



**Homes and  
Community Renewal**

**2021**

**Fiscal Year  
Financial Statements**

**State of New York Municipal Bond Bank Agency**

**State of New York Municipal Bond Bank Agency**  
(A Component Unit of the State of New York)

Financial Statements

Fiscal Years Ended October 31, 2021 and 2020

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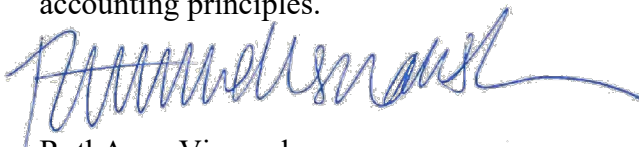
# RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the State of New York Municipal Bond Bank Agency (the “Agency”), for the fiscal years ended October 31, 2021 and 2020, are the responsibility of management. The financial statements were prepared in accordance with U.S. generally accepted accounting principles.

The Agency maintains a system of internal control. The objectives of an internal control system are to provide reasonable assurance as to the protection of, and accountability for, assets; compliance with applicable laws and regulations; proper authorization and recording of transactions; and the reliability of financial records for preparing financial statements. The system of internal control is subject to periodic review by management and the internal audit staff.

The Agency’s annual financial statements have been audited by Ernst & Young LLP, independent auditors appointed by the Directors of the Agency. Management has made available to Ernst & Young LLP all the financial records and related data of the Agency and has provided access to all the minutes of the meetings of the Directors of the Agency. The independent auditors periodically meet with the Directors of the Agency to provide engagement related updates and communications.

The independent auditors conducted their audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. Those standards require that they plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. The audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency’s internal control over financial reporting. Accordingly, the independent auditors do not express an opinion on the effectiveness of the Agency’s internal control over financial reporting. The audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. The independent auditors’ unmodified report expresses that the financial statements are presented, in all material respects, in accordance with U.S. generally accepted accounting principles.



RuthAnne Visnauskas  
Commissioner/Chief Executive Officer



Sheila Robinson  
Senior Vice President/Chief Financial Officer

February 1, 2022



## Report of Independent Auditors 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*

Management and the Directors of the Board  
State of New York Municipal Bond Bank Agency  
New York, New York

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 the State of New York Municipal Bond Bank Agency (the Agency), a component unit of the State of New York, which comprise the statement of net position as of October 31, 2021, and the related statements of revenues and 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 February 1, 2022.

### **Internal Control Over Financial Reporting**

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency’s financial statements are free of 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 financial statements. 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 entity’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.

*Ernst + Young LLP*

February 1, 2022

# STATE OF NEW YORK MUNICIPAL BOND BANK AGENCY

## A Component Unit of the State of New York

### MANAGEMENT'S DISCUSSION AND ANALYSIS

#### FISCAL YEARS ENDED OCTOBER 31, 2021, and 2020

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Overview of the Financial Statements - The following is a narrative overview of the financial performance of the State of New York Municipal Bond Bank Agency (the "Agency") for the fiscal years ended October 31, 2021 ("fiscal 2021") and 2020 ("fiscal 2020"), with selective comparative information for the fiscal year ended October 31, 2019 ("fiscal 2019"). Please read this analysis in conjunction with the financial statements.

The annual financial statements consist of three parts: (1) management's discussion and analysis (this section); (2) the Agency's financial statements and (3) the notes to the financial statements.

The Agency's financial statements are prepared using the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America.

#### **Management's Discussion and Analysis**

- This section of the Agency's financial statements, Management's Discussion and Analysis ("MD&A"), presents an overview of the Agency's financial performance during fiscal 2021 compared to fiscal 2020. It provides a discussion of financial highlights and an assessment of how the Agency's position has changed from the past years. The MD&A identifies the factors that, in management's view, significantly affected the Agency's overall financial position. It may contain opinions, assumptions or conclusions by the Agency's management that should not be considered a replacement for, and must be read in conjunction with, the financial statements described below.

#### **The Financial Statements**

- The "Statement of Net Position" provides information about the liquidity and solvency of the Agency by presenting the assets, deferred outflows of resources, liabilities, and net position.
- The "Statement of Revenues, Expenses and Changes in Net Position" accounts for all the current year's revenues and expenses in order to measure the success of the Agency's operations over the past year. It can be used to determine how the Agency has funded its costs. By presenting the financial performance of the Agency, the change in net position is similar to net profit or loss for a business.

## **The Financial Statements (continued)**

- The “Statement of Cash Flows” is presented on the direct method of reporting. It provides information about the Agency’s cash receipts, cash payments, and net changes in cash resulting from operations, financing, and investing activities. Cash collections and payments are presented in this statement to arrive at the net increases or decreases in cash for each year.

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

- The notes provide information that is essential to understanding the financial statements, such as the Agency’s accounting methods and policies, as well as providing information about the content of the financial statements.
- Details include contractual obligations, future commitments, and contingencies of the Agency.
- Information is given regarding any other events or developing situations that could materially affect the Agency’s financial position.

## **Background**

The Agency, a component unit of the State of New York (“the State”), is a corporate governmental agency, constituting a public benefit corporation created by the New York State legislature in 1972. The Agency originally was created to provide municipalities (as such term is defined by the Public Authorities Law) with an alternative mechanism for selling general obligation bonds. Since 1972, pursuant to its enabling statute, as amended, funds raised by the issuance and sale of the Agency’s Revenue Bonds have been provided to municipalities in order to:

- Purchase general obligation bonds issued to fund certain public improvements under the American Recovery and Reinvestment Act of 2009 (“ARRA”) (“Recovery Act Bonds”) in order to provide efficiencies and interest rate savings to the municipality.
- Refund certain property taxes determined to be in excess of State constitutional tax limits or to reimburse such municipalities for the prior refunding of such taxes.
- Provide funds to pay the cost of settling litigation involving certain school districts and the teachers’ unions thereof.
- Provide financing for the Enlarged City School District of the City of Troy to liquidate the projected accumulated deficit in its general fund as of the close of its fiscal year ended June 30, 2002.
- Finance the payments of certain school districts’ prior year claims with respect to state school aid.

## Background (continued)

The Tobacco Settlement Financing Corporation (the "Corporation") was created in 2003 under the Tobacco Settlement Financing Corporation Act. The Corporation was established as a public benefit corporation and a subsidiary of the Agency. The Agency does not have financial accountability for the Corporation; accordingly, it is not a component unit of the Agency. Therefore, the financial activities of the Corporation are not included in this MD&A or the accompanying financial statements. Under the terms of a service agreement between the Agency and the Corporation, the Agency agrees to render to the Corporation services, required for the Corporation to operate. The Corporation reimburses the Agency for any costs the Agency incurs on behalf of the Corporation.

## CONDENSED STATEMENTS OF NET POSITION

Advances	\$	76,880	\$	113,755	\$	148,860	(32%)	(24%)
Bonds purchased		55,136		67,166		143,517	(18%)	(53%)
Other assets		4,193		4,543		6,433	(8%)	(29%)
<b>Total assets</b>		<u>136,209</u>		<u>185,464</u>		<u>298,810</u>		
<b>Deferred outflows of resources:</b>								
Deferred loss on bond defeasance		<u>310</u>		<u>4,123</u>		<u>7,937</u>	(92%)	(48%)
<b>Liabilities:</b>								
Bonds payable, net		134,487		186,043		301,372	(28%)	(38%)
Other liabilities		4,660		4,409		5,967	6%	(26%)
<b>Total liabilities</b>		<u>139,147</u>		<u>190,452</u>		<u>307,339</u>		
<b>Net position:</b>								
Unrestricted deficit	\$	<u>(2,628)</u>	\$	<u>(865)</u>	\$	<u>(592)</u>		



## **Overall Financial Position - Deficit**

Net deficits are reported as of October 31, 2021, 2020, and 2019 in the amounts of \$2.6 million, \$865 thousand, and \$592 thousand, respectively. The net position decreased by \$1.8 million in fiscal year 2021 and decreased by \$273 thousand in fiscal year 2020 primarily as a result of the amortization of bond premium.

## **Changes in Assets**

### **Receivables from Municipalities:**

#### **Advances**

Advances represent the unpaid balance of funds advanced to The City of New York and City of Buffalo by the Agency as adjusted by the 2012 refunding bond series.

The City of New York and City of Buffalo are responsible to remit funds to the Agency in order to fund the debt service payments relating to the refunding bonds which were the source of the funds advanced by the Agency on their behalf. The amount recorded as advances is equivalent to the amount recorded as the payable relating to the 2012 Series refunding bonds. As a result of repayments by The City of New York and City of Buffalo, advances declined from \$113.8 million in fiscal year 2020 to \$76.9 million in fiscal year 2021, a decrease of \$36.9 million or 32%. In fiscal year 2020, advances declined from \$148.9 million in fiscal year 2019 to \$113.8 million, a decrease of \$35 million or 24%.

#### **Bonds Purchased**

Bonds purchased in the amounts of \$55.1 million, \$67.2 million, and \$143.5 million as of October 31, 2021, 2020 and 2019, respectively, represent the remaining balance of the general obligations of participating municipalities in New York State that were purchased by the Agency with the proceeds of the Agency's Recovery Act Bonds issued in fiscal 2011 and 2010. The payments due from the participating municipalities relating to their local bonds are used to fund the debt service due on the Agency's outstanding Recovery Act Bonds. As part of the program, the Agency reimburses the municipalities for a portion of their respective debt service payments with interest subsidies received from the federal government. Bonds purchased decreased from \$67.2 million at October 31, 2020 to \$55.1 million at October 31, 2021, a decrease of \$12.1 million, or 18%, compared to the decrease from \$143.5 million at October 31, 2019 to \$67.2 million at October 31, 2020, a decrease of \$76.3 million, or 53% resulting from the amortization of municipal bond purchase balances, the amortization of bond premium funds, and payments made by the participating municipalities.

#### **Other Assets**

Other assets, primarily representing interest receivable due from municipalities and cash held, decreased from \$4.5 million in fiscal year 2020 to \$4.2 million in fiscal year 2021, a decrease of \$300 thousand, or 8% compared to a decrease from \$6.4 million at October 31, 2019 to \$4.5 million at October 31, 2020, a decrease of \$1.9 million, or 29% primarily due to the decline in receivables from municipalities.

## **Changes in Liabilities**

### **Bonds Payable**

The Agency has not issued bonds since fiscal 2012. Bonds Payable, net decreased from \$186 million at October 31, 2020 to \$134 million at October 31, 2021, a decrease of approximately \$52 million or 28%. This compared with a decline during the prior fiscal year from \$301.4 million at October 31, 2019 to \$186 million at October 31, 2020, a decrease of approximately \$115.4 million or 38%. The decreases were a result of bond principal payments during each fiscal year.

### **Other Liabilities**

Other liabilities increased from \$4.4 million on October 31, 2020 to \$4.7 million at October 31, 2021, an increase of approximately \$300 thousand or 6%. This increase is primarily attributed to an increase in amounts due to other agencies.

## CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Fiscal Year Ended October 31,			% Change	
	2021	2020	2019	2021-2020	2020-2019
	(In thousands)				
<b>Operating revenues:</b>					
Interest on advances and bonds purchased	\$ 7,191	\$ 11,822	\$ 15,955	(40%)	(26%)
Investment income	-	5	26	(100%)	(81%)
Fees and charges	90	140	182	(36%)	(23%)
<b>Total operating revenues</b>	<b><u>7,281</u></b>	<b><u>11,967</u></b>	<b><u>16,163</u></b>		
<b>Operating expenses:</b>					
Interest	8,519	11,763	15,131	(28%)	(22%)
Other	525	477	517	10%	(8%)
<b>Total operating expenses</b>	<b><u>9,044</u></b>	<b><u>12,240</u></b>	<b><u>15,648</u></b>		
<b>Non-operating revenues (expenses):</b>					
Federal interest subsidy revenue	1,731	1,368	2,147	27%	(36%)
Federal interest subsidy expense	(1,731)	(1,368)	(2,147)	27%	(36%)
Transfers from the State of New York	6,000	6,000	-	0%	100%
Transfers to Municipalities of the State of New York	(6,000)	(6,000)	-	0%	100%
<b>Total non-operating revenues (expenses)</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>-</u></b>		
<b>Net position:</b>					
Change in net position	(1,763)	(273)	515		
Total net position - beginning of year	(865)	(592)	(1,107)		
<b>Total net position - end of year</b>	<b><u>\$ (2,628)</u></b>	<b><u>\$ (865)</u></b>	<b><u>\$ (592)</u></b>		

## **Changes in Revenues and Expenses**

### **Interest on Advances and Bonds Purchased**

Interest on advances and bonds purchased represent the primary sources of funds available to pay interest expense due on bonds payable. Interest on advances and bonds purchased decreased from \$11.8 million in fiscal 2020 to \$7.2 million in fiscal 2021, a decrease of approximately \$4.6 million or 40%. During the 2020 fiscal year, interest on advances and bond purchased declined from \$15.9 million in fiscal year 2019 to \$11.8 million, a decrease of approximately \$4.1 million, or 26%. The declines were primarily a result of the reduction of principal amounts due from municipalities.

### **Investment Income**

There were no investments held in fiscal 2021. Investment income decreased from \$26 thousand in fiscal 2019 to \$5 thousand in fiscal 2020. A decrease of \$21 thousand or 81%. The variance is the result of the fluctuations in the amount of funds invested and interest rates paid on such investments.

### **Fees and Charges**

Fees and charges decreased from \$140 thousand in fiscal year 2020 to \$90 thousand in fiscal year 2021, a decrease of approximately \$50 thousand, or 36%. Fees and charges decreased from \$182 thousand in fiscal year 2019 to \$140 thousand in fiscal year 2020, a decrease of approximately \$42 thousand, or 23%. Fees and charges decline each year as the bonds purchase balance is repaid.

### **Interest Expense**

Interest expense incurred on bonds outstanding decreased from \$11.8 million in fiscal year 2020 to \$8.5 million in fiscal year 2021, a decrease of approximately \$3.3 million, or 28%. This compares with a decrease from \$15.1 million in fiscal year 2019 to \$11.8 million in fiscal year 2020, a decrease of approximately \$3.3 million, or 22%. Both decreases were a result of the decline in bonds outstanding and bond premium amortization.

### **Non-operating revenues (expenses)**

#### **Federal Interest Subsidy Revenue**

Federal interest subsidy funds received represent subsidies received by the Agency from the Federal Government to reimburse municipalities participating in the Agency's Recovery Act Bond Program for a portion of the interest due on bonds purchased. Federal interest subsidy payments paid to municipalities increased approximately \$363 thousand, or 27% from \$1.4 million in fiscal 2020 to \$1.7 million in fiscal 2021. Federal interest subsidy payments of \$2.1 million in 2019, decreased to \$1.4 million in fiscal 2020.

**Transfers from the State of New York Mortgage Agency for Transfer to Municipalities of the State of New York**

For fiscal years ended October 31, 2021, and 2020 the Agency received \$6 million from the State of New York Mortgage Agency (Mortgage Insurance Fund). Pursuant to the State's annual enacted budgets, the Agency was directed to transfer such funds to various municipalities of the State.

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**State of New York Municipal Bond Bank Agency**  
**(A Component Unit of the State of New York)**  
**STATEMENTS OF NET POSITION**

	October 31,	
	2021	2020
	(In thousands)	
<b>Assets</b>		
Current assets:		
Restricted cash held by trustee	\$ 1,843	\$ 1,005
Receivable from municipalities:		
Advances	38,715	36,875
Bonds purchased	12,371	12,029
Interest receivable and other	2,350	3,247
Due from the Tobacco Settlement Financing Corporation	-	291
<b>Total current assets</b>	<b>55,279</b>	<b>53,447</b>
Non-current assets:		
Receivable from municipalities:		
Advances	38,165	76,880
Bonds purchased	42,765	55,137
<b>Total non-current assets</b>	<b>80,930</b>	<b>132,017</b>
<b>Total assets</b>	<b>136,209</b>	<b>185,464</b>
<b>Deferred outflows of resources</b>		
Deferred loss on bond defeasance	310	4,123
<b>Liabilities</b>		
Current liabilities:		
Bonds payable	51,010	48,680
Interest payable	2,350	3,247
Due to The New York State Housing Finance Agency	1,634	886
Due to the Tobacco Settlement Financing Corporation	60	-
Accounts payable	61	61
Federal interest subsidy funds due to municipalities	555	215
<b>Total current liabilities</b>	<b>55,670</b>	<b>53,089</b>
Non-current liabilities:		
Bonds payable, net	83,477	137,363
<b>Total liabilities</b>	<b>139,147</b>	<b>190,452</b>
<b>Net position</b>		
Unrestricted deficit	(2,628)	(865)
<b>Total net position</b>	<b>\$ (2,628)</b>	<b>\$ (865)</b>

*See notes to financial statements.*

**State of New York Municipal Bond Bank Agency**  
**(A Component Unit of the State of New York)**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES**  
**IN NET POSITION**

	Fiscal Year Ended October 31,	
	2021	2020
	(In thousands)	
<b>Operating revenues</b>		
Interest on advances and bonds purchased	\$ 7,191	\$ 11,822
Investment income	-	5
Fees and charges	90	140
<b>Total operating revenues</b>	<b>7,281</b>	<b>11,967</b>
<b>Operating expenses</b>		
Interest	8,519	11,763
Other	525	477
<b>Total operating expenses</b>	<b>9,044</b>	<b>12,240</b>
<b>Operating loss</b>	<b>(1,763)</b>	<b>(273)</b>
<b>Non-operating revenues (expenses)</b>		
Federal interest subsidy revenue	1,731	1,368
Federal interest subsidy expense	(1,731)	(1,368)
Transfers from the State of New York	6,000	6,000
Transfers to Municipalities of the State of New York	(6,000)	(6,000)
<b>Total non-operating revenues (expenses)</b>	<b>-</b>	<b>-</b>
<b>Decrease in net position</b>	<b>(1,763)</b>	<b>(273)</b>
Total net deficit - beginning of year	(865)	(592)
<b>Total net deficit - end of year</b>	<b>\$ (2,628)</b>	<b>\$ (865)</b>

*See notes to financial statements.*

**State of New York Municipal Bond Bank Agency**  
**(A Component Unit of the State of New York)**  
**STATEMENTS OF CASH FLOWS**

	Fiscal Year Ended October 31,	
	2021	2020
	(In thousands)	
<b>Cash flows from operating activities:</b>		
Interest on advances and bonds purchased	\$ 9,187	\$ 13,769
Other expenses	(525)	-
Fees and charges	90	140
Principal payments on advances received from municipalities	36,875	35,105
Principal payments on bonds purchased received from municipalities	12,030	76,351
<b>Net cash provided by operating activities</b>	<b>57,657</b>	<b>125,365</b>
<b>Cash flows from non-capital financing activities:</b>		
Interest paid on bonds	(5,263)	(9,896)
Federal interest subsidy funds received	1,731	1,368
Federal interest subsidy funds paid	(1,731)	(1,657)
Principal repayments	(51,556)	(115,329)
Transfers from the State of New York	6,000	6,000
Transfers to Municipalities of the State of New York	(6,000)	(6,000)
<b>Net cash used in non-capital financing activities</b>	<b>(56,819)</b>	<b>(125,514)</b>
<b>Cash flows from investing activities:</b>		
Investment income	-	5
Proceeds from sales or maturities of investments	-	635
<b>Net cash provided by investing activities</b>	<b>-</b>	<b>640</b>
Net increase in cash	838	491
Cash at beginning of year	1,005	514
<b>Cash at end of year</b>	<b>\$ 1,843</b>	<b>\$ 1,005</b>

*See notes to financial statements.*



**State of New York Municipal Bond Bank Agency**  
**(A Component Unit of the State of New York)**  
**STATEMENTS OF CASH FLOWS (continued)**

	Fiscal Year Ended October 31,	
	2021	2020
	(In thousands)	
<b>Reconciliation of operating loss to net cash provided by operating activities:</b>		
Operating loss	\$ (1,763)	\$ (273)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Amortization of deferred loss on defeasance	(3,813)	(3,814)
Investment income	-	(5)
Interest paid on bonds	12,332	15,578
Changes in assets and liabilities:		
Advances from municipalites	36,875	35,105
Bonds purchased from municipalities	12,030	76,351
Interest receivable and other	897	1,947
Due to/from the Tobacco Settlement Financing Corporation	351	(202)
Accounts payable	-	1
Due to the New York State Housing Finance Agency	748	677
<b>Net cash provided by operating activities</b>	<b>\$ 57,657</b>	<b>\$ 125,365</b>

*See notes to financial statements.*

# **State of New York Municipal Bond Bank Agency**

## **(A Component Unit of the State of New York)**

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

#### **Fiscal Years Ended October 31, 2021 and 2020**

#### **1. The Agency**

The State of New York Municipal Bond Bank Agency (“Agency”), a component unit of the State of New York, was created in 1972 under Title 18 of the Public Authorities Law of the State of New York (“Act”) and is a corporate governmental agency, constituting a public benefit corporation. The Agency’s enabling legislation is based on the Agency’s role to foster and promote, by all reasonable means, the provision to provide access to capital markets and facilities for borrowing money by municipalities to finance their public improvements from proceeds of bonds or notes issued by those municipalities. Further, the Agency is authorized to assist those municipalities in fulfilling their needs for improvements by the creation and use of indebtedness and, to the extent possible, to reduce costs of indebtedness to taxpayers and residents of New York State (the “State”) and to encourage continued investor interest in the purchase of bonds or notes of municipalities as sound and preferred securities for investment. The Agency is authorized to issue bonds of approximately \$1 billion for such purposes.

The Act further states that: 1) It is the policy of the State to provide a means by which certain municipalities may receive monies to refund certain property taxes determined to be in excess of State constitutional tax limits or to reimburse such cities for the prior refunding of such taxes; 2) It is the policy of the State to provide a means by which certain municipalities can receive monies for the purpose of paying the cost of settling litigation involving their school districts and the teachers’ unions thereof; 3) In 2003, the Act was amended to allow the Agency to issue bonds and make the proceeds of such issuance available to the Enlarged City School District of the City of Troy for the specific object and purpose of liquidating the projected accumulated deficit in its general fund at the close of its fiscal year ended June 30, 2002; 4) the Act was amended to allow the Agency to issue bonds and make the proceeds of such issuance available to certain municipalities and/or school districts with prior year claims in respect of school aid owed to those municipalities and/or school districts in excess of \$1 million as of May 15, 2002, to have such “prior year” claims satisfied in full; 5) the Act was amended in 2009 to authorize the Agency to issue bonds to fund the purchase of bonds issued by local municipalities for qualified purposes under the American Recovery and Reinvestment Act of 2009; and 6) the Act was further amended in 2003 and 2010 to provide for the Agency to issue its bonds to facilitate the financing of interoperable public communications networks for statewide use through the purchase by the Agency of Local Public Safety Communications Bonds issued to fund all or a portion of building regional, interoperable public communications networks.

## 1. **The Agency (continued)**

In accordance with Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards, the Agency's financial statements are included in the State's annual financial statements as a component unit for financial reporting purposes.

The Tobacco Settlement Financing Corporation ("Corporation") was created under the Tobacco Settlement Financing Corporation Act. The Corporation was established as a public benefit corporation and a subsidiary of the Agency. The Agency does not have financial accountability for the Corporation; accordingly, it is not a component unit of the Agency in accordance with the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 61, *The Financial Reporting Entity: Omnibus*. Therefore, the financial activities of the Corporation are not included in the accompanying financial statements.

## 2. **Summary of Significant Accounting Policies**

### **Basis of Accounting**

The Agency utilizes the accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred.

The financial statements are prepared in accordance with generally accepted accounting principles ("GAAP") as prescribed by GASB.

### **Receivable from Municipalities**

#### **Advances**

The present value of future repayments of funds advanced to municipalities relating to the outstanding Special Program (City of Buffalo) Revenue Bonds and Special School Purpose Revenue Bonds (Prior Year Claims) were recorded as a receivable when the original bonds were sold in fiscal 2004. The receivable was adjusted when such bonds were refunded in fiscal 2012. The aggregate future payments equal the total debt service on the refunding bonds, and the discounted values of such payments is equal to the face value of bonds. The bond premium funds made available through the sale of the 2003 bond series were recorded as an expense at the time of their advance to the municipalities. However, the amount of such funds received at the time of the bond sale was capitalized and is being amortized over the life of the specific bond issues.

The cash flow due from municipalities is sufficient to fund debt service payments due on the bonds.

## 2. **Summary of Significant Accounting Policies (continued)**

### **Bonds Purchased**

Bonds Purchased represent the general obligations of participating municipalities in New York State that were purchased by the Agency with the proceeds of the Agency's Recovery Act Bonds issued in 2009 and 2010. The payments received from the municipalities relating to their local bonds are used to fund the debt service due on the Agency's outstanding Recovery Act Bonds. Any interest received relating to the bonds held is recorded as "Interest on advances and bonds purchased". The Agency's holding of the bonds is backed by each municipality's pledge of its full faith and credit to the payment the principal and interest on its bonds. Under laws of the State, each municipality has the power to levy and collect ad valorem taxes on all taxable property within the municipality for such payment. The statute of the State which created the Agency provides for a State Aid intercept to the extent that the Agency has certified to the State Comptroller that a municipality has failed to make debt service payments on its bonds purchased by the Agency. The bonds held by the Agency are not considered discretionary "investments" of Agency monies and are therefore not required to be administered in accordance with the Agency's or New York State investment guidelines.

### **Bond Premium**

Bond premium is amortized over the life of the related long term debt using the effective interest method.

### **Use of Net Position**

When both restricted and unrestricted assets are available for a particular restricted use, it is the Agency's policy to use restricted assets first, and then unrestricted as needed.

### **Deferred Outflows of Resources**

Gains or losses in connection with advanced refundings are recorded as either a deferred inflows (gain) or a deferred outflows (loss) of resources and amortized as an adjustment to interest expense over the original life of the refunded bonds or the life of the refunding bonds, whichever is shorter.

### **Revenue and Expense Classification**

Operating revenue consists of interest on advances and bonds purchased, investment income and fees and charges. Federal interest subsidy funds received are recognized as non-operating revenue. Revenue is accrued and recognized as revenue when earned. Operating expenses include interest expense, and other expenses. Expenses related to federal interest subsidy payments and all other revenue and expenses are considered non-operating.

**2. Summary of Significant Accounting Policies (continued)**

**Adoption of New GASB Accounting Pronouncements**

In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The statement is effective for fiscal years beginning after December 15, 2021. The Agency is in the process of evaluating the impact of its adoption on the financial statements.

**3. Deposits**

Cash on deposit amounted to \$1.8 million and \$1 million on October 31, 2021, and October 31, 2020, respectively. All amounts above the FDIC insured limits are collateralized by the Trustee.

#### 4. Bond Indebtedness

No bonds were issued in fiscal 2021 and fiscal 2020. As of October 31, 2021, and 2020, the outstanding bonds, issued by the Agency are listed below:

	<u>Original Face Amount</u>	<u>Balance October 31, 2020</u>	<u>Principal Payment/ Retired</u>	<u>Balance October 31, 2021</u>
<b>Special Program (City of Buffalo) Revenue Bonds,</b>				
2012 Series A, 3%-5%, maturing in varying annual installments to 2031	\$ 13,860	\$ 9,590	\$ 695	\$ 8,895
<b>Special School Purpose Revenue Bonds (Prior Year Claims)</b>				
2012 Series A, 2%-5%, maturing in varying semi-annual installments to 2022	281,315	104,165	36,180	67,985
<b>Recovery Act Bonds, 2009 Series A</b>				
Sub-Series 2009A1 (Tax Exempt), 2%-4.5%, maturing in varying annual installments to 2020	35,090	260	260	-
Sub-Series 2009A2 (Federally Taxable-Build America Bonds), 5.16%-5.66%, maturing in varying installments to 2024	9,400	4,600	-	4,600
Sub-Series 2009A3 (Federally Taxable-Recovery Zone Bonds), 6.45%, maturing in 2029 installments to 2024	2,860	2,860	-	2,860
<b>2009 Series C</b>				
Sub-Series 2009C1 (Tax Exempt), 4%-5%, maturing in varying annual installments to 2024	97,172	1,730	400	1,330
Sub-Series 2009C2 (Federally Taxable-Build America Bonds), 5.41%-6.88%, maturing in varying installments to 2028	5,630	1,690	-	1,690
Sub-Series 2009C3 (Federally Taxable-Recovery Zone Bonds), 5.41%-6.88%, maturing in varying installments to 2029	2,800	1,850	235	1,615

4. **Bond Indebtedness (continued)**

	<u>Original Face Amount</u>	<u>Balance October 31, 2020</u>	<u>Principal Payment/ Retired</u>	<u>Balance October 31, 2021</u>
<b>2010 Series A</b>				
Sub-Series 2010A2 (Federally Taxable-Build America Bonds and Recovery Zone Bonds), 4.82%-5.17%, maturing in varying annual installments to 2035	33,565	16,475	3,065	13,410
<b>2010 Series B</b>				
Sub-Series 2010B1 (Tax Exempt), 3%-5%, maturing in varying annual installments to 2021	30,765	95	95	-
Sub-Series 2010B2 (Federally Taxable-Build America Bonds and Recovery Zone Bonds), 5.32%-5.95%, maturing in varying installments to 2025	20,935	20,935	3,760	17,175
<b>2010 Series C</b>				
Sub-Series 2010C2 (Federally Taxable-Recovery Zone Bonds), 5.24%-5.64% maturing in varying installments to 2021	3,150	2,880	280	2,600
<b>2010 Series D</b>				
Sub-Series 2010D1 (Tax Exempt), 2%-5%, maturing in varying annual installments to 2019	18,100	60	60	-
Sub-Series 2010D2 (Federally Taxable-Build America Bonds and Recovery Zone Bonds), 5.34%-5.94%, maturing in varying installments to 2021	27,980	13,385	3,650	9,735
<b>Total Bond Indebtedness</b>	<b>582,622</b>	<b>180,575</b>	<b>48,680</b>	<b>131,895</b>
Unamortized bond premium	—	5,468	2,875	2,592
<b>Total Net Bond Indebtedness</b>	<b>\$ 582,622</b>	<b>\$ 186,043</b>	<b>\$ 51,555</b>	<b>\$ 134,487</b>

## 5. Debt Service Requirements

The schedule of total annual maturities at October 31, 2021 was as follows:

	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
			(\$ In thousands)		
Fiscal year ending October 31,					
2022	\$ 51,010	\$	5,849	\$	56,859
2023	43,405		3,448		46,853
2024	11,515		1,987		13,502
2025	9,370		1,320		10,690
2026	2,675		901		3,576
2027 - 2031	11,955		2,200		14,155
2032 - 2035	1,965		390		2,355
Total	<u>\$ 131,895</u>	\$	<u>16,095</u>	\$	<u>147,990</u>

## 6. Transfers from the State of New York Mortgage Agency and Transfers to Municipalities of the State of New York

For both fiscal years 2021 and 2020, Agency received a total of \$6 million from the State of New York Mortgage Agency (Mortgage Insurance Fund). Pursuant to the State's annual enacted budgets, the Agency was directed to transfer such funds to various municipalities of the State.

## 7. Service Agreements

The Agency has an agreement with the New York State Housing Finance Agency ("HFA") with respect to HFA providing managerial, administrative, and financial functions to the Agency ("HFA Service Agreement"). As of October 31, 2021, and 2020 respectively, the amounts of \$1.6 million and \$886 thousand were owed by the Agency to HFA as per the HFA Service Agreement. In addition, the Agency has entered into a service agreement with the Corporation ("TSFC Service Agreement") whereby the services provided by HFA to the Agency are also provided to the Corporation. Pursuant to this agreement, costs for such services were allocated to the Corporation in the approximate amount of \$525 thousand and \$477 thousand for the years ended October 31, 2021, and 2020, respectively. As of October 31, 2021, the Agency owed the Corporation approximately \$60 thousand. Whereas, in fiscal year 2020 the Corporation owed the Agency approximately \$291, in accordance with the TSFC Service Agreement.

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## Report of Independent Auditors

Management and the Directors of the Board  
State of New York Municipal Bond Bank Agency  
New York, New York

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the State of New York Municipal Bond Bank Agency (the Agency), a component unit of the State of New York, as of and for the years ended October 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Agency as of October 31, 2021 and 2020, and the changes in its financial position and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

### ***Required Supplementary Information***

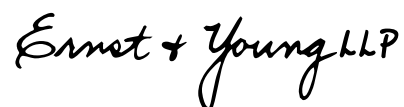
U.S. generally accepted accounting principles require that Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which 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***

The Introductory Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 1, 2022 on our consideration of the Agency'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 Agency'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 the Agency's internal control over financial reporting and compliance.



February 1, 2022



# Homes and Community Renewal

**Andrew M. Cuomo, Governor**

**RuthAnne Visnauskas, Commissioner/CEO**

## **State of New York Municipal Bond Bank Agency**

641 Lexington Avenue

New York, NY 10022

212-688-4000

[www.hcr.ny.gov](http://www.hcr.ny.gov)