THE MAINE TURNPIKE AUTHORITY

Financial Statements

For the Years Ended December 31, 2016 and 2015

THE MAINE TURNPIKE AUTHORITY

Financial Statements

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Independent Auditors' Report

To the Board of Directors
Maine Turnpike Authority
Portland, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the Maine Turnpike Authority, a component unit of the State of Maine, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Authority'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 accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Maine Turnpike Authority, as of December 31, 2016 and 2015, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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To the Board of Directors
Maine Turnpike Authority

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8, the trend data on infrastructure condition on page 38, the schedule of funding progress for the retiree healthcare plan on page 38, the schedule of proportionate share of net pension liability on page 39, and the schedule of contributions on page 39, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The Calculation of the Composite Debt Service Ratio on page 40, as required by the bond resolutions and related documents and the Statement of Activities for the State of Maine General Purpose Financial Statements on page 41, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Calculation of the Composite Debt Service Ratio on page 40 and the Statement of Activities for the State of Maine General Purpose Financial Statements on page 41 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Calculation of the Composite Debt Service Ratio on page 40 and the Statement of Activities for the State of Maine General Purpose Financial Statements on page 41 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 16, 2017, on our consideration of the Maine Turnpike Authority'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Maine Turnpike Authority's internal control over financial reporting and compliance.

Macpage LLC

South Portland, Maine
March 16, 2017

THE MAINE TURNPIKE AUTHORITY

Management's Discussion and Analysis

December 31, 2016

The management of the Maine Turnpike Authority (the Authority) offers this narrative overview and analysis of the Authority's financial activities for the years ended December 31, 2016 and 2015. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. The information presented here should be read in conjunction with the Authority's basic financial statements.

Financial Highlights

Net operating income for the Maine Turnpike Authority was $64,107,568 and $56,636,296 for calendar years 2016 and 2015, respectively. The increase in net operating income is due to an increase in Net Fare Revenue, an increase in Interest Income as well as a reduction in Preservation Expenses. Total Revenues increased 4.7% in 2016, which is mostly due to an increase in traffic of 5.2% over the prior year. The decrease in Operating Expenses is due to a decrease in Preservation Expenses over the prior year offset by an increase in the retirement plan expense due to an increase in the actuarial calculated net pension liability for the Authority's employees who participate in the Maine Public Employees Retirement System. Please see Note 8 of the Financial Statements for additional information on the Authority's pension plan.

Current year activity produced a change in net position of $46,476,966 compared to $37,794,458 for fiscal years 2016 and 2015, respectively. The term "net position" refers to the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. At the close of calendar year 2016, the Authority had a net position of $282,915,576, an increase of 20% over calendar year 2015. At the close of calendar year 2015, the Authority's net position was $236,438,610. The Authority's overall financial position has improved as shown by the increase in net position.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements are presented in a manner similar to a private-sector business and have been prepared according to accounting principles generally accepted (GAAP) in the United States. Revenues are recorded as they are earned and expenses are recorded as they are incurred, regardless of when cash is received or disbursed.

Basic Financial Statements

The statement of net position presents information on all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position serve as a relative indicator of the change in financial position of the Authority.

The statement of revenues, expenses, and changes in net position shows the result of the Authority's total operations during the fiscal year and reflects both operating and non-operating activities. Changes in net position reflect the fiscal period operating impact upon the overall financial position of the Authority.

The statement of cash flows provides a detailed analysis of all sources and uses of cash. The direct method of cash flows is presented, ending with a reconciliation of operating income to net cash provided by operating activities. The statement of cash flows is divided into the following activities: operating, capital and related financing, and investing.

Notes to the Financial Statements

The notes provide additional information that is essential to fully understand the data provided in the basic financial statements.

Other Information

In addition to the basic financial statements and notes, this report also presents required supplementary information concerning infrastructure condition, the retiree healthcare plan, and information on the Authority's participation in the Maine Public Employer's Retirement System. Additionally, certain supplementary information concerning the Authority's debt service ratio, as defined by the bond resolution, is included.

Financial Analysis

Maine Turnpike Authority's Statement of Net Position

	December 31,	
	2016	**2015**
Assets and Deferred Outflows		
Current Assets	$ 87,681,277	$ 99,479,625
Capital Assets, Net of Accumulated Depreciation	604,788,325	569,354,923
Non-Current Assets	13,058,570	13,050,120
Non-Current Restricted Assets	50,423,629	40,308,610
Other Assets	5,045,291	7,328,727
Deferred Outflows of Resources	23,759,835	20,725,444
Total Assets and Deferred Outflows	**$ 784,756,927**	**$ 750,247,449**
Liabilities and Deferred Inflows		
Current Liabilities	53,861,896	49,190,827
Bonds Payable, Net of Unamortized Premiums and Unamortized Refunding Losses, net of current position	400,977,616	425,438,505
Other Post Employment Benefits Liability	19,866,253	18,030,253
Other Non-current Liabilities	2,330,991	2,054,683
Net Pension Liabilities	20,031,423	12,529,254
Deferred Inflow of Resources	4,773,172	6,565,318
Total Liablilities and Deferred Inflows	**$ 501,841,351**	**$ 513,808,840**
Net Position:		
Net Investment in Capital Assets	251,533,325	199,594,922
Restricted	33,469,849	37,009,740
Unrestricted (Deficit)	(2,087,598)	(166,053)
Total Net Position	**$ 282,915,576**	**$ 236,438,610**
Total Liabilities and Net Position	**$ 784,756,927**	**$ 750,247,449**

Management Discussion and Analysis, *continued*

As noted earlier, net position serves as an indicator of the Authority's overall financial position. In the case of the Authority, assets and deferred outflows exceeded liabilities and deferred inflows by $282,915,576 at the close of 2016. This represents an increase of $46,476,966 (20%) over the net position balance of $236,438,610 as of December 31, 2015. This increase was primarily due to an increase in Net Fare Revenue as a result of increased traffic as well as a decrease in Preservation Expenses for 2016.

The largest portion of the Authority's net position reflects its net investment in capital assets (e.g., right-of-way, roads, bridges, toll equipment, etc.) less any related outstanding debt used to acquire those assets. The Authority uses these capital assets to provide service and consequently, these assets are not available for liquidating liabilities or for other spending. The net investment in Capital Assets was $251,533,325 and $199,594,922 as of December 31, 2016 and 2015, respectively.

Restricted net position is reserved for projects defined in the bond resolutions and applicable bond issue official statements. The Authority's restricted net position was $33,469,849 and $37,009,740 as of December 31, 2016 and 2015, respectively. The unrestricted net position for the year ended December 31, 2016 is negative due to recording the net pension liability as required by GASB 68.

The Maine Turnpike Authority's Changes in Net Position

	For the Years Ended December 31,	
	2016	**2015**
Revenues:		
Net Fare Revenues	$ 133,822,432	$ 128,199,732
Concession Rental	4,548,363	4,521,742
Investment Income	693,425	259,728
Miscellaneous	1,504,164	1,257,974
Total Revenues	**$ 140,568,384**	**$ 134,239,176**
Expenses:		
Operations	23,786,633	22,423,909
Maintenance	32,472,107	31,892,438
Administrative	2,491,143	2,375,593
Depreciation	6,368,706	5,999,129
Preservation	11,070,694	14,734,645
Interest Expense	17,948,403	19,069,542
Other	(46,268)	(50,537)
Total Expenses	**$ 94,091,418**	**$ 96,444,719**
Changes in Net Position	**46,476,966**	**37,794,458**
Net Position, beginning of year	**$ 236,438,610**	**$ 198,644,152**
Net Position, end of year	**$ 282,915,576**	**$ 236,438,610**

The Authority's net fare revenues, which represent approximately 96% of all operating revenues, increased $5,622,700 (4.4%) in 2016. The increase is due to an increase in traffic of 5.2% from the prior year. Concession Rental income increased $26,621 (0.6%) in 2016, due to increased customer patronage. Operations, Maintenance and Administrative expenses increased $2,057,943 (3.6%) in 2016. This increase is mainly attributed to an increase in the retirement plan expense due to an increase in the actuarial calculated net pension liability of the Authority's employees who participate in the Maine Public Employees Retirement System, and along with that, the Authority went over budget in line items that were weather related like salt, truck parts and snow plowing equipment. Please see Note 8 of the Financial Statements for additional information on the Authority's pension plan. Preservation expenses decreased $3,663,951 (24.9%) in 2016 due to a reduction of the paving rehabilitation, bridge repairs, clearzone improvements and guardrail upgrades compared to an accelerated program that occurred the year prior.

Capital Assets and Debt Administration

Capital Assets

The Authority's investment in capital assets as of December 31, 2016 amounted to $686,289,968 of gross asset value with accumulated depreciation of $81,501,642, leaving a net book value of $604,788,325. Capital assets include right-of-way, roads, bridges, buildings, equipment and vehicles. Please see Note 3 of the financial statements for a schedule of changes in the Authority's capital assets.

Capital asset acquisitions are capitalized at cost. Acquisitions are funded through debt issuance and Authority revenues.

Major capital asset events of 2016 include the completion of the Lewiston Interchange, the southbound Gray toll plaza and interchange and the West Gardiner Open Road Tolling (ORT) project. Renovations to the service plazas in Cumberland and Gray were completed in 2016. The concept in these locations was changed from Starbucks/convenience stores to Burger Kings with drive-thru windows. Two bridge rehabilitation projects, Maple Street and Small Road underpasses, were completed in 2016. Work continued on the Exit 52 (Falmouth Spur) ORT conversion and is anticipated to be completed in the second quarter of 2017. Work on the Exit 44 (I-295) barrier replacement and ORT conversion will commence in the spring of 2017. Planning and permitting continues for the York Toll replacement project as well. Lastly, the Authority is also in the process of updating its electronic Toll System, which was installed in 2004, and is being replaced by Transcore's Infinity system. This project will upgrade each toll plaza location with improved traffic counting and video/image technology to continue the highly accurate data collection the Authority requires. The upgrade will be phased in over the next five years. In 2016, Phase III is well under way and includes Biddeford, Falmouth Exit 53, Saco and Jetport Northbound Toll Plazas.

Modified Approach for Infrastructure Assets

The Maine Turnpike Authority has elected to use the modified approach to infrastructure reporting. This means that, in lieu of reporting depreciation on infrastructure, the Authority reports the costs associated with maintaining the existing asset in good condition as preservation expense. Infrastructure assets include: roads, bridges, interchanges, tunnels, right of way, drainage, guard rails, and lighting systems associated with the road. Pursuant to its bond covenants, the Authority maintains a reserve maintenance fund for these preservation expenses. For fiscal 2016, $11,070,694 was spent for preservation compared to an estimated cost of $11,665,000.

The roadways are rated on a 10-point scale, with 10 meaning that every aspect of the roadway is in new and perfect condition. The Authority's system as a whole is given an overall rating, indicating the average condition of all roadways operated by the Authority. The assessment of condition is made by visual inspection designed to reveal any condition that would reduce highway-user benefits below the maximum level of service. The Authority's policy is to maintain the roadway condition at a rating of 8 (generally good condition) or better. The results of the 2016 inspection states that the Maine Turnpike has been maintained in generally good condition and presents a favorable appearance, which is the same assessment the Authority received in 2015.

Long-term Debt

The Authority has outstanding bonds payable of $386,377,516 and $34,430,100 for revenue and subordinated bonds, respectively (both net of unamortized bond discounts and premiums). Please see Note 6 of the financial statements for the annual principal payment requirements on revenue and subordinated bonds as of December 31, 2016.

The Authority has a cap, set by the Legislature, on the amount of revenue bonds that can be outstanding at any given time. The cap is currently $486,000,000 and has not changed since 2007. As of December 31, 2016, outstanding revenue bonds were $353,255,000, leaving $132,745,000 available under the cap.

The Authority's current bond ratings are as follows:

Fitch	AA-
Moody's	Aa3
Standard & Poor's	AA-

In 2016, Fitch and Standard & Poor's completed their review of the Authority's finances and each agency affirmed the Authority's ratings and gave a stable outlook. In addition, Standard & Poor's raised its rating on the Authority's Series 2014 special obligation bonds to A+ from A. In March 2017, Moody's completed their financial review of the Authority and affirmed their Aa3 rating with a stable outlook.

Debt Service Reserve Fund

The general bond resolution requires the Authority to fund the Debt Service Reserve Requirement with cash and investments or with a surety policy or letter of credit.

Currently, the Debt Service Reserve requirement is approximately $16,821,933, which is fifty percent of maximum annual debt service (MADS). The debt service reserve requirement is fully funded with cash. The Authority has approximately $9,000,000 of surety bonds in place, however, with the exception of Assured Guaranty (FSA), the sureties are rated lower than the Authority's bond ratings and therefore do not count towards the Debt Service Reserve requirement.

In 2014 FSA, now Assured Guaranty, was upgraded by Moody's and now meets the debt service reserve fund requirements towards one half of MADS. The value of the Assured Guaranty sureties is approximately $4,100,000.

Please see Note 7 of the Financial Statements for more discussion of the Debt Service Reserve Fund.

Budgetary Controls

Each year the Maine Turnpike Authority presents their Operating, Reserve Maintenance and Capital budgets to the Transportation Committee and it is ultimately voted on by the State of Maine Legislature. The Authority has made several decisions which have resulted in significant reductions to preceding budgets that have been received very positively by the Committee and the Legislature. More importantly, actual expenses have begun to prove that these decisions have positively affected the Authority's outcome without negatively impacting the mission of the Authority which is to provide a safe and efficient highway operated at a reasonable cost.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Chief Financial Officer, Maine Turnpike Authority, 2360 Congress Street, Portland, ME 04102; or email your questions to *info@maineturnpike.com.*

STATEMENTS OF NET POSITION

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	December 31, 2016	2015
Current Assets:		
Cash and Equivalents	$ 6,830,249	$ 6,499,152
Restricted Cash and Equivalents to meet current restricted liabilities	40,579,172	21,780,193
Restricted Investments - Short Term	31,767,456	63,948,783
Accounts Receivable and Accrued Interest Receivable	5,373,982	4,639,268
Inventory	1,289,570	1,604,365
Other - Current Assets	1,840,848	1,007,864
Total Current Assets	**87,681,277**	**99,479,625**
Non-Current Assets:		
Investments - Long Term	**13,058,570**	**13,050,120**
Restricted Assets		
Cash and Equivalents	38,379,510	20,972,426
Investments - Long Term	11,857,264	19,266,210
Accounts Receivable and Accrued Interest Receivable	186,855	69,975
Total Restricted Assets	**50,423,629**	**40,308,610**
Other Assets		
Prepaid Bond Insurance - Net	400,291	488,727
MDOT Prepaid Transfer	4,645,000	6,840,000
Total Other Assets	**5,045,291**	**7,328,727**
Capital Assets not being Depreciated:		
Land and Infrastructure	505,323,830	481,507,756
Construction in Progress	29,094,724	25,419,733
Capital Assets net of Accumulated Depreciation:		
Property and Equipment	70,369,771	62,427,434
Total Capital Assets - Net of Accumulated Depreciation	**604,788,325**	**569,354,923**
Total Non-Current Assets	**673,315,814**	**630,042,379**
TOTAL ASSETS	**760,997,092**	**729,522,005**
Deferred Outflows of Resources:		
Deferred Loss on Refunding Bonds	12,500,108	13,741,063
Deferred Pension Outflows	11,259,727	6,984,381
Total Deferred Outflows of Resources	**23,759,835**	**20,725,444**
Total Assets and Deferred Outflows of Resources	**$ 784,756,927**	**$ 750,247,449**

See independents auditors' report.
The accompanying notes are an integral part of these financial statements.

STATEMENTS OF NET POSITION, *continued*

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	December 31, 2016	2015
Current Liabilities Payable from Unrestricted Assets:		
Accounts, Contracts and Retainage Payable	$ 4,618,261	$ 3,713,701
Accrued Salary, Vacation and Sick Leave Payable	2,843,395	2,556,786
Unearned Fare Revenue	9,585,714	8,767,990
Unearned Concession Rentals	285,414	303,819
Total Current Liabilities Payable from Unrestricted Assets	**17,332,784**	**15,342,296**
Current Liabilities Payable from Restricted Assets:		
Accounts, Contracts and Retainage Payable	7,329,503	5,254,418
Accrued Salary, Vacation and Sick Leave Payable	202,126	215,891
Bond Interest Payable	8,756,083	9,192,321
Current Portion of Revenue Bonds and Subordinated Debt Payable	19,830,000	18,700,000
Other Current Liabilities	411,400	485,901
Total Current Liabilities Payable from Restricted Assets	**36,529,112**	**33,848,531**
Total Current Liabilities	**53,861,896**	**49,190,827**
Non-current Liabilities:		
Long-term Revenue Bonds and Subordinated Debt Payable	400,977,616	425,438,505
Other Post Employment Benefits Liability	19,866,253	18,030,253
Other Non-current Liabilities	2,330,991	2,054,683
Net Pension Liability	20,031,423	12,529,254
Total Non-current Liabilities	**443,206,283**	**458,052,695**
Total Liabilities	**497,068,179**	**507,243,522**
Deferred Inflows of Resources:		
Deferred Pension Inflows	4,773,172	6,565,318
Total Liabilities and Deferred Inflows of Resources	**501,841,351**	**513,808,840**
Net Position:		
Net Investment in Capital Assets	251,533,325	199,594,922
Restricted	33,469,849	37,009,740
Unrestricted (Deficit)	(2,087,598)	(166,053)
Total Net Position	**282,915,576**	**236,438,610**
Total Liabilities, Deferred Inflows of Resources and Net Position	**$ 784,756,927**	**$ 750,247,449**

See independents auditors' report.
The accompanying notes are an integral part of these financial statements.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	For the Years Ended December 31, 2016	2015
REVENUES		
Operating Revenue:		
Net Fare Revenue	$ 133,822,432	$ 128,199,732
Concession Rentals	4,548,363	4,521,742
Miscellaneous	1,504,164	1,257,974
Total Operating Revenues	**139,874,959**	**133,979,447**
Interest Income (loss)		
Revenue Fund	152,920	780
Reserve Maintenance Fund	183,486	56,131
Improvement Account	20,395	26,693
Interchange Account	58,339	2,456
Maine Department of Transportation Account	6,752	(3,351)
Total Interest Income (loss)	**421,892**	**82,709**
Total Revenues	**140,296,851**	**134,062,157**
EXPENSES		
Operating Expenses:		
Operations	23,786,633	22,423,909
Maintenance	32,472,107	31,892,438
Administration	2,491,143	2,375,593
Depreciation	6,368,706	5,999,129
Reserve Maintenance - Preservation	11,070,694	14,734,645
Other Expenses - Capital General Expenses	-	146
Total Operating Expenses	**76,189,283**	**77,425,860**
Net Operating Income	**64,107,568**	**56,636,296**
Non-Operating Revenue/(Expenses):		
Investment Income	271,533	177,019
Loss on Sale and Disposal of Capital Assets	(1,060,230)	(105,785)
Interest Expense	(17,948,403)	(19,069,542)
Bond Issuance Cost	-	(1,080,632)
Bond Insurance Amortization	(88,436)	(90,878)
Bond Premium/Discount Amortization	4,630,889	4,566,211
Deferred Loss on Refunding Amortization	(1,240,955)	(1,118,233)
MDOT Prepaid Transfer Amortization	(2,195,000)	(2,120,000)
Total Non-Operating Revenue/(Expenses)	**(17,630,602)**	**(18,841,840)**
Change in Net Position	**46,476,966**	**37,794,458**
Net Position at beginning of year	**236,438,610**	**198,644,152**
Net Position at end of year	**$ 282,915,576**	**$ 236,438,610**

See independents auditors' report.
The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

	For the Years Ended December 31,	
	2016	**2015**
Operating Activities:		
Cash Received from Tolls/Customers	$ 169,385,514	$ 162,125,725
Cash Payments to Suppliers	(69,610,962)	(72,668,882)
Cash Payments to Employees	(23,141,757)	(21,725,495)
Net Cash Provided by Operating Activities	**76,632,795**	**67,731,348**
Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets	(43,148,582)	(60,919,621)
Proceeds from Issuance of Refunding Revenue Bonds	-	1,080,715
Payments for Bond Expenses	-	(1,080,632)
Interest Paid on Revenue Bonds	(16,879,028)	(18,413,049)
Payment of Principal on Revenue Bonds	(16,505,000)	(15,635,000)
Interest Paid on Subordinated Debt Bonds	(1,505,613)	(1,480,125)
Payment of Principal on Special Obligation Bonds	(2,195,000)	(2,120,000)
Net Cash Used in Capital and Financing Activities	**(80,233,223)**	**(98,567,712)**
Investing Activities:		
Purchase of Investments	(45,610,444)	(79,714,609)
Proceeds from Sales and Maturities of Investments	85,142,399	93,372,380
Interest Received	605,632	487,537
Net Cash Provided by (Used in) Investing Activities	**40,137,587**	**14,145,308**
Net Increase (Decrease) in Cash and Equivalents	36,537,159	(16,691,055)
Cash and Equivalents at Beginning of Year	49,251,772	65,942,827
Cash and Equivalents at End of Year	**$ 85,788,931**	**$ 49,251,772**
Cash and Equivalents - Unrestricted	$ 6,830,249	$ 6,499,152
Restricted Cash and Equivalents - Current	40,579,172	21,780,193
Restricted Cash and Equivalents - Non-Current	38,379,510	20,972,426
	$ 85,788,931	**$ 49,251,772**

See independents auditors' report.
The accompanying notes are an integral part of these financial statements.

STATEMENTS OF CASH FLOWS, *continued*

	For the Years Ended December 31,	
	2016	**2015**
Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:		
Income from Operations	**$ 64,107,568**	**$ 56,636,297**
Adjustments to Reconcile Operating Income to Net Cash provided by Operating Activities:		
Depreciation	6,368,706	5,999,129
Interest (Income)/Expense Included in Operating Revenue	(421,892)	(82,709)
Other - Capital General Expenses	-	146
Changes in Assets and Liabilities:		
Accounts Receivable	(714,069)	(210,270)
Prepaid Accounts	(832,983)	29,483
Inventory	314,794	(778,920)
Accounts, Contracts and Retainage Payable	3,467,829	1,079,773
OPEB Valuation	1,836,000	2,073,000
Net Pension Liability & Deferred Inflows/Outflows	1,434,677	1,878,366
Unearned Toll & Concession Revenue	799,320	837,321
Accrued Salary, Vacation and Sick Leave Payable	272,845	269,733
Net Cash Provided by Operating Activities	**$ 76,632,795**	**$ 67,731,348**

See independents auditors' report.
The accompanying notes are an integral part of these financial statements.

Note 1 – Summary of Organization and Significant Accounting Policies and Procedures

Reporting Entity – The Maine Turnpike Authority (the Authority) is a body corporate and politic created by an act of the Legislature of the State of Maine, Chapter 69 of the Private and Special Laws of 1941 as amended, authorized and empowered to construct, maintain and operate a turnpike at such a location as shall be approved by the State Highway Commission and to issue turnpike revenue bonds of the Authority, payable solely from revenues of the Authority. Under the provisions of the Act, turnpike revenue bonds and interest thereon shall not be deemed debt or liability or a pledge of the faith and credit of the State of Maine.

During 1982, the Legislature of the State of Maine, Chapter 595 of the Public Laws of the State of Maine 1982, authorized an act to amend the Maine Turnpike Authority Statutes. This act states that the Maine Turnpike Authority shall continue in existence until such a time as the Legislature shall provide for termination and all outstanding indebtedness of the Authority shall be repaid or an amount sufficient to repay that indebtedness shall be set aside in trust.

For financial reporting purposes, the Authority is a stand-alone entity; there are no component units included in the accompanying financial statements. In 2012 the Authority was considered a component unit of the State of Maine, for financial reporting purposes only.

Basis of Accounting – The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (standards and interpretations), constitute GAAP for governmental units. GAAP also includes guidance from the American Institute of Certified Public Accountants in the publication entitled, State and Local Governments. The Authority prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for governmental proprietary funds, which are similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. Proprietary funds distinguish operating revenues and expenses from non-operating activity. Operating revenues arise from providing goods or services to outside parties for a fee. The intent of the governing body is that the operating costs, including administration and depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses that are not derived directly from operations are reported as non-operating revenues and expenses.

Operating Revenues and Expenses – The Authority's operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its System. Operating revenues for fares are recognized as the vehicles pass through the toll system. Prepayments on account are recorded as deferred fare revenue. Concession rental income is recognized based on the terms of the rental agreements. Net fare revenue is net of credit card fees of $2,059,916 and $1,872,808 for 2016 and 2015, respectively.

Non-operating revenues – Non-operating revenues consists of the amortization of bond premiums and discounts realized on previously issued debt, investment income earned and non-operating accounts and gains or loss from the sale of capital assets.

Note 1 – Summary of Organization and Significant Accounting Policies and Procedures, *continued*

Interest Income on Operating Accounts – Interest income generated from on-going operations is included in operating revenue.

Cash and Equivalents – For purposes of the statements of cash flow, demand deposit accounts with commercial banks, and cash invested in short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

Investments – Investments are carried at fair value. Accrued interest paid upon the purchase of investments is recognized as interest income in the period it is earned.

Fair Value Measurements - Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Authority uses various methods, including market, income and cost approaches. Based on these approaches, the Authority often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Authority utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Authority is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.

- Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.

- Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

In determining the appropriate levels, the Authority performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

Accounts Receivable – Accounts receivable consists primarily of toll revenues due from commercial accounts and other tolling agencies. The Authority obtains surety bonds to cover commercial accounts receivable. Management believes that all accounts receivable as of December 31, 2016 and 2015 are fully collectable. Therefore, no allowance for doubtful accounts was recorded.

Note 1 – Summary of Organization and Significant Accounting Policies and Procedures, *continued*

Inventory – Inventory consists of both EZ Pass transponders and salt. The EZ Pass transponders will be sold to customers and are valued using the First-In First-Out (FIFO) method. Salt, to be used in operations is valued using a weighted average method. Both the EZ Pass Transponders and salt are carried at the lower of cost or market.

Other Assets – Expenses that benefit more than one reporting period are charged to Prepaid Expenses and expensed over its service period. Examples include insurance premiums, software site licenses and service contracts. In 1996 the Authority issued the Series 1996 special obligation bonds to fund various projects for the MaineDOT. The proceeds were recorded as a prepaid expense and are being amortized over the life of the debt service of the bonds. The bonds were refunded in 1998 and again in 2008. The prepaid expense will be fully amortized in 2018.

Restricted Assets – Restricted assets of the Authority represent bond proceeds designated for construction, and other monies required to be restricted for debt service, operations, maintenance, renewal and replacement.

Capital Assets – All capital assets are recorded on the balance sheet at historical cost. Capital assets are included in one of the following categories: Infrastructure; Land and Land Improvements; Buildings; Vehicles; Toll System; Computer and Other Equipment; Intangible Assets; and Construction in Progress.

Costs to acquire additional capital assets, and to replace existing assets or otherwise prolong their useful lives, are capitalized for toll equipment, buildings, toll facilities, other related costs and furniture and equipment. The Authority has elected to use the modified approach to infrastructure reporting. This means that, in lieu of reporting depreciation on infrastructure, the Authority reports as preservation expense the costs associated with maintaining the existing road in good condition. Infrastructure assets include roads, bridges, interchanges, tunnels, right of way, drainage, guardrails, and lighting systems associated with the road.

Depreciation of toll equipment, buildings, toll facilities, other related costs, signs, software and furniture and equipment is computed using the straight-line method, using the full-month convention, over the estimated useful lives of the assets as follows:

Building	30 – 50 years
Building Improvements	15 – 20 years
Land Improvements (exhaustible)	15 years
Toll Equipment	5 – 10 years
Furniture and Fixtures	5 – 15 years
Software	3 – 10 years
Computers, Printers and IT Equipment	3 – 5 years
Other Equipment (incl. Vehicles)	5 – 20 years

Note 1 – Summary of Organization and Significant Accounting Policies and Procedures, *continued*

The following minimum capitalization thresholds for capitalizing fixed assets are as follows:

Land and Improvements (non-exhaustible)	$ 1
Land Improvements (exhaustible)	$ 5,000
Buildings and Improvements	$ 25,000
Machinery/Equipment/Vehicles	$ 5,000
Computers, Printers & IT Equipment	$ 5,000
Software	$ 10,000
Infrastructure	$ 100,000

Under the modified approach, infrastructure assets are considered to be "indefinite lived" assets; that is, the assets themselves will last indefinitely and are, therefore, not depreciated. Costs related to maintenance, renewal and replacement for these assets are not capitalized, but instead are considered to be period costs and are included in preservation expense.

Construction in Progress represents costs incurred by the Authority for in-process activities designed to expand, replace, or extend the lives of existing property and equipment.

Retainage Payable – Retainage payable represents amounts billed to the Authority by contractors for which payment is not due pursuant to retained percentage provisions in construction contracts until substantial completion of performance by contractor and acceptance by the Authority.

Accrued Vacation and Sick Leave Payable – Accrued vacation and sick leave payable includes accumulated vacation pay and vested sick pay.

Accrued Salaries Payable – Accrued salaries payable includes salary and wage expense incurred at the end of the period but not paid until the following period, which amounted to $526,164 and $325,972 for the years ended December 31, 2016 and 2015, respectively, and are included on the statement of net position under Accrued Salary, Vacation and Sick Leave Payable.

Unearned Toll Revenue – The Authority offers a prepaid balance program which allows patrons to carry a balance on their account for future toll expenses. This balance is reduced by each trip through the tolls and can be increased by the patron at any time. The Authority offers a Volume Discount Plan for passenger vehicles for which revenue is earned based on the vehicle passing through the toll system. Any amount remaining in the patrons account is accounted for as unearned revenue.

Bond Premium, Discount and Issuance Costs – Bond premiums and discounts associated with the issuance of bonds are amortized using the effective interest rate method over the life of the bonds. Bond issuance costs such as bond insurance are amortized using the straight-line method over the life of the bonds. Other bond issuance costs, such as consulting, legal and underwriter fees are expensed in the period they are incurred.

Refunded Bonds – The Authority defeased certain bonds in 2004, 2005, 2008, 2012, 2014 and 2015 by placing cash received from the advanced refunding into an irrevocable escrow account to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's balance sheets.

Note 1 – Summary of Organization and Significant Accounting Policies and Procedures, *continued*

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

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

Use of Estimates – The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements, and reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

Use of Restricted/Unrestricted Net Position – When an expense is incurred for purposes for which both restricted and unrestricted assets are available, the Authority's policy is to apply restricted net position first.

Recent Accounting Pronouncements – In February 2015, the GASB issued GASB Statement No. 72, *Fair Value Measurement and Application.* This statement addresses the measurement of investments at fair value using consistent definition and valuation techniques and expands fair value disclosures in the financial statements and was adopted by the Authority as of December 31, 2016. The adoption of this statement is disclosed in Note 2.

In June 2015, the GASB issued GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefit Plan Other Than Pension Plans (OPEB). This statement improves accounting and financial reporting for OPEB. This statement replaces GASB Statement No. 45 and establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense. The new statement is effective for periods beginning after June 15, 2017.

Note 2 – Deposits and Investments

Deposits

Custodial Credit Risk-Authority Deposits: For deposits, custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2016, the Authority reported deposits of $351,909 with a bank balance of $921,126. The entire balance of $921,126 was covered by the F.D.I.C. ($495,921) or by additional insurance purchased on behalf of the Authority by the respective banking institutions ($425,205). As of December 31, 2015, the Authority reported deposits of $338,896 with a bank balance of $530,020. The entire balance of $530,020 was covered by the F.D.I.C. ($489,905) or by additional insurance purchased on behalf of the Authority by the respective banking institutions ($40,115).

Investments

At December 31, 2016, the Authority had the following investments and maturities:

	Fair Value	Less Than 1 Year	1-5 Years	More Than 5 Years
Money Market	$ 23,402,847	$ 23,402,847	$ -	$ -
U.S. Government Securities	6,408,983	6,408,983	-	-
U.S. Government Obligations	33,280,440	6,015,060	27,265,380	-
Federated Treasury Obligation Fund	79,028,042	79,028,042	-	-
Total Investments	**$ 142,120,312**	**$ 114,854,932**	**$ 27,265,380**	**$ -**

At December 31, 2015, the Authority had the following investments and maturities:

	Fair Value	Less Than 1 Year	1-5 Years	More Than 5 Years
Money Market	$ 59,475,780	$ 59,475,780	$ -	$ -
U.S. Government Securities	6,089,941	6,089,941	-	-
U.S. Government Obligations	36,789,331	3,463,421	33,325,910	-
Federated Treasury Obligation Fund	42,822,935	42,822,935	-	-
Total Investments	**$ 145,177,987**	**$ 111,852,077**	**$ 33,325,910**	**$ -**

Deposits and investments are as follows:

	2016	**2015**
Deposits	$ 351,909	$ 338,896
Investment	142,120,312	145,177,987
Total Deposits and Investments	**$ 142,472,221**	**$ 145,516,883**

Note 2 – Deposits and Investments, *continued*

Deposits and investments have been reported as follows in the financial statements:

	2016	2015
Cash and Equivalents	$ 6,830,249	$ 6,499,152
Current Restricted Cash and Equivalents	40,579,172	21,780,193
Noncurrent Restricted Cash and Equivalents	38,379,510	20,972,426
Current Restricted Investments - Short Term	31,767,456	63,948,783
Investments - Long Term	13,058,570	13,050,120
Restricted Investments - Long Term	11,857,264	19,266,210
Total Deposits and Investments	**$ 142,472,221**	**$ 145,516,883**

Fair Value

Fair Values of Assets measured on a recurring basis at December 31 are as follows:

	Total	Level 1	Level 2	Level 3
December 31, 2016				
Cash Equivalents	351,909	351,909	-	-
Money Market	23,402,847	23,402,847	-	-
U.S. Government Securities	6,408,983	6,408,983	-	-
U.S. Government Obligations	33,280,440	33,280,440	-	-
Federated Treasury Obligations Fund	79,028,042	-	79,028,042	-
	$ 142,472,221	**$ 63,444,179**	**$ 79,028,042**	**$ -**

	Total	Level 1	Level 2	Level 3
December 31, 2015				
Cash Equivalents	338,896	338,896	-	-
Money Market	59,475,780	59,475,780	-	-
U.S. Government Securities	6,089,941	6,089,941	-	-
U.S. Government Obligations	36,789,331	36,789,331	-	-
Federated Treasury Obligations Fund	42,822,935	-	42,822,935	-
	$ 145,516,883	**$102,693,948**	**$ 42,822,935**	**$ -**

There were no assets classified Level 3 as of December 31, 2016 or December 31, 2015.

Note 2 – Deposits and Investments, *continued*

Interest Rate Risk: The Authority's policy for investment rate risk is as follows: Portfolio maturities will provide for stability of income and reasonable liquidity; liquidity will be assured through practices ensuring that the next disbursement date is covered through maturities to be staggered to avoid undue concentration in a specific maturity sector.

Maturities selected will provide investments or marketable securities which can be sold to raise cash in a day's notice without loss of principal; and, risks of market price volatility will be controlled through maturity diversification such that aggregate price losses on instruments with maturities exceeding one year shall not be greater than coupon interest on investment income received from the balance of the portfolio.

Credit Risk: Maine statutes authorize the Authority to invest in obligations of the U.S. Treasury and U.S. agencies and repurchase agreements. The Authority does not have a formal policy related to credit rate risk. The Federal Treasury Obligations fund is rated AAAm by Standard & Poors.

Custodial credit risk: investments – For investments, this is the risk that in the event of failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Authority is authorized to invest in: obligations of the U.S. government and its agencies provided they are full faith and credit obligations fully insured or collateralized certificates of deposit at commercial banks and savings and loan associations, repurchase agreements collateralized by U.S. Treasury or Agency securities; and money market mutual funds whose portfolios consist of government securities.

The Authority's investment policy is to attain a market rate of return considered reasonable under generally accepted market principles throughout budgetary and economic cycles while preserving and protecting capital in the overall portfolio thus ensuring prudent use of public funds and preservation of the public's trust. The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing the overall portfolio. All security transactions, including collateral for repurchase agreements, entered into by the MTA shall be conducted on a "delivery vs. payment" basis. Securities will be held by a third party custodian, or Trust Department designated by the Executive Director, CFO, or Director of Finance and evidenced by safekeeping receipts.

Note 3 – Capital Assets

A Summary of changes to capital assets for the year ended December 31, 2016 is as follows:

	Balance 12/31/2015	Additions	Transfers	Disposals	Balance 12/31/2016
Capitalized Assets Not Being Depreciated (cost)					
Land	$ 41,388,232	912,772	3,985,028	-	$ 46,286,032
Infrastructure	440,119,523	-	19,789,766	(871,492)	459,037,798
Construction in Progress	25,419,732	40,444,051	(36,769,060)	-	29,094,724
Total Capital Assets Not Being Depreciated	**506,927,487**	**41,356,823**	**(12,994,266)**	**(871,492)**	**534,418,554**
Capitalized Assets Being Depreciated (cost)					
Land Improvements (exhaustible)	12,611,611	-	1,235,214	(184,384)	13,662,441
Buildings	65,872,489	-	2,599,071	(317,361)	68,154,199
Machinery and Equipment	61,227,202	1,626,986	9,159,981	(1,959,396)	70,054,773
Total Capital Assets Being Depreciated	**139,711,302**	**1,626,986**	**12,994,266**	**(2,461,141)**	**151,871,413**
Less Accumulated Depreciation for:					
Land Improvements (exhaustible)	(7,574,562)	(503,267)	-	184,384	(7,893,445)
Buildings	(25,517,782)	(2,183,460)	-	284,743	(27,416,499)
Machinery and Equipment	(44,191,525)	(3,681,979)	-	1,681,805	(46,191,698)
Total Accumulated Depreciation	**(77,283,869)**	**(6,368,706)**	**-**	**2,150,932**	**(81,501,642)**
Total Capital Assets Being Depreciated, net	**62,427,432**	**(4,741,720)**	**12,994,266**	**(310,208)**	**70,369,771**
Total Capital Assets	**$ 569,354,923**	**36,615,103**	**-**	**(1,181,700)**	**$ 604,788,325**

A Summary of changes to capital assets for the year ended December 31, 2015 is as follows:

	Balance 12/31/2014	Additions	Transfers	Disposals	Balance 12/31/2015
Capitalized Assets Not Being Depreciated (cost)					
Land	$ 39,407,303	42,099	2,065,330	(126,500)	$ 41,388,232
Infrastructure	399,695,000	-	40,537,282	(112,759)	440,119,523
Construction in Progress	13,020,960	59,214,416	(46,815,644)	-	25,419,732
Total Capital Assets Not Being Depreciated	**452,123,263**	**59,256,515**	**(4,213,031)**	**(239,259)**	**506,927,487**
Capitalized Assets Being Depreciated (cost)					
Land Improvements (exhaustible)	11,538,731	-	1,072,880	-	12,611,611
Buildings	65,806,026	-	66,463	-	65,872,489
Machinery and Equipment	56,503,171	2,318,041	3,073,688	(667,698)	61,227,202
Total Capital Assets Being Depreciated	**133,847,928**	**2,318,041**	**4,213,031**	**(667,698)**	**139,711,302**
Less Accumulated Depreciation for:					
Land Improvements (exhaustible)	(7,170,876)	(403,686)	-	-	(7,574,562)
Buildings	(23,380,802)	(2,136,980)	-	-	(25,517,782)
Machinery and Equipment	(41,394,484)	(3,458,463)	-	661,422	(44,191,525)
Total Accumulated Depreciation	**(71,946,162)**	**(5,999,129)**	**-**	**661,422**	**(77,283,869)**
Total Capital Assets Being Depreciated, net	**61,901,766**	**(3,681,088)**	**4,213,031**	**(6,276)**	**62,427,432**
Total Capital Assets	**$ 514,025,030**	**55,575,427**	**-**	**(245,535)**	**$ 569,354,923**

Note 4 – Letter of Credit

The Authority has a $20 million letter of credit with Bangor Savings Bank which expires on December 31, 2017. It is secured under the General Resolution solely by the Authority's Revenues (as defined therein) on a subordinated basis to the Authority's outstanding bonds and additional bonds to be issued on a senior basis, all in accordance with the Resolution. There was no outstanding balance on the letter of credit as of December 31, 2016 and 2015.

Note 5 – Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Authority's net investment in capital assets was calculated as follows:

	Years Ended December 31,	
	2016	**2015**
Capital Assets	$ 686,289,967	$ 646,638,792
Accumulated Depreciation	(81,501,642)	(77,283,870)
Bonds Payable	(353,255,000)	(369,760,000)
Total Net Investment In Capital Assets	**$ 251,533,325**	**$ 199,594,922**

Note 6 – Long-term Debt

Revenue Bonds Payable

The Authority issues revenue bonds from time to time for the purpose of financing capital improvements and new projects. As of December 31, 2016, the Authority had the following outstanding bonds:

- $115,050,000 of Series 2004 Revenue Bonds, issued in October 2004, to pay a portion of the costs of various turnpike projects and to advance refund a portion of the principal amount of the Series 1994, 1997 and 2000 bonds.

- $50,000,000 of Series 2007 Revenue Bonds, issued in September 2007, to pay a portion of the costs of various turnpike projects.

- $45,885,000 of Series 2008 Refunding Revenue Bonds, issued in May 2008, to advance refund principal amounts of the Series 1998 Refunding Bonds, which was called in July 2008.

- $50,000,000 of Series 2009 Revenue Bonds, issued in February 2009, to pay a portion of the costs of various turnpike projects, interest only until 2014.

- $68,990,000 of Series 2012A Revenue Bonds, issued in March 2012, to pay a portion of the costs of various turnpike projects.

Note 6 – Long-term Debt, *continued*

- $84,240,000 of Series 2012B Revenue Refunding Bonds. The proceeds from the bonds were used to advance refund all of the Series 2003 Bonds maturing in the years 2014 through 2033, and a portion of the Series 2004 Bonds maturing in the years 2022 through 2030, in the outstanding principal amount of $87,055,000.

- $39,715,000 of Series 2014 Revenue Refunding Bonds, issued in July 2014. The proceeds from the bonds were used to advance refund a portion of principal amounts of the Series 2004 maturing in the years 2015 through 2020 and Series 2007 maturing in the years 2018 through 2024, in the outstanding principal amount of $43,765,000.

- $144,875,000 of Series 2015 Revenue Refunding Bonds, issued in April 2015. The proceeds from the bonds were used to refund the principal amounts of the Series 2005 Bonds maturing in the years 2016 through 2030; Series 2007 Bonds maturing in the years 2025 through 2035; and Series 2009 Bonds maturing 2020 through 2038

Interest on all bonds is payable semi-annually on January 1st and July 1st of each year. The bonds will mature on July 1st in the years and principal amounts noted below:

Issue	Amount Issued	Maturity Date	Interest Rate	Balance 12/31/2016
Series 2004	$ 115,050,000	7/1/2005 - 2030	3.00-5.25 %	$ 15,290,000
Series 2007	50,000,000	7/1/2013 - 2037	3.75-5.25 %	1,245,000
Series 2008	45,885,000	7/1/2010 - 2018	3.00-5.00 %	12,650,000
Series 2009	50,000,000	7/1/2014 - 2038	3.00-6.00 %	3,830,000
Series 2012	153,230,000	7/1/2014 - 2042	2.00-5.00 %	147,695,000
Series 2014	39,715,000	7/1/2015 - 2024	2.00-5.00%	27,670,000
Series 2015	144,875,000	7/1/2015 - 2038	2.90-5.00 %	144,875,000
Total Revenue Bonds Payable				**$ 353,255,000**

Requirements for the repayment of the outstanding revenue bonds are as follows:

Year Ending	Principal	Interest	Total debt service
2017	$ 17,555,000	$ 16,088,865	$ 33,643,865
2018	18,270,000	15,250,903	33,520,903
2019	13,740,000	14,360,890	28,100,890
2020	14,750,000	13,681,965	28,431,965
2021	16,020,000	12,989,890	29,009,890
2022-2026	94,260,000	52,405,050	146,665,050
2027-2031	101,910,000	29,917,955	131,827,955
2032-2036	46,025,000	14,096,000	60,121,000
2037-2041	26,440,000	4,452,000	30,892,000
2042	4,285,000	214,250	4,499,250
Totals	**$ 353,255,000**	**$ 173,457,768**	**$ 526,712,768**

Note 6 – Long-term Debt, *continued*

A summary of changes in revenue bonds is as follows:

Issue	12/31/15	Additions	Reductions	12/31/16
Series 2004	$ 15,290,000	$ -	$ -	$ 15,290,000
Series 2007	2,435,000	-	(1,190,000)	1,245,000
Series 2008	18,540,000	-	(5,890,000)	12,650,000
Series 2009	5,015,000	-	(1,185,000)	3,830,000
Series 2012	149,595,000	-	(1,900,000)	147,695,000
Series 2014	34,010,000		(6,340,000)	27,670,000
Series 2015	144,875,000	-	-	144,875,000
Totals	**$ 369,760,000**	**$ -**	**$ (16,505,000)**	**$ 353,255,000**

Special Obligation Bonds Payable

• $19,480,000 of Series 2008 Special Obligation Refunding Bonds, issued in May 2008, to refund all of the Authority's outstanding Series 1998 Special Obligation Bonds. The Special Obligation Refunding Bonds are subordinate to the outstanding Revenue Bonds and were originally issued in 1996.

• $27,555,000 of Series 2014 Special Obligation Bonds, issued in July 2014, to purchase a section of Interstate 95 in Kittery extending approximately 1.9 miles from the current southern end of the Turnpike to the abutment of the bridge over the Piscataqua River at the New Hampshire Border. This Kittery segment of the Interstate was maintained by the Authority under contract with Maine DOT and the Authority was reimbursed for the costs associated with upkeep of this section of the Interstate.

Issue	Amount Issued	Maturity Date	Interest Rate	Balance 12/31/2016
Series 2008	$ 19,480,000	7/1/2009 - 2018	3.00-4.00 %	$ 4,645,000
Series 2014	27,555,000	7/1/2019 - 2034	3.00-5.00 %	27,555,000
Total Special Obligation Bonds Payable				**$ 32,200,000**

Note 6 – Long-term Debt, *continued*

Requirements for the repayment of the outstanding special obligation bonds are as follows:

Year Ending	Principal	Interest	Total Debt Service
2017	$ 2,275,000	$ 1,423,300	$ 3,698,300
2018	2,370,000	1,332,300	3,702,300
2019	1,205,000	1,237,500	2,442,500
2020	1,265,000	1,177,250	2,442,250
2021	1,330,000	1,114,000	2,444,000
2022-2026	7,640,000	4,577,000	12,217,000
2027-2031	9,445,000	2,772,250	12,217,250
2032-2034	6,670,000	655,450	7,325,450
Totals	**$ 32,200,000**	**$ 14,289,050**	**$ 46,489,050**

A summary of changes in special obligation bonds is as follows:

Issue	12/31/15	Additions	Reductions	12/31/16
Series 2008	$ 6,840,000	$ -	$ (2,195,000)	$ 4,645,000
Series 2014	27,555,000	-	-	27,555,000
Totals	**$ 34,395,000**	**$ -**	**$ (2,195,000)**	**$ 32,200,000**

Revenue and Special Obligation long-term liability for the year ended December 31, 2016, was as follows:

Bond Type	12/31/2015	Additions	Reductions	12/31/2016	Due within one year
Revenue Bonds	$ 369,760,000	$ -	$ (16,505,000)	$ 353,255,000	$ 17,555,000
Special Obligation Bonds	34,395,000	-	(2,195,000)	32,200,000	2,275,000
Subtotal	**404,155,000**	**-**	**(18,700,000)**	**385,455,000**	**19,830,000**
Adjustment for Premium / Discounts	39,983,505	-	(4,630,889)	35,352,616	-
Total	**$ 444,138,505**	**$ -**	**$ (23,330,889)**	**$ 420,807,616**	**$ 19,830,000**

Note 6 – Long-term Debt, *continued*

Revenue and Special Obligation long-term liability for the year ended December 31, 2015, was as follows:

Bond Type	12/31/2014	Additions	Reductions	12/31/2015	Due within one year
Revenue Bonds	$ 392,305,000	$ 144,875,000	$ (167,420,000)	$ 369,760,000	$ 16,505,000
Special Obligation Bonds	36,515,000	-	(2,120,000)	34,395,000	2,195,000
Subtotal	**428,820,000**	**144,875,000**	**(169,540,000)**	**404,155,000**	**18,700,000**
Adjustment for Premium / Discounts	29,576,559	19,431,157	(9,024,211)	39,983,505	-
Total	**$ 458,396,559**	**$ 164,306,157**	**$ (178,564,211)**	**$ 444,138,505**	**$ 18,700,000**

Note 7 – Debt Service Reserve Fund

The general bond resolution requires the Authority to fund the Debt Service Reserve Requirement with cash and investments or with a surety policy or letter of credit. In order to satisfy this requirement, the Authority acquired surety policies issued by Financial Security Assurance, Inc. (FSA), and AMBAC Assurance Corporation. The surety policies cover various series and terminate on various dates in the future. A summary of the surety policies purchased is as follows:

Debt Service Reserve Fund Surety Policy Provider	Series Availability	Termination Date	Maximum Amount
Assured Guarantee/FSA	2004	July 1, 2030	$ 1,781,929
Ambac	All Turnpike Revenue Bonds	July 1, 2030	$ 4,871,359
Assured Guarantee/FSA	All Turnpike Revenue Bonds	July 1, 2018	$ 2,308,902

Each of the providers of the Debt Service Reserve Fund surety policies was rated Aaa by Moody's and AAA by Standard & Poor's (S&P) at the time of issuance of its respective policy. However, Ambac and FSA have been downgraded significantly as a result of their exposure to the 2008 sub-prime mortgage risk and do not maintain ratings by Moody's and S&P at least equal to the ratings on the Authority's outstanding revenue bonds.

Accordingly, the policy from Ambac, while still in effect, no longer qualifies under the general bond resolution to meet the Debt Service Reserve Fund requirement. In 2016 FSA, now Assured Guaranty, was upgraded by Moody's and now meets the debt service reserve fund requirements towards one half of MADS.

Note 7 – Debt Service Reserve Fund, *continued*

Currently, the Debt Service Reserve requirement is $16,821,933, which is one half of maximum annual debt service (MADS). The debt service reserve fund is currently funded with a combination of cash and Assured Guaranty/FSA sureties.

Note 8 – Maine Public Employees Retirement System (MainePERS) – Consolidated Retirement Pension Plan

Plan Descriptions

The Authority contributes to the Maine Public Employees Retirement System, as part of the PLD Consolidated Plan (the Plan) which is a cost sharing multiple employer defined benefit pension plan. The Plan was established as the administrator of a public employee retirement system under the Laws of the State of Maine. The PLD Plan covers 283 participating employers. The Authority's full-time and permanent part-time employees are eligible to participate in the Plan.

Benefit terms are established by Maine statute, in the case of the PLD Plan, an advisory group, also established by statute, reviews the terms of the Plan and periodically makes recommendations. The Plan's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD Plan members, normal retirement age is 60 for members hired before July 1, 2014. Normal retirement age is 65 for members hired on or after July 1, 2014. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The Plan also provides disability and death benefits which are established by statute for State employee members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the Plan's Board of Trustees and is currently 5%.

For the years ended December 31, 2016 and 2015, the Authority's total payroll for all employees was $23,094,392 and $21,767,579, respectively and total covered payroll was $20,397,862 and $19,263,547, respectively for the PLD Plan. Covered payroll refers to all compensation paid by the Authority to active employees covered by the Plan.

Note 8 – Maine Public Employees Retirement System (MainePERS) – Consolidated Retirement Pension Plan, *continued*

Contributions

The contribution requirements of the PLD Plan members are defined by law or the Plan's Board. Employees of the Authority are required to contribute between 7.5-8.0% of covered compensation to the PLD Plan. The contributions are deducted from the employee's wages or salary and remitted by the Authority to the Plan on a monthly basis. Employer contribution rates are determined through actuarial valuations. The Authority's required contribution rate for the years ended December 31, 2016 and 2015, was between 8.9% and 9.5% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority's contributions to the Plan for the years ended December 31, 2016 and 2015 were $2,034,516 and $1,739,777, respectively.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At December 31, 2016 and 2015, the Authority's reported a liability of $20,031,423 and $12,529,254, respectively for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016 and June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of these dates. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2016, the Authority's proportion was 3.77%, which was a decrease of 0.166% from its proportion measured as of June 30, 2015. At June 30, 2015, the Authority's proportion was 3.93%, which was an increase of .027% from its proportion measured as of June 30, 2014.

For the years ended December 31, 2016 and 2015, the Authority recognized pension expense of $3,540,416 and $3,618,132, respectively. At December 31, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 8 – Maine Public Employees Retirement System (MainePERS) – Consolidated Retirement Pension Plan, *continued*

December 31, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	$ 242,828	$ 1,288,396
Changes of assumptions	2,147,419	-
Net difference between projected and actual earnings on Plan investments	7,402,267	3,080,724
Changes in proportion and differences between contributions and proportionate share of contributions	429,145	404,052
Contributions subsequent to the measurement date	1,038,068	-
Total	**$ 11,259,727**	**$ 4,773,172**

December 31, 2015

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	$ 479,200	$ 1,608,772
Changes of assumptions	1,107,251	-
Net difference between projected and actual earnings on Plan investments	3,866,987	4,560,362
Changes in proportion and differences between contributions and proportionate share of contributions	596,402	396,184
Contributions subsequent to the measurement date	934,541	-
Total	**$ 6,984,381**	**$ 6,565,318**

Note 8 – Maine Public Employees Retirement System (MainePERS) – Consolidated Retirement Pension Plan, *continued*

The $1,038,068 of deferred outflows of resources as of December 31, 2016, resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. The $934,541 of deferred outflows of resources as of December 31, 2015, resulting from the Authority's contribution subsequent to the measurement date were recognized as a reduction of the net position liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be netted and recognized in pension expense, (addition to expense) as follows:

Years ending December 31,	
2017	$ 1,089,583
2018	828,782
2019	2,375,619
2020	1,154,502
Total	$ 5,448,486

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	PLD Plan 2.75%, per annum
Salary increases	PLD Plan 2.75%-9.0%, per year
Investment rate of return	PLD Plan 6.875%, per annum, compounded annually

Mortality rates were based on the RP-2014 Total Dataset Healthy Annuitant Mortality Table.

The actuarial assumptions used in the June 30, 2016 and June 30, 2015 valuations were based on the results of actuarial experience studies for the periods of June 30, 2012 to June 30, 2015 and July 1, 2005 to June 30, 2010, respectively.

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

Note 8 – Maine Public Employees Retirement System (MainePERS) – Consolidated Retirement Pension Plan, *continued*

Actuarial Assumptions - Continued

Asset Class	Target Allocation %	Long-term Expected Real Rate of Return
Fixed Income	25%	2.9%
U.S. equities	20%	5.7%
Non-U.S. equities	20%	5.5%
Real estate	10%	5.2%
Infrastructure	10%	5.3%
Private equity	10%	7.6%
Hard Assets	5%	5.0%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability was 6.875% for the PLD Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.875%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.875%) or 1-percentage-point higher (7.875%) than the current rate:

	Discount Rate	**Authority's proportionate share of net pension liability**
1% decrease	5.875%	$ 33,248,553
Current discount rate	6.875%	20,031,423
1% increase	7.875%	7,587,966

Note 8 – Maine Public Employees Retirement System (MainePERS) – Consolidated Retirement Pension Plan, *continued*

Plan Fiduciary Net Position

Detailed information about the Plan's fiduciary net position is available in the separately issued Maine Public Employees Retirement System financial report.

Note 9 – Operating Lease

In 2006, the Authority entered into lease agreements with HMS Host and CN Brown to operate its five service plazas on the Turnpike. The Authority entered into the arrangements as a means to provide services to users of the Turnpike in a more efficient, cost-effective manner. The terms of the agreements are as follows. The lease agreement with HMS Host is contingent based on sales, however, also provides a guaranteed minimum rent of $3,050,000 or 85% of the previous year's rental, whichever is greater. In addition, the Authority received contingent rentals of $489,113 and $493,433 in 2016 and 2015, respectively. The lease agreement with CN Brown, which was renewed for a five-year term in 2016, provides for contingent rent based on sales. The Authority received $998,824 and $969,649 in contingent rentals from CN Brown in 2016 and 2015, respectively.

On April 1st, 2013 the Authority entered into a lease agreement with Maine Crafts Association for an area located in the Authority's West Gardiner Service Plaza. The lease agreement is contingent based on gross sales however also provides a guaranteed minimum rent of $500 per month from April 1, 2013 through April 30, 2015. Beginning May 1, 2015 the monthly minimum rent increased to $800 through the end of the contract on April 1, 2018. The Authority received minimum rent of $9,600 from Maine Crafts Association in 2016. There was contingent rent due the Authority for 2016 based on gross sales from Maine Crafts Association of $1,680.

Contingent rent for HMS host is 20% of sales for years 1-10, 21% of sales for years 11-20 and 22% of sales for years 21-30. Contingent rent for CN Brown is based on the gallons of gasoline and diesel fuel sold at a fuel rent factor of 8 cents per gallon, adjusted upward each year for the Consumer Price Index Change, plus 10% of the sales of other products, plus 5% of the sales of tobacco products and plus 2% of the amount received from the Lottery Commission. The Authority has retained the right to approve the activities of the lessees and also has established limits to the prices that can be charged to customers. Contingent rent for the Maine Crafts Association is 2% on all gross sales exceeding $500,000, and 4% on all gross sales exceeding $600,000.

The lease agreement with HMS Host requires $8 million of capital improvements to be paid for by HMS Host, consisting of leasehold improvements, equipment and furnishings as approved by the Authority. HMS Host shall make a reasonable effort to ensure that $4 million will be reinvested by December 31, 2017 and the remaining $4 million will be spent by December 31, 2027. If the required amount of $8 million has not been reinvested by HMS Host by the end of the term, then the remainder of the sum shall be rebated to the Authority in cash.

The leased facilities are reported as capital assets of the Authority with a net book value of $27,145,128 and $26,364,683 as of December 31, 2016 and 2015, respectively.

Note 9 – Operating Lease, *continued*

Future minimum rentals to be received under the HMS Host lease as of December 31, 2016 are as follows:

2017	$ 3,050,000
2018	3,050,000
2019	3,050,000
2020	3,050,000
2021	3,050,000
2022 - 2026	15,250,000
2027 - 2031	15,250,000
2032 - 2036	15,250,000
2037	1,525,000
Total	**$ 62,525,000**

Future minimum rentals to be received under the Maine Crafts Association lease as of December 31, 2016 are as follows:

2017	$ 9,600
2018	2,400
Total	**$ 12,000**

Note 10 – Other Post Employment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the MTA on January 1, 2008. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

Plan Descriptions. In addition to providing pension benefits, the Authority provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees receive 100% paid health benefit coverage, Anthem POS plan until age 65 or Medicare Advantage plan at the age of 65. The Authority paid approximately $1,374,000 of insurance contributions for approximately 282 retirees for the year end December 31, 2016. Benefit provisions are established and amended through negotiations between the Authority and the respective unions.

GASB Statement Number 45 requires the Authority to perform an actuarial analysis of its OPEB costs. In December 2016, the Authority entered into a contract with an external consultant to assist in the determination and valuation of the Authority's OPEB liability for 2016 and 2017. The most recent OPEB liability actuarial valuation was completed by the consultant in January 2017.

Note 10 – Other Post Employment Benefits (OPEB), *continued*

Funding Policy and Annual OPEB Cost. GASB Statement Number 45 does not mandate the prefunding of post employment benefit liabilities. The Authority currently plans to only partially fund (on a pay-as-you-go) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement Number 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table represents the OPEB costs for the year, the amount contributed and changes in the OPEB plan:

	Years Ended December 31,	
	2016	**2015**
Normal Cost	$ 1,369,000	$ 1,649,000
UAAL amortization	2,366,000	2,348,000
Annual Required Contribution/OPEB Cost	3,735,000	3,997,000
Interest on Net OPEB Obligation	721,000	638,000
Net OPEB Obligation Adjustment	(1,246,000)	(1,066,000)
Contributions Made (Pay-As-You-Go)	(1,374,000)	(1,496,000)
Increase in Net OPEB Obligation	1,836,000	2,073,000
Net OPEB Obligation - Beginning of Year	18,030,253	15,957,253
Net OPEB Obligation - End of Year	$ 19,866,253	$ 18,030,253

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation was as follows:

	Years Ended December 31,	
	2016	**2015**
Annual Required Contribution (ARC)	$ 3,735,000	$ 3,997,000
Actual Contributions (Pay-As-You-Go)	$ 1,374,000	$ 1,496,000
Percentage Contributed	36.8%	37.4%
Actuarial Accrued Liability	$ 47,912,000	$ 48,015,000
Plan Assets	-	-
Unfunded Actuarial Accrued Liability	$ 47,912,000	$ 48,015,000
Covered payroll	$ 19,072,000	$ 18,431,000
Unfunded actuarial accrued liability as a percentage of covered payroll	251.2%	260.5%

For the year ended December 31, 2014 the ARC was $3,774,000, the actual contribution was $1,424,000 and the percentage contributed was 37.7%.

Note 10 – Other Post Employment Benefits (OPEB), *continued*

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Authority and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

	2016	**2015**
Actuarial valuation date	1/1/17	1/1/15
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of payroll	Level percent of payroll
Remaining amortization period	22 years	23 years
Actuarial assumptions:		
Investment rate of return	4.0%	4.0%
Projected salary increases	3.3%	3.3%
Healthcare inflation rate	5.0% - 6.7%	5.0% - 7.8%

Note 11 – Union Contract

In 2016, the Authority completed the third year of a three contract with its two bargaining units, Supervisors and Employees. In December 2016, the Authority signed new three-year contracts with both bargaining units. The new contracts will expire at the end of 2019.

Note 12 – Commitments and Contingencies

The Authority is a defendant in various lawsuits. Although the outcomes of the lawsuits are not presently determinable, it is the belief of the Authority's legal counsel that any settlement or damages assessed would be covered by insurance, and therefore should not have a material adverse effect on the Authority's financial condition

Future commitments on outstanding construction projects for improvements and maintenance totaled approximately $16,098,332 and $35,011,491 as of December 31, 2016 and December 31, 2015, respectively.

Due to changes to enabling legislation in 2011, the Authority is potentially obligated to provide 5% of its annual operating revenues to the Maine Department of Transportation (MaineDOT). The Authority has incurred and expects to continue to incur significant expenses from construction projects that will be of mutual benefit to MaineDOT and accordingly has met its obligation to MaineDOT.

Note 13 – Risk Management

The Authority is exposed to various risks of loss related to theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the Authority is insured through various commercial insurance carriers. As required by the Authority's contract with its bondholders, the Authority's consulting engineer certifies each year that insurance limits and coverage adequately protect the properties, interests, and operations of the Authority. Claims expenditure, liabilities and reserves are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The Authority is self-insured for its workers' compensation liability. The program provides coverage for up to a maximum of $1,000,000 for each workers' compensation claim and $25,000,000 in the aggregate. In addition, the Authority purchases excess workers' compensation insurance to limit its financial risk. The Authority is responsible for claims made up to $750,000 per covered claim. Reserves are estimated at one hundred percent of expected expenditures. Settled claims have not exceeded the commercial coverage in any of the past three years.

The following summarizes the claims activity with respect to the Authority's self-insured workers' compensation program:

	2016	2015
Unpaid Claims as of January 1	$ 2,537,522	$ 2,639,329
Incurred Claims	606,929	194,525
Total Claim Payments	402,059	296,333
Current Claims Liability	411,400	485,901
Long-term Claims Liability	2,330,991	2,051,621
Total Unpaid Claims Liability	**$ 2,742,391**	**$ 2,537,522**

Trend Data on Infrastructure Condition

The Authority has elected to use the modified approach to infrastructure reporting under GASB 34. The Authority's consulting engineers are required to make an inspection at least once a year of the Turnpike, and, on or before the first day of October of each year, to submit to the Authority a report setting forth (a) their findings whether the Turnpike has been maintained in good repair, working order and condition, (b) their advice and recommendations as to the proper maintenance, repair and operation of the Turnpike during the ensuing Fiscal Year and an estimate of the amount of money necessary for such purposes, (c) their advice and recommendations as to the amounts and types of insurance to be carried, and (d) their recommendations as to the amount that should be deposited into the Reserve Maintenance Fund during the upcoming Fiscal Year.

The roadways are rated on a 10-point scale, with 10 meaning that every aspect of the roadway is in new and perfect condition. The Authority's system as a whole is given an overall rating, indicating the average condition of all roadways operated by the Authority. The assessment of condition is made by visual inspection designed to reveal any condition that would reduce highway-user benefits below the maximum level of service. The Authority's policy is to maintain the roadway condition at rating of 8 (generally good condition) or better. The results of the 2016 inspection states that the Maine Turnpike has been maintained in generally good condition and presents a favorable appearance.

The budget to actual expenditures for Preservation for 2016 is as follows:

	Budget	Actual
Preservation Expense	$ 11,665,000	$ 11,070,694

Retiree Healthcare Plan

Issued Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
2009	1/1/2009	$ -	$ 39,815,000	$ 39,815,000	0.00%	$ 19,064,000	208.8%
2010	1/1/2011	-	48,563,000	48,563,000	0.00%	19,699,000	246.5%
2011	1/1/2011	-	48,563,000	48,563,000	0.00%	20,093,000	241.7%
2012	1/1/2013	-	51,530,000	51,530,000	0.00%	17,114,000	301.1%
2013	1/1/2013	-	51,530,000	51,530,000	0.00%	17,670,000	291.6%
2014	1/1/2015	-	48,015,000	48,015,000	0.00%	17,851,000	269.0%
2015	1/1/2015	-	48,015,000	48,015,000	0.00%	18,431,000	260.5%
2016	1/1/2017	-	47,912,000	47,912,000	0.00%	19,072,000	251.2%

Maine Turnpike Authority
Schedule of Proportionate Share of Net Pension Liability
Maine Public Employees Retirement System
December 31, 2016

Maine Public Employee Retirement System

Fiscal Year	Valuation Date	Authority's Proportion of the Net Pension Liability	Authority's Proportionate Share of the Net Pension Liability	Covered Employee Payroll	Authority's Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	07/01/2016	$ 20,031,423	3.7701%	$ 20,397,862	98.20%	81.61%
2015	07/01/2015	12,529,254	3.9271%	19,263,547	65.04%	88.27%
2014	07/01/2014	5,724,658	3.7202%	18,906,556	30.28%	94.10%

Maine Turnpike Authority
Schedule of Contributions
Maine Public Employees Retirement System
December 31, 2016

Maine Public Employee Retirement System

Fiscal Year	Valuation Date	Contractually Required Contribution	Contributions Relative to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2016	07/01/2016	$ 2,034,516	$ 2,034,516	$ -	$ 20,397,862	9.97%
2015	07/01/2015	1,739,777	1,739,777	-	19,263,547	9.03%
2014	07/01/2014	1,471,779	1,471,779	-	18,906,556	7.78%

OTHER SUPPLEMENTARY INFORMATION

Calculation of the Composite Debt Service Ratio, as Defined by the Bond Resolutions and Related Documents (000's)

	Years Ended December 31st, 2016	2015
Revenues:		
Net Fare Revenue	$ 133,822	$ 128,200
Concession Rental	4,548	4,522
Investment Income [1]	505	97
Miscellaneous	1,504	1,258
Total Revenues	**$ 140,379**	**$ 134,077**
Expenses:		
Operations	23,787	22,424
Maintenance	11,809	11,595
Adminstrative	2,491	2,376
Total Expenses	**$ 38,087**	**$ 36,395**
Net Operating Revenues	**$ 102,292**	**$ 97,682**
Debt Service Payments [2]	33,384	32,047
Reserve Maintenance Fund Deposit	36,500	37,000
MDOT Account / Sub Debt Fund Deposit	3,701	3,600
Other General Reserve Fund Deposits	**$ 28,707**	**$ 25,035**
Debt Service Ratio of Net Revenues to Debt Service [3]	**3.06**	**3.05**

Note: Revenues and expenses are presented on this schedule on the accrual basis in accordance with accounting principles generally accepted in the United States of America. Certain amounts included on the Statements of Revenues, Expenses, and Changes in Net Position are not part of the net revenues, as defined, and therefore excluded from this schedule.

[1] Capital fund and Rebate Fund earnings are not included in investment income, consistent with the Maine Turnpike Revenue Bond Resolution.

[2] Represents Debt Service Deposits, net of capitalized interest, on the outstanding Revenue Bonds only.

[3] Net Revenues divided by Debt Service. The Bond Resolution requires a minimum ratio of 2.0.

Statement of Activities for the State of Maine General Purpose Financial Statements (000's)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Program Investment Income	Program Revenues: Operating Grants and Contrib.	Program Revenues: Capital Grants/ Contrib.	Net Revenue (Expense) and Changes to Net Assets: Total
Governmental Activities						
Subtotal Governmental Activities	-	-	-	-	-	-
Business-type Activities:						
THE MAINE TURNPIKE AUTHORITY	93,031	133,822				40,791
Subtotal Business-type Activities	**93,031**	**133,822**	-	-	-	**40,791**
Total	**93,031**	**133,822**	-	-	-	**40,791**

General Revenues:	
Unrestricted Interest and Investment Earnings	694
Non program Specific Grants, Contrib. & Approp.	-
Miscellaneous Income	6,052
Gain (Loss) on Asset Dispositions	(1,060)
Extraordinary Item	-
Total General Revenues and Extraordinary Items	5,686
Change in Net Assets	**46,477**
Net Assets, Beginning of the Year	236,439
Net Assets, End of the Year	**282,916**