	2020 – 2039	\$ 62,815,000	\$ 62,815,000
Series 2016 C, 3.00% – 5.00% dated November 3, 2016	2017 – 2046	29,900,000	24,485,000
Series 2017 A, 2.50% – 5.00% dated January 19, 2017	2018 – 2037	97,875,000	89,890,000
Series 2017 B, 2.00% – 5.00% dated May 25, 2017	2018 – 2042	15,875,000	13,850,000
Series 2017 CD, 3.00% – 5.00% dated November 2, 2017	2018 – 2037	176,270,000	155,465,000
Series 2018 A, 2.25% – 5.00% dated May 24, 2018	2019 – 2038	38,395,000	36,140,000
Series 2018 B, 3.25% – 5.00% dated November 1, 2018	2019 – 2038	134,825,000	128,905,000
Series 2019 A, 3.00% – 5.00% dated May 23, 2019	2020 – 2049	127,180,000	127,180,000
Series 2019 B, 3.00% – 5.00% dated October 31, 2019	2020 – 2043	23,240,000	23,240,000
Series 2020 A, 3.00% – 5.00% dated May 21, 2020	2021 – 2045	<u>37,375,000</u>	<u>37,375,000</u>
		<u>\$ 1,642,200,000</u>	<u>\$ 1,166,455,000</u>

Total General Tax-Exempt Fund Group Bonds payable is presented on the statement of net position at June 30, 2020 as follows:

Total principal outstanding	\$ 1,166,455,000
Unamortized original issue premium	<u>111,630,388</u>
Total General Tax-Exempt Fund Group Bonds payable	1,278,085,388
Current portion	<u>113,926,903</u>
Noncurrent portion	<u>\$ 1,164,158,485</u>

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**4. Bonds Payable (Continued)**

The outstanding General Tax-Exempt Fund Group Bonds payable will mature in each of the following years with interest payable semiannually:

<u>Due Bond Year</u> <u>Ending November 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2020	\$ 99,265,000	\$ 26,243,990	\$ 125,508,990
2021	96,525,000	48,266,325	144,791,325
2022	85,690,000	43,708,032	129,398,032
2023	81,090,000	39,793,543	120,883,543
2024	84,625,000	36,094,636	120,719,636
2025 – 2029	352,030,000	126,803,733	478,833,733
2030 – 2034	209,135,000	59,634,364	268,769,364
2035 – 2039	139,135,000	20,628,975	159,763,975
2040 – 2044	13,960,000	2,714,260	16,674,260
2045 – 2049	<u>5,000,000</u>	<u>521,500</u>	<u>5,521,500</u>
	<u>\$ 1,166,455,000</u>	<u>\$ 404,409,358</u>	<u>\$ 1,570,864,358</u>

Repayment of the debt and interest thereon is to be funded by:

Municipal loan obligations – principal and interest	\$ 1,393,176,181 <sup>1</sup>
Reserve Funds – principal and interest	<u>177,688,177</u>
	<u>\$ 1,570,864,358</u>

<sup>1</sup> Includes approximately \$4,593,600 of interest expected to be funded through federal interest subsidy payments.

Total Grant Anticipation Fund Group Bonds payable, with original interest rates, consist of the following at June 30, 2020:

	<u>Original</u> <u>Maturity</u>	<u>Original</u> <u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u> <u>June 30, 2020</u>
Series 2010 B, 4.52% – 5.32%, dated December 2, 2010	2018 – 2022	\$ 24,085,000	\$ 14,890,000
Series 2014 A, 2.00% – 5.00%, dated December 3, 2014	2015 – 2026	44,810,000	29,645,000
Series 2016 A, 2.63% – 5.00%, dated November 16, 2016	2017 – 2028	44,105,000	35,575,000
Series 2018 A, 4.00% – 5.00%, dated November 8, 2018	2023 – 2030	44,310,000	44,310,000
Series 2018 B, 4.00% dated November 8, 2018	2019 – 2020	<u>9,875,000</u>	<u>5,030,000</u>
		<u>\$ 167,185,000</u>	<u>\$ 129,450,000</u>

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**4. Bonds Payable (Continued)**

Total Grant Anticipation Fund Group Bonds payable is presented on the statement of net position at June 30, 2020 as follows:

Total principal outstanding	\$ 129,450,000
Unamortized original issue premium	<u>9,090,280</u>
 Total Grant Anticipation Fund Group Bonds payable	 138,540,280
Less current portion	<u>18,604,642</u>
 Noncurrent portion	 <u>\$ 119,935,638</u>

The outstanding Grant Anticipation Fund Group Bonds payable will mature in each of the following years with interest payable semiannually:

<u>Due Bond Year</u> <u>Ending September 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2020	\$ 16,760,000	\$ 3,097,162	\$ 19,857,162
2021	12,230,000	5,415,091	17,645,091
2022	12,750,000	4,799,920	17,549,920
2023	12,560,000	4,218,131	16,778,131
2024	13,190,000	3,590,131	16,780,131
2025 – 2029	55,405,000	8,601,575	64,006,575
2030	<u>6,555,000</u>	<u>325,900</u>	<u>6,880,900</u>
	<u>\$ 129,450,000</u>	<u>\$30,047,910</u>	<u>\$ 159,497,910</u>

Repayment of the debt and interest thereon is to be funded by:

Repayment of advances to State of Maine – principal and interest	\$ <u>159,497,910</u> <sup>1</sup>
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<sup>1</sup> Includes approximately \$411,200 of interest expected to be funded through federal interest subsidy payments.

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**4. Bonds Payable (Continued)**

Total Transportation Infrastructure Fund Group Bonds payable, with original interest rates, consist of the following at June 30, 2020:

	<u>Original Maturity</u>	<u>Original Amount Issued</u>	<u>Amount Outstanding June 30, 2020</u>
Series 2009 A, 2.50% – 5.00%, dated July 22, 2009	2010 – 2023	\$ 105,000,000	\$ 19,855,000
Series 2009 B, 2.00% – 5.00%, dated September 10, 2009	2010 – 2024	30,000,000	2,140,000
Series 2011A, 2.00% – 5.00%, dated December 14, 2011	2012 – 2026	55,000,000	46,395,000
Series 2015 A, 4.00% – 5.00%, dated October 22, 2015	2019 – 2024	<u>54,680,000</u>	<u>50,985,000</u>
		<u>\$ 244,680,000</u>	<u>\$ 119,375,000</u>

Total Transportation Infrastructure Fund Group Bonds payable is presented on the statement of net position at June 30, 2020 as follows:

Total principal outstanding	\$ 119,375,000
Unamortized original issue premium	<u>6,406,311</u>
Total Transportation Infrastructure Fund Group Bonds payable	125,781,311
Less current portion	<u>16,567,373</u>
Noncurrent portion	<u>\$ 109,213,938</u>

The outstanding Transportation Infrastructure Fund Group Bonds payable will mature in each of the following years with interest payable semiannually:

<u>Due Bond Year Ending September 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 14,770,000	\$ 2,804,750	\$ 17,574,750
2021	15,515,000	4,883,750	20,398,750
2022	15,715,000	4,132,350	19,847,350
2023	16,505,000	3,349,900	19,854,900
2024	17,855,000	2,546,700	20,401,700
2025 – 2026	<u>39,015,000</u>	<u>2,349,150</u>	<u>41,364,150</u>
	<u>\$ 119,375,000</u>	<u>\$20,066,600</u>	<u>\$ 139,441,600</u>

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**4. Bonds Payable (Continued)**

Repayment of the debt and interest thereon is to be funded by:

Repayment of advances to State of Maine – principal and interest	\$ 129,639,701
Reserve fund – principal and interest	<u>9,801,899</u>
	\$ <u>139,441,600</u>

Total Qualified School Construction Fund Group Bonds payable, with original interest rates, consist of the following at June 30, 2020:

	<u>Original Maturity</u>	<u>Original Amount Issued</u>	<u>Amount Outstanding June 30, 2020</u>
Series 2011 B, 6.12%, dated January 27, 2011	2026	\$ 9,210,000	\$ 9,210,000
Series 2011 D, 5.69%, dated May 26, 2011	2025	12,650,000	12,650,000
Series 2011 G, 4.45% – 4.95%, dated October 27, 2011	2025 – 2028	8,515,000	8,515,000
Series 2012 D, 5.14%, dated May 24, 2012	2027	1,321,142	1,321,142
Series 2013 C, 5.20%, dated October 24, 2013	2028	<u>1,150,238</u>	<u>1,150,238</u>
		<u>\$32,846,380</u>	<u>\$32,846,380</u>

Total Qualified School Construction Fund Group Bonds payable is presented on the statement of net position at June 30, 2020 as follows:

Total Qualified School Construction Fund Group Bonds payable	\$32,846,380
Less current portion	<u>—</u>
Noncurrent portion	<u>\$32,846,380</u>

The outstanding Qualified School Construction Fund Group Bonds payable will mature in each of the following years with interest payable semiannually:

<u>Due Bond Year Ending November 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ —	\$ 905,196	\$ 905,196
2021	—	1,810,392	1,810,392
2022	—	1,810,392	1,810,392
2023	—	1,810,392	1,810,392
2024	—	1,810,394	1,810,394
2025-2028	<u>32,846,380</u>	<u>3,290,536</u>	<u>36,136,916</u>
	<u>\$32,846,380</u>	<u>\$11,437,302</u>	<u>\$44,283,682</u>

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**4. Bonds Payable (Continued)**

Repayment of the debt and interest thereon is to be funded by:

Government unit loan obligations – principal and interest	\$28,526,407 <sup>1</sup>
Sinking fund – principal and interest	<u>15,757,275</u>
	<u>\$44,283,682</u>

<sup>1</sup> Includes approximately \$10,538,000 of interest expected to be funded through federal interest subsidy payments.

Liquor Operation Revenue Fund Group Bonds payable, with original interest rates, consist of the following at June 30, 2020:

	<u>Original Maturity</u>	<u>Original Amount Issued</u>	<u>Outstanding June 30, 2020</u>
Series 2013, 1.07% – 4.35%, dated September 5, 2013	2015 – 2024	\$ 220,660,000	\$ 96,915,000

The Liquor Operation Revenue Bonds payable are presented on the statement of net position at June 30, 2020 as follows:

Total Liquor Operation Revenue Bonds payable	\$ 96,915,000
Less current portion	<u>22,820,000</u>
Noncurrent portion	<u>\$ 74,095,000</u>

The outstanding Liquor Operation Revenue Fund Group Bonds payable will mature in each of the following years with interest payable semiannually:

<u>Due Bond Year Ending June 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ –	\$ 2,009,858	\$ 2,009,858
2021	22,820,000	3,580,203	26,400,203
2022	23,700,000	2,654,602	26,354,602
2023	24,675,000	1,643,925	26,318,925
2024	<u>25,720,000</u>	<u>559,667</u>	<u>26,279,667</u>
	<u>\$96,915,000</u>	<u>\$10,448,255</u>	<u>\$ 107,363,255</u>

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**4. Bonds Payable (Continued)**

Repayment of the debt and interest thereon is to be funded by:

Governmental unit loan obligations – principal and interest	\$ 77,098,775
Reserve fund – principal and interest	<u>30,264,480</u>
	<u>\$ 107,363,255</u>

Sewer and Water Fund Group Clean Water Bonds payable, with original interest rates, consist of the following at June 30, 2020:

	<u>Original Maturity</u>	<u>Original Amount Issued</u>	<u>Outstanding June 30, 2020</u>
Series 2003 C, 1.00% – 4.90%, dated November 13, 2003	2004 – 2024	\$16,065,000	\$ 170,000
Series 2012 A, 2.00% – 5.00% dated March 22, 2012	2012 – 2024	<u>17,375,000</u>	<u>4,460,000</u>
		<u>\$33,440,000</u>	<u>\$4,630,000</u>

The Sewer and Water Fund Group Clean Water Bonds payable are presented on the statement of net position at June 30, 2020 as follows:

Total principal outstanding	\$4,630,000
Unamortized original issue premium	<u>192,769</u>
Total Sewer and Water Fund Group Clean Water Bonds payable	4,822,769
Less current portion	<u>1,181,889</u>
Noncurrent portion	<u>\$3,640,880</u>

The outstanding Sewer and Water Fund Group Clean Water Bonds payable will mature in each of the following years with interest payable semiannually:

<u>Due Bond Year Ending November 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$1,105,000	\$ 87,415	\$1,192,415
2021	1,020,000	151,570	1,171,570
2022	985,000	110,410	1,095,410
2023	890,000	61,205	951,205
2024	<u>630,000</u>	<u>25,200</u>	<u>655,200</u>
	<u>\$4,630,000</u>	<u>\$435,800</u>	<u>\$5,065,800</u>

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**4. Bonds Payable (Continued)**

Repayment of the debt and interest thereon is to be funded by:

Governmental unit loan obligations – principal and interest	\$4,787,742
Reserve fund – principal and interest	<u>278,058</u>
	<u>\$5,065,800</u>

Sewer and Water Fund Group Drinking Water Bonds payable, with original interest rates, consist of the following at June 30, 2020:

	<u>Original Maturity</u>	<u>Original Amount Issued</u>	<u>Amount Outstanding June 30, 2020</u>
Series 2005 A, 2.25% – 4.45%, dated March 24, 2005	2005 – 2025	\$ <u>3,770,000</u>	\$ <u>1,325,000</u>

The Sewer and Water Fund Group Drinking Water Bonds payable are presented on the statement of net position at June 30, 2020 as follows:

Total principal outstanding	\$1,325,000
Unamortized original issue premium	<u>—</u>
Total Sewer and Water Fund Group Drinking Water Bonds payable	1,325,000
Less current portion	<u>210,000</u>
Noncurrent portion	<u>\$1,115,000</u>

The outstanding Sewer and Water Fund Group Drinking Water Bonds payable will mature in each of the following years with interest payable semiannually:

<u>Due Bond Year Ending November 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$ 210,000	\$ 28,986	\$ 238,986
2021	220,000	49,047	269,047
2022	240,000	39,588	279,588
2023	250,000	29,148	279,148
2024	255,000	18,022	273,022
2025	<u>150,000</u>	<u>6,675</u>	<u>156,675</u>
	<u>\$1,325,000</u>	<u>\$171,466</u>	<u>\$1,496,466</u>

Repayment of the debt and interest thereon is to be funded by:

Governmental unit loan obligations – principal and interest	<u>\$1,496,466</u>
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**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**4. Bonds Payable (Continued)**

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

	General Tax Exempt Fund Group	Grant Anticipation Fund Group	Trans- portation Infra- structure Fund Group	Qualified School Construc- tion Fund Group	Liquor Operation Revenue Fund Group	Clean Water Fund Group	Drinking Water Fund Group
Balance, beginning of year	\$ 1,317,010,769	\$ 156,751,665	\$ 141,911,455	\$ 32,846,380	\$ 118,930,000	\$ 6,303,476	\$ 1,525,000
Issuances – face value	60,615,000	–	–	–	–	–	–
Redemptions	(95,620,000)	(16,135,000)	(14,105,000)	–	(22,015,000)	(1,380,000)	(200,000)
Defeased bonds	(1,305,000)	–	–	–	–	–	–
Capitalized premiums	12,701,704	–	–	–	–	–	–
Amortization of premiums	(15,317,085)	(2,076,385)	(2,025,144)	–	–	(100,707)	–
Balance, end of year	<u>\$ 1,278,085,388</u>	<u>\$ 138,540,280</u>	<u>\$ 125,781,311</u>	<u>\$ 32,846,380</u>	<u>\$ 96,915,000</u>	<u>\$ 4,822,769</u>	<u>\$ 1,325,000</u>

Some bonds contain provisions for prepayment at the Bond Bank’s option. All bonds within the General Tax-Exempt Fund Group, Qualified School Construction Fund Group, and Sewer and Water Fund Groups are secured by the payment stream of loans receivable from governmental units.

Reserve funds are generally funded by selling additional bonds. The monies in the reserve funds shall be held and applied solely to the payment of the interest and principal of the reserve fund bonds as they become due and payable, ultimately resulting in the retirement of the reserve fund bonds. In the event of a deficiency in an interest and/or principal payment from the governmental units, transfers can be made from the general reserve funds, until they are depleted. In addition, the General Tax-Exempt Fund Group also has a supplemental reserve fund to cover shortfalls in excess of the available general reserve funds within the Fund Group. If this creates a deficiency in the required amount of the reserve funds, the State can annually appropriate and replenish the reserve funds. This feature is referred to as “Moral Obligation” and is only available to debt issued by the General Tax-Exempt Fund Group, Liquor Operation Revenue Fund Group, and Sewer and Water Fund Groups. Except for deficiencies between the Clean Water and Drinking Water Revolving Loan Fund Groups, reserve funds of one fund group cannot be used to cover deficiencies of another fund group. In order to recover any shortfall covered by the reserve, the Bond Bank has the ability to attach certain State funds due to the governmental units. Additionally, the Bond Bank has the option to utilize funds available within the General Operating Account as necessary.

**5. Reserve Funds**

Each of the following resolutions requires the Bond Bank to set up reserve funds as follows:

General Tax-Exempt Fund Group: The Bond Bank is required to maintain a debt service reserve which is equal to the maximum amount of principal installments and interest maturing and becoming due in any succeeding calendar year on all governmental unit loan obligations then outstanding as of such date of calculation. At June 30, 2020, the required debt service reserve was approximately \$128,762,000.

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 5. Reserve Funds (Continued)

In addition, the Bond Bank maintains the Special Reserve Account balance of \$1,971,000 and the Supplemental Reserve Fund General Reserve Account principal balance of \$2,700,000. These reserves represent segregated net position and are pledged to the payment of the principal or interest on the outstanding bonds of the General Tax-Exempt Fund Group if a deficiency occurs. At June 30, 2020, the fair value of the reserve fund assets totaled approximately \$183,313,000, which exceeded the required reserves by approximately \$49,880,000.

Transportation Infrastructure Fund Group: The Bond Bank is required to maintain a capital reserve which is equal to 50% of the maximum amount of principal installments and interest maturing and becoming due in any succeeding fiscal year on all bonds payable within the fund group as of such date of calculation. At June 30, 2020, the required capital reserve was approximately \$10,134,000 and the fair value of the capital reserve assets totaled approximately \$12,631,000, which exceeded the required reserves by approximately \$2,497,000.

Sewer and Water Fund Groups: The Bond Bank is required to maintain a capital reserve which is equal to the maximum amount of principal installments and interest maturing and becoming due in any succeeding calendar year on all bonds payable within the fund groups as of such date of calculation. At June 30, 2020, the required capital reserve was approximately \$1,451,000 and the fair value of the capital reserve assets totaled approximately \$1,946,000, which exceeded the required reserves by approximately \$495,000.

Liquor Operation Revenue Fund Group: The Bond Bank is required to maintain a capital reserve which is equal to the maximum amount of principal installments and interest maturing and becoming due in any succeeding fiscal year on all outstanding bonds within the fund group as of the date of calculation. At June 30, 2020, the required capital reserve was approximately \$26,844,000 and the fair value of the capital reserve assets totaled approximately \$27,552,000, which exceeded the required reserves by approximately \$708,000.

### 6. Sewer and Water Revolving Fund Group

Pursuant to the Sewer and Water General Bond Resolution adopted February 7, 1990, the Bond Bank receives capitalization grants from the Environmental Protection Agency which it is required to match with twenty percent matching funds, which primarily come from State of Maine grants. The funds are designated to be used for revolving loans to governmental units to finance wastewater collection, treatment systems, or water supply system projects. Federal law permits the state to match the federal grants with any combination of funding from state bonds, state appropriations, revenue bonds issued under the program, or from other state sources. State issued bonds and state general fund appropriations have been used to provide the majority of state matching funds for both the Clean Water and Drinking Water programs since inception. In addition to those funds, the Drinking Water program has utilized interest earnings on previously issued state matches (which qualifies as other state funding) in 2001, 2004 and 2012 to provide additional matching for the program. The total of all interest earnings on matches that have been deposited into the Drinking Water program since inception is \$563,010.

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**6. Sewer and Water Revolving Fund Group (Continued)**

In 2009, the Bond Bank was awarded *American Recovery and Reinvestment Act* (ARRA) grants for use in its Sewer and Water Revolving Fund Group. ARRA grants were for purposes consistent with the intent of the Sewer and Water Revolving Fund Group, including construction of wastewater treatment facilities, drinking water facilities and associated infrastructure, green infrastructure, nonpoint source projects, estuary projects and program administration. The grants did not contain any State of Maine matching provisions.

Net position consists of the following at June 30, 2020:

	<u>Clean Water</u>	<u>Drinking Water</u>
Reserved for revolving loans:		
Grants received from Environmental Protection Agency under existing capitalization grant program	\$ 326,533,659	\$ 204,862,900
Grants received from Environmental Protection Agency under ARRA	30,336,800	19,500,000
Other administrative grants received from Environmental Protection Agency	1,347,010	134,432
Hardship grants received from Environmental Protection Agency	643,800	-
Grants received from State of Maine	65,360,762	40,409,570
Other amounts reserved (utilized) for program loans and costs	<u>52,674,145</u>	<u>(55,022,645)</u>
	476,896,176	209,884,257
Unreserved amounts available	<u>58,019</u>	<u>300,215</u>
Net position at June 30, 2020	<u>\$ 476,954,195</u>	<u>\$ 210,184,472</u>

Under the provisions of the grants from the Environmental Protection Agency (including ARRA grants), the Bond Bank is allowed administrative costs of up to 4% of the total grants awarded. In addition, the Bond Bank may receive other grants from the Environmental Protection Agency that are used solely for administrative purposes. The total administrative costs allowed at June 30, 2020 are \$15,621,828 (clean water) and \$8,946,236 (drinking water), with \$15,563,809 and \$8,646,021, respectively, expended to date. The remaining amount of \$58,019 in the Clean Water Revolving Loan Fund Group and \$300,215 in the Drinking Water Revolving Loan Fund Group can be used for future administrative costs. The Bond Bank also charges annual administrative fees to borrowers that are used to administer the programs.

Portions of the loans made to eligible borrowers under the Drinking Water Revolving Loan Fund Program may be forgiven if certain continuing criteria are met, including that the borrower continues to make debt service payments, continues to operate the project in compliance with laws and regulations, and does not dispose of or discontinue the project. The Bond Bank has loaned approximately \$39,588,000 at June 30, 2020, that, upon fulfillment of these requirements by the borrowing unit, could be forgiven at some future point. For purposes of the basic financial statements, the Bond Bank recognizes forgiveness expense as the related loans are repaid. The total amount forgiven under these programs in 2020 was \$2,133,354.

**MAINE MUNICIPAL BOND BANK**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**6. Sewer and Water Revolving Fund Group (Continued)**

During fiscal 2009, the Bond Bank and the State of Maine Department of Environmental Protection implemented a joint rule change in the Clean Water Revolving Loan Fund program which allows the Bond Bank, after consultation with the State of Maine Department of Environmental Protection, to set interest rates at any level, including 0%. It also allows portions of loans made to eligible borrowers under the Clean Water Revolving Loan Fund Program to be forgiven if certain continuing criteria are met (similar to criteria in the Drinking Water Revolving Loan Fund Program). The Bond Bank has loaned approximately \$26,101,000 at June 30, 2020 under the Clean Water Revolving Loan Fund Program that, upon fulfillment of these requirements by the borrowing unit, could be forgiven at some future point. For purposes of the basic financial statements, the Bond Bank recognizes forgiveness expense as the related loans are repaid. The total amount forgiven under these programs in 2020 was \$1,163,801.

Within the Clean Water Revolving Loan Fund Group, the Bond Bank is participating in a linked deposit loan program with local banks to encourage environmentally sound logging practices. Under the program, local banks make loans to eligible borrowers, at their normal terms, to purchase equipment. The Bond Bank subsidizes the interest on the loans by investing in a certificate of deposit at the respective bank in the same amount as the loan, at a reduced interest rate which is the subsidy to the bank. The maximum that potentially could be passed on as a subsidy to the loan interest is 2%, which depends on the current market interest rate for the certificate of deposit. Any interest that is earned above the 2% subsidy would be returned to the Clean Water Revolving Loan Program.

**7. School Facilities Fund Group**

Pursuant to State law, the Bond Bank receives grants from the State of Maine which are designated to be used for interest-free revolving loans to school administrative units for the renovation and maintenance of school facilities. Net position consists of the following:

Reserved for revolving loans:	
Grants received from State of Maine	\$ 119,554,265
Loans forgiven	(91,865,097)
Other amounts reserved for program loans and costs	<u>5,342,096</u>
	33,031,264
Unreserved amounts available	<u>1,224,845</u>
Net position at June 30, 2020	<u>\$ 34,256,109</u>

Under the provisions of the grants, the Bond Bank is allowed administrative costs up to 0.5% of the highest fund balance in any fiscal year. The total administrative costs allowed through June 30, 2020 are \$4,377,054, with \$3,152,209 expended to date. The remaining amount of \$1,224,845 can be used for future administrative costs.

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 7. School Facilities Fund Group (Continued)

Portions of the loans made to school administrative units from the School Facilities Fund Group are forgiven. For purposes of the general purpose financial statements, the Bond Bank recognizes forgiveness expense within this fund at the time the loans are disbursed to the school administrative unit. This accounting treatment differs from the treatment within the Drinking Water and Clean Water Revolving Loan Funds due to the fact that there are no relevant continuing criteria that would require recognition of the forgiven amount as the related loans are repaid. The total amounts forgiven under this program in 2020 were \$843,837.

### 8. Cost Sharing Multiple-Employer Defined Benefit Pension Plan and Other Post-Employment Benefits

#### Defined Benefit Pension Plan

##### *General Information about the Pension Plan*

*Plan description* – The Bond Bank participates in the Participating Local District Defined Benefit Plan (the PLD Plan), a multiple-employer cost sharing plan administered by the Maine Public Employees Retirement System (MEPERS). All full-time employees are eligible to participate in the PLD Plan.

The MEPERS is established and administered under the Maine State Retirement System Laws, Title 5 M.R.S.A., C. 421, 423 and 425. The MEPERS issues a publicly available financial report that includes financial statements and required supplementary information for the PLD Plan. That report is available online at [www.mainepepers.org](http://www.mainepepers.org) or may be obtained by writing to the Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046.

*Benefits provided* – Benefit terms are established in Maine statute; in the case of the PLD Plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Plan provides defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting occurs upon the earning of five years of service credit. Members who retire at or after age 60 or 65 (normal retirement age) are entitled to an annual retirement benefit in an amount equal to 2% of the average of their highest three year earnings for each year of credited service. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below his/her normal retirement age at retirement. The Plan also provides disability and death benefits which are established by statute for state employee members and by contract with other participating employees under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by MEPERS' Board of Trustees and is currently 2.69%.

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**8. Cost Sharing Multiple-Employer Defined Benefit Pension Plan and Other Post-Employment Benefits (Continued)**

*Contributions* – Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost and by earnings on investments. In accordance with State statute, members were required to contribute 8.10% (7.35% for new hires) of their annual covered salary to the Plan in fiscal 2020. The Bond Bank’s payroll for the year ended June 30, 2020 for employees covered by the Plan was approximately \$1,163,000, which was 100% of payroll. The Bond Bank is required to contribute at an actuarially determined rate that, when combined with the contributions of other reporting entities, will be adequate to fund the Plan.

The contribution rate is determined using an entry age normal actuarial funding method for retirement benefits and a term cost method for ancillary benefits. The Bond Bank may be required to make contributions to fund the Plan’s pooled unfunded actuarial liability, if any. The contribution requirements of the PLD Plan members and the Bond Bank are established by and may be amended by the State legislature. The contributions made for the years ended June 30, 2020, 2019 and 2018 were approximately \$116,400, \$119,600 and \$110,600 (employer) and \$93,100, \$95,700 and \$92,000 (employee), respectively.

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

At June 30, 2020, the Bond Bank reported a liability of \$597,603 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Bond Bank’s proportionate share of the net position liability was based on a projection of the Bond Bank’s long-term share of contributions to the pension plan relative to the projected contributions of all participating local districts, actuarially determined. At June 30, 2019, the Bond Bank’s proportion was 0.20%, which was no change from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the Bond Bank recorded pension expense of approximately \$163,600 of which approximately \$75,400 was recorded within the General Operating Account, approximately \$54,800 was allocated to other funds and approximately \$33,400 was allocated to related parties (MHHEFA and MGFA). At June 30, 2020, the Bond Bank reported deferred outflows of resources and deferred inflows of resources related to the pension plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 70,757	\$ –
Net difference between projected and actual earnings on pension plan investments	–	149,685
Changes in proportion and differences between Bond Bank contributions and proportionate share of contributions	–	19,589
Changes in assumptions	30,264	–
Bond Bank contributions subsequent to the measurement date	<u>116,353</u>	<u>–</u>
<b>Total</b>	<b><u>\$217,374</u></b>	<b><u>\$169,274</u></b>

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

8. **Cost Sharing Multiple-Employer Defined Benefit Pension Plan and Other Post-Employment Benefits (Continued)**

The above total of \$116,353 reported as deferred outflows of resources related to the pension plan resulting from Bond Bank contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized as an increase (decrease) in pension expense as follows:

Year Ended June 30

2021	\$ 12,343
2022	(67,499)
2023	(12,999)
2024	(98)

*Actuarial Methods and Assumptions*

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following methods and assumptions, applied to all periods included in the measurement:

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

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

*Asset Valuation Method* – The actuarial valuation employs a technique for determining the actuarial value of assets which reduces the impact of short-term volatility in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

*Amortization* – The net pension liability is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gains or losses for that year.

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

*Investment Rate of Return* – 6.75% per annum for the years ended June 30, 2019 and 2018, compounded annually.

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**8. Cost Sharing Multiple-Employer Defined Benefit Pension Plan and Other Post-Employment Benefits (Continued)**

*Salary Increases, Merit and Inflation* – 2.75% to 9.0% per year for the years ended June 30, 2019 and 2018.

*Mortality Rates* – For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Tables were used for the years ended June 30, 2019 and 2018. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Tables were used for the years ended June 30, 2019 and 2018.

*Cost of Living Benefit Increases* – 1.91% per annum for the years ended June 30, 2019 and 2018.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of June 30, 2019 are summarized in the following table.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public equities	30.0%	6.0%
U.S. Government	7.5	2.3
Private equity	15.0	7.6
Real assets:		
Real estate	10.0	5.2
Infrastructure	10.0	5.3
Natural resources	5.0	5.0
Traditional credit	7.5	3.0
Alternative credit	5.0	4.2
Diversifiers	10.0	5.9

*Discount Rate* - The discount rate used to measure the collective total pension liability was 6.75% for 2019 and 2018. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**8. Cost Sharing Multiple-Employer Defined Benefit Pension Plan and Other Post-Employment Benefits (Continued)**

The following table shows how the Bond Bank’s proportionate share of the net pension liability as of June 30, 2019 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Bond Bank’s proportionate share of the net pension liability (asset)	\$1,361,301	\$ 597,603	\$(116,763)

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

*Differences between expected and actual experience* – The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For the 2019 and 2018 actuarial valuations, this was four and three years, respectively.

*Differences between Projected and Actual Investment Earnings* – Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

*Changes in Assumptions* – Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members. The actuarial assumptions for the year ended June 30, 2019 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

*Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions* – Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer’s proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer’s proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability. This is not applicable to the Bond Bank.

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

8. Cost Sharing Multiple-Employer Defined Benefit Pension Plan and Other Post-Employment Benefits (Continued)

Other Post-Employment Benefits (OPEB)

*General Information about the OPEB Plan*

*Plan Description:* The Bond Bank sponsors a post-retirement health care benefit plan (the Plan). The Plan provides supplemental health care benefits to any full-time employee with ten or more years of employment who retires from the Bond Bank and has reached the age of 65 (Medicare eligible retirement age). The Bond Bank is a member of the Maine Municipal Association and participates in an agent multiple-employer postemployment healthcare plan administered by the Maine Municipal Employees Health Trust. The Bond Bank may terminate this Plan at its option.

*Employees covered by benefit terms:* At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Inactive employees entitled to but not yet receiving benefit payments	—
Active employees	<u>18</u>
	<u>23</u>

*Funding Policy:* The post-employment healthcare benefits are currently being funded on a pay-as-you-go basis (the Bond Bank paid approximately \$14,000 in 2020). No assets have been segregated and restricted to provide post-employment benefits. For the year ended June 30, 2020, the Bond Bank's average contribution rate was 1.2% of covered-employee payroll.

*Net OPEB Liability*

At June 30, 2020, the Bond Bank's net OPEB liability was measured as of January 1, 2020 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions:* The total OPEB liability in the January 1, 2020 actuarial measurement was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<i>Salary increases:</i>	2.75%, average, including inflation
<i>Healthcare cost trend rates:</i>	
Pre-Medicare medical:	8.50% applied in FY 2020 grading over 20 years to 3.53% per annum
Pre-Medicare drug:	8.75% applied in FY 2020 grading over 20 years to 3.53% per annum
Medicare medical:	5.00% applied in FY 2020 grading over 20 years to 3.53% per annum
Medicare drug:	8.75% applied in FY 2020 grading over 20 years to 3.53% per annum

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**8. Cost Sharing Multiple-Employer Defined Benefit Pension Plan and Other Post-Employment Benefits (Continued)**

Mortality rates were based on the 104% and 120% of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using the RPECT\_2015 Model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020.

*Discount Rate:* The discount rate used to measure the total OPEB liability for the year ended June 30, 2020 was 2.74% (rate used for the year ended June 30, 2019 was 4.10%). As the plan is pay-as-you-go and is not funded, the discount rate was based on a 20-year, tax-exempt general obligation municipal bond index. This rate is assumed to be an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rate of AA/Aa or higher, for pay-as-you-go plans.

***Changes in the Net OPEB Liability***

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) – (b)
Balances at June 30, 2019	\$851,525	\$ –	\$851,525
Changes for the year:			
Service cost	24,216	–	24,216
Interest	34,295	–	34,295
Differences between expected and actual experiences	(85,078)	–	(85,078)
Changes of assumptions	115,695	–	115,695
Contributions – employer	–	13,746	(13,746)
Benefit payments	(13,746)	(13,746)	–
Net changes	75,382	–	75,382
Balances at June 30, 2020	\$926,907	\$ –	\$926,907

*Sensitivity of the net OPEB liability to changes in the discount rate and health-care cost trend rates.* The following presents the net OPEB liability of the Bond Bank, as well as what the Bond Bank's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB liability	\$ 1,060,382	\$926,907	\$817,532

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**8. Cost Sharing Multiple-Employer Defined Benefit Pension Plan and Other Post-Employment Benefits (Continued)**

The following presents the net OPEB liability of the Bond Bank, as well as what the Bond Bank's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$812,897	\$926,907	\$1,066,870

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2020, the Bond Bank recognized OPEB expense of approximately \$107,600 of which approximately \$97,000 was recorded in the general operating account, approximately \$6,600 was allocated to other funds, and approximately \$4,000 was allocated to related parties (MHHEFA and MGFA). At June 30, 2020, the Bond Bank reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 17,596	\$111,859
Changes of assumptions	129,074	65,113
Bond Bank contributions subsequent to the measurement date	<u>7,149</u>	<u>—</u>
Total	<u>\$153,819</u>	<u>\$176,972</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB (income) expense as follows:

Year Ended June 30

2021	\$ 2,841
2022	(4,308)
2023	(3,679)
2024	(14,988)
2025	(3,019)

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 9. Refunding Issues

In periods of declining interest rates, the Bond Bank has refunded certain of its bond obligations, reducing aggregate debt service. Where allowed, the Bond Bank retires outstanding bonds prior to their contractual maturity. In other cases, the proceeds of the refunding bonds are principally used to purchase U.S. Treasury obligations, the principal and interest on which will be sufficient to pay the principal and interest, when due, of the in-substance defeased bonds. The U.S. Treasury obligations are deposited with the trustees of the in-substance defeased bonds. The Bond Bank accounts for these transactions by removing the U.S. Treasury obligations and liabilities for the in-substance defeased bonds from its records, and records a deferred amount on refunding.

At June 30, 2020, the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds related to these advanced refundings total approximately \$45,825,000.

On February 28, 2020, a borrower deposited \$1,410,000 into a trust to in-substance defease a total of \$1,305,000 from 2001D, 2002F, and 2005D General Tax-Exempt Fund Group series bonds. The proceeds were used to purchase U.S Treasury obligations which will provide for all future debt service payments on the defeased bonds. The related bonds payable and loans receivable from governmental units of \$1,305,000 have been removed from the Bond Bank's financial statements. At June 30, 2020, the remaining balances of these in-substance defeased bonds total \$1,305,000.

### 10. Fair Value Measurements

The Bond Bank generally holds investments until maturity to pay reserve fund bonds as they become due, so fluctuations in the fair value of the investments have a minimal long-term effect. The Bond Bank categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

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

Level 2 – Inputs to the valuation method include:

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

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

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

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2020

### 10. Fair Value Measurements (Continued)

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

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

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

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

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

*Guaranteed Investment Contracts and Collateralized Repurchase Agreements:* Fair value is based on the discounted value of contractual cash flows. The discount rate is estimated using rates currently offered for similar instruments with comparable maturities and creditworthiness of the issuer.

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

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

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**10. Fair Value Measurements (Continued)**

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>General Operating Account</u>				
Cash equivalents	\$ 18,044,658	\$ –	\$ –	\$ 18,044,658
U.S. Government obligations	–	4,627,215	–	4,627,215
U.S. Government-sponsored enterprises	–	2,648,716	–	2,648,716
	<u>\$ 18,044,658</u>	<u>\$ 7,275,931</u>	<u>\$ –</u>	<u>\$ 25,320,589</u>
<u>General Tax-Exempt Fund Group</u>				
Cash equivalents	\$ 19,013,413	\$ –	\$ –	\$ 19,013,413
U.S. Government obligations	–	21,899,523	–	21,899,523
U.S. Government-sponsored enterprises	–	11,715,975	–	11,715,975
U.S. Treasury strips	–	20,174,688	–	20,174,688
U.S. Government-sponsored enterprise strips	–	117,978,376	–	117,978,376
Guaranteed investment contracts	–	6,154,782	–	6,154,782
	<u>\$ 19,013,413</u>	<u>\$ 177,923,344</u>	<u>\$ –</u>	<u>\$ 196,936,757</u>
<u>Transportation Infrastructure Fund Group</u>				
Cash equivalents	\$ 37,963,790	\$ –	\$ –	\$ 37,963,790
U.S. Treasury strips	–	11,610,326	–	11,610,326
	<u>\$ 37,963,790</u>	<u>\$ 11,610,326</u>	<u>\$ –</u>	<u>\$ 49,574,116</u>
<u>Qualified School Construction Fund Group</u>				
Cash equivalents	\$ 2,807,918	\$ –	\$ –	\$ 2,807,918
U.S. Government obligations	–	16,056,572	–	16,056,572
	<u>\$ 2,807,918</u>	<u>\$ 16,056,572</u>	<u>\$ –</u>	<u>\$ 18,864,490</u>
<u>Liquor Operation Revenue Fund Group</u>				
Cash equivalents	\$ 85,157,852	\$ –	\$ –	\$ 85,157,852
U.S. Treasury strips	–	1,492,875	–	1,492,875
	<u>\$ 85,157,852</u>	<u>\$ 1,492,875</u>	<u>\$ –</u>	<u>\$ 86,650,727</u>

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

**10. Fair Value Measurements (Continued)**

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Sewer and Water Fund Groups</u>				
Revolving Loan Fund Group – Clean Water:				
Cash equivalents	\$ 102,560,490	\$ –	\$ –	\$ 102,560,490
U.S. Government obligations	–	10,221,246	–	10,221,246
Certificates of deposit	–	14,694,164	–	14,694,164
U.S. Government-sponsored enterprises	–	35,041,549	–	35,041,549
Guaranteed investment contracts	–	696,758	–	696,758
Collateralized repurchase agreements	–	641,798	–	641,798
	<u>\$ 102,560,490</u>	<u>\$ 61,295,515</u>	<u>\$ –</u>	<u>\$ 163,856,005</u>
Revolving Loan Fund Group – Drinking Water:				
Cash equivalents	\$ 22,763,864	\$ –	\$ –	\$ 22,763,864
U.S. Government-sponsored enterprises	–	10,158,280	–	10,158,280
	<u>\$ 22,763,864</u>	<u>\$ 10,158,280</u>	<u>\$ –</u>	<u>\$ 32,922,144</u>
Operating Fund Group:				
Cash equivalents	\$ 7,223,987	\$ –	\$ –	\$ 7,223,987
U.S. Government-sponsored enterprises	–	1,324,762	–	1,324,762
	<u>\$ 7,223,987</u>	<u>\$ 1,324,762</u>	<u>\$ –</u>	<u>\$ 8,548,749</u>
<u>School Facilities Fund Group</u>				
Cash equivalents	\$ 3,766,877	\$ –	\$ –	\$ 3,766,877
U.S. Government obligations	–	16,977,050	–	16,977,050
U.S. Government-sponsored enterprises	–	7,746,433	–	7,746,433
	<u>\$ 3,766,877</u>	<u>\$ 24,723,483</u>	<u>\$ –</u>	<u>\$ 28,490,360</u>

**MAINE MUNICIPAL BOND BANK**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2020

**11. Property and Equipment**

Property and equipment is comprised of the following at June 30, 2020:

Land and improvements	\$ 85,241
Buildings and improvements	1,593,215
Equipment	449,110
Construction-in-progress	<u>940,489</u>
	3,068,055
Accumulated depreciation	<u>(1,936,480)</u>
Total property and equipment	\$ <u>1,131,575</u>

The Bond Bank office renovation is included in construction-in-progress at June 30, 2020. As of June 30, 2020 the Bond Bank has construction commitments of approximately \$68,000 to complete the office renovation.

Depreciation expense of \$111,802 was recorded for the year ended June 30, 2020.

**MAINE MUNICIPAL BOND BANK**

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

Participating Local District Plan

Last 6 Fiscal Years\*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Bond Bank's proportion of the net pension liability	0.20%	0.20%	0.21%	0.22%	0.21%	0.20%
Bond Bank's proportionate share of the net pension liability	\$ 597,603	\$ 545,417	\$ 849,688	\$ 1,149,720	\$ 665,764	\$ 305,668
Bond Bank's covered-employee payroll	1,163,000	1,196,000	1,152,000	1,120,000	1,141,000	1,094,000
Bond Bank's proportionate share of the net pension liability as a percentage of its covered-employee payroll	51.4%	45.6%	73.7%	102.7%	58.4%	27.9%
Plan fiduciary net position as a percentage of the total pension liability	90.6	91.1	86.4	81.6	88.3	94.1

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

## MAINE MUNICIPAL BOND BANK

### SCHEDULE OF CHANGES IN THE BOND BANK'S NET OPEB LIABILITY, CONTRIBUTIONS, AND RELATED RATIOS

Last Three Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:			
Service cost	\$ 24,216	\$ 27,509	\$ 22,066
Interest	34,295	30,617	29,421
Change in benefit terms	(17,677)	-	-
Difference between expected and actual experience	(85,078)	-	26,607
Changes of assumptions	133,372	(78,588)	54,026
Benefit payments	<u>(13,746)</u>	<u>(13,770)</u>	<u>(13,776)</u>
Net change in total OPEB liability	75,382	(34,232)	118,344
Total OPEB liability – beginning	<u>851,525</u>	<u>885,757</u>	<u>767,413</u>
Total OPEB liability – ending (a)	926,907	851,525	885,757
Plan fiduciary net position:			
Contributions – employer, contractually required	13,746	13,770	13,776
Benefit payments	(13,746)	(13,770)	(13,776)
Administrative expenses	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	-	-	-
Plan fiduciary net position – beginning	<u>-</u>	<u>-</u>	<u>-</u>
Plan fiduciary net position – ending (b)	<u>-</u>	<u>-</u>	<u>-</u>
Net OPEB liability – ending (a) – (b)	<u>\$ 926,907</u>	<u>\$ 851,525</u>	<u>\$ 885,757</u>
Plan fiduciary position as a percentage of the total OPEB liability	- %	- %	- %
Covered-employee payroll	\$1,120,100	\$1,137,400	\$1,137,400
Net OPEB liability as a percentage of covered-employee payroll	82.8%	74.9%	77.9%
Contributions as a percentage of covered-employee payroll	1.2%	1.2%	1.2%

**MAINE MUNICIPAL BOND BANK**

**SCHEDULE OF THE BOND BANK'S PENSION CONTRIBUTIONS**

Participating Local District Plan

Last 10 Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Contractually required contribution	\$ 116,353	\$ 119,597	\$ 110,632	\$ 106,367	\$ 101,538	\$ 85,296	\$ 68,861	\$ 53,387	\$ 46,976	\$ 35,864
Contributions in relation to the contractually required contribution	<u>(116,353)</u>	<u>(119,597)</u>	<u>(110,632)</u>	<u>(106,367)</u>	<u>(101,538)</u>	<u>(85,296)</u>	<u>(68,861)</u>	<u>(53,387)</u>	<u>(46,976)</u>	<u>(35,864)</u>
Contribution deficiency (excess)	\$ <u>      —</u>									
Bond Bank's covered-employee payroll	\$1,163,000	\$1,196,000	\$1,152,000	\$1,120,000	\$1,141,000	\$1,094,000	\$1,059,000	\$1,007,000	\$1,068,000	\$1,025,000
Contributions as a percentage of covered-employee payroll	10.00%	10.00%	9.60%	9.50%	8.90%	7.80%	6.50%	5.30%	4.40%	3.50%

**MAINE MUNICIPAL BOND BANK**

SCHEDULE OF ACTIVITIES

Year Ended June 30, 2020

	Program Revenues					<u>Net Revenue (Expense) and Changes in Net Position</u>
<u>Expenses</u>	<u>Charges for Services</u>	<u>Program Investment Income</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants/ Contributions</u>	<u>Total</u>	
<b>Functions/Programs:</b>						
Maine Municipal Bond Bank	\$(68,102,885)	\$51,789,505	\$20,899,652	\$3,239,797	\$28,031,207	\$ 35,857,276
Total	\$(68,102,885)	\$51,789,505	\$20,899,652	\$3,239,797	\$28,031,207	35,857,276
General revenues:						
Unrestricted interest and investment earnings						539,778
Non program specific grants, contributions and appropriations						-
Miscellaneous income						1,385,644
Loss on assets held for sale						-
Extraordinary item						-
Total general revenues and extraordinary items						<u>1,925,422</u>
Changes in net position						37,782,698
Net position, beginning of year						<u>775,167,263</u>
Net position, end of year						<u>\$ 812,949,961</u>

Note 1 – Operating grants and contributions shown above consist of investment income of the Revolving Loan Fund Groups and School Facilities Fund Group



