

# MAINE STATE LEGISLATURE

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Terry Hayes, Executive Director  
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December 8, 2023

The Honorable Janet T. Mills  
Governor of the State of Maine  
State House Station #1  
Augusta, ME 04333

Dear Governor Mills:

Pursuant to M.R.S.A. Title 30-A, Chapter 225, on behalf of the Board of Commissioners and staff of the Maine Municipal Bond Bank, I am pleased to provide you with our Fiscal Year 2023 Annual Report.

The Maine Municipal Bond Bank was established by the legislature in 1972. Since its inception the Bond Bank has issued more than \$5.6 billion for funding to meet the needs of Maine's municipalities. During its fifty-year history the Bond Bank has never experienced a default.

Within the 2023 fiscal year, the Bond Bank committed \$38.7 million in bonded loans through the General Bond Resolution Program. Those twenty-two loans provided governmental units with lower cost capital funding to meet their municipal needs. The Bond Bank, on behalf of, the Maine Department of Transportation also committed \$47.2 million of Grant Anticipation Bonds.

In fiscal year 2023, the Bond Bank and the Department of Education closed on twenty-four State Revolving Loan Fund loans to fund health, safety, and compliance school repair projects for a total of \$28.7 million of which \$14 million will be forgiven.

Also in fiscal year 2023, the Maine Clean Water Revolving Loan Fund and the Maine Drinking Water Revolving Fund provided loans totaling \$80 million to finance 48 loans of which \$16.3 million will be forgiven.

We are proud of our accomplishments within the fiscal year 2023 and look forward to continuing our commitment of providing a service that benefits the growing needs of the State of Maine and the communities we serve.

Sincerely,

A handwritten signature in cursive script that reads "Terry Hayes".

Terry Hayes  
Executive Director

BAKER  
NEWMAN  
NOYES

## **Maine Municipal Bond Bank**

Basic Financial Statements, Management's  
Discussion and Analysis, Required Supplementary  
Information and Additional Information as of and for the Year  
Ended June 30, 2023, Schedule of Expenditures of Federal  
Awards for the Year Ended June 30, 2023 and  
Independent Auditors' Reports

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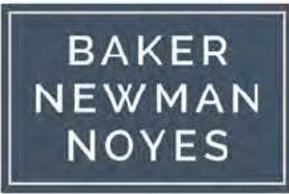
# MAINE MUNICIPAL BOND BANK

## SINGLE AUDIT ACT REPORTS

June 30, 2023

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Maine Municipal Bond Bank

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the 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), as of and for the year ended June 30, 2023 and the related notes to the financial statements, which collectively comprise the Bond Bank's basic financial statements as listed in the table of contents. The Bond Bank is a component unit of the State of Maine.

In our opinion, the accompanying financial statements 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, 2023, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bond Bank's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bond Bank's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bond Bank's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management, and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 13, 2023 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 Bond Bank’s internal control over financial reporting and compliance.



Portland, Maine  
September 13, 2023

# MAINE MUNICIPAL BOND BANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2023

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, 2023. 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.

### Management Overview

- The Bond Bank committed loans to local governmental units during fiscal year 2023 totaling \$148.6 million, which was a decrease of approximately \$21.5 million or 12.6% from the loans committed in fiscal year 2022. In fiscal year 2023, the Bond Bank committed \$39.1 million in bonded loans through the General Resolution Tax-Exempt Fund group to 21 governmental units. Sewer and Water Revolving and School Facilities Loan Funds committed to governmental units totaled approximately \$109.5 million. The Clean Water Revolving Loan Fund program committed approximately \$46.8 million in loans to 22 governmental units, of which \$3.1 million will be forgiven. The Drinking Water Revolving Loan Fund program committed approximately \$34 million to 26 governmental units, of which \$13.2 million will be forgiven. The School Facilities Revolving Loan Fund program committed approximately \$28.7 million to 24 governmental units, of which \$14 million will be forgiven.
- The Bond Bank's gross principal amount of bonds outstanding at June 30, 2023 of \$1,375,626,380 represents a net decrease of \$85,215,000 from the balance at June 30, 2022. This decrease was the net result of the General Tax Exempt Resolution issuing Series 2022B and 2023A bonds and the Grant Anticipation Fund Group issuing Series 2022A, totaling \$85,910,000, less the combined scheduled debt service principal payments of \$171,125,000. Refer to note 4 to the financial statements for a detail of bonds payable activity in 2023.
- Accrued investment income receivable increased \$675,974 or 73.5% from fiscal year 2022, primarily due to a \$120,687 or 62.9% increase in the General Resolution Tax-Exempt Fund Group, a \$420,228 or 143.7% increase in the Waste Water Revolving Fund Group, an \$81,478 or 337.0% increase in the Drinking Water Revolving Fund Group and a \$30,519 or 17.6% increase in the School Facilities Group. The improved investment returns are jointly attributable to the higher interest rate environment in 2023 and to better execution of existing investment policy/strategy through active management of financial institutions, resulting in lower fees and more timely adjustments to the rate earned on cash holdings. There have been no changes to investment policy during the fiscal year; the Bond Bank continues to invest in the highest-rated credits with a maximum maturity of three years.
- Revenues for the Bond Bank's General Operating Account were \$765,058 for fiscal year 2023, an increase of \$426,316 or 125.9% from fiscal year 2022. This was primarily attributed to an increase in total net investment income, including a smaller net decrease in the fair value of investments; a decrease of \$6,156 in 2023 versus \$315,795 in 2022.
- Net position in the Bond Bank's General Operating Account decreased \$613,644 in fiscal year 2023. This decrease is the net result of Operating Revenues totaling \$765,058, Operating Transfers to the General Tax-Exempt Fund Group totaling \$77,694 and Operating Expenses totaling \$1,301,008. At June 30, 2023, the Bond Bank's General Operating Account had a total net position of \$17,275,100.

## MAINE MUNICIPAL BOND BANK

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

June 30, 2023

- The Bond Bank ended fiscal 2023 with an accrued net pension liability of \$497,490 as opposed to an accrued net pension asset of \$61,613 at the end of fiscal 2022. The accrued net pension's return to a liability position was due to the measurement date timing for Maine Public Employees Retirement System's GASB 68 reporting for fiscal 2023. The additional year of data reflected updated actuarial assumptions.

#### **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.

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) 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.

## MAINE MUNICIPAL BOND BANK

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

June 30, 2023

The Bond Bank ceased administering the Liquor Operations Fund Group as of June 20, 2023. Under this fund group, there was a one-time issuance of Liquor Operation Revenue Bonds which the State of Maine used to pay 39 hospitals for health services under the MaineCare (Medicaid) program that were provided prior to December 1, 2012. The bonds were repaid from a portion of future liquor revenues collected by the State Bureau of Alcoholic Beverages and Lottery Operations and were paid to the Bond Bank monthly. This bond was exempt from State of Maine income taxes, but not federal income taxes. The Bond Bank still holds approximately \$2,843,000 of investments at June 30, 2023, which are due to the State of Maine.

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 qualified projects, under the *Clean Water Act* Fund. The Drinking Water Revolving Loan Fund operates similarly to the Clean Water Revolving Loan Fund whereby the Maine Department of Human Services (Office of Drinking Water) approves qualified projects under the *Drinking Water Act*. All loans are subject to the Bond Bank's approval and may be comprised of bond proceeds and federal and state equity funds or solely equity funds.

Under the base Clean Water and Drinking Water Revolving Loan Program, a portion of each federal capitalization grant shall be provided to borrowers as principal loan forgiveness. The federal government mandates the amount of additional subsidies to eligible borrowers that can be used at the State's discretion.

The Bond Bank administers the School Facilities Revolving Loan Fund, which is capitalized by funds 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 or their respective municipalities, 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 liability 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.

# MAINE MUNICIPAL BOND BANK

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2023

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.

### **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 \$919,704,371 at June 30, 2023. Revenues exceeded expenses in the Clean Water and Drinking Water Revolving Loan and Operating Fund Groups, with offsetting decreased income in the General Operating, General Tax-Exempt and School Facilities Fund Groups, resulting in a net increase of \$48,284,601 or 5.5% over the previous fiscal year. Primary factors contributing to the increase in net position were an across the board increase in interest income from investments, significant growth in positioning of the fair market value of investments, and a combined increase in grant revenue to the Clean Water and Drinking Water Revolving Loan Funds as a result of supplemental grant funds received from the federal government.

## MAINE MUNICIPAL BOND BANK

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

June 30, 2023

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, 2023 and 2022

|  | <u>2023</u>                 | <u>2022</u>                 | <u>Percentage<br/>Change</u> |
|--|-----------------------------|-----------------------------|------------------------------|
| <b>Current assets:</b>   |                             |                             |                              |
| Cash   | \$ 246,496                  | \$ 17,094                   | 1,342.0%                     |
| Investments held by trustee  | 398,010,425                 | 418,019,072                 | (4.8)                        |
| Operating investments  | 10,245,752                  | 10,784,112                  | (5.0)                        |
| Loans receivable from governmental units   | 140,748,829                 | 144,368,586                 | (2.5)                        |
| Advances to State of Maine   | 38,291,635                  | 58,147,526                  | (34.1)                       |
| Accrued investment income receivable   | 1,595,332                   | 919,358                     | 73.5                         |
| Accrued interest and fees receivable on loans<br>to governmental units and advances to<br>State of Maine | 11,822,354                  | 11,402,406                  | 3.7                          |
| Undisbursed federal letter of credit payments  | 61,828,122                  | 26,844,045                  | 130.3                        |
| Due from other funds   | 7,261,726                   | 8,000,873                   | (9.2)                        |
| Other assets   | <u>776,538</u>              | <u>574,082</u>              | <u>35.3</u>                  |
| <b>Total current assets</b>  | <b>670,827,209</b>          | <b>679,077,154</b>          | <b>(1.2)</b>                 |
| <b>Noncurrent assets:</b>  |                             |                             |                              |
| Pension asset  | -                           | 61,613                      | 100.0                        |
| Investments held by trustee  | 144,497,620                 | 185,370,917                 | (22.0)                       |
| Loans receivable from governmental units   | 1,481,900,753               | 1,496,478,716               | (1.0)                        |
| Advances to State of Maine   | 223,716,953                 | 212,300,690                 | 5.4                          |
| Property and equipment, net of accumulated<br>depreciation   | <u>1,100,938</u>            | <u>1,114,930</u>            | <u>(1.3)</u>                 |
| <b>Total noncurrent assets</b>   | <b><u>1,851,216,264</u></b> | <b><u>1,895,326,866</u></b> | <b><u>(2.3)</u></b>          |
| <b>Total assets</b>  | <b><u>2,522,043,473</u></b> | <b><u>2,574,404,020</u></b> | <b><u>(2.0)</u></b>          |
| Unamortized deferred loss on refundings  | 12,714,740                  | 17,633,532                  | (27.9)                       |
| OPEB adjustments   | 190,131                     | 258,775                     | (26.5)                       |
| Pension contributions  | <u>356,214</u>              | <u>421,269</u>              | <u>(15.4)</u>                |
| <b>Total deferred outflows of resources</b>  | <b><u>13,261,085</u></b>    | <b><u>18,313,576</u></b>    | <b><u>(27.6)%</u></b>        |

**MAINE MUNICIPAL BOND BANK**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2023

|   | <u>2023</u>           | <u>2022</u>           | <u>Percentage<br/>Change</u> |
|---|-----------------------|-----------------------|------------------------------|
| <b>Current liabilities:</b>                                   |                       |                       |                              |
| Accounts payable and accrued liabilities                      | \$ 459,532            | \$ 486,694            | (5.6)%                       |
| Due to other funds  | 7,261,726             | 8,000,873             | (9.2)                        |
| Accrued interest payable                                      | 12,379,969            | 12,588,134            | (1.7)                        |
| Unearned grant revenue  | 6,169,296             | 6,651,596             | (7.3)                        |
| Undisbursed loans   | 53,412,722            | 22,878,291            | 133.5                        |
| Accrued interest rebate payable to U.S. Government            | 139,332               | -                     | (100.0)                      |
| Due to State of Maine   | 36,911,737            | 73,555,987            | (49.8)                       |
| Bonds payable, net  | <u>142,799,237</u>    | <u>165,465,987</u>    | <u>(13.7)</u>                |
| Total current liabilities                                     | <u>259,533,551</u>    | <u>289,627,562</u>    | <u>(10.4)</u>                |
| <b>Noncurrent liabilities:</b>                                |                       |                       |                              |
| Accrued interest rebate payable to U.S. Government            | 636,226               | 510,492               | 24.6                         |
| Bonds payable, net  | 1,353,341,725         | 1,428,812,703         | (5.3)                        |
| Accrued pension and other post-employment benefit liabilities | <u>1,425,375</u>      | <u>973,129</u>        | <u>46.5</u>                  |
| Total noncurrent liabilities                                  | <u>1,355,403,326</u>  | <u>1,430,296,324</u>  | <u>(5.2)</u>                 |
| <b>Total liabilities</b>                                      | <u>1,614,936,877</u>  | <u>1,719,923,886</u>  | <u>(6.1)</u>                 |
| <b>Deferred inflows of resources:</b>                         |                       |                       |                              |
| Pension adjustments   | 217,335               | 863,766               | (74.8)                       |
| OPEB adjustments  | 241,287               | 242,492               | (0.5)                        |
| Deferred lease revenues                                       | <u>204,688</u>        | <u>267,682</u>        | <u>(23.5)</u>                |
| <b>Total deferred inflows of resources</b>                    | <u>663,310</u>        | <u>1,373,940</u>      | <u>(51.7)</u>                |
| <b>Net position:</b>  |                       |                       |                              |
| Net investment in capital assets                              | 1,100,938             | 1,114,930             | (1.3)                        |
| Restricted  | 866,973,398           | 813,232,020           | 6.6                          |
| Unrestricted  | <u>51,630,035</u>     | <u>57,072,820</u>     | <u>(9.5)</u>                 |
| <b>Total net position</b>                                     | <u>\$ 919,704,371</u> | <u>\$ 871,419,770</u> | <u>5.5%</u>                  |

## MAINE MUNICIPAL BOND BANK

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

June 30, 2023

Total short and long-term investments held by trustee at June 30, 2023 decreased \$60,881,944 or 10.1% from June 30, 2022. The net decrease is primarily attributed to the divestment of the Liquor Operation Revenues Fund Group, reflecting a decrease of \$66,096,389 in combined short-term and long-term investments from June 30, 2022. The General Tax-Exempt and School Facilities Fund Group combined short-term and long-term investments had net decreases of \$4,857,418 and \$7,425,326, respectively. The combined net decrease is offset by net increases in combined short-term and long-term investments for the Transportation Infrastructure, Clean Water Revolving and Drinking Water Revolving Loan Fund Groups of \$2,169,692, \$3,544,702, and \$9,515,029, respectively. There was also a \$1,798,553 increase in long-term investments for the Qualified School Construction Fund Group and a \$469,213 increase in short-term investments for the Operating Sewer and Water Fund Group. 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, collateralized repurchase agreements, guaranteed investment contracts 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, 2023 decreased by \$18,197,720 or 1.1% from June 30, 2022. The current year decrease is attributed to scheduled repayments and forgiveness outpacing new funds loaned to governmental units. Total new loan commitment in 2023 of approximately \$148.6 million was a decrease of 12.6% from the 2022 commitment of approximately \$170.1 million. New loan commitments consist of proceeds from the General Tax-Exempt Resolution Series 2022B and 2023A bonds for a total of \$39.1 million as well as equity loans in the Sewer and Water Revolving Loan Fund Groups and School Facilities Fund Group of \$109.5 million.

Advances to the State of Maine decreased \$8,439,628 or 3.1% from balances at June 30, 2022 due to continued repayments within the Transportation Infrastructure Fund Group and full repayment within the Liquor Operation Revenue Fund Group, offset by increases in the Grant Anticipation Fund Group due to the issuance of the 2022A series bonds.

Undisbursed federal letter of credit payments increased by \$34,984,077 or 130.3% from fiscal year 2022. The increase can be attributed to both the Clean Water and Drinking Water Revolving Loan Fund Groups receiving both supplemental Bipartisan Infrastructure Law grants and Emerging Contaminant Bipartisan Infrastructure Law grants in fiscal year 2023. Although both experienced significant increases, Drinking Water experienced a much greater percentage of change at a 191.8% increase versus Clean Water at 91.8%.

Other assets had a net increase of \$202,456 or 35.3% from balances at June 30, 2022, primarily due to a \$446,714 receivable from the Internal Revenue Service, primarily offset by a \$62,462 reduction in an operating lease receivable, a \$72,768 reduction in loan receivables from several units and a \$90,750 reduction in receivables from related parties at fiscal year-end 2023.

Unamortized deferred loss on refundings decreased \$4,918,792 or 27.9% from 2022. The decrease is attributed to current year amortization.

## MAINE MUNICIPAL BOND BANK

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

June 30, 2023

Payable to State of Maine had a net decrease of approximately \$36,644,250 or 49.8% from 2023 to 2022. The full payment on Liquor Operation Revenue Fund Group bonds payable in 2023 and return of significant funds to the State of Maine, resulted in a \$39,065,745 reduction in their payable to the State of Maine. This decrease was netted by a \$2,421,495 or 7.7% increase within the Transportation Infrastructure Fund Group related to fees and taxes collected but not yet disbursed.

Accrued interest rebate payable to U.S. Government increased by \$265,066 or 51.9% over fiscal year 2022. This increase is the net result of rebate payments made to the U.S. Government during fiscal year 2023 and the net change in the rebate liability during the year.

Undisbursed loans at June 30, 2023 increased \$30,534,431 or 133.5% from fiscal 2022. The Clean Water and Drinking Water Revolving Fund Groups had a combined increase of \$13,597,335, which correlates to the undisbursed federal letter of credit payments awarded in fiscal 2023. The School Facilities Fund Group accounted for an increase of \$16,937,096, 113.4% higher than the prior year due to the program having committed four-times the dollar amount in loans as compared to fiscal 2022. Timing differences are inherent in the processing of these loans, in time elapsed between the awarding of grants, commitment of loans and disbursement of loan funds to the borrowers.

The Bond Bank's financial position improved as net assets increased by \$48.3 million or 5.5% in fiscal year 2023. 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

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

June 30, 2023

MAINE MUNICIPAL BOND BANK  
 Statements of Revenues, Expenses and Changes in Net Position  
 For the Years Ended June 30, 2023 and 2022

|   | <u>2023</u>           | <u>2022</u>           | <u>Percentage<br/>Change</u> |
|---|-----------------------|-----------------------|------------------------------|
| Operating revenues:   |                       |                       |                              |
| Interest on loans receivable from governmental units                | \$ 37,384,024         | \$ 37,588,386         | (0.5)%                       |
| Program revenue from State of Maine                                 | 7,978,581             | 11,453,741            | (30.3)                       |
| Interest income from investments                                    | 15,145,586            | 7,193,061             | 110.6                        |
| Net decrease in the fair value of investments                       | (7,570,449)           | (25,732,446)          | 70.6                         |
| Grant revenue from Environmental Protection Agency                  | 55,958,421            | 23,400,000            | 139.1                        |
| Grant revenue from State of Maine                                   | 6,535,226             | 4,680,000             | 39.6                         |
| Other income  | <u>2,152,800</u>      | <u>1,966,111</u>      | <u>9.5</u>                   |
| Total operating revenues  | 117,584,189           | 60,548,853            | 94.2                         |
| Operating expenses:   |                       |                       |                              |
| Interest expense  | 48,024,288            | 49,545,025            | (3.1)                        |
| Operating expenses (direct and shared)                              | 7,960,390             | 6,809,001             | 16.9                         |
| Cost of issuance expenses   | 738,980               | 798,044               | (7.4)                        |
| Loan forgiveness  | 12,575,930            | 9,521,192             | 32.1                         |
| Amortization of refunding benefits rebated to<br>governmental units | <u>—</u>              | <u>32</u>             | <u>(100.0)</u>               |
| Total operating expenses  | <u>69,299,588</u>     | <u>66,673,294</u>     | <u>3.9</u>                   |
| Operating income (loss)   | <u>48,284,601</u>     | <u>(6,124,441)</u>    | <u>(888.4)</u>               |
| Net income (loss)   | 48,284,601            | (6,124,441)           | (888.4)                      |
| Net position, beginning of year                                     | <u>871,419,770</u>    | <u>877,544,211</u>    | <u>(0.7)</u>                 |
| Net position, end of year   | <u>\$ 919,704,371</u> | <u>\$ 871,419,770</u> | <u>5.5%</u>                  |

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

Program revenue from the State of Maine decreased \$3,475,160 or 30.3% primarily due to reduced interest expense in the Transportation Infrastructure and Liquor Operation Fund Groups of \$1,730,595 or 40.9% and \$2,522,290 or 87.5%, respectively, with an offsetting revenue increase of \$777,725 or 17.9% in the Grant Anticipation Fund Group.

Interest income from investments in 2023 increased \$7,952,525 or 110.6% from 2022. This broad-based improvement of investment returns is jointly attributable to the higher interest rate environment in 2023 and to better execution of existing investment policy/strategy through active management of financial institutions, resulting in lower fees and more timely adjustments to the rate earned on cash holdings.

## MAINE MUNICIPAL BOND BANK

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

June 30, 2023

The net decrease in the fair market value of investments was \$7,570,449 in fiscal year 2023 versus a net decrease of \$25,732,446 in fiscal 2022. This \$18.2 million or 70.6% change was primarily attributable to the General Tax-Exempt Fund Group, where investments are held to maturity. The overall net increase is the result of a tempering of the significant fluctuations experienced in the interest rate environment over the past two fiscal years. 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, FLMC), U.S. Treasury and U.S. Government-sponsored enterprise strips, collateralized repurchase agreements, guaranteed investment contracts and certificates of deposit. All investments are carried at fair value, and unrealized gains and losses (primarily due to fluctuations in market interest rates) are recognized in the statements of revenues, expenses and changes in net assets. The maturities of investments in the debt service reserve funds are scheduled to closely match debt service payments and are normally held to maturity.

Grant Revenue from Environmental Protection Agency had an increase of \$32,558,421 or 139.1% as compared to fiscal 2022. The Waste Water Revolving Loan and Drinking Water Revolving Loan Fund Groups had increases of \$11,158,000 or 90.7% and \$21,400,421 or 192.8%, respectively, as a result of supplemental grant funds received from the federal government.

Grant Revenue from State of Maine increased \$1,855,226 in fiscal year 2023 from fiscal year 2022 or 39.6%. This increase was primarily related to the Clean Water Revolving and Drinking Water Revolving Loan Fund Groups, which increased by \$709,100 or 28.8% and \$980,800 or 44.2%, respectively, as compared to fiscal year 2022. For both of these Fund Groups, the uptick in federal grant monies led to an increase in State grant revenue due to built-in State matching grant requirement for many of the federal grant awards.

Operating expenses increased by \$1,151,389 or 16.9% in fiscal year 2023. This increase is primarily attributable to the Drinking Water Revolving Loan Fund Group, which had an increase of \$874,258 or 26.5% as compared to fiscal 2022 as a result of increased fees paid to the Department of Health and Human Services as relates to the significant increase in grant awards received in fiscal year 2023.

Loan forgiveness increased \$3,054,738 or 32.1% in fiscal year 2023 from fiscal year 2022. Portions of the loans made to eligible borrowers under the Drinking Water and Clean Water Revolving Loan Fund Programs and the School Facilities Fund Group may be forgiven if certain continuing criteria are met as the borrowers repay the loans. In fiscal 2023, \$4,449,001 was forgiven under the Drinking Water Revolving Loan Fund as compared to forgiveness of \$2,436,571 in fiscal 2022. For the Clean Water Revolving Loan Fund, \$1,936,660 was forgiven in fiscal 2023 as compared to the fiscal 2022 forgiveness amount of \$1,554,017. Also, portions of the loans made to school administrative units or their respective municipalities 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 2023 was \$6,190,269, as compared to \$5,530,604 in 2022. 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 requests for additional information should be addressed to the Executive Director, Maine Municipal Bond Bank, 127 Community Drive, Augusta, Maine 04330.

**MAINE MUNICIPAL BOND BANK**

STATEMENTS OF NET POSITION

June 30, 2023

|  | <u>General<br/>Operating<br/>Account</u> | <u>General<br/>Tax-Exempt<br/>Fund Group</u> | <u>Transportation Fund Groups<br/>Grant<br/>Anticipation<br/>Fund Group</u> | <u>Transportation<br/>Infrastructure<br/>Fund Group</u> |
|--|--|--|---|---|
| <b><u>ASSETS</u></b>   |  |  |   |   |
| Current assets:  |  |  |   |   |
| Cash   | \$ 246,496                               | \$ –   | \$ –  | \$ –  |
| Investments held by trustee (notes 3, 5 and 10)  | –  | 66,617,504                                   | –   | 32,914,453  |
| Operating investments (notes 3 and 10)   | 10,245,752                               | –  | –   | –   |
| Loans receivable from governmental units (note 4)  | –  | 97,590,143                                   | –   | –   |
| Advances to State of Maine (note 4)  | –  | –  | 23,052,921  | 15,238,714  |
| Accrued investment income receivable   | 18,248                                   | 312,566                                      | –   | 5,413   |
| Accrued interest and fees receivable on loans to governmental units and advances to State of Maine | –  | 6,989,857                                    | 3,077,794   | –   |
| Undisbursed federal letter of credit payments  | –  | –  | –   | –   |
| Due from other funds   | 6,785,010                                | –  | –   | –   |
| Other assets   | <u>770,653</u>                           | <u>–</u>                                     | <u>–</u>  | <u>–</u>  |
| Total current assets   | 18,066,159                               | 171,510,070                                  | 26,130,715  | 48,158,580  |
| Noncurrent assets:   |  |  |   |   |
| Investments held by trustee (notes 3, 5 and 10)  | –  | 109,686,846                                  | –   | 9,614,480   |
| Loans receivable from governmental units (note 4)  | –  | 942,842,796                                  | –   | –   |
| Advances to State of Maine (note 4)  | –  | –  | 180,324,476   | 43,392,477  |
| Property and equipment, net of accumulated depreciation of \$2,241,904 (note 11)                   | <u>1,100,938</u>                         | <u>–</u>                                     | <u>–</u>  | <u>–</u>  |
| Total noncurrent assets  | <u>1,100,938</u>                         | <u>1,052,529,642</u>                         | <u>180,324,476</u>  | <u>53,006,957</u>                                       |
| Total assets   | <u>19,167,097</u>                        | <u>1,224,039,712</u>                         | <u>206,455,191</u>  | <u>101,165,537</u>                                      |
| <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>   |  |  |   |   |
| Unamortized deferred loss on refundings (note 9)   | –  | 7,924,530                                    | –   | 4,774,402   |
| OPEB adjustments (note 8)  | 190,131                                  | –  | –   | –   |
| Pension contributions (note 8)   | <u>356,214</u>                           | <u>–</u>                                     | <u>–</u>  | <u>–</u>  |
| Total deferred outflows of resources   | <u>546,345</u>                           | <u>7,924,530</u>                             | <u>–</u>  | <u>4,774,402</u>  |

| Qualified<br>School<br>Construction<br>Fund Group | Liquor<br>Operation<br>Revenue<br>Fund Group | Sewer and Water Fund Groups                  |                   |                            | School<br>Facilities<br>Fund<br>Group | Total         |
|---|--|--|-------------------|----------------------------|---------------------------------------|---------------|
|   |  | Revolving Loan Fund Groups<br>Clean<br>Water | Drinking<br>Water | Operating<br>Fund<br>Group |                                       |               |
| \$ -  | \$ -   | \$ -   | \$ -              | \$ -                       | \$ -                                  | \$ 246,496    |
| -   | 2,843,267                                    | 184,484,414                                  | 49,447,626        | 8,063,948                  | 53,639,213                            | 398,010,425   |
| -   | -  | -  | -                 | -                          | -                                     | 10,245,752    |
| 1,931,611   | -  | 26,982,616                                   | 11,239,935        | -                          | 3,004,524                             | 140,748,829   |
| -   | -  | -  | -                 | -                          | -                                     | 38,291,635    |
| 220,151   | -  | 712,659                                      | 105,658           | 16,955                     | 203,682                               | 1,595,332     |
| 295,475   | -  | 1,034,212                                    | 425,016           | -                          | -                                     | 11,822,354    |
| -   | -  | 31,658,230                                   | 30,169,892        | -                          | -                                     | 61,828,122    |
| -   | -  | 476,716                                      | -                 | -                          | -                                     | 7,261,726     |
| -   | -  | 4,510  | 1,375             | -                          | -                                     | 776,538       |
| 2,447,237   | 2,843,267                                    | 245,353,357                                  | 91,389,502        | 8,080,903                  | 56,847,419                            | 670,827,209   |
| 23,282,105  | -  | 1,785,258                                    | 128,931           | -                          | -                                     | 144,497,620   |
| 7,418,770   | -  | 316,973,373                                  | 176,075,310       | -                          | 38,590,504                            | 1,481,900,753 |
| -   | -  | -  | -                 | -                          | -                                     | 223,716,953   |
| -   | -  | -  | -                 | -                          | -                                     | 1,100,938     |
| 30,700,875  | -  | 318,758,631                                  | 176,204,241       | -                          | 38,590,504                            | 1,851,216,264 |
| 33,148,112  | 2,843,267                                    | 564,111,988                                  | 267,593,743       | 8,080,903                  | 95,437,923                            | 2,522,043,473 |
| -   | -  | 15,808                                       | -                 | -                          | -                                     | 12,714,740    |
| -   | -  | -  | -                 | -                          | -                                     | 190,131       |
| -   | -  | -  | -                 | -                          | -                                     | 356,214       |
| -   | -  | 15,808                                       | -                 | -                          | -                                     | 13,261,085    |

**MAINE MUNICIPAL BOND BANK**

STATEMENTS OF NET POSITION (CONTINUED)

June 30, 2023

|   | <u>General</u>      | <u>General</u>       | <u>Transportation Fund Groups</u> | <u>Transportation</u> |
|---|---------------------|----------------------|-----------------------------------|-----------------------|
|   | <u>Operating</u>    | <u>Tax-Exempt</u>    | <u>Grant</u>                      | <u>Infrastructure</u> |
|   | <u>Account</u>      | <u>Fund Group</u>    | <u>Anticipation</u>               | <u>Fund Group</u>     |
|   |                     |                      | <u>Fund Group</u>                 | <u>Fund Group</u>     |
| <b><u>LIABILITIES</u></b>                                     |                     |                      |                                   |                       |
| Current liabilities:  |                     |                      |                                   |                       |
| Accounts payable and accrued liabilities                      | \$ 349,657          | \$ –                 | \$ –                              | \$ –                  |
| Due to other funds  | –                   | 6,652,844            | –                                 | 5,119                 |
| Accrued interest payable                                      | –                   | 7,892,520            | 3,077,794                         | 1,093,233             |
| Unearned grant revenue  | –                   | –                    | –                                 | –                     |
| Undisbursed loans   | –                   | –                    | –                                 | –                     |
| Accrued interest rebate payable to U.S. Government            | –                   | 139,332              | –                                 | –                     |
| Due to State of Maine   | –                   | –                    | –                                 | 34,068,470            |
| Bonds payable, net (note 4)                                   | <u>–</u>            | <u>101,311,311</u>   | <u>23,052,921</u>                 | <u>17,321,313</u>     |
| Total current liabilities                                     | 349,657             | 115,996,007          | 26,130,715                        | 52,488,135            |
| Noncurrent liabilities:                                       |                     |                      |                                   |                       |
| Accrued interest rebate payable to U.S. Government            | –                   | 636,226              | –                                 | –                     |
| Bonds payable, net (note 4)                                   | –                   | 1,085,679,759        | 180,324,476                       | 53,451,804            |
| Accrued pension and other post-employment benefit liabilities | <u>1,425,375</u>    | <u>–</u>             | <u>–</u>                          | <u>–</u>              |
| Total noncurrent liabilities                                  | <u>1,425,375</u>    | <u>1,086,315,985</u> | <u>180,324,476</u>                | <u>53,451,804</u>     |
| Total liabilities   | <u>1,775,032</u>    | <u>1,202,311,992</u> | <u>206,455,191</u>                | <u>105,939,939</u>    |
| <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>                   |                     |                      |                                   |                       |
| Pension adjustments (note 8)                                  | 217,335             | –                    | –                                 | –                     |
| OPEB adjustments (note 8)                                     | 241,287             | –                    | –                                 | –                     |
| Deferred lease revenues                                       | <u>204,688</u>      | <u>–</u>             | <u>–</u>                          | <u>–</u>              |
| Total deferred inflows of resources                           | <u>663,310</u>      | <u>–</u>             | <u>–</u>                          | <u>–</u>              |
| <b><u>NET POSITION</u></b>                                    |                     |                      |                                   |                       |
| Net investment in capital assets                              | 1,100,938           | –                    | –                                 | –                     |
| Restricted (notes 5, 6 and 7)                                 | –                   | 4,670,829            | –                                 | –                     |
| Unrestricted (notes 6 and 7)                                  | <u>16,174,162</u>   | <u>24,981,421</u>    | <u>–</u>                          | <u>–</u>              |
| Total net position  | <u>\$17,275,100</u> | <u>\$ 29,652,250</u> | <u>\$ –</u>                       | <u>\$ –</u>           |

See accompanying notes to the financial statements.

| Qualified<br>School<br>Construction<br>Fund Group | Liquor<br>Operation<br>Revenue<br>Fund Group | Sewer and Water Fund Groups |                   |                | Operating<br>Fund<br>Group | School<br>Facilities<br>Fund<br>Group | Total |
|---|--|-----------------------------|-------------------|----------------|----------------------------|---------------------------------------|-------|
|   |  | Revolving Loan Fund Groups  |                   | Clean<br>Water |                            |                                       |       |
|   |  | Drinking<br>Water           | Drinking<br>Water |                |                            |                                       |       |
| \$ -  | \$ -   | \$ 109,875                  | \$ -              | \$ -           | \$ -                       | \$ 459,532                            |       |
| -   | -  | 31,418                      | 527,572           | 22,114         | 22,659                     | 7,261,726                             |       |
| 301,732   | -  | 9,833                       | 4,857             | -              | -                          | 12,379,969                            |       |
| -   | -  | 2,788,900                   | 3,380,396         | -              | -                          | 6,169,296                             |       |
| -   | -  | 17,302,984                  | 4,232,348         | -              | 31,877,390                 | 53,412,722                            |       |
| -   | -  | -                           | -                 | -              | -                          | 139,332                               |       |
| -   | 2,843,267                                    | -                           | -                 | -              | -                          | 36,911,737                            |       |
| -   | -  | 863,692                     | 250,000           | -              | -                          | 142,799,237                           |       |
| 301,732   | 2,843,267                                    | 21,106,702                  | 8,395,173         | 22,114         | 31,900,049                 | 259,533,551                           |       |
| -   | -  | -                           | -                 | -              | -                          | 636,226                               |       |
| 32,846,380  | -  | 634,306                     | 405,000           | -              | -                          | 1,353,341,725                         |       |
| -   | -  | -                           | -                 | -              | -                          | 1,425,375                             |       |
| 32,846,380  | -  | 634,306                     | 405,000           | -              | -                          | 1,355,403,326                         |       |
| 33,148,112  | 2,843,267                                    | 21,741,008                  | 8,800,173         | 22,114         | 31,900,049                 | 1,614,936,877                         |       |
| -   | -  | -                           | -                 | -              | -                          | 217,335                               |       |
| -   | -  | -                           | -                 | -              | -                          | 241,287                               |       |
| -   | -  | -                           | -                 | -              | -                          | 204,688                               |       |
| -   | -  | -                           | -                 | -              | -                          | 663,310                               |       |
| -   | -  | -                           | -                 | -              | -                          | 1,100,938                             |       |
| -   | -  | 541,850,205                 | 258,134,899       | -              | 62,317,465                 | 866,973,398                           |       |
| -   | -  | 536,583                     | 658,671           | 8,058,789      | 1,220,409                  | 51,630,035                            |       |
| \$ -  | \$ -   | \$ 542,386,788              | \$ 258,793,570    | \$ 8,058,789   | \$ 63,537,874              | \$ 919,704,371                        |       |

**MAINE MUNICIPAL BOND BANK**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

For the Year Ended June 30, 2023

|   | <u>General<br/>Operating<br/>Account</u> | <u>General<br/>Tax-Exempt<br/>Fund Group</u> | <u>Transportation Fund Groups<br/>Grant<br/>Anticipation<br/>Fund Group</u> | <u>Transportation<br/>Infrastructure<br/>Fund Group</u> |
|---|--|--|---|---|
| Operating revenues:   |  |  |   |   |
| Interest on loans receivable from governmental units        | \$ -                                     | \$ 30,436,274                                | \$ -  | \$ -  |
| Program revenue from State of Maine                         | -  | -  | 5,119,724   | 2,497,761   |
| Interest income from investments                            | 121,717                                  | 6,285,850                                    | -   | 977,453   |
| Net (decrease) increase in the fair value of investments    | (6,156)                                  | (7,009,146)                                  | -   | (20,961)  |
| Grant revenue from Environmental Protection Agency (note 6) | -  | -  | -   | -   |
| Grant revenue from State of Maine (notes 6 and 7)           | -  | -  | -   | -   |
| Other income  | <u>649,497</u>                           | <u>-</u>                                     | <u>521,927</u>  | <u>-</u>  |
| Total operating revenues                                    | 765,058                                  | 29,712,978                                   | 5,641,651   | 3,454,253   |
| Operating expenses:   |  |  |   |   |
| Interest expense  | -  | 35,395,955                                   | 4,889,944   | 3,377,087   |
| Operating expenses (direct and shared) (note 8)             | 1,301,008                                | 17,280                                       | 229,780   | 77,166  |
| Cost of issuance expenses                                   | -  | 217,053                                      | 521,927   | -   |
| Loan forgiveness (notes 6 and 7)                            | <u>-</u>                                 | <u>-</u>                                     | <u>-</u>  | <u>-</u>  |
| Total operating expenses                                    | <u>1,301,008</u>                         | <u>35,630,288</u>                            | <u>5,641,651</u>  | <u>3,454,253</u>  |
| Operating (loss) income before operating transfers          | (535,950)                                | (5,917,310)                                  | -   | -   |
| Operating transfers, net                                    | <u>(77,694)</u>                          | <u>77,694</u>                                | <u>-</u>  | <u>-</u>  |
| Operating (loss) income                                     | (613,644)                                | (5,839,616)                                  | -   | -   |
| Net position, beginning of year                             | <u>17,888,744</u>                        | <u>35,491,866</u>                            | <u>-</u>  | <u>-</u>  |
| Net position, end of year                                   | <u>\$ 17,275,100</u>                     | <u>\$ 29,652,250</u>                         | <u>\$ -</u>   | <u>\$ -</u>   |

See accompanying notes to the financial statements.

| Qualified<br>School<br>Construction<br>Fund Group | Liquor<br>Operation<br>Revenue<br>Fund Group | Sewer and Water Fund Groups |                            |                     | School<br>Facilities<br>Fund<br>Group | Total                 |
|---|--|-----------------------------|----------------------------|---------------------|---------------------------------------|-----------------------|
|   |  | Revolving Loan Fund Groups  | Operating<br>Fund<br>Group |                     |                                       |                       |
|   |  | Clean<br>Water              | Drinking<br>Water          |                     |                                       |                       |
| \$ 1,940,265                                      | \$ -   | \$ 3,478,190                | \$ 1,529,295               | \$ -                | \$ -                                  | \$ 37,384,024         |
| -   | 361,096                                      | -                           | -                          | -                   | -                                     | 7,978,581             |
| 632,476   | 2,590,447                                    | 2,837,657                   | 823,168                    | 225,093             | 651,725                               | 15,145,586            |
| (762,349)   | (398,247)                                    | 301,230                     | (236,008)                  | -                   | 561,188                               | (7,570,449)           |
| -   | -  | 23,458,000                  | 32,500,421                 | -                   | -                                     | 55,958,421            |
| -   | -  | 3,169,100                   | 3,200,800                  | -                   | 165,326                               | 6,535,226             |
| -   | -  | -                           | -                          | 981,376             | -                                     | 2,152,800             |
| <u>1,810,392</u>                                  | <u>2,553,296</u>                             | <u>33,244,177</u>           | <u>37,817,676</u>          | <u>1,206,469</u>    | <u>1,378,239</u>                      | <u>117,584,189</u>    |
| 1,810,392   | 2,455,080                                    | 63,202                      | 32,628                     | -                   | -                                     | 48,024,288            |
| -   | 98,216                                       | 883,283                     | 4,177,701                  | 293,173             | 882,783                               | 7,960,390             |
| -   | -  | -                           | -                          | -                   | -                                     | 738,980               |
| -   | -  | 1,936,660                   | 4,449,001                  | -                   | 6,190,269                             | 12,575,930            |
| <u>1,810,392</u>                                  | <u>2,553,296</u>                             | <u>2,883,145</u>            | <u>8,659,330</u>           | <u>293,173</u>      | <u>7,073,052</u>                      | <u>69,299,588</u>     |
| -   | -  | 30,361,032                  | 29,158,346                 | 913,296             | (5,694,813)                           | 48,284,601            |
| -   | -  | 319,460                     | 278,625                    | (598,085)           | -                                     | -                     |
| -   | -  | 30,680,492                  | 29,436,971                 | 315,211             | (5,694,813)                           | 48,284,601            |
| -   | -  | 511,706,296                 | 229,356,599                | 7,743,578           | 69,232,687                            | 871,419,770           |
| <u>\$ -</u>                                       | <u>\$ -</u>                                  | <u>\$ 542,386,788</u>       | <u>\$ 258,793,570</u>      | <u>\$ 8,058,789</u> | <u>\$63,537,874</u>                   | <u>\$ 919,704,371</u> |

**MAINE MUNICIPAL BOND BANK**

**STATEMENTS OF CASH FLOWS**

For the Year Ended June 30, 2023

|  | General<br>Operating<br><u>Account</u> | General<br>Tax-Exempt<br><u>Fund Group</u> | <u>Transportation Fund Groups</u><br>Grant<br>Anticipation<br><u>Fund Group</u> | Transportation<br>Infrastructure<br><u>Fund Group</u> |
|--|--|--|---|---|
| <b>OPERATING ACTIVITIES:</b>   |  |  |   |   |
| Cash received from governmental units and State of Maine               | \$ -                                   | \$ 127,992,402                             | \$ 24,967,461   | \$ 41,542,152   |
| Cash payments to governmental units                                    | -                                      | (39,116,586)                               | -   | -   |
| Cash payments to State of Maine  | -                                      | -  | (50,000,000)  | (22,100,000)  |
| Cash received from other income  | 649,497                                | -  | 521,927   | -   |
| Cash payments for operating expenses                                   | (1,240,148)                            | (17,280)                                   | (229,780)   | (77,166)  |
| Cash paid for bond issuance costs                                      | -                                      | (217,053)                                  | (521,927)   | -   |
| Cash received from (paid to) other funds                               | 504,685                                | (476,649)                                  | -   | (5,823)   |
| Cash paid for other assets and liabilities                             | <u>(264,469)</u>                       | <u>-</u>                                   | <u>-</u>  | <u>-</u>  |
| Net cash (used) provided by operating activities                       | (350,435)                              | 88,164,834                                 | (25,262,319)  | 19,359,163  |
| <b>NONCAPITAL FINANCING ACTIVITIES:</b>                                |  |  |   |   |
| Proceeds from bonds payable  | -                                      | 43,430,215                                 | 50,000,000  | -   |
| Principal paid on bonds payable  | -                                      | (88,305,000)                               | (16,745,000)  | (14,500,000)  |
| Interest paid on bonds payable   | -                                      | (47,568,550)                               | (7,992,681)   | (3,640,550)   |
| 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            | -                                      | (92,443,335)                               | 25,262,319  | (18,140,550)  |
| <b>INVESTING ACTIVITIES:</b>   |  |  |   |   |
| Purchase of investment securities                                      | (6,550,375)                            | (190,997,604)                              | -   | (70,531,701)  |
| Proceeds from sale and maturities of investment securities             | 7,082,579                              | 188,945,640                                | -   | 68,341,048  |
| Income received from investments                                       | 121,741                                | 6,336,536                                  | -   | 972,040   |
| Interest rebate paid to U.S. Government                                | -                                      | (6,071)                                    | -   | -   |
| Additions to property and equipment                                    | <u>(74,108)</u>                        | <u>-</u>                                   | <u>-</u>  | <u>-</u>  |
| Net cash provided (used) by investing activities                       | <u>579,837</u>                         | <u>4,278,501</u>                           | <u>-</u>  | <u>(1,218,613)</u>                                    |
| Increase in cash   | 229,402                                | -  | -   | -   |
| Cash, beginning of year  | <u>17,094</u>                          | <u>-</u>                                   | <u>-</u>  | <u>-</u>  |
| Cash, end of year  | \$ <u>246,496</u>                      | \$ <u>-</u>                                | \$ <u>-</u>   | \$ <u>-</u>   |

| Qualified<br>School<br>Construction<br><u>Fund Group</u> | Liquor<br>Operation<br>Revenue<br><u>Fund Group</u> | <u>Sewer and Water Fund Groups</u> |                           |                  | Operating<br>Fund<br><u>Group</u> | School<br>Facilities<br>Fund<br><u>Group</u> | <u>Total</u> |
|--|---|------------------------------------|---------------------------|------------------|-----------------------------------|--|--------------|
|  |   | <u>Revolving Loan Fund Groups</u>  |                           |                  |                                   |  |              |
|  |   | <u>Clean<br/>Water</u>             | <u>Drinking<br/>Water</u> |                  |                                   |  |              |
| \$ 3,742,004   | \$ 66,680,802                                       | \$ 31,066,203                      | \$ 12,395,713             | \$ -             | \$ 2,557,984                      | \$ 310,944,721                               |              |
| -  | -   | (39,623,403)                       | (14,905,837)              | -                | (10,462,446)                      | (104,108,272)                                |              |
| -  | (81,833,966)  | -                                  | -                         | -                | -                                 | (153,933,966)                                |              |
| -  | -   | -                                  | -                         | 981,376          | -                                 | 2,152,800                                    |              |
| -  | (98,216)  | (883,283)                          | (4,177,701)               | (293,173)        | (882,783)                         | (7,899,530)                                  |              |
| -  | -   | -                                  | -                         | -                | -                                 | (738,980)                                    |              |
| -  | (6,419)   | 206,588                            | 193,015                   | (429,596)        | 14,199                            | -  |              |
| -  | -   | (752)                              | (229)                     | -                | -                                 | (265,450)                                    |              |
| 3,742,004  | (15,257,799)  | (9,234,647)                        | (6,495,039)               | 258,607          | (8,773,046)                       | 46,151,323                                   |              |
| -  | -   | -                                  | -                         | -                | -                                 | 93,430,215                                   |              |
| -  | (50,395,000)  | (940,000)                          | (240,000)                 | -                | -                                 | (171,125,000)                                |              |
| (1,810,392)  | (2,635,790)   | (82,500)                           | (34,368)                  | -                | -                                 | (63,764,831)                                 |              |
| -  | -   | 11,083,190                         | 15,778,754                | -                | 165,326                           | 27,027,270                                   |              |
| (1,810,392)  | (53,030,790)  | 10,060,690                         | 15,504,386                | -                | 165,326                           | (114,432,346)                                |              |
| (22,949,219)   | (148,989,853)                                       | (261,050,028)                      | (46,492,609)              | (1,266,433)      | (154,425,709)                     | (903,253,531)                                |              |
| 20,388,317   | 214,687,995   | 257,806,556                        | 36,741,572                | 797,220          | 162,412,223                       | 957,203,150                                  |              |
| 629,290  | 2,590,447   | 2,417,429                          | 741,690                   | 210,606          | 621,206                           | 14,640,985                                   |              |
| -  | -   | -                                  | -                         | -                | -                                 | (6,071)                                      |              |
| -  | -   | -                                  | -                         | -                | -                                 | (74,108)                                     |              |
| <u>(1,931,612)</u>                                       | <u>68,288,589</u>                                   | <u>(826,043)</u>                   | <u>(9,009,347)</u>        | <u>(258,607)</u> | <u>8,607,720</u>                  | <u>68,510,425</u>                            |              |
| -  | -   | -                                  | -                         | -                | -                                 | 229,402                                      |              |
| -  | -   | -                                  | -                         | -                | -                                 | 17,094                                       |              |
| <u>\$ -</u>  | <u>\$ -</u>   | <u>\$ -</u>                        | <u>\$ -</u>               | <u>\$ -</u>      | <u>\$ -</u>                       | <u>\$ 246,496</u>                            |              |

**MAINE MUNICIPAL BOND BANK**

STATEMENTS OF CASH FLOWS (CONTINUED)

For the Year Ended June 30, 2023

|   | <u>General<br/>Operating<br/>Account</u> | <u>General<br/>Tax-Exempt<br/>Fund Group</u> | <u>Transportation Fund Groups</u>            |   |
|---|--|--|--|---|
|   |  |  | <u>Grant<br/>Anticipation<br/>Fund Group</u> | <u>Transportation<br/>Infrastructure<br/>Fund Group</u> |
| Reconciliation of operating (loss) income to net cash (used) provided by operating activities:        |  |  |  |   |
| Operating (loss) income   | \$ (613,644)                             | \$ (5,839,616)                               | \$ -   | \$ -  |
| Adjustments to reconcile operating (loss) income to net cash (used) provided by operating activities: |  |  |  |   |
| Interest income from investments  | (121,717)                                | (6,285,850)                                  | -  | (977,453)   |
| Net decrease (increase) in the fair value of investments  | 6,156                                    | 7,009,146                                    | -  | 20,961  |
| Loan forgiveness  | -  | -  | -  | -   |
| Depreciation  | 88,100                                   | -  | -  | -   |
| Interest expense on bonds payable   | -  | 35,395,955                                   | 4,889,944                                    | 3,377,087   |
| Federal and State grants  | -  | -  | -  | -   |
| Change in assets and liabilities:   |  |  |  |   |
| Loans receivable from governmental units and advances to State of Maine                               | -  | 58,154,411                                   | (29,626,526)                                 | 14,522,895  |
| Accrued interest and fees receivable on loans to governmental units and advances to State of Maine    | -  | 285,131                                      | (525,737)                                    | -   |
| Due to/from other funds   | 582,379                                  | (554,343)                                    | -  | (5,823)   |
| Other assets  | (201,475)                                | -  | -  | -   |
| Accrued pension and other post-employment benefit liabilities   | (78)                                     | -  | -  | -   |
| Accounts payable and accrued liabilities  | (27,162)                                 | -  | -  | -   |
| Deferred lease revenues   | (62,994)                                 | -  | -  | -   |
| Due to State of Maine   | <u>-</u>                                 | <u>-</u>                                     | <u>-</u>                                     | <u>2,421,496</u>  |
| Net cash (used) provided by operating activities  | <u>\$ (350,435)</u>                      | <u>\$ 88,164,834</u>                         | <u>\$ (25,262,319)</u>                       | <u>\$ 19,359,163</u>                                    |

See accompanying notes to the financial statements.

| <u>Qualified<br/>School<br/>Construction<br/>Fund Group</u> | <u>Liquor<br/>Operation<br/>Revenue<br/>Fund Group</u> | <u>Sewer and Water Fund Groups</u> |                           |                                     | <u>School<br/>Facilities<br/>Fund<br/>Group</u> | <u>Total</u>         |
|---|--|------------------------------------|---------------------------|-------------------------------------|---|----------------------|
|   |  | <u>Revolving Loan Fund Groups</u>  |                           | <u>Operating<br/>Fund<br/>Group</u> |   |                      |
|   |  | <u>Clean<br/>Water</u>             | <u>Drinking<br/>Water</u> |                                     |   |                      |
| \$ -  | \$ -   | \$ 30,680,492                      | \$ 29,436,971             | \$ 315,211                          | \$ (5,694,813)                                  | \$ 48,284,601        |
| (632,476)   | (2,590,447)  | (2,837,657)                        | (823,168)                 | (225,093)                           | (651,725)                                       | (15,145,586)         |
| 762,349   | 398,247  | (301,230)                          | 236,008                   | -                                   | (561,188)                                       | 7,570,449            |
| -   | -  | 1,936,660                          | 4,449,001                 | -                                   | 6,190,269                                       | 12,575,930           |
| -   | -  | -                                  | -                         | -                                   | -   | 88,100               |
| 1,810,392   | 2,455,080  | 63,202                             | 32,628                    | -                                   | -   | 48,024,288           |
| -   | -  | (26,627,100)                       | (35,701,221)              | -                                   | (165,326)                                       | (62,493,647)         |
| 1,795,551   | 23,551,485   | (11,904,716)                       | (3,984,564)               | -                                   | (7,904,462)                                     | 44,604,074           |
| 6,188   | -  | (130,675)                          | (54,855)                  | -                                   | -   | (419,948)            |
| -   | (6,419)  | (112,872)                          | (85,610)                  | 168,489                             | 14,199  | -                    |
| -   | -  | (751)                              | (229)                     | -                                   | -   | (202,455)            |
| -   | -  | -                                  | -                         | -                                   | -   | (78)                 |
| -   | -  | -                                  | -                         | -                                   | -   | (27,162)             |
| -   | -  | -                                  | -                         | -                                   | -   | (62,994)             |
| -   | (39,065,745)   | -                                  | -                         | -                                   | -   | (36,644,249)         |
| <u>\$ 3,742,004</u>   | <u>\$(15,257,799)</u>                                  | <u>\$ (9,234,647)</u>              | <u>\$(6,495,039)</u>      | <u>\$ 258,607</u>                   | <u>\$(8,773,046)</u>                            | <u>\$ 46,151,323</u> |

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### 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 Boards of Commissioners through the budgetary approval process. At June 30, 2023, the General Operating Account has approximately \$22,000 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.

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 2023 was approximately \$649,600 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, 2023

### 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 2023 was approximately \$13,500 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 in 2023 was approximately \$1,573,000 and is included in interest on loans receivable from governmental units in the statement of revenues, expenses and changes in net position. Of this total amount, approximately \$446,700 was paid to borrowers by the General Operating Account in anticipation of final receipt from the Internal Revenue Service (IRS). This receivable from the IRS is included in other current assets on the June 30, 2023 General Operating Account statement of 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. On June 27, 2023, the Bond Bank elected to call the remaining bonds in this fund group as it was entitled to under the terms of the bonds. All remaining bonds payable in the fund were paid in full as a result, and the majority of residual monies in the fund group, after settlement of expenses, were returned to the State of Maine. At June 30, 2023, there remains \$2,843,267 in investments in the fund group which are payable to the State of Maine.

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### 1. Organization (Continued)

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.

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.

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### 2. Significant Accounting Policies (Continued)

Federal Income Taxes: It is the opinion of management that the Bond Bank is exempt from federal income taxes under Internal Revenue Code (IRC) Section 115, and that the Bond Bank has maintained its tax-exempt status and has no uncertain tax positions that require adjustment or disclosure in these financial statements. However, 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, 2023 was approximately \$271,100 in the General Tax-Exempt Fund Group. Arbitrage rebate expense in any other Fund Group for the year ended June 30, 2023 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 is managed in an effort as not to exceed amounts guaranteed by the Federal Deposit Insurance Corporation. The Bond Bank has not experienced any losses in such accounts and management believes the Bond Bank is not exposed to any significant risk of loss on cash.

Investments: 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 \$3,815,800, \$157,200 and \$62,900, respectively, have been recorded as interest income from investments in 2023. Reserve fund investments that are not expected to be utilized to fund bond principal and interest payments until after June 30, 2024 have been classified as long-term.

Within the liquor operation revenue and transportation infrastructure fund groups, the Bond Bank invests monies with the State of Maine. The State of Maine sponsors an internal investment pool (the Treasurer's Cash Pool). The Bond Bank's participation is voluntary. The State of Maine Treasurer's Cash Pool is primarily comprised of investment vehicles with short maturities and management of the Bond Bank characterizes the investments within the pool as low risk. The State of Maine's Treasurer's Cash Pool is not rated by external rating agencies. The Bond Bank is able to make withdrawals from the State of Maine Investment Pool, at par, with little advance notice and without penalty. The Bond Bank's management considers this investment vehicle a money market instrument and generally carries the amounts in the pool at fair value. At June 30, 2023, the liquor operation revenue fund group and transportation infrastructure fund group had \$2,843,267 and \$32,893,897, respectively, invested in the Treasurer's Cash Pool, which are classified as cash equivalents within investments held by trustee on the statements of net position.

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.

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### 2. Significant Accounting Policies (Continued)

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 difference between expected and actual experience, net difference between projected and actual earnings on pension plan investments and changes in proportion and differences between the Bond Bank's contributions, the net OPEB liability which includes differences between expected and actual experience and changes in actuarial assumptions, and deferred lease revenues which relate to the present value of lease payments expected to be received under lease agreements with third party lessees.

Leases: The Bond Bank leases a portion of its office space to an unrelated third party-tenant. The lease agreement calls for monthly lease payments through September 30, 2026, with tenant renewal options through September of 2036. The Bond Bank accounts for this arrangement under the provisions of GASB Statement No. 87, *Leases*, in which a lease receivable and deferred inflow are recorded at lease inception representing the present value of the remaining lease payments expected to be received during the lease term, discounted at the interest rate implicit in the lease agreement. The Bond Bank generally does not include optional renewable periods in the lease term, as it cannot be determined that they are reasonably certain to be exercised. At June 30, 2023, the lease receivable included within other assets on the General Operating Account statement of net position was approximately \$205,800. Total inflows of resources related to this arrangement, including lease revenue and interest revenue, were approximately \$64,700 for the year ending June 30, 2023 and are included within other income on the General Operating Account statement of revenues, expenses, and changes in net position. The lease agreement does not contain any significant variable payments.

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### 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, 2023 was approximately \$2,447,000, \$2,446,000 and \$25,000 for the General Tax Exempt 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.

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, 2023. The Transportation Fund Groups have a balance of approximately \$119,100,000 of bond proceeds in construction funds as of June 30, 2023.

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### 2. Significant Accounting Policies (Continued)

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 U.S. economy has experienced a number of disruptions including volatility in investment markets, inflationary pressures, and interest rate increases which have had the effect of increasing economic uncertainty at the national level and by extension 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. Other financial effects could occur, though such potential impact is unknown at the date of these financial statements.

#### Recently Issued Accounting Pronouncements

In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement: (a) defines a SBITA, (b) establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, (c) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA, and (d) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Bond Bank adopted the provisions of Statement No. 96 effective July 1, 2022. There was no significant impact to the financial statements as a result of this adoption.

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### 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, 2023, investments are categorized as follows:

|   | <u>Fair Value</u>     |
|---|-----------------------|
| <u>General Operating Account</u>            |                       |
| Operating investments:                      |                       |
| U.S. Government obligations                 | \$ 8,841,003          |
| U.S. Government-sponsored enterprises       | 380,231               |
| Cash equivalents                            | <u>1,024,518</u>      |
|   | <u>\$ 10,245,752</u>  |
| <u>General Tax-Exempt Fund Group</u>        |                       |
| Investments held by trustee:                |                       |
| Guaranteed investment contracts             | \$ 5,803,620          |
| U.S. Government obligations                 | 1,158,215             |
| U.S. Government-sponsored enterprises       | 20,565,035            |
| U.S. Treasury strips                        | 6,198,918             |
| U.S. Government-sponsored enterprise strips | 98,234,966            |
| Cash equivalents                            | <u>44,343,596</u>     |
|   | <u>\$ 176,304,350</u> |

Of the total \$176,304,350 General Tax Exempt Fund Group investments at June 30, 2023, approximately \$152,874,000 are included in reserve funds as described in note 5.

|   | <u>Fair Value</u>    |
|---|----------------------|
| <u>Transportation Infrastructure Fund Group</u> |                      |
| Investments held by trustee:                    |                      |
| U.S. Treasury strips                            | \$ 8,180,684         |
| Cash equivalents                                | <u>34,348,249</u>    |
|   | <u>\$ 42,528,933</u> |

Of the total \$42,528,933 Transportation Infrastructure Fund Group investments at June 30, 2023, approximately \$9,614,000 are included in reserve funds as described in note 5.

|   | <u>Fair Value</u>    |
|---|----------------------|
| <u>Qualified School Construction Fund Group</u> |                      |
| Investments held by trustee:                    |                      |
| U.S. Government obligations                     | \$ 23,270,671        |
| Cash equivalents                                | <u>11,434</u>        |
|   | <u>\$ 23,282,105</u> |

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

|   | <u>Fair Value</u>     |
|---|-----------------------|
| <u>Liquor Operation Revenue Fund Group</u>  |                       |
| Investments held by trustee:                |                       |
| Cash equivalents                            | \$ <u>2,843,267</u>   |
|   | \$ <u>2,843,267</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                 | 92,404,716            |
| Certificates of deposit                     | 10,249,940            |
| Cash equivalents                            | <u>82,276,460</u>     |
|   | \$ <u>186,269,672</u> |
| Revolving Loan Fund Group – Drinking Water: |                       |
| U.S. Government obligations                 | \$ 15,760,136         |
| U.S. Government-sponsored enterprises       | 127,096               |
| Cash equivalents                            | <u>33,689,325</u>     |
|   | \$ <u>49,576,557</u>  |
| Operating Fund Group:                       |                       |
| Cash equivalents                            | \$ <u>8,063,948</u>   |
|   | \$ <u>8,063,948</u>   |

Of the total \$243,910,177 in Sewer and Water Fund Group investments at June 30, 2023, approximately \$1,914,000 are included in reserve funds as described in note 5.

|                                     | <u>Fair Value</u>    |
|-------------------------------------|----------------------|
| <u>School Facilities Fund Group</u> |                      |
| Investments held by trustee:        |                      |
| U.S. Government obligations         | \$ 29,909,478        |
| Cash equivalents                    | <u>23,729,735</u>    |
|                                     | \$ <u>53,639,213</u> |

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**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, 2023:

|   | <u>Fair<br/>Value</u> | <u>Less than<br/>One Year</u> | <u>One to<br/>Five Years</u> | <u>Six to<br/>Ten Years</u> | <u>More than<br/>Ten Years</u> |
|---|-----------------------|-------------------------------|------------------------------|-----------------------------|--------------------------------|
| <u>General Operating Account</u>                      |                       |                               |                              |                             |                                |
| U.S. Government obligations                           | \$ 8,841,003          | \$ 4,681,470                  | \$ 4,159,533                 | \$ –                        | \$ –                           |
| U.S. Government-sponsored enterprises                 | <u>380,231</u>        | <u>–</u>                      | <u>380,231</u>               | <u>–</u>                    | <u>–</u>                       |
|   | <u>\$ 9,221,234</u>   | <u>\$ 4,681,470</u>           | <u>\$ 4,539,764</u>          | <u>\$ –</u>                 | <u>\$ –</u>                    |
| <u>General Tax Exempt<br/>Fund Group</u>              |                       |                               |                              |                             |                                |
| Guaranteed investment contracts                       | \$ 5,803,620          | \$ –                          | \$ –                         | \$ 3,471,748                | \$ 2,331,872                   |
| U.S. Government obligations                           | 1,158,215             | 323,070                       | 646,208                      | 156,562                     | 32,375                         |
| U.S. Government-sponsored enterprises                 | 20,565,035            | 11,498,086                    | 6,260,941                    | 1,992,672                   | 813,336                        |
| U.S. Treasury strips                                  | 6,198,918             | 4,841,134                     | 768,149                      | 550,811                     | 38,824                         |
| U.S. Government-sponsored enterprise strips           | <u>98,234,966</u>     | <u>5,611,618</u>              | <u>31,997,061</u>            | <u>31,319,543</u>           | <u>29,306,744</u>              |
|   | <u>\$ 131,960,754</u> | <u>\$ 22,273,908</u>          | <u>\$ 39,672,359</u>         | <u>\$ 37,491,336</u>        | <u>\$ 32,523,151</u>           |
| <u>Transportation Infra-<br/>structure Fund Group</u> |                       |                               |                              |                             |                                |
| U.S. Treasury strips                                  | <u>\$ 8,180,684</u>   | <u>\$ 6,521,296</u>           | <u>\$ 1,659,388</u>          | <u>\$ –</u>                 | <u>\$ –</u>                    |
| <u>Qualified School Con-<br/>struction Fund Group</u> |                       |                               |                              |                             |                                |
| U.S. Government obligations                           | <u>\$ 23,270,671</u>  | <u>\$ –</u>                   | <u>\$ 20,587,519</u>         | <u>\$ 2,683,152</u>         | <u>\$ –</u>                    |

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

|                                       | <u>Fair<br/>Value</u> | <u>Less than<br/>One Year</u> | <u>One to<br/>Five Years</u> | <u>Six to<br/>Ten Years</u> | <u>More than<br/>Ten Years</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           | 92,404,716            | 54,654,803                    | 37,749,913                   | –                           | –                              |
| Certificates of deposit               | <u>10,249,940</u>     | <u>663,619</u>                | <u>9,586,321</u>             | <u>–</u>                    | <u>–</u>                       |
|                                       | <u>\$ 103,993,212</u> | <u>\$ 55,960,220</u>          | <u>\$ 48,032,992</u>         | <u>\$ –</u>                 | <u>\$ –</u>                    |
| <u>Revolving Loan Fund</u>            |                       |                               |                              |                             |                                |
| <u>Group–Drinking Water</u>           |                       |                               |                              |                             |                                |
| U.S. Government-sponsored enterprises | \$ 127,096            | \$ –                          | \$ 127,096                   | \$ –                        | \$ –                           |
| U.S. Government obligations           | <u>15,760,136</u>     | <u>2,557,548</u>              | <u>13,202,588</u>            | <u>–</u>                    | <u>–</u>                       |
|                                       | <u>\$ 15,887,232</u>  | <u>\$ 2,557,548</u>           | <u>\$ 13,329,684</u>         | <u>\$ –</u>                 | <u>\$ –</u>                    |
| <u>School Facilities Fund</u>         |                       |                               |                              |                             |                                |
| <u>Group</u>                          |                       |                               |                              |                             |                                |
| U.S. Government obligations           | <u>\$ 29,909,478</u>  | <u>\$ 27,909,327</u>          | <u>\$ 2,000,151</u>          | <u>\$ –</u>                 | <u>\$ –</u>                    |

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, Bangor Savings Bank, Northeast Bank, BNY Mellon, Androscoggin Bank and the State of Maine Treasurer’s Cash Pool. Management of the Bond Bank is not aware of any issues with respect to custodial credit risk at any bank at June 30, 2023.

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.

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

At June 30, 2023, 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, 2023, 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 \$112,614,568 at June 30, 2023.

Trustee held cash equivalents at June 30, 2023 consist primarily of money market funds secured by short-term U.S. Treasury obligations and monies in the State of Maine Treasurer's Cash Pool.

The cash equivalents of the Bond Bank's General Operating Account at June 30, 2023 consist entirely of money market funds secured by short-term U.S. Treasury obligations.

See note 12 with regard to certain investments of the Bond Bank which are pledged to secure a line of credit at June 30, 2023.

### 4. Bonds Payable

Total General Tax-Exempt Fund Group Bonds payable, with original interest rates, consist of the following at June 30, 2023:

|   | Original<br>Maturity<br>(Bond Years) | Original<br>Amount<br>Issued | Amount<br>Outstanding<br>June 30, 2023 |
|---|--------------------------------------|------------------------------|--|
| Series 2010 A, 2.00% – 4.25%,<br>dated May 27, 2010       | 2010 – 2040                          | \$ 8,320,000                 | \$ 1,380,000                           |
| Series 2010B, 3.28% – 5.67%,<br>dated May 27, 2010        | 2010 – 2034                          | 11,735,000                   | 7,330,000                              |
| Series 2010 C, 2.00% – 5.00%,<br>dated October 7, 2010    | 2012 – 2034                          | 99,425,000                   | 15,850,000                             |
| Series 2010 DEF, 0.71% – 5.12%,<br>dated October 28, 2010 | 2011 – 2040                          | 80,165,000                   | 32,070,000                             |
| Series 2011 EF, 2.00% – 5.00%,<br>dated October 27, 2011  | 2012 – 2033                          | 50,375,000                   | 5,460,000                              |
| Series 2012 ABC, 0.67% – 5.00%,<br>dated May 24, 2012     | 2013 – 2038                          | 66,435,000                   | 15,675,000                             |
| Series 2012 E, 1.50% – 4.00%,<br>dated October 25, 2012   | 2013 – 2042                          | 28,590,000                   | 13,465,000                             |

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**4. Bonds Payable (Continued)**

|   | <u>Original<br/>Maturity<br/>(Bond Years)</u> | <u>Original<br/>Amount<br/>Issued</u> | <u>Amount<br/>Outstanding<br/>June 30, 2023</u> |
|---|---|---------------------------------------|---|
| Series 2012 FG, 0.50% – 5.00%,<br>dated December 11, 2012 | 2013 – 2034                                   | \$ 41,975,000                         | \$ 7,810,000                                    |
| Series 2013 A, 2.00% – 5.00%,<br>dated May 23, 2013       | 2014 – 2043                                   | 15,905,000                            | 9,375,000                                       |
| Series 2013 B, 2.00% – 4.50%,<br>dated October 24, 2013   | 2014 – 2043                                   | 13,525,000                            | 5,595,000                                       |
| Series 2014 A, 2.00% – 5.00%,<br>dated May 22, 2014       | 2015 – 2044                                   | 19,250,000                            | 12,625,000                                      |
| Series 2014 BC, 2.00% – 5.00%,<br>dated October 23, 2014  | 2015 – 2034                                   | 109,750,000                           | 67,780,000                                      |
| Series 2015 AB, 2.00% – 5.00%,<br>dated May 28, 2015      | 2016 – 2040                                   | 70,380,000                            | 45,920,000                                      |
| Series 2015 C, 2.00% – 5.00%,<br>dated October 22, 2015   | 2016 – 2045                                   | 16,405,000                            | 8,570,000                                       |
| Series 2016 A, 2.00% – 5.00%,<br>dated May 26, 2016       | 2017 – 2036                                   | 35,410,000                            | 25,085,000                                      |
| Series 2016 B, 2.25% – 5.00%<br>dated May 26, 2016        | 2020 – 2039                                   | 62,815,000                            | 46,315,000                                      |
| Series 2016 C, 3.00% – 5.00%<br>dated November 3, 2016    | 2017 – 2046                                   | 29,900,000                            | 18,530,000                                      |
| Series 2017 A, 2.50% – 5.00%<br>dated January 19, 2017    | 2018 – 2037                                   | 97,875,000                            | 77,250,000                                      |
| Series 2017 B, 2.00% – 5.00%<br>dated May 25, 2017        | 2018 – 2042                                   | 15,875,000                            | 10,475,000                                      |
| Series 2017 CD, 3.00% – 5.00%<br>dated November 2, 2017   | 2018 – 2037                                   | 176,270,000                           | 118,420,000                                     |
| Series 2018 A, 2.25% – 5.00%<br>dated May 24, 2018        | 2019 – 2038                                   | 38,395,000                            | 28,915,000                                      |
| Series 2018 B, 3.25% – 5.00%<br>dated November 1, 2018    | 2019 – 2038                                   | 134,825,000                           | 110,290,000                                     |
| Series 2019 A, 3.00% – 5.00%<br>dated May 23, 2019        | 2020 – 2049                                   | 127,180,000                           | 112,595,000                                     |
| Series 2019 B, 3.00% – 5.00%<br>dated October 31, 2019    | 2020 – 2043                                   | 23,240,000                            | 19,505,000                                      |
| Series 2020 A, 3.00% – 5.00%<br>dated May 21, 2020        | 2021 – 2045                                   | 37,375,000                            | 33,920,000                                      |
| Series 2020 BC, .35% – 5.00%<br>dated October 29, 2020    | 2021 – 2041                                   | 60,190,000                            | 50,305,000                                      |
| Series 2021 A, 2.00% – 5.00%<br>dated May 20, 2021        | 2022 – 2047                                   | 78,020,000                            | 77,265,000                                      |
| Series 2021 B, 2.00% – 5.00%<br>dated November 4, 2021    | 2022 – 2049                                   | 12,215,000                            | 11,545,000                                      |

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**4. Bonds Payable (Continued)**

|  | <u>Original<br/>Maturity<br/>(Bond Years)</u> | <u>Original<br/>Amount<br/>Issued</u> | <u>Amount<br/>Outstanding<br/>June 30, 2023</u> |
|--|---|---------------------------------------|---|
| Series 2022 A, 3.63% – 5.00%<br>dated May 19, 2022     | 2023 – 2047                                   | \$ 58,585,000                         | \$ 58,585,000                                   |
| Series 2022 B, 4.25% – 5.00%<br>dated November 3, 2022 | 2023 – 2052                                   | 8,705,000                             | 8,705,000                                       |
| Series 2023 A, 5.00 %<br>dated May 18, 2023            | 2024 – 2048                                   | <u>30,030,000</u>                     | <u>30,030,000</u>                               |
|  |   | <u>\$ 1,659,140,000</u>               | <u>\$ 1,086,640,000</u>                         |

Total General Tax-Exempt Fund Group Bonds payable is presented on the statement of net position at June 30, 2023 as follows:

|   |                         |
|---|-------------------------|
| Total principal outstanding                       | \$ 1,086,640,000        |
| Unamortized original issue premium                | <u>100,351,070</u>      |
| Total General Tax-Exempt Fund Group Bonds payable | 1,186,991,070           |
| Current portion                                   | <u>101,311,311</u>      |
| Noncurrent portion                                | <u>\$ 1,085,679,759</u> |

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<br/>Ending November 1</u> | <u>Principal</u>        | <u>Interest</u>       | <u>Total<br/>Debt Service</u> |
|--|-------------------------|-----------------------|-------------------------------|
| 2023                                       | \$ 87,840,000           | \$ 23,675,872         | \$ 111,515,872                |
| 2024                                       | 94,980,000              | 43,633,207            | 138,613,207                   |
| 2025                                       | 85,905,000              | 39,265,101            | 125,170,101                   |
| 2026                                       | 83,900,000              | 35,431,818            | 119,331,818                   |
| 2027                                       | 84,730,000              | 31,782,219            | 116,512,219                   |
| 2028 – 2032                                | 328,080,000             | 108,146,929           | 436,226,929                   |
| 2033 – 2037                                | 216,815,000             | 50,091,512            | 266,906,512                   |
| 2038 – 2042                                | 85,870,000              | 12,287,572            | 98,157,572                    |
| 2043 – 2047                                | 16,155,000              | 2,486,394             | 18,641,394                    |
| 2048 – 2052                                | <u>2,365,000</u>        | <u>267,150</u>        | <u>2,632,150</u>              |
|  | <u>\$ 1,086,640,000</u> | <u>\$ 347,067,774</u> | <u>\$ 1,433,707,774</u>       |

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**4. Bonds Payable (Continued)**

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

|   |                               |
|---|-------------------------------|
| Municipal loan obligations – principal and interest | \$ 1,271,984,635 <sup>1</sup> |
| Reserve Funds – principal and interest              | <u>161,723,139</u>            |
|   | <u>\$ 1,433,707,774</u>       |

<sup>1</sup> Includes approximately \$2,626,000 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, 2023:

|  | Original<br>Maturity<br>( <u>Bond Years</u> ) | Original<br>Amount<br><u>Issued</u> | Amount<br>Outstanding<br><u>June 30, 2023</u> |
|--|---|-------------------------------------|---|
| Series 2014 A, 2.00% – 5.00%,<br>dated December 3, 2014  | 2015 – 2026                                   | \$ 44,810,000                       | \$ 18,165,000                                 |
| Series 2016 A, 2.63% – 5.00%,<br>dated November 16, 2016 | 2017 – 2028                                   | 44,105,000                          | 25,235,000                                    |
| Series 2018 A, 4.00% – 5.00%,<br>dated November 8, 2018  | 2023 – 2030                                   | 44,310,000                          | 44,310,000                                    |
| Series 2020 A, 5.00%<br>dated November 10, 2020          | 2021 – 2032                                   | 60,925,000                          | 53,130,000                                    |
| Series 2022 A, 5.00%<br>dated November 10, 2022          | 2023 – 2034                                   | <u>47,175,000</u>                   | <u>47,175,000</u>                             |
|  |   | <u>\$ 241,325,000</u>               | <u>\$ 188,015,000</u>                         |

Total Grant Anticipation Fund Group Bonds payable is presented on the statement of net position at June 30, 2023 as follows:

|   |                       |
|---|-----------------------|
| Total principal outstanding                       | \$ 188,015,000        |
| Unamortized original issue premium                | <u>15,362,397</u>     |
| Total Grant Anticipation Fund Group Bonds payable | 203,377,397           |
| Less current portion                              | <u>23,052,921</u>     |
| Noncurrent portion                                | <u>\$ 180,324,476</u> |

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**4. Bonds Payable (Continued)**

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><br><u>Ending September 1</u> | <u>Principal</u>      | <u>Interest</u>     | <u>Total</u><br><u>Debt Service</u> |
|---|-----------------------|---------------------|-------------------------------------|
| 2023  | \$ 19,700,000         | \$ 4,616,692        | \$ 24,316,692                       |
| 2024  | 20,700,000            | 8,248,381           | 28,948,381                          |
| 2025  | 21,745,000            | 7,213,381           | 28,958,381                          |
| 2026  | 22,855,000            | 6,126,131           | 28,981,131                          |
| 2027  | 18,850,000            | 5,124,081           | 23,974,081                          |
| 2028 – 2032                                       | 74,215,000            | 12,468,631          | 86,683,631                          |
| 2033 – 2034                                       | <u>9,950,000</u>      | <u>752,500</u>      | <u>10,702,500</u>                   |
|   | <u>\$ 188,015,000</u> | <u>\$44,549,797</u> | <u>\$ 232,564,797</u>               |

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

Repayment of advances to State of Maine – principal and interest \$ 232,564,797

Total Transportation Infrastructure Fund Group Bonds payable, with original interest rates, consist of the following at June 30, 2023:

|   | <u>Original</u><br><u>Maturity</u><br><u>(Bond Years)</u> | <u>Original</u><br><u>Amount</u><br><u>Issued</u> | <u>Amount</u><br><u>Outstanding</u><br><u>June 30, 2023</u> |
|---|---|---|---|
| Series 2009 A, 2.50% – 5.00%,<br>dated July 22, 2009    | 2010 – 2023   | \$ 105,000,000                                    | \$ 2,005,000  |
| Series 2015 A, 4.00% – 5.00%,<br>dated October 22, 2015 | 2019 – 2024   | 54,680,000  | 29,180,000  |
| Series 2021 A, 5.00%<br>dated July 21, 2021             | 2022 – 2026   | <u>35,070,000</u>                                 | <u>34,810,000</u>   |
|   |   | <u>\$ 194,750,000</u>                             | <u>\$65,995,000</u>   |

Total Transportation Infrastructure Fund Group Bonds payable is presented on the statement of net position at June 30, 2023 as follows:

|  |                     |
|--|---------------------|
| Total principal outstanding                                  | \$65,995,000        |
| Unamortized original issue premium                           | <u>4,778,117</u>    |
| Total Transportation Infrastructure Fund Group Bonds payable | 70,773,117          |
| Less current portion   | <u>17,321,313</u>   |
| Noncurrent portion   | <u>\$53,451,804</u> |

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**4. Bonds Payable (Continued)**

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

| <u>Due Bond Year</u><br><u>Ending September 1</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u><br><u>Debt Service</u> |
|---|---------------------|---------------------|-------------------------------------|
| 2023  | \$15,235,000        | \$ 3,279,700        | \$18,514,700                        |
| 2024  | 16,225,000          | 2,538,000           | 18,763,000                          |
| 2025  | 16,835,000          | 1,726,750           | 18,561,750                          |
| 2026  | <u>17,700,000</u>   | <u>885,000</u>      | <u>18,585,000</u>                   |
|   | <u>\$65,995,000</u> | <u>\$ 8,429,450</u> | <u>\$74,424,450</u>                 |

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

|  |                     |
|--|---------------------|
| Repayment of advances to State of Maine – principal and interest | \$67,056,926        |
| Reserve fund – principal and interest                            | <u>7,367,524</u>    |
|  | <u>\$74,424,450</u> |

Total Qualified School Construction Fund Group Bonds payable, with original interest rates, consist of the following at June 30, 2023:

|   | <u>Original</u><br><u>Maturity</u><br><u>(Bond Years)</u> | <u>Original</u><br><u>Amount</u><br><u>Issued</u> | <u>Amount</u><br><u>Outstanding</u><br><u>June 30, 2023</u> |
|---|---|---|---|
| Series 2011 B, 6.12%,<br>dated January 27, 2011         | 2026  | \$ 9,210,000                                      | \$ 9,210,000  |
| Series 2011 D, 5.69%,<br>dated May 26, 2011             | 2025  | 12,650,000  | 12,650,000  |
| Series 2011 G, 4.45% – 4.95%,<br>dated October 27, 2011 | 2025 – 2028   | 8,515,000   | 8,515,000   |
| Series 2012 D, 5.14%,<br>dated May 24, 2012             | 2027  | \$ 1,321,142                                      | \$ 1,321,142  |
| Series 2013 C, 5.20%,<br>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, 2023 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> |

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**4. Bonds Payable (Continued)**

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</u><br><u>Ending November 1</u> | <u>Principal</u>    | <u>Interest</u>    | <u>Total</u><br><u>Debt Service</u> |
|--|---------------------|--------------------|-------------------------------------|
| 2023   | \$ –                | \$ 905,196         | \$ 905,196                          |
| 2024   | –                   | 1,810,392          | 1,810,392                           |
| 2025   | 17,115,000          | 1,810,392          | 18,925,392                          |
| 2026   | 9,210,000           | 891,662            | 10,101,662                          |
| 2027   | 1,321,142           | 328,194            | 1,649,336                           |
| 2028   | <u>5,200,238</u>    | <u>260,288</u>     | <u>5,460,526</u>                    |
|  | <u>\$32,846,380</u> | <u>\$6,006,124</u> | <u>\$38,852,504</u>                 |

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

|   |                           |
|---|---------------------------|
| Government unit loan obligations – principal and interest | \$17,295,099 <sup>1</sup> |
| Sinking fund – principal and interest                     | <u>21,557,405</u>         |
|   | <u>\$38,852,504</u>       |

<sup>1</sup> Includes approximately \$5,218,000 of interest expected to be funded through federal interest subsidy payments.

Sewer and Water Fund Group Clean Water Bonds payable, with original interest rates, consist of the following at June 30, 2023:

|  | <u>Original</u><br><u>Maturity</u><br><u>(Bond Years)</u> | <u>Original</u><br><u>Amount</u><br><u>Issued</u> | <u>Outstanding</u><br><u>June 30, 2023</u> |
|--|---|---|--|
| Series 2012 A, 2.00% – 5.00%<br>dated March 22, 2012 | 2012 – 2024   | \$17,375,000                                      | \$1,475,000                                |

The Sewer and Water Fund Group Clean Water Bonds payable are presented on the statement of net position at June 30, 2023 as follows:

|  |                   |
|--|-------------------|
| Total principal outstanding                                | \$1,475,000       |
| Unamortized original issue premium                         | <u>22,998</u>     |
| Total Sewer and Water Fund Group Clean Water Bonds payable | 1,497,998         |
| Less current portion                                       | <u>863,692</u>    |
| Noncurrent portion   | <u>\$ 634,306</u> |

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**4. Bonds Payable (Continued)**

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</u><br><u>Ending November 1</u> | <u>Principal</u>   | <u>Interest</u>  | <u>Total</u><br><u>Debt Service</u> |
|--|--------------------|------------------|-------------------------------------|
| 2023   | \$ 845,000         | \$ 29,500        | \$ 874,500                          |
| 2024   | <u>630,000</u>     | <u>25,200</u>    | <u>655,200</u>                      |
|  | <u>\$1,475,000</u> | <u>\$ 54,700</u> | <u>\$1,529,700</u>                  |

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

|   |                    |
|---|--------------------|
| Governmental unit loan obligations – principal and interest | \$1,197,443        |
| Reserve fund – principal and interest                       | <u>332,257</u>     |
|   | <u>\$1,529,700</u> |

Sewer and Water Fund Group Drinking Water Bonds payable, with original interest rates, consist of the following at June 30, 2023:

|   | <u>Original</u><br><u>Maturity</u><br><u>(Bond Years)</u> | <u>Original</u><br><u>Amount</u><br><u>Issued</u> | <u>Amount</u><br><u>Outstanding</u><br><u>June 30, 2023</u> |
|---|---|---|---|
| Series 2005 A, 2.25% – 4.45%,<br>dated March 24, 2005 | 2005 – 2025   | \$ <u>3,770,000</u>                               | \$ <u>655,000</u>   |

The Sewer and Water Fund Group Drinking Water Bonds payable are presented on the statement of net position at June 30, 2023 as follows:

|   |                  |
|---|------------------|
| Total principal outstanding                                   | \$655,000        |
| Unamortized original issue premium                            | <u>—</u>         |
| Total Sewer and Water Fund Group Drinking Water Bonds payable | 655,000          |
| Less current portion  | <u>250,000</u>   |
| Noncurrent portion  | <u>\$405,000</u> |

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

**4. Bonds Payable (Continued)**

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</u><br><u>Ending November 1</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u><br><u>Debt Service</u> |
|--|------------------|-----------------|-------------------------------------|
| 2023   | \$250,000        | \$ 14,573       | \$264,573                           |
| 2024   | 255,000          | 18,023          | 273,023                             |
| 2025   | <u>150,000</u>   | <u>6,675</u>    | <u>156,675</u>                      |
|  | <u>\$655,000</u> | <u>\$39,271</u> | <u>\$694,271</u>                    |

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

Governmental unit loan obligations – principal and interest \$694,271

The following summarizes bond payable activity for the Bond Bank for the year ended June 30, 2023:

|                            | <u>General</u><br><u>Tax</u><br><u>Exempt</u><br><u>Fund</u><br><u>Group</u> | <u>Grant</u><br><u>Anticipation</u><br><u>Fund Group</u> | <u>Trans-</u><br><u>portation</u><br><u>Infra-</u><br><u>structure</u><br><u>Fund Group</u> | <u>Qualified</u><br><u>School</u><br><u>Construc-</u><br><u>tion Fund</u><br><u>Group</u> | <u>Liquor</u><br><u>Operation</u><br><u>Revenue</u><br><u>Fund Group</u> | <u>Clean</u><br><u>Water</u><br><u>Fund</u><br><u>Group</u> | <u>Drinking</u><br><u>Water</u><br><u>Fund</u><br><u>Group</u> |
|----------------------------|--|--|---|---|--|---|--|
| Balance, beginning of year | \$ 1,246,182,606   | \$ 173,742,645   | \$ 87,742,393   | \$32,846,380  | \$ 50,395,000  | \$ 2,474,666  | \$ 895,000   |
| Issuances – face value     | 38,735,000   | 47,175,000   | –   | –   | –  | –   | –  |
| Redemptions                | (88,305,000)   | (16,745,000)   | (14,500,000)  | –   | (50,395,000)   | (940,000)   | (240,000)  |
| Refunded bonds             | –  | –  | –   | –   | –  | –   | –  |
| Capitalized premiums, net  | 4,695,215  | 2,825,000  | –   | –   | –  | –   | –  |
| Amortization of premiums   | <u>(14,316,751)</u>  | <u>(3,620,248)</u>                                       | <u>(2,469,276)</u>  | –   | –  | <u>(36,668)</u>   | –  |
| Balance, end of year       | <u>\$ 1,186,991,070</u>  | <u>\$203,377,397</u>                                     | <u>\$ 70,773,117</u>  | <u>\$32,846,380</u>   | <u>\$ –</u>  | <u>\$ 1,497,998</u>   | <u>\$ 655,000</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.

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### 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, 2023, the required debt service reserve was approximately \$124,653,000.

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. This \$4,671,000 represents segregated net position and is 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, 2023, the fair value of the reserve fund assets, consisting primarily of investment balances, totaled approximately \$152,874,000, which exceeded the required reserves by approximately \$23,550,000.

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, 2023, the required capital reserve was approximately \$9,179,000 and the fair value of the capital reserve assets, consisting primarily of investment balances, totaled approximately \$9,614,000, which exceeded the required reserves by approximately \$435,000.

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, 2023, the required capital reserve was approximately \$1,148,000 and the fair value of the capital reserve assets, consisting primarily of investment balances, totaled approximately \$1,914,000, which exceeded the required reserves by approximately \$766,000.

### 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, 2023

**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.

During fiscal 2023, the Bond Bank was awarded additional grants under the provisions of the *Bipartisan Infrastructure Law* (BIL) for use within its Sewer and Water Revolving Fund Group. BIL related grants are for purposes consistent with the intent of the Sewer and Water Revolving Fund Group, with certain additional provisions for assistance to disadvantaged communities and for reducing exposure to certain emerging contaminants. Certain of the supplemental grants require less than the standard twenty percent matching provisions, and the grants related to reduction of emerging contaminants contain no State of Maine matching provisions.

Net position consists of the following at June 30, 2023:

|  | <u>Clean<br/>Water</u> | <u>Drinking<br/>Water</u> |
|--|------------------------|---------------------------|
| Reserved for revolving loans:  |                        |                           |
| Grants received from Environmental Protection Agency under existing capitalization grant program | \$ 360,092,659         | \$ 233,981,900            |
| Grants received from Environmental Protection Agency under the Bipartisan Infrastructure Law     | 14,501,000             | 25,492,421                |
| 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              | -                         |
| Hardship grants received from Environmental Protection Agency                                    | 643,800                | -                         |
| Grants received from State of Maine  | 73,450,262             | 48,032,570                |
| Other amounts reserved (utilized) for program loans and costs                                    | <u>61,478,674</u>      | <u>(68,871,992)</u>       |
|  | 541,850,205            | 258,134,899               |
| Unreserved amounts available   | <u>536,583</u>         | <u>658,671</u>            |
| Net position at June 30, 2023  | <u>\$ 542,386,788</u>  | <u>\$ 258,793,570</u>     |

Under the provisions of the grants from the Environmental Protection Agency (including ARRA and BIL grants), the Bond Bank is allowed administrative costs of up to 4% of the total federal grants awarded. In addition, the Bond Bank may receive other grants from the Environmental Protection Agency that are used solely for administrative purposes. The cumulative total administrative costs allowed at June 30, 2023 are \$17,544,229 (clean water) and \$10,511,143 (drinking water), with \$17,007,646 and \$9,852,472, respectively, expended to date. The remaining amount of \$536,583 in the Clean Water Revolving Loan Fund Group and \$658,671 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.

**MAINE MUNICIPAL BOND BANK**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

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

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 \$49,963,400 at June 30, 2023, 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 2023 was \$4,449,001.

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 \$30,708,900 at June 30, 2023 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 2023 was \$1,936,660.

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                | \$ 164,769,218       |
| Loans forgiven                                     | (105,373,638)        |
| Other amounts reserved for program loans and costs | <u>2,921,885</u>     |
|  | 62,317,465           |
| Unreserved amounts available                       | <u>1,220,409</u>     |
| Net position at June 30, 2023                      | <u>\$ 63,537,874</u> |

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

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 cumulative total administrative costs allowed through June 30, 2023 are \$5,023,850, with \$3,803,441 expended to date. The remaining amount of \$1,220,409 can be used for future administrative costs.

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 2023 were \$6,190,269.

### 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 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.

## MAINE MUNICIPAL BOND BANK

### NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

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 MEPEPERS' Board of Trustees and is currently 1.52%.

*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 contributions and by earnings on investments. In accordance with State statute, members were required to contribute 7.60% (6.85% for new hires) of their annual covered salary to the Plan in fiscal 2023. The Bond Bank's payroll for the year ended June 30, 2023 for employees covered by the Plan was approximately \$1,463,000, 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, 2023, 2022 and 2021 were approximately \$149,200, \$147,300 and \$131,200 (employer) and \$106,500, \$108,600 and \$103,000 (employee), respectively.

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

At June 30, 2023, the Bond Bank reported a liability of \$497,490 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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 pension 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, 2022, the Bond Bank's proportion was 0.19%, which was consistent with its proportion measured as of June 30, 2021.

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

For the year ended June 30, 2023, the Bond Bank recorded pension expense of approximately \$127,000 of which approximately \$10,000 was recorded within the General Operating Account, with the remaining amounts allocated to other funds and the related parties MGFA and MHHEFA. At June 30, 2023, the Bond Bank reported deferred outflows of resources and deferred inflows of resources related to the pension plan from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Difference between expected and actual experience   | \$ 92,455                                     | \$ –   |
| Net difference between projected and actual earnings<br>on pension plan investments                               | –   | 208,799                                      |
| Changes of assumptions  | 100,973                                       | –  |
| Changes in proportion and differences between Bond Bank<br>contributions and proportionate share of contributions | 13,608  | 8,536  |
| Bond Bank contributions subsequent to the measurement date  | <u>149,178</u>                                | <u>–</u>                                     |
| Total   | <u>\$356,214</u>                              | <u>\$217,335</u>                             |

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

|      |            |
|------|------------|
| 2024 | \$ 221,247 |
| 2025 | (50,720)   |
| 2026 | (129,718)  |
| 2027 | 98,070     |

***Actuarial Methods and Assumptions***

The total pension liability in the June 30, 2022 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.

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

*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, 2022 and June 30, 2021 are as follows:

*Investment Rate of Return* – 6.50% per annum for the years ended June 30, 2022 and 2021, compounded annually.

*Salary Increases, Merit and Inflation* – 2.75% to 11.48% plus merit component based on each employee’s years of service per year for the years ended June 30, 2022 and 2021.

*Mortality Rates* – For all members, the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC\_2020 model was used for the years ended June 30, 2022 and 2021.

*Cost of Living Benefit Increases* – 1.91% per annum for the years ended June 30, 2022 and 2021.

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 geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2022 are summarized in the following table.

| <u>Asset Class</u> | <u>Long-Term<br/>Expected Real<br/>Rate of Return</u> |
|--------------------|---|
| Public equities    | 6.0%  |
| U.S. Government    | 2.3   |
| Private equity     | 7.6   |
| Real assets:       |   |
| Real estate        | 5.2   |
| Infrastructure     | 5.3   |
| Natural resources  | 5.0   |
| Traditional credit | 3.2   |
| Alternative credit | 7.4   |
| Diversifiers       | 5.9   |

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

*Discount Rate* - The discount rate used to measure the collective total pension liability was 6.50% for 2022 and 2021. 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 asset.

The following table shows how the Bond Bank’s proportionate share of the net pension liability as of June 30, 2023 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<br/>Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|----------------------------------|--------------------|
| Bond Bank’s proportionate share of the net pension liability (asset) | \$ 1,469,726       | \$497,490                        | \$(306,098)        |

Changes in net pension liability are recognized in pension expense for the year ended June 30, 2023 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 2022 and 2021 actuarial valuations, this was three years.

*Differences between Projected and Actual Investment Earnings* – Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period. 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, 2022 valuation were based on the results of an actuarial experience study for the period of July 1, 2015 through June 30, 2020. 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.

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

*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.

**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, 2023, 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 \$36,000 in 2023, of which the retirees reimbursed the Bond Bank approximately \$24,000. The Bond Bank currently provides a subsidy for the retiree’s post-employment healthcare benefit which matches the payment that the State of Maine provides to its retirees. The retiree has the option to purchase insurance for their spouse, but the Bond Bank does not provide a subsidy. Retirees who do not have ten or more years of employment do not qualify for the subsidy but can purchase the post-employment healthcare benefit through the Bond Bank’s Plan. No assets have been segregated and restricted to provide post-employment benefits. For the year ended June 30, 2023, the Bond Bank’s average contribution rate was 2.6% of covered-employee payroll.

***Net OPEB Liability***

At June 30, 2023, the Bond Bank’s net OPEB liability was measured as of January 1, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by utilizing a standard roll forward methodology of an actuarial valuation as of January 1, 2022. As such, there were no experience gains or losses and only assumption changes due to update of the discount rate and healthcare trend.

MAINE MUNICIPAL BOND BANK

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

*Actuarial Assumptions:* The total OPEB liability in the January 1, 2023 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: | 6.80% applied in FY 2023 grading over 20 years to 4.55% per annum  |
|                                     | Pre-Medicare drug:    | 14.25% applied in FY 2023 grading over 20 years to 4.55% per annum |
|                                     | Medicare medical:     | 7.20% applied in FY 2023 grading over 20 years to 4.55% per annum  |
|                                     | Medicare drug:        | 9.90% applied in FY 2023 grading over 20 years to 4.55% per annum  |

Mortality rates were based on the 112.1% and 118.5% of the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, respectively, for males and females, both projected generationally using the RPEC\_2020 Model, with an ultimate rate of 1.00% for ages 80 and under grading down to an ultimate rate of 0.05% at age 95, and further grading down to 0.0% at age 115, with convergence to the ultimate rate in the year 2027.

Active employee mortality rates are based on 83.5% and 88.6% of the 2010 Public Plan General Benefits-Weighted Employee Mortality Table, respectively, for males and females. These rates are generationally projecting using the same version of the RPEC\_2020 model as for healthy retirees noted above.

*Discount Rate:* The discount rate used to measure the total OPEB liability for the year ended June 30, 2023 was 3.72% (rate used for the year ended June 30, 2022 was 2.06%). 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.

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

*Changes in the Net OPEB Liability*

|  | Increase (Decrease) |                 |                   |
|--|---------------------|-----------------|-------------------|
|  | Total               | Plan Fiduciary  | Net               |
|  | OPEB Liability      | Net Position    | OPEB Liability    |
|  | (a)                 | (b)             | (a) – (b)         |
| Balances at June 30, 2022                          | \$ 973,129          | \$ –            | \$ 973,129        |
| Changes for the year:                              |                     |                 |                   |
| Service cost                                       | 44,818              | –               | 44,818            |
| Interest   | 19,763              | –               | 19,763            |
| Differences between expected and actual experience | 15,036              | –               | 15,036            |
| Changes of assumptions                             | (89,126)            | –               | (89,126)          |
| Contributions                                      | –                   | 35,735          | (35,735)          |
| Benefit payments                                   | <u>(35,735)</u>     | <u>(35,735)</u> | <u>–</u>          |
| Net changes  | <u>(45,244)</u>     | <u>–</u>        | <u>(45,244)</u>   |
| Balances at June 30, 2023                          | <u>\$ 927,885</u>   | <u>\$ –</u>     | <u>\$ 927,885</u> |

*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:

|                    | <u>1% Decrease</u> | <u>Current<br/>Discount Rate</u> | <u>1% Increase</u> |
|--------------------|--------------------|----------------------------------|--------------------|
| Net OPEB liability | \$1,055,005        | \$927,885                        | \$823,034          |

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<br/>Healthcare<br/>Cost Trend Rate</u> | <u>1% Increase</u> |
|--------------------|--------------------|---|--------------------|
| Net OPEB liability | \$809,116          | \$927,885   | \$1,075,419        |

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

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

For the year ended June 30, 2023, the Bond Bank recognized OPEB expense of approximately \$34,600 of which approximately \$25,500 was recorded in the general operating account, with the remainder allocated to other funds and to related parties (MHHEFA and MGFA). At June 30, 2023, the Bond Bank reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|  | <u>Deferred<br/>Outflows<br/>of Resources</u> | <u>Deferred<br/>Inflows<br/>of Resources</u> |
|--|---|--|
| Differences between expected and actual experience         | \$ 7,297                                      | \$127,826                                    |
| Changes of assumptions                                     | 177,136                                       | 113,461                                      |
| Bond Bank contributions subsequent to the measurement date | <u>5,698</u>                                  | <u>—</u>                                     |
| Total  | <u>\$190,131</u>                              | <u>\$241,287</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

|            |            |
|------------|------------|
| 2024       | \$(15,493) |
| 2025       | (9,540)    |
| 2026       | (6,849)    |
| 2027       | (5,980)    |
| 2028       | (12,275)   |
| Thereafter | (1,019)    |

**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, 2023, there are no outstanding in-substance defeased bonds.

# MAINE MUNICIPAL BOND BANK

## NOTES TO FINANCIAL STATEMENTS

June 30, 2023

### 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.

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 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 are descriptions 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.

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

*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.

The following table sets forth by level, within the fair value hierarchy, the Bond Bank's assets at fair value as of June 30, 2023. There were no Level 3 investments as of June 30, 2023.

| <u>General Operating Account</u>                    | <u>Level 1</u>      | <u>Level 2</u>        | <u>Total</u>          |
|---|---------------------|-----------------------|-----------------------|
| Cash equivalents                                    | \$ 1,024,518        | \$ –                  | \$ 1,024,518          |
| U.S. Government obligations                         | –                   | 8,841,003             | 8,841,003             |
| U.S. Government-sponsored enterprises               | <u>–</u>            | <u>380,231</u>        | <u>380,231</u>        |
|   | <u>\$ 1,024,518</u> | <u>\$ 9,221,234</u>   | <u>\$ 10,245,752</u>  |
| <br><u>General Tax-Exempt Fund Group</u>            |                     |                       |                       |
| Cash equivalents                                    | \$44,343,596        | \$ –                  | \$ 44,343,596         |
| U.S. Government obligations                         | –                   | 1,158,215             | 1,158,215             |
| U.S. Government-sponsored enterprises               | –                   | 20,565,035            | 20,565,035            |
| U.S. Treasury strips                                | –                   | 6,198,918             | 6,198,918             |
| U.S. Government-sponsored enterprise strips         | –                   | 98,234,966            | 98,234,966            |
| Guaranteed investment contracts                     | <u>–</u>            | <u>5,803,620</u>      | <u>5,803,620</u>      |
|   | <u>\$44,343,596</u> | <u>\$ 131,960,754</u> | <u>\$ 176,304,350</u> |
| <br><u>Transportation Infrastructure Fund Group</u> |                     |                       |                       |
| Cash equivalents                                    | \$34,348,249        | \$ –                  | \$ 34,348,249         |
| U.S. Treasury strips                                | <u>–</u>            | <u>8,180,684</u>      | <u>8,180,684</u>      |
|   | <u>\$34,348,249</u> | <u>\$ 8,180,684</u>   | <u>\$ 42,528,933</u>  |

**MAINE MUNICIPAL BOND BANK**

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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

|   | <u>Level 1</u>      | <u>Level 2</u>        | <u>Total</u>          |
|---|---------------------|-----------------------|-----------------------|
| <u>Liquor Operation Revenue Fund Group</u>      |                     |                       |                       |
| Cash equivalents                                | \$ <u>2,843,267</u> | \$ <u>          –</u> | \$ <u>2,843,267</u>   |
| <u>Qualified School Construction Fund Group</u> |                     |                       |                       |
| Cash equivalents                                | \$ 11,434           | \$ –                  | \$ 11,434             |
| U.S. Government obligations                     | <u>          –</u>  | <u>23,270,671</u>     | <u>23,270,671</u>     |
|   | <u>\$ 11,434</u>    | <u>\$ 23,270,671</u>  | <u>\$ 23,282,105</u>  |
| <u>Sewer and Water Fund Groups</u>              |                     |                       |                       |
| Revolving Loan Fund Group – Clean Water:        |                     |                       |                       |
| Cash equivalents                                | \$82,276,460        | \$ –                  | \$ 82,276,460         |
| U.S. Government obligations                     | –                   | 92,404,716            | 92,404,716            |
| Certificates of deposit                         | –                   | 10,249,940            | 10,249,940            |
| Guaranteed investment contracts                 | –                   | 696,758               | 696,758               |
| Collateralized repurchase agreements            | <u>          –</u>  | <u>641,798</u>        | <u>641,798</u>        |
|   | <u>\$82,276,460</u> | <u>\$ 103,993,212</u> | <u>\$ 186,269,672</u> |
| Revolving Loan Fund Group – Drinking Water:     |                     |                       |                       |
| Cash equivalents                                | \$33,689,325        | \$ –                  | \$ 33,689,325         |
| U.S. Government obligations                     | –                   | 15,760,136            | 15,760,136            |
| U.S. Government-sponsored enterprises           | <u>          –</u>  | <u>127,096</u>        | <u>127,096</u>        |
|   | <u>\$33,689,325</u> | <u>\$ 15,887,232</u>  | <u>\$ 49,576,557</u>  |
| Operating Fund Group:                           |                     |                       |                       |
| Cash equivalents                                | \$ <u>8,063,948</u> | \$ <u>          –</u> | \$ <u>8,063,948</u>   |
| <u>School Facilities Fund Group</u>             |                     |                       |                       |
| Cash equivalents                                | \$23,729,735        | \$ –                  | \$ 23,729,735         |
| U.S. Government obligations                     | <u>          –</u>  | <u>29,909,478</u>     | <u>29,909,478</u>     |
|   | <u>\$23,729,735</u> | <u>\$ 29,909,478</u>  | <u>\$ 53,639,213</u>  |

**MAINE MUNICIPAL BOND BANK**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2023

**11. Property and Equipment**

Property and equipment is comprised of the following at June 30, 2023:

|                              |                     |
|------------------------------|---------------------|
| Land and improvements        | \$ 85,241           |
| Buildings and improvements   | 2,693,492           |
| Equipment                    | <u>564,109</u>      |
|                              | 3,342,842           |
| Accumulated depreciation     | <u>(2,241,904)</u>  |
| Total property and equipment | \$ <u>1,100,938</u> |

Depreciation expense of \$88,100 was recorded for the year ended June 30, 2023.

**12. Line of Credit**

Effective July 12, 2022, the Bond Bank maintains a revolving line of credit with Bangor Savings Bank. As of June 30, 2023, the total amount available under this line of credit was \$30,000,000. There were no borrowings under the line at June 30, 2023. Interest on borrowings is variable based on 1 Month Bloomberg Short Term Yield Index, plus 1.00%, and is due monthly, based on the amount outstanding. The monthly average outstanding on these borrowings during 2023 was zero. The line of credit matured and was renewed on July 12, 2023, and is subject to annual renewal. The borrowings are secured by a security agreement and collateral pledge of the Bond Bank's marketable securities in an amount of \$33.33 million (approximately \$242,000 in the General Operating Account with the remainder within the Sewer and Water Revolving Fund Group). The pledge amount is determined based on 90% loan to value based on an investment portfolio of United States government bonds.

**MAINE MUNICIPAL BOND BANK**

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

Participating Local District Plan

Last 9 Fiscal Years\*

|  | <u>2023</u> | <u>2022</u> | <u>2021</u> | <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/asset  | 0.19%       | 0.19%       | 0.18%       | 0.20%       | 0.20%       | 0.21%       | 0.22%       | 0.21%       | 0.20%       |
| Bond Bank's proportionate share of the net pension liability (asset)   | \$ 497,490  | \$ (61,613) | \$ 715,672  | \$ 597,603  | \$ 545,417  | \$ 849,688  | \$1,149,720 | \$ 665,764  | \$ 305,668  |
| Bond Bank's covered-employee payroll   | 1,463,000   | 1,430,000   | 1,299,000   | 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/asset as a percentage of its covered-employee payroll | 34.00%      | 4.31%       | 55.1%       | 51.4%       | 45.6%       | 73.7%       | 102.7%      | 58.4%       | 27.9%       |
| Plan fiduciary net position as a percentage of the total pension liability/asset                                   | 93.3%       | 100.9%      | 88.4%       | 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 Six Fiscal Years

|  | <u>2023</u>       | <u>2022</u>       | <u>2021</u>       | <u>2020</u>       | <u>2019</u>       | <u>2018</u>       |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Total OPEB liability:  |                   |                   |                   |                   |                   |                   |
| Service cost   | \$ 44,818         | \$ 31,687         | \$ (14,764)       | \$ 24,216         | \$ 27,509         | \$ 22,066         |
| Interest   | 19,763            | 19,259            | 22,847            | 34,295            | 30,617            | 29,421            |
| Change in benefit terms  | -                 | -                 | 2,584             | (17,677)          | -                 | -                 |
| Difference between expected<br>and actual experience                   | 15,036            | (137,800)         | -                 | (85,078)          | -                 | 26,607            |
| Changes of assumptions   | (89,126)          | 165,824           | 22,848            | 133,372           | (78,588)          | 54,026            |
| Benefit payments   | <u>(35,735)</u>   | <u>(34,566)</u>   | <u>(31,697)</u>   | <u>(13,746)</u>   | <u>(13,770)</u>   | <u>(13,776)</u>   |
| Net change in total OPEB<br>liability                                  | (45,244)          | 44,404            | 1,818             | 75,382            | (34,232)          | 118,344           |
| Total OPEB liability – beginning                                       | <u>973,129</u>    | <u>928,725</u>    | <u>926,907</u>    | <u>851,525</u>    | <u>885,757</u>    | <u>767,413</u>    |
| Total OPEB liability – ending (a)                                      | 927,885           | 973,129           | 928,725           | 926,907           | 851,525           | 885,757           |
| Plan fiduciary net position:   |                   |                   |                   |                   |                   |                   |
| Contributions – employer,<br>contractually required                    | 35,735            | 34,566            | 31,697            | 13,746            | 13,770            | 13,776            |
| Benefit payments   | (35,735)          | (34,566)          | (31,697)          | (13,746)          | (13,770)          | (13,776)          |
| Administrative expenses  | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          |
| Net change in plan fiduciary<br>net position                           | -                 | -                 | -                 | -                 | -                 | -                 |
| Plan fiduciary net position – beginning                                | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          |
| Plan fiduciary net position – ending (b)                               | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          |
| Net OPEB liability – ending (a) – (b)                                  | <u>\$ 927,885</u> | <u>\$ 973,129</u> | <u>\$ 928,725</u> | <u>\$ 926,907</u> | <u>\$ 851,525</u> | <u>\$ 885,757</u> |
| Plan fiduciary position as a percentage<br>of the total OPEB liability | - %               | - %               | - %               | - %               | - %               | - %               |
| Covered-employee payroll   | 1,381,500         | \$1,381,500       | \$1,120,100       | \$1,120,100       | \$1,137,400       | \$1,137,400       |
| Net OPEB liability as a percentage of<br>covered-employee payroll      | 67.2%             | 70.4%             | 82.9%             | 82.8%             | 74.9%             | 77.9%             |
| Contributions as a percentage of<br>covered-employee payroll           | 2.6%              | 2.5%              | 2.8%              | 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>2023</u>      | <u>2022</u>      | <u>2021</u>      | <u>2020</u>      | <u>2019</u>      | <u>2018</u>      | <u>2017</u>      | <u>2016</u>      | <u>2015</u>     | <u>2014</u>     |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-----------------|-----------------|
| Contractually required contribution                                  | \$ 149,178       | \$ 147,304       | \$ 131,171       | \$ 116,353       | \$ 119,597       | \$ 110,632       | \$ 106,367       | \$ 101,538       | \$ 85,296       | \$ 68,861       |
| Contributions in relation to the contractually required contribution | <u>(149,178)</u> | <u>(147,304)</u> | <u>(131,171)</u> | <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> |
| Contribution deficiency (excess)                                     | \$ <u>—</u>      | \$ <u>—</u>     | \$ <u>—</u>     |
| Bond Bank's covered-employee payroll                                 | \$1,463,000      | \$1,430,000      | \$1,299,000      | \$1,163,000      | \$1,196,000      | \$1,152,000      | \$1,120,000      | \$1,141,000      | \$1,094,000     | \$1,059,000     |
| Contributions as a percentage of covered-employee payroll            | 10.20%           | 10.30%           | 10.10%           | 10.00%           | 10.00%           | 9.60%            | 9.50%            | 8.90%            | 7.80%           | 6.50%           |

**MAINE MUNICIPAL BOND BANK**

SCHEDULE OF ACTIVITIES

Year Ended June 30, 2023

|   | Program Revenues                |  |   |  | Net Revenue (Expense)<br>and Changes in Net Position |                |
|---|---------------------------------|--|---|--|--|----------------|
| <u>Expenses</u>   | <u>Charges for<br/>Services</u> | <u>Program<br/>Investment<br/>Income</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants/<br/>Contributions</u> | <u>Total</u>   |                |
| <b>Functions/Programs:</b>                                    |                                 |  |   |  |  |                |
| Maine Municipal Bond Bank                                     | \$(69,299,588)                  | \$45,362,605                             | \$ 2,520,616                                      | \$ 4,938,960                                 | \$62,493,647   | \$ 46,016,240  |
| Total   | \$(69,299,588)                  | \$45,362,605                             | \$ 2,520,616                                      | \$ 4,938,960                                 | \$62,493,647   | 46,016,240     |
| General revenues:   |                                 |  |   |  |  |                |
| Unrestricted interest and investment earnings                 |                                 |  |   |  |  | 115,561        |
| Non program specific grants, contributions and appropriations |                                 |  |   |  |  | -              |
| Miscellaneous income  |                                 |  |   |  |  | 2,152,800      |
| Loss on assets held for sale                                  |                                 |  |   |  |  | -              |
| Total general revenues  |                                 |  |   |  |  | 2,268,361      |
| Changes in net position                                       |                                 |  |   |  |  | 48,284,601     |
| Net position, beginning of year                               |                                 |  |   |  |  | 871,419,770    |
| Net position, end of year                                     |                                 |  |   |  |  | \$ 919,704,371 |

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

**MAINE MUNICIPAL BOND BANK**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended June 30, 2023

| <u>Federal Grantor/<br/>Co-administrator / Program Title</u>                    | <u>CFDA<br/>Number</u> | <u>Grant or<br/>Award Number</u> | <u>Grant or<br/>Award Amount</u> | <u>Expenditures</u>        | <u>Amounts<br/>Passed Through<br/>to Sub-recipients</u> |
|---|------------------------|----------------------------------|----------------------------------|----------------------------|---|
| Federal Assistance-<br>Environmental Protection Agency:                         |                        |                                  |                                  |                            |   |
| Jointly Administered with the Maine Department of<br>Environmental Protection:  |                        |                                  |                                  |                            |   |
| Clean Water State Revolving Loan Fund Program                                   | 66-458                 | CS-23000120-0                    | \$ 12,302,000                    | \$ 4,432,435               | \$ 4,432,435  |
|   |                        | CS-23000121-0                    | 12,300,000                       | 3,474,318                  | 3,205,533   |
|   |                        | CS-23000122-0                    | 8,957,000                        | 346,629                    | -   |
|   |                        | 4C-23000222-0                    | 13,777,000                       | 55,108                     | -   |
|   |                        | 4X-23000322-0                    | <u>724,000</u>                   | <u>-</u>                   | <u>-</u>  |
|   |                        |                                  | 48,060,000                       | 8,308,490                  | 7,637,968   |
| Jointly Administered with the Maine Department of<br>Health and Human Services: |                        |                                  |                                  |                            |   |
| Drinking Water State Revolving Loan Fund Program                                | 66-468                 | FS-99108019-0                    | 11,004,000                       | 35,772                     | 14,570  |
|   |                        | FS-99108020-0                    | 11,011,000                       | 1,473,831                  | 1,236,780   |
|   |                        | FS-99108021-0                    | 11,100,000                       | 7,103,113                  | 5,972,117   |
|   |                        | FS-99108022-0                    | 7,008,000                        | -                          | -   |
|   |                        | 4D-99108S22-0                    | 17,937,421                       | 2,589,987                  | 2,513,899   |
|   |                        | 4E-99108E22-0                    | <u>7,555,000</u>                 | <u>1,463,151</u>           | <u>1,463,151</u>  |
|   |                        |                                  | <u>65,615,421</u>                | <u>12,665,854</u>          | <u>11,200,517</u>                                       |
| <b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>                                       |                        |                                  | <b><u>\$ 113,675,421</u></b>     | <b><u>\$20,974,344</u></b> | <b><u>\$18,838,485</u></b>                              |

See accompanying notes to schedule of expenditures of federal awards.

# MAINE MUNICIPAL BOND BANK

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2023

### 1. General

The Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of Maine Municipal Bond Bank (the Bond Bank) under programs of the federal government for the year ended June 30, 2023. The Bond Bank jointly administers the Clean Water Program with the State of Maine Department of Environmental Protection and jointly administers the Drinking Water Program with the State of Maine Department of Health and Human Services. Financial assistance received directly from federal agencies as well as federal assistance passed through state agencies is included on the schedule. All federal expenditures in 2023 are through direct awards under programs jointly administered with state agencies.

### 2. Basis of Accounting and Significant Accounting Policies

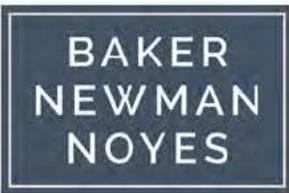
The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting as described in note 2 to the Bond Bank's financial statements. The information in this schedule is presented in accordance with the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) *Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance).

Expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Bond Bank has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance. Expenditures from grants are based on approved drawdown requests submitted by eligible loan recipients or for allowable administrative cost reimbursement.

### 3. Relationship to Financial Statements

Federal financial assistance revenue is included in grant revenue from Environmental Protection Agency in the basic financial statements. The grant revenue from Environmental Protection Agency of \$55,958,421 in the basic financial statements reconciles to current year Federal financial assistance revenue in the Schedule of Expenditures of Federal Awards as follows:

|   | Grant or Award<br>Number (2023 Awards) | Grant or<br>Award<br>Amount |
|---|--|-----------------------------|
| Clean Water State Revolving Fund Program  | CS-23000122-0                          | \$ 8,957,000                |
|   | 4C-23000222-0                          | 13,777,000                  |
|   | 4X-23000322-0                          | 724,000                     |
| Drinking Water State Revolving<br>Loan Fund Program   | FS-99108022-0                          | 7,008,000                   |
|   | 4D-99108S22-0                          | 17,937,421                  |
|   | 4E-99108E22-0                          | <u>7,555,000</u>            |
| Total federal grant revenue from Environmental Protection Agency per<br>general purpose financial statements for year ended June 30, 2023 |  | <u>\$55,958,421</u>         |



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

The Board of Commissioners  
Maine Municipal Bond Bank

We have audited, 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, the financial statements of Maine Municipal Bond Bank (the Bond Bank), 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, which comprise the statements of net position as of June 30, 2023, and 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, and have issued our report thereon dated September 13, 2023.

**Internal Control over Financial Reporting**

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

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

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

### **Report on Compliance and Other Matters**

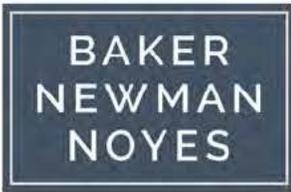
As part of obtaining reasonable assurance about whether the Bond Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material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

### **Purpose of this Report**

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



Portland, Maine  
September 13, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;  
AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Commissioners  
Maine Municipal Bond Bank

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Maine Municipal Bond Bank's compliance with the types of compliance requirements identified as subject to audit in the *U.S. Office of Management and Budgets (OMB) Compliance Supplement* that could have a direct and material effect on each of Maine Municipal Bond Bank's major federal programs for the year ended June 30, 2023. Maine Municipal Bond Bank's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Maine Municipal Bond Bank complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Maine Municipal Bond Bank and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Maine Municipal Bond Bank's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Maine Municipal Bond Bank's federal programs.

### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Maine Municipal Bond Bank's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Maine Municipal Bond Bank's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Maine Municipal Bond Bank's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Maine Municipal Bond Bank's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Maine Municipal Bond Bank's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

Board of Commissioners  
Maine Municipal Bond Bank

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

#### **Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of Maine Municipal Bond Bank as of and for the year ended June 30, 2023, and have issued our report thereon dated September 13, 2023, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards as required by the Uniform Guidance, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.



Portland, Maine  
October 27, 2023

**MAINE MUNICIPAL BOND BANK**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended June 30, 2023

**I. Summary of Auditors' Results**

Financial Statements:

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

|   |       |     |              |               |
|---|-------|-----|--------------|---------------|
| Material weakness(es) identified?       | _____ | yes | <u>  X  </u> | no            |
| Significant deficiency(ies) identified? | _____ | yes | <u>  X  </u> | none reported |

Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

Federal Awards:

Internal control over major programs:

|   |       |     |              |               |
|---|-------|-----|--------------|---------------|
| Material weakness(es) identified?       | _____ | yes | <u>  X  </u> | no            |
| Significant deficiency(ies) identified? | _____ | yes | <u>  X  </u> | none reported |

Type of auditor's report issued on compliance for major federal programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? \_\_\_\_\_ yes   X   no

Identification of Major Programs:

| <u>CFDA #</u> | <u>Name of Federal Program or Cluster</u>   | <u>Expenditures</u>       |
|---------------|---|---------------------------|
| 66-458        | Clean Water State Revolving Fund Program, administered by the Environmental Protection Agency | \$8,308,490               |
|               | Dollar threshold used to distinguish between Type A and Type B programs:                      | \$ 750,000                |
|               | Auditee qualified as low-risk auditee?  | <u>  X  </u> yes _____ no |

**II. Financial Statement Findings**

No matters reported.

**III. Federal Award Findings and Questioned Costs**

No matters reported.

**MAINE MUNICIPAL BOND BANK**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Year Ended June 30, 2023

The prior year audit disclosed no findings in the Schedule of Findings and Questioned Costs and no unrecorded or undisclosed findings exist from the prior audit's Summary of Prior Audit Findings.