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2023

Fiscal Year Statutory Report

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, 2023 and 2022

Contents

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, 2023 and 2022, 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	Theodore Podest Ted Podest
Commissioner/Chief Executive Officer	SVP/Chief Financial Officer

January 31, 2024

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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 Audit of the Financial Statements

Opinion

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, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Agency at October 31, 2023 and 2022, and the changes in financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 of 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 Agency'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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's 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 Agency'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 Agency'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.

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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 financial statements, and other knowledge we obtained during our audit of the 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

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2024 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.

Ernst & Young LLP

January 31, 2024

2401-4418396

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, 2023, and 2022

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, 2023 ("fiscal 2023") and 2022 ("fiscal 2022"), with selective comparative information for the fiscal year ended October 31, 2021 ("fiscal 2021"). 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 2023 compared to fiscal 2022. 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, 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

	October 31,			% Change	
	2023	2022	2021	2023-2022	2022-2021
	(In thousands)				
Assets:					
Receivable from municipalities:					
Advances	$ 6,880	$ 37,385	$ 76,880	(82%)	(51%)
Bonds purchased	30,126	42,765	55,136	(30%)	(22%)
Other assets	3,047	3,293	4,193	(7%)	(21%)
Total assets	**40,053**	**83,443**	**136,209**		
Deferred outflows of resources:					
Deferred loss on bond defeasance	**0**	**0**	**310**	0%	(100%)
Liabilities:					
Bonds payable, net	37,690	81,541	134,487	(54%)	(39%)
Other liabilities	3,316	3,133	4,660	6%	(33%)
Total liabilities	**41,006**	**84,674**	**139,147**		
Net position:					
Unrestricted deficit	$ **(953)**	$ **(1,231)**	$ **(2,628)**		

Overall Financial Position - Deficit
Net deficits are reported as of October 31, 2023, 2022, and 2021 in the amounts of $953 thousand, $1.2 million and, $2.6 million respectively. The net position increased by approximately $278 thousand in fiscal year 2023 and increased by $1.4 million in fiscal year 2022 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 repayment by The City of New York, advances declined from $37.4 million in fiscal year 2022 to $6.9 million in fiscal year 2023, a decrease of $30.5 million or 82%. In fiscal year 2022, advances declined from $76.9 million in fiscal year 2021 to $37.4 million, a decrease of $39.5 million or 51%.

Bonds Purchased

Bonds purchased in the amounts of $30.1 million, $42.8 million, and $55.1 million as of October 31, 2023, 2022 and 2021, 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 $42.8 million on October 31, 2022, to $30.1 million at October 31, 2023, a decrease of $12.7 million, or 30%, compared to the decrease from $55.1 million at October 31, 2021 to $42.8 million at October 31, 2022, a decrease of $12.3 million, or 22% 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, investments and cash held, decreased from $3.3 million in fiscal year 2022 to $3 million in fiscal year 2023, a decrease of $300 thousand, or 7% compared to a decrease from $4.2 million on October 31, 2021 to $3.3 million at October 31, 2022, a decrease of $900 thousand, or 21% primarily due to the decline in receivables from municipalities.

Changes in Liabilities

Bonds Payable

Bonds Payable, net decreased from $81.5 million on October 31, 2022 to $37.7 million at October 31, 2023, a decrease of approximately $43.9 million or 54%. This compared with a decline during the prior fiscal year from $134.5 million on October 31, 2021, to $81.5 million at October 31, 2022, a decrease of approximately $53 million or 39%. The decreases were a result of bond principal payments during each fiscal year.

Other Liabilities

Other liabilities increased from $3.1 million on October 31, 2022 to $3.3 million at October 31, 2023, an increase of approximately $200 thousand or 6%. This increase is primarily attributed to an increase in amounts due to other agencies and interest payable.

CONDENSED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	Fiscal Year Ended October 31,			% Change	
	2023	2022	2021	2023-2022	2022-2021
	(In thousands)				
Operating revenues:					
Interest on advances and bonds purchased	$ 2,626	$ 4,906	$ 7,191	(46%)	(32%)
Fees and charges	51	403	90	(87%)	348%
Total operating revenues	**2,677**	**5,309**	**7,281**		
Operating expenses:					
Interest	1,957	3,241	8,519	(40%)	(62%)
Other	442	671	525	(34%)	28%
Total operating expenses	**2,399**	**3,912**	**9,044**		
Non-operating revenues (expenses):					
Federal interest subsidy revenue	837	1,067	1,731	(22%)	(38%)
Federal interest subsidy expense	(837)	(1,067)	(1,731)	(22%)	(38%)
Transfers from the State of New York	-	-	6,000	-	0%
Transfers to Municipalities of the State of New York	-	-	(6,000)	-	0%
Total non-operating revenues (expenses)	**-**	**-**	**-**		
Net position:					
Change in net position	278	1,397	(1,763)		
Total net position - beginning of year	(1,231)	(2,628)	(865)		
Total net position - end of year	**$ (953)**	**$ (1,231)**	**$ (2,628)**		

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 $4.9 million in fiscal 2022 to $2.3 million in fiscal 2023, a decrease of approximately $2.3 million or 46%. During the 2022 fiscal year, interest on advances and bond purchased declined from $7.2 million in fiscal year 2021 to $4.9 million, a decrease of approximately $2.3 million, or 32%. The declines were primarily a result of the reduction of principal amounts due from municipalities.

Fees and Charges

Fees and charges decreased from $403 thousand in fiscal year 2022 to $51 thousand in fiscal year 2023, a decrease of approximately $352 thousand, or 87%. This decrease is primarily because no new bonds were issued, and cost of issuance (COI) fees were not collected in fiscal 2023. Fees and charges increased from $90 thousand in fiscal year 2021 to $403 thousand in fiscal year 2022, an increase of approximately $313 thousand, or 348%.

Interest Expense

Interest expense incurred on bonds outstanding decreased from $3.2 million in fiscal year 2022 to $2 million in fiscal year 2023, a decrease of approximately $1.2 million, or 40%. This compares with a decrease from $8.5 million in fiscal year 2021 to $3.2 million in fiscal year 2022, a decrease of approximately $5.3 million, or 62%. 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 decreased approximately $263 thousand, or 22% from $1.1 million in fiscal 2022 to $837 thousand in fiscal 2023. Federal interest subsidy payments of $1.7 million in 2021, decreased to $1.1 million in fiscal 2022.

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

For the fiscal years ended October 31, 2023 and 2022, there were no transfers from the State of New York Mortgage Agency. In fiscal 2021 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.

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

	October 31, 2023	October 31, 2022
	(In thousands)	
Assets		
Current assets:		
Restricted cash held by trustee	$ 796	$ 1,891
Investments	1,662	-
Receivable from muncipalities:		
Advances	720	30,000
Bonds purchased	10,710	13,190
Interest receivable and other	589	1,402
Total current assets	**14,477**	**46,483**
Non-current assets:		
Receivable from municipalities:		
Advances	6,160	7,385
Bonds purchased	19,416	29,575
Total non-current assets	**25,576**	**36,960**
Total assets	**40,053**	**83,443**
Liabilities		
Current liabilities:		
Bonds payable	11,430	43,145
Interest payable	589	1,402
Due to The New York State Housing Finance Agency	1,944	1,188
Due to the Tobacco Settlement Financing Corporation	167	292
Accounts payable	49	51
Federal interest subsidy funds due to municipalities	567	200
Total current liabilities	**14,746**	**46,278**
Non-current liabilities:		
Bonds payable, net	26,260	38,396
Total liabilities	**41,006**	**84,674**
Net position		
Unrestricted deficit	(953)	(1,231)
Total net position	**$ (953)**	**$ (1,231)**

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,	
	2023	2022
	(In thousands)	
Operating revenues		
Interest on advances and bonds purchased	$ 2,626	$ 4,906
Fees and charges	51	403
Total operating revenues	**2,677**	**5,309**
Operating expenses		
Interest	1,957	3,241
Other	442	671
Total operating expenses	**2,399**	**3,912**
Operating profit	**278**	**1,397**
Non-operating revenues (expenses)		
Federal interest subsidy revenue	837	1,067
Federal interest subsidy expense	(837)	(1,067)
Total non-operating revenues (expenses)	-	-
Increase in net position	278	1,397
Total net deficit - beginning of year	(1,231)	(2,628)
Total net deficit - end of year	**$ (953)**	**$ (1,231)**

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, 2023	2022
	(In thousands)	
Cash flows from operating activities:		
Interest on advances and bonds purchased	$ 3,439	$ 5,854
Other expenses	187	(895)
Fees and charges	51	403
Principal payments on advances received from municipalities	30,505	39,495
Principal payments on bonds purchased received from municipalities	12,639	12,371
Net cash provided by operating activities	**46,821**	**57,228**
Cash flows from non-capital financing activities:		
Interest paid on bonds	(2,770)	(3,879)
Federal interest subsidy funds received	837	1,067
Federal interest subsidy funds paid	(470)	(1,422)
Principal repayments	(43,851)	(52,946)
Net cash used in non-capital financing activities	**(46,254)**	**(57,180)**
Cash flows from investing activities:		
Purchase of investments	(1,662)	-
Net cash used in investing activities	**(1,662)**	**-**
Net (decrease) in cash	(1,095)	48
Cash at beginning of year	1,891	1,843
Cash at end of year	**$ 796**	**$ 1,891**

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,	
	2023	2022
	(In thousands)	
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 278	$ 1,397
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of deferred loss on defeasance	-	(310)
Interest paid on bonds	1,957	3,551
Changes in assets and liabilities:		
Advances from municipalites	30,505	39,495
Bonds purchased from municipalities	12,639	12,371
Interest receivable and other	813	948
Due to/from the Tobacco Settlement Financing Corporation	(125)	232
Accounts payable	(2)	(10)
Due to the New York State Housing Finance Agency	756	(446)
Net cash provided by operating activities	**$ 46,821**	**$ 57,228**

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, 2023 and 2022

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.

Investments

Investments are recorded at fair value.

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.

Revenue and Expense Classification

Operating revenue consists of interest on advances and bonds purchased, 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 adopted the pronouncement in fiscal year 2023 with no significant impact to the financial statements.

3. Deposits and Investments

Cash on deposit amounted to $796 thousand and $1.9 million on October 31, 2023 and 2022, respectively. All amounts above the FDIC insured limits are collateralized by the Trustee.

All of the Agency's funds are held in trust accounts. All of the Agency's investments that are securities are in registered form, and are held by agents of the Agency or by the trustee in the Agency's name. The agents or their custodians take possession of the securities. For the fiscal year ended October 31, 2023, all the Agency funds were invested in accordance with the applicable policy (described below) or resolution. At October 31, 2023, investments were invested in U.S. Treasury Bills that mature in less than one year.

<u>**Credit Risk**</u>

The Agency has a formal investment policy which is approved annually by the Agency's board. The investment policy is in compliance with the New York State Comptroller's Investment Guidelines and governs the investment of all the Agency's monies. These guidelines and policies are designed to protect principal by limiting credit risk. A summary of permitted investment policies and procedures is as follows:

- General obligations of, or obligations guaranteed by any state of the United States of America or political subdivision thereof, or the District of Columbia or any agency or instrumentality of any of them (excluding FNMA and FHLMC obligations as defeasance collateral);

- Certificates of deposit, savings accounts, demand and time deposits or other obligations or accounts of banks or trust companies in the State, secured as required by the Agency;

3. Deposits and Investments (continued)

- Obligations in which the State Comptroller is authorized to invest pursuant to Section 98 or 98-a of the State Finance Law;

- Commercial or finance company paper payable not more than 190 days after the date of issuance;

- Units of taxable money market funds which funds are regulated investment companies and seek to maintain a constant net asset value per share;

- Repurchase obligations, investment agreements or guaranteed investment contracts;

- Non-AMT Tax-Exempt obligation (Supplemental Account only).

There are minimum ratings requirements associated with the authorized investments described above.

Custodial Credit Risk

The Agency manages custodial credit risk by limiting its investments to highly rated institutions and/ or requiring high quality collateral be held by the counterparty in the name of the Agency.

Interest Rate Risk

Interest rate risk is minimal due to the short term duration of the Agency's investments.

4. Fair Value Measurements

The Agency categorizes its fair value measurements within the fair value hierarchy established by U.S. generally accepted accounting principles. The hierarchy is based on the evaluation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of October 31, 2023, US Treasury Bills held by the Agency are measured at fair value at $1.6 million and are within the Level 2 inputs category of fair value hierarchy. These financial instruments are valued using matrix pricing.

5. Bond Indebtedness

No bonds were issued in fiscal 2023. As of October 31, 2023, and 2022, the outstanding bonds, issued by the Agency are listed below:

	Original Face Amount	Balance October 31, 2022	Issued	Principal Payment/ Retired	Balance October 31, 2023
Special Program (City of Buffalo) Revenue Bonds,					
2022 Series A, 2%-5%, maturing in varying annual installments to 2032	$ 7,385	$ 7,385	$ -	$ (505)	$ 6,880
Special School Purpose Revenue Bonds (Prior Year Claims)					
2012 Series A, 2%-5%, maturing in varying semi-annual installments to 2022	281,315	30,000	-	(30,000)	-
Recovery Act Bonds, 2009 Series A					
Sub-Series 2009A2 (Federally Taxable-Build America Bonds), 5.16%-5.66%, maturing in varying installments to 2024	9,400	2,300	-	(2,300)	-
Sub-Series 2009A3 (Federally Taxable-Recovery Zone Bonds), 6.45%, maturing in 2029 installments to 2024	2,860	2,585	-	(285)	2,300
2009 Series C					
Sub-Series 2009C1 (Tax Exempt), 4%-5%, maturing in varying annual installments to 2024	97,172	905	-	(445)	460
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	1,380	-	(205)	1,175

5. Bond Indebtedness (continued)

	Original Face Amount	Balance October 31, 2022	Issued	Principal Payment/ Retired	Balance October 31, 2023
2010 Series A					
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	10,225	-	(3,285)	6,940
2010 Series B					
Sub-Series 2010B2 (Federally Taxable-Build America Bonds and Recovery Zone Bonds), 5.32%-5.95%, maturing in varying installments to 2025	20,935	13,130	-	(4,205)	8,925
2010 Series C					
Sub-Series 2010C2 (Federally Taxable-Recovery Zone Bonds), 5.24%-5.64% maturing in varying installments to 2021	3,150	2,315	-	(295)	2,020
2010 Series D					
Sub-Series 2010D2 (Federally Taxable-Build America Bonds and Recovery Zone Bonds), 5.34%-5.94%, maturing in varying installments to 2021	27,980	8,190	-	(1,620)	6,570
Total Bond Indebtedness	50,652	80,105	-	(43,145)	36,960
Bond premium	-	1,435	-	(705)	730
Total Net Bond Indebtedness	**$ 50,652**	**$ 81,540**	**$ -**	**$ (43,850)**	**$ 37,690**

6. Debt Service Requirements

The schedule of total annual maturities at October 31, 2023 was as follows:

	Principal	Interest	Total
		($ In thousands)	
Fiscal year ending October 31,			
2024	$ 11,430	$ 2,032	$ 13,462
2025	9,280	1,370	10,650
2026	2,585	956	3,541
2027	2,705	788	3,493
2028	2,830	612	3,442
2029 - 2033	6,350	1,106	7,456
2034 - 2038	1,780	158	1,938
Total	$ 36,960	$ 7,022	$ 43,982

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 per the HFA Service Agreement, the agency owed to HFA a liability of $1.9 million and $1.1 million as of October 31, 2023, and 2022, respectively. 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 $442 thousand and $671 thousand for the years ended October 31, 2023, and 2022, respectively. As of October 31, 2023 and 2022, the Agency owed the Corporation approximately $167 thousand and $292 thousand, respectively, in accordance with the TSFC Service Agreement.

8. Subsequent Events

Subsequent to October 31, 2023, there were no transactions that require disclosure or recognition in the Agency’s financial Statements.

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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 (*Government Auditing Standards)*, 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, 2023, 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 (collectively referred to as the "financial statements"), and have issued our report thereon dated January 31, 2024.

Report on 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 or significant deficiencies may exist that were not identified.

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Report on 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

January 31, 2024

Kathy Hochul, Governor

RuthAnne Visnauskas, Commissioner/CEO

State of New York Municipal Bond Bank Agency

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