Annual Report

Maine Health & Higher Educational Facilities Authority

2024

Maine Health & Higher Educational Facilities Authority

MHHEFA
Maine Health & Higher Educational Facilities Authority

Terry Hayes, Executive Director
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207-622-1958
127 Community Drive | Augusta, ME 04330

TO: INTERESTED PARTIES

FROM: Terry Hayes, Executive Director TH

RE: 2024 Maine Health and Higher Educational Facilities Authority Annual Report

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This is the annual report for the Maine Health and Higher Educational Facilities Authority for the 2024 fiscal year, running from July 1, 2023 to June 30, 2024. As of June 30, 2024, the Authority has $1,179,385,789 outstanding under its general tax-exempt conduit resolution and $810,640,000 outstanding under its tax-exempt reserve fund resolution.

During fiscal year 2024, the Authority issued $87,130,000 under its general tax-exempt conduit resolution and $190,835,000 under its moral obligation reserve fund resolution. These sales were accomplished in 3 series for 3 hospitals, 3 educational institutions, 2 health care centers and 2 long-term care facilities.

The Authority's gross bonds outstanding of $810,640,000 within the Reserve Fund Resolution at June 30, 2024 represents a net increase of $154,775,000 or 23.6% from the balance at June 30, 2023. This net increase is due to the issuance of the 2023A and 2023B Reserve Fund bonds (par of $68,415,000 and $122,420,000 respectively). There were also bonds that were in-substance defeased totaling $5,065,000 and scheduled bond repayments of $30,995,000.

If there is further information you might like or questions you may have concerning the Authority, please feel free to give us a call at (207) 622-1958.

BAKER
NEWMAN
NOYES

Maine Health and Higher Educational Facilities Authority

Basic Financial Statements and Management's Discussion and Analysis

For the Year Ended June 30, 2024
With Independent Auditors' Report

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MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

BASIC FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2024

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INDEPENDENT AUDITORS' REPORT

To the Members of
Maine Health and Higher Educational Facilities Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements, consisting of the Operating Fund and Reserve Fund of Maine Health and Higher Educational Facilities Authority (the Authority), which comprise the statements of net position as of June 30, 2024, the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. The Authority is a component unit of the State of Maine.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as well as the individual fund groups referred to above, as of June 30, 2024, and the respective changes in financial position and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

To the Members of
Maine Health and Higher Educational Facilities Authority

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

To the Members of
Maine Health and Higher Educational Facilities Authority

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the 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.

Baker Newman & Noyes LLC

Portland, Maine
October 10, 2024

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

As financial management of the Maine Health and Higher Educational Facilities Authority (the Authority), we offer readers of these financial statements this narrative, overview, and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2024. This discussion and analysis is designed to assist the reader in focusing on the significant financial matters and activities of the Authority and to identify any significant changes in net position. We encourage readers to consider the information presented here in conjunction with the basic financial statements as a whole.

Management Overview

The Authority is pleased to report its fourth consecutive year of strong asset growth in the Reserve Fund program as it remains on track to achieve the growth targets of $1 billion by 2026. In October of 2020, the Reserve Fund had hit a multiyear low of $365 million in bonds outstanding. This low point was followed by a complete strategic overhaul and a five-year growth plan that was adopted by the Board in January 2021. In fiscal year 2024, the Reserve Fund grew to approximately $811 million in bonds outstanding and had an additional $86 million that closed in early fiscal year 2025. The outlook for the fiscal year 2025 is positive with an estimated net increase in the range of $125 million to $250 million, of which $86 million has already closed.

While the majority of our growth can be attributed to the two largest healthcare institutions in the State – Northern Light Health and MaineHealth, we have been getting more participation from the smaller regional hospitals, Federally Qualified Health Centers (FQHC) and finally education. FQHCs represent our fastest growing segment in terms of new borrowers and account for over $65 million of bonds outstanding through 2024. The FQHCs and small private schools have helped broaden our diversification and counteract the consolidation trend amongst the large healthcare institutions. The Reserve Fund has grown at the expense of diversification with a high concentration among the top ten borrowers. The long-term goal is to be diversified at a level that allows us to be classified as a "pooled loan" program. However, the current classification as a State Moral Obligation program has supported our accelerated growth under a stable credit and outlook. In May, the Reserve Fund benefitted from a credit upgrade (Aa3) by Moody's on the basis of the strong financial position of the State as well as sound program management.

During fiscal year 2024, the conduit program added $87 million of conduit debt from MaineHealth and, subsequent to June 30, 2024, added $187 million in new debt from Northeastern University that closed at the beginning of fiscal year 2025. The outlook for the conduit program is to maintain a bonds outstanding total between $1.25 and $1.5 billion without much volatility.

- The Operating Fund produced a gain of $960,997 for the year due to increased fee revenue, investment income and positive fair market value adjustments for our investment portfolio.
- The Authority's gross bonds outstanding of $810,640,000 within the Reserve Fund Resolution at June 30, 2024 represents a net increase of $154,775,000 or 23.6% from the balance at June 30, 2023. This net increase is due to the issuance of the 2023A and 2023B Reserve Fund bonds (par of $68,415,000 and $122,420,000 respectively). There were also bonds that were in-substance defeased totaling $5,065,000 and scheduled bond repayments of $30,995,000.
- The Authority's loans receivable from institutions at June 30, 2024 of $730,875,044 represents a net increase of $139,624,844 or 23.6% from the balance at June 30, 2023. This increase is the result of the bond issuances described above and repayment of loans by institutions during fiscal year 2024.

Overview of the Authority

The Authority was created in 1972 by an Act of the Maine Legislature, as a public body corporate and politic and is constituted as an instrumentality, exercising public and essential governmental functions of the State. The Authority was established to issue bonds for the purpose, among other things, of assisting Maine health care institutions and institutions of higher education in the undertaking of projects involving the acquisition, construction, improvement, reconstruction and equipping of health care and educational facilities and the refinancing of existing indebtedness. The Authority, pursuant to the *Student Loan Corporations Act of 1983*, also has the power to finance student loan programs of institutions for higher education, although it is not currently doing so.

As the result of the Authority issuing tax-exempt debt, it is required to prepare arbitrage rebate calculations for each series of tax-exempt bonds outstanding and remit payment to the Internal Revenue Service every five years. The Authority contracts with an arbitrage consultant to maintain and prepare all rebate calculations that will be filed with the Internal Revenue Service. Additionally, for financial reporting purposes, the consultant prepares a liability rebate calculation annually for each outstanding series of bonds on their respective bond's anniversary date.

For financial statement reporting purposes, the Authority is considered a component unit of the State of Maine. However, the Authority does not receive any State appropriations for its operations and is funded from fees charged to participating borrowers and interest earnings on investments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements, which are comprised of the basic financial statements and the notes to the financial statements.

Basic Financial Statements

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

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Net position increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities result in increased net position, which may indicate an improved financial position.

The statement of revenues, expenses and changes in net position presents information showing how the Authority's net position changed during the fiscal year. Substantially all changes in net position are reported as soon as the underlying event occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods.

The statement of cash flows is presented using the direct method of reporting which reflects cash flows from operating, financing and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash and cash equivalents for the fiscal year.

Notes to the Financial Statements

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

Financial Analysis

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the Authority's Operating Fund, assets exceeded liabilities by $24,058,949 at June 30, 2024. This represents an increase of $960,997 or 4.2% over the previous fiscal year. This increase is the net effect of increases in fees received, investment income, a net increase in the fair value of investments and increase in expenses. In the case of the Reserve Fund, assets exceeded liabilities by $25,673,717. This represents an increase of $1,526,637 or 6.3% compared to the previous fiscal year. The increase in net position is based primarily on the fair market value adjustment of our investment portfolio.

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

Operating Fund

Statements of Net Position

	2024	2023	% Change
Current assets:			
Cash and cash equivalents	$ 9,302,200	$ 7,136,314	30.4%
Operating investments	14,465,629	15,737,098	(8.1)
Accrued investment income	78,656	31,850	147.0
Fees and other amounts due from Reserve Fund	74,838	57,973	29.1
Other receivables from institutions	156,771	156,813	0.0
Total current assets	24,078,094	23,120,048	4.1
Current liabilities:			
Accounts payable	19,145	22,096	(13.4)
Total current liabilities	19,145	22,096	(13.4)
Net position:			
Unrestricted net position	$24,058,949	$ 23,097,952	4.2%

Reserve Fund

Statements of Net Position

	2024	2023	% Change
Current assets:			
Investments held by trustee	$ 23,316,950	$ 19,069,925	22.3%
Accrued investment income	988,409	667,412	48.1
Loans receivable from institutions	33,193,403	30,239,287	9.8
Interest and other receivables from institutions	2,666,621	953,733	179.6
Total current assets	60,165,383	50,930,357	18.1
Noncurrent assets:			
Investments held by trustee	74,977,915	59,530,067	25.9
Supplemental reserve investments	23,173,709	22,282,856	4.0
Loans receivable from institutions	697,681,641	561,010,913	24.4
Total noncurrent assets	795,833,265	642,823,836	23.8
Total assets	855,998,648	693,754,193	23.4
Current liabilities:			
Bonds payable	34,170,000	30,995,000	10.2
Interest payable	18,038,370	13,648,629	32.2
Fees and other amounts due to operating fund	74,838	57,973	29.1
Accounts payable	24,562	21,970	11.8
Prepayments from institutions	589	13,541	(95.7)
Total current liabilities	52,308,359	44,737,113	16.9
Noncurrent liabilities:			
Bonds payable	776,470,000	624,870,000	24.3
Accrued interest rebate payable to U.S. Government	1,546,572	–	–
Total noncurrent liabilities	778,016,572	624,870,000	24.5
Total liabilities	830,324,931	669,607,113	24.0
Net position:			
Unrestricted net position	$ 25,673,717	$ 24,147,080	6.3%

Operating Fund

Statements of Revenues, Expenses and Changes in Net Position

	2024	2023	% Change
Operating revenues:			
Administrative and other fees	$ 606,362	$ 533,060	13.8%
Income from investments	526,833	315,666	66.9
Net increase (decrease) in the fair value of investments	626,172	(40,693)	1,638.8
Other income	115,062	116,346	(1.1)
Total operating revenues	1,874,429	924,379	102.8
Operating expenses:			
Operating expenses	913,432	783,586	16.6
Total operating expenses	913,432	783,586	16.6
Operating income	960,997	140,793	582.6
Net position, beginning of year	23,097,952	22,957,159	0.6
Net position, end of year	$24,058,949	$23,097,952	4.2%

Reserve Fund

Statements of Revenues, Expenses and Changes in Net Position

	2024	2023	% Change
Operating revenues:			
Interest and other amounts from institutions	$ 29,850,834	$ 23,804,712	25.4%
Income from investments	3,640,867	3,043,208	19.6
Net increase (decrease) in the fair value of investments	501,119	(1,950,519)	125.7
Other income	2,679,855	1,346,140	99.1
Total operating revenues	36,672,675	26,243,541	39.7
Operating expenses:			
Bond issuance costs	2,679,855	1,346,140	99.1
Interest expense	32,351,493	25,673,818	26.0
Other expenses	114,690	107,142	7.0
Total operating expenses	35,146,038	27,127,100	29.6
Operating income (loss)	1,526,637	(883,559)	272.8
Net position, beginning of year	24,147,080	25,030,639	(3.5)
Net position, end of year	$ 25,673,717	$ 24,147,080	6.3%

Operating Fund

Cash and cash equivalents increased $2,165,886 or 30.4% from fiscal year 2023 due to an increase in investment income and timing of investment purchases. Operating investments decreased $1,271,469 or 8.1% due to the investment purchase timing difference.

The fair market value of investments in fiscal year 2024 was an increase of $626,172 compared to a decrease of $40,693 in fiscal year 2023. The increase is the result of fluctuations in the interest rate environment. All investments are carried at fair value, and unrealized gains and losses (primarily due to fluctuations in market interest rates) are recognized in the statement of revenues, expenses, and changes in net position.

Income from investments increased $211,167 or 66.9% from fiscal year 2023. This improvement of investment returns is jointly attributable to the higher interest rate environment in 2024 and the better execution of existing investment policy/strategy through active management of our financial institutions, resulting in lower fees and more timely adjustments to the rate we earn on cash holdings.

The Maine Municipal Bond Bank (Bond Bank) administers and manages the Maine Health and Higher Educational Facilities Authority program under the direction of the Authority's Board of Commissioners. The Authority reimburses the Bond Bank for its proportionate share of personnel services, office space, equipment rental, and other overhead expenses. The Authority recognized approximately $683,000 and $573,000 of expenses under this arrangement in fiscal years 2024 and 2023, respectively.

Reserve Fund

Investments held by trustee increased by $19,694,873 or 25.1% from fiscal year 2023 due primarily to the issuance of the 2023A and 2023B bonds in addition to an increase in the fair value of investments.

Accrued investment income increased $320,997 or 48.1% from fiscal year 2023 as the Authority maximized investments in the rising rate environment.

Interest and other receivables from institutions increased $1,712,888 or 179.6% from fiscal year 2023 due to an increase in capital interest funds expected to be used for debt service payments. Capital interest is off book and is therefore a receivable/revenue to the reserve resolution. Interest and other receivables also increased due to a portion of investment rebate payable that is offset by other receivables from the institutions.

Accrued interest rebate payable to the U.S. Government increased by $1,546,572 over fiscal year 2023 as a result of arbitrage in unspent bond proceeds in construction funds.

Interest and other amounts received from institutions in fiscal year 2024 increased $6,046,122 or 25.4% from fiscal year 2023. This increase is the result of the issuances of the 2023A and 2023B bonds. Correspondingly, interest expense has also increased from fiscal year 2023 by $6,677,675 or 26% and interest payable has increased 32.2% or $4,389,741.

The net increase in fair market value of investments in fiscal year 2024 was $501,119 compared to a net decrease of $1,950,519 in fiscal year 2023. The rapid and steep increase in interest rates dramatically impacted holdings. All investments are carried at fair market value, and unrealized gains and losses (primarily due to fluctuations in market interest rates) are recognized in the statements of revenues, expenses and changes in net position. Longer-term maturities are most vulnerable to fair market value markdowns in a rapidly rising rate environment. As these holdings mature, they will revert to par value thus eliminating these unrealized losses. As a matter of policy, in cases where a bond issue pays off early and investments must be sold at market value, the borrowers, not the Authority, are required to make up any valuation shortfalls.

As a result of the increase in new bond issuances, other income and bond issuance costs increased $1,333,715 or 99.1% from fiscal year 2023. The increase relates entirely to higher costs of issuance in 2024, which are reimbursed from the bond issuance accounts and are considered revenue to the Reserve Fund Resolution.

Requests for Information

This financial report is designed to provide a general overview of the Authority's financial statements for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Maine Health and Higher Educational Facilities Authority, 127 Community Drive, Augusta, Maine 04330.

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

STATEMENTS OF NET POSITION

June 30, 2024

	Operating Fund	Reserve Fund	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 9,302,200	$ –	$ 9,302,200
Investments held by trustee	–	23,316,950	23,316,950
Operating investments	14,465,629	–	14,465,629
Accrued investment income	78,656	988,409	1,067,065
Loans receivable from institutions	–	33,193,403	33,193,403
Interest and other receivables from institutions	–	2,666,621	2,666,621
Fees and other amounts due from Reserve Fund	74,838	–	74,838
Other receivables from institutions	156,771	–	156,771
Total current assets	24,078,094	60,165,383	84,243,477
Noncurrent assets:			
Investments held by trustee	–	74,977,915	74,977,915
Supplemental reserve investments	–	23,173,709	23,173,709
Loans receivable from institutions	–	697,681,641	697,681,641
Total noncurrent assets	–	795,833,265	795,833,265
Total assets	24,078,094	855,998,648	880,076,742
LIABILITIES			
Current liabilities:			
Bonds payable	–	34,170,000	34,170,000
Interest payable	–	18,038,370	18,038,370
Fees and other amounts due to Operating Fund	–	74,838	74,838
Accounts payable	19,145	24,562	43,707
Prepayments from institutions	–	589	589
Total current liabilities	19,145	52,308,359	52,327,504
Noncurrent liabilities:			
Bonds payable	–	776,470,000	776,470,000
Accrued interest rebate payable to U.S. Government	–	1,546,572	1,546,572
Total noncurrent liabilities	–	778,016,572	778,016,572
Total liabilities	19,145	830,324,931	830,344,076
NET POSITION			
Unrestricted net position	$24,058,949	$ 25,673,717	$ 49,732,666

See accompanying notes.

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2024

	Operating Fund	Reserve Fund	Total
Operating revenues:			
Interest and other amounts from institutions	$ –	$ 29,850,834	$ 29,850,834
Administrative and other fees	606,362	–	606,362
Income from investments	526,833	3,640,867	4,167,700
Net increase in the fair value of investments	626,172	501,119	1,127,291
Other income	115,062	2,679,855	2,794,917
Total operating revenues	1,874,429	36,672,675	38,547,104
Operating expenses:			
Bond issuance costs	–	2,679,855	2,679,855
Interest expense	–	32,351,493	32,351,493
Operating expenses	913,432	–	913,432
Other expenses	–	114,690	114,690
Total operating expenses	913,432	35,146,038	36,059,470
Operating income	960,997	1,526,637	2,487,634
Net position, beginning of year	23,097,952	24,147,080	47,245,032
Net position, end of year	$24,058,949	$ 25,673,717	$ 49,732,666

See accompanying notes.

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2024

	Operating Fund	Reserve Fund	Total
Operating activities:			
Cash received from institutions	$ 589,538	$ 59,670,032	$ 60,259,570
Cash payments to institutions	–	(170,189,231)	(170,189,231)
Cash received from other income	115,062	–	115,062
Cash payments for operating and other expenses	(916,382)	(112,098)	(1,028,480)
Net cash used by operating activities	(211,782)	(110,631,297)	(110,843,079)
Noncapital financing activities:			
Proceeds from bonds payable	–	199,475,441	199,475,441
Principal paid on bonds payable	–	(30,995,000)	(30,995,000)
Interest paid on bonds payable	–	(27,961,752)	(27,961,752)
Bonds and other proceeds passed on to borrowers	–	(5,623,390)	(5,623,390)
Paid to refunding escrow	–	(5,077,096)	(5,077,096)
Issuance cost paid	–	(2,679,855)	(2,679,855)
Net cash provided by noncapital financing activities	–	127,138,348	127,138,348
Investing activities:			
Purchase of investment securities	(5,575,414)	(241,698,724)	(247,274,138)
Proceeds from sale and maturities of investment securities	7,473,053	221,614,117	229,087,170
Income received from investments and advances	480,029	3,577,556	4,057,585
Net cash provided (used) by investing activities	2,377,668	(16,507,051)	(14,129,383)
Increase in cash and cash equivalents	2,165,886	–	2,165,886
Cash and cash equivalents, beginning of year	7,136,314	–	7,136,314
Cash and cash equivalents, end of year	$ 9,302,200	$ –	$ 9,302,200

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

STATEMENTS OF CASH FLOWS (CONTINUED)

Year Ended June 30, 2024

	Operating Fund	Reserve Fund	Total
Reconciliation of operating income to net cash used by operating activities:			
Operating income	$ 960,997	$ 1,526,637	$ 2,487,634
Adjustments to reconcile operating income to net cash used by operating activities:			
Investment and interest income	(526,833)	(3,640,867)	(4,167,700)
Net increase in the fair value of investments	(626,172)	(501,119)	(1,127,291)
Interest expense on bonds payable	–	32,351,493	32,351,493
Change in assets and liabilities:			
Loans receivable from institutions	–	(139,949,944)	(139,949,944)
Fees receivable from trusteed funds	(16,865)	16,865	–
Interest and other receivables from institutions	–	(1,970,574)	(1,970,574)
Accrued interest rebate payable to U.S. Government	–	1,546,572	1,546,572
Fees and other receivable from institutions	42	–	42
Accounts payable	(2,951)	2,592	(359)
Prepayments from institutions	–	(12,952)	(12,952)
Net cash used by operating activities	$ (211,782)	$ (110,631,297)	$ (110,843,079)

See accompanying notes.

1. Organization

The Maine Health and Higher Educational Facilities Authority (the Authority) is constituted as an instrumentality and is a component unit of the State of Maine, organized and existing under and pursuant to M.R.S.A., Title 22, Chapter 413, Sections 2051 to 2074, inclusive and as amended by Chapter 584 of the Public Laws of 1991.

The purpose of the Authority, among others, is to assist Maine health care institutions and institutions for higher education (the institutions) in the undertaking of projects involving the acquisition, construction, improvement, reconstruction and equipping of health care and educational facilities and the refinancing of existing indebtedness. The Authority, pursuant to the *Student Loan Corporations Act of 1983*, also has the power to finance student loan programs of institutions for higher education, although it has not historically and is not currently doing so.

Debt issued by the Authority is not debt of the State of Maine or any political subdivision within the State and the State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. The Authority is exempt from federal and State of Maine income taxes.

Legislation enacted in 1991 permitted the Authority to establish a reserve fund which will benefit from a “moral obligation” reserve fund replenishment mechanism from the State of Maine. Although the legislation does not bind or obligate the State, it does permit the legislature to appropriate and pay the Authority the amount necessary to restore the reserve fund to the required amount in the event the fund goes below the statutorily established minimum balance of one year’s debt service on outstanding bonds. The legislation also allows the Authority to implement a State funding intercept mechanism which permits the Authority to cause the Treasurer of the State of Maine to withhold funds in the Treasurer’s custody that otherwise would be paid to a borrower that has failed or may fail to make a debt service payment and to direct the Treasurer to apply those funds as debt service to the applicable bonds or notes. The State funding intercept is applicable to all future borrowings as well as currently outstanding bond issues, whether or not secured by the “moral obligation” reserve fund replenishment mechanism.

Operating Fund

The Authority’s operating fund records the revenues and expenses generated from its daily operations. The Authority has an arrangement with the Maine Municipal Bond Bank (the Bond Bank) whereby the Bond Bank administers and manages the Authority’s program, resulting in an allocation of general overhead expenses from the operations of the Bond Bank to the Authority and payment of direct operating expenses of the Authority. The arrangement is approved annually by the Board of Commissioners of the Authority through the budgetary approval process.

In fiscal 2010, the Authority’s Board of Directors adopted a resolution establishing a supplemental reserve fund within the Authority’s Reserve Fund Resolution. As part of this resolution, $24,221,739 of cash and investments were transferred from the Operating Fund Resolution to the Reserve Fund Resolution, which at the discretion of the Authority, shall serve as additional security for one or more series of bonds. At any time that the reserve fund investments exceed the reserve fund requirement (see note 6), the Authority may transfer any amounts held under the supplemental reserve back to the Authority’s operating fund. The investment balance in the supplemental reserve of $23,173,709 at June 30, 2024 is presented as supplemental reserve investments on the statements of net position.

1. Organization (Continued)

Presently, the Authority operates pursuant to the following bond resolutions:

Reserve Fund

These funds and accounts are established under the Authority's Resolution establishing the Maine Health and Higher Educational Facilities' Reserve Fund adopted December 6, 1991. Under this resolution, the Authority issues bonds exempt from federal and State of Maine income taxes for the purpose of providing financing for Maine health and higher educational facilities. Bonds issued under this resolution are secured by all of the reserve funds within the resolution and benefit from the moral obligation reserve fund replenishment mechanism from the State of Maine. Loans to institutions made with proceeds of bonds issued under this resolution are generally written for the net amount of bond proceeds less debt service reserve funds retained by the Authority.

The Authority is required to report materially obligated persons, which are borrowers that constitute more than twenty percent of the outstanding loans under the Reserve Fund Resolution. At June 30, 2024, Eastern Maine Healthcare comprised 42.4% of total loans outstanding in the Reserve Fund.

Taxable Financing Reserve Fund

These funds and accounts are established under the Authority's Resolution establishing the Maine Health and Higher Educational Facilities' Taxable Financing Reserve Fund Resolution adopted December 15, 1992. Under this resolution, the Authority issues bonds exempt from State of Maine income taxes. Bonds issued under this resolution are secured by all of the reserve funds within the resolution and benefit from the moral obligation reserve fund replenishment mechanism from the State of Maine. Loans to institutions made with proceeds of bonds issued under this resolution are generally written for the net amount of bond proceeds less debt service reserve funds retained by the Authority. All bonds within the taxable reserve fund were paid off in prior years. There was no activity in the resolution for fiscal year 2024.

General Resolution

These funds consist of funds and accounts established under the Authority's General Bond Resolution adopted June 5, 1973. Under this resolution, the Authority issues bonds exempt from federal and State of Maine income taxes and assists in financing health care institutions and institutions for higher education. Bonds issued under this resolution may be issued under the original Bond Resolution or under an individual Bond Indenture between the Authority and an institution. Loans to institutions made with proceeds of General Resolution bonds are written for the entire amount of the bonds (including debt service reserve funds). Security for these bonds is limited to debt service reserve funds and the loans to the specific institution for which the bond was issued. Therefore, these bonds are considered conduit debt and are not reflected on the accompanying statements of net position (see note 5).

2. Significant Accounting Policies

Proprietary Fund Accounting

The Authority's operations are, for the most part, financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs of providing goods and services is financed through user charges. Therefore, it meets the criteria for an enterprise fund and is accounted for under the accrual basis of accounting. Accordingly, the Authority recognizes revenues as earned and expenses as incurred.

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

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

Federal Income Taxes

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

Arbitrage rebate expense, which is presented as a reduction in the amount of interest income from investments, for the year ended June 30, 2024, was approximately $258,000 in the Reserve Fund. At June 30, 2024, the Reserve Fund reported an accrued interest rebate payable to the U.S. Government of approximately $1,550,000 in its statement of net position under the arbitrage provisions of Section 148 of the IRC, primarily as a result of arbitrage in unspent bond proceeds in construction funds. As described in more detail in this note, construction funds and any related investment income are excluded from these financial statements and, as such, the related arbitrage rebate expense is also excluded. However, as the issuer of the bonds, the Authority is responsible for the calculation and payment of the rebate; therefore, the estimated liability is reported on the statement of net position within the Reserve Fund. Construction funds of the borrowers are obligated to reimburse the Reserve Fund for certain arbitrage related costs, and therefore an offsetting receivable of approximately $1,292,000 has been recorded within interest and other receivables from institutions on the statement of net position of the Reserve Fund.

2. Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Authority considers all checking and savings deposits and highly liquid investments with original maturities of three months or less to be cash equivalents. Included in cash and cash equivalents of the Authority's Operating Fund at June 30, 2024 is $37,103 of insured deposits with a bank, and $2,535,905 of money market funds held by a custodian and secured by Small Business Administration (SBA) and mortgage bonds. The Authority has also invested $5,679,459 at Northeast Bank and $1,049,829 at Bar Harbor Trust in investment programs where multiple banks have provided maximum investments of $249,000 which are each covered by Federal Deposit Insurance Corporation (FDIC) insurance. These investments are considered short term and can be liquidated as the Authority has a need for the funds.

Cash includes funds held in interest bearing demand deposit and savings accounts, which is managed in an effort as not to exceed amounts guaranteed by the FDIC. The Authority has not experienced any losses in such accounts and management believes the Authority is not exposed to any significant risk of loss on cash.

Investments

Investments are carried at fair value (see note 10). Changes in fair value are recorded as net increase or decrease in the fair value of investments on the statements of revenues, expenses and changes in net position. Reserve fund investments that are not expected to be utilized to fund principal and interest payments until after June 30, 2025 have been classified as long-term.

Bond Discounts, Premiums and Issuance Costs

Costs associated with issuing debt, which are generally paid by means of fees collected from institutions (borrowers), are expensed in the year incurred. To the extent they are used to pay bond issuance costs, premiums remitted to the Authority are recorded as other income. Other premiums and discounts are passed on to the borrowers and, therefore, are not recorded.

Interfund Transactions

Transactions that constitute reimbursements to a fund for expenses initially made from it that are properly applicable to another fund are recorded as expenses in the reimbursing fund and as reductions of expenses in the fund that is reimbursed.

All other interfund transactions are reported as operating transfers.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Authority to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

2. Significant Accounting Policies (Continued)

Total Columns

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

Recently Issued Accounting Pronouncements

In June 2022, GASB issued Statement No. 101, *Compensated Absences*. This objective of this statement is to align recognition and measurement guidance for compensated absences under a unified model and to amend certain previously required disclosures. The statement requires that an entity estimate and record liabilities for all compensated absences related to leave that accumulates, is more likely than not to be used for time off or otherwise paid in cash or settled, and relates to services already rendered. The provisions of Statement No. 101 are effective for reporting periods beginning after December 15, 2023, with earlier application permitted. The Authority is currently evaluating the impact of the pending adoption of this statement on its financial statements.

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The statement addresses certain required components of management's discussion and analysis, the treatment of unusual or infrequent items, and presentation changes within the statement of revenues, expenses, and changes in net position. The provisions of Statement No. 103 are effective for reporting periods beginning after June 15, 2025, with earlier application permitted. The Authority is currently evaluating the impact of the pending adoption of this statement on its financial statements.

3. Investments Held by Trustee and Operating Investments

The Authority is authorized, under Maine statutes, to invest in obligations of the U.S. Treasury, certain U.S. Government-sponsored enterprises and certain state and local government municipal bonds, as well as certain investment contracts, certificates of deposit, corporate notes and collateralized repurchase agreements. The trustees/custodians invest available cash in accordance with Maine statutes, applicable Series Resolutions and Tax Regulatory Agreements. At June 30, 2024, investments are categorized as follows:

	Fair Value
Operating Fund	
Operating investments:	
U.S. Government-sponsored enterprises bonds and notes	$14,114,690
Corporate notes	350,939
	$14,465,629
Reserve Fund	
Investments held by trustee:	
Cash and cash equivalents	$23,942,571
U.S. Government-sponsored enterprises bonds and notes	35,856,976
Corporate notes	4,994,067
Municipal bonds	33,501,251
	$98,294,865
Supplemental Reserve Investments:	
Cash and cash equivalents	$ 6,071,089
U.S. Government-sponsored enterprises bonds and notes	2,582,173
Corporate notes	4,185,320
Municipal bonds	10,335,127
	$23,173,709

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

The investments of the Operating Fund are to provide income to supplement administration of current programs, provide a source of capital for new programs and to reduce susceptibility to unanticipated expenditures or revenue shortfalls. Relative to the investment of bond funds within the Reserve Fund, as a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy provides that investment maturities be closely matched with future bond principal and interest requirements, which are the primary use of invested assets. The Authority's general practice has been to hold most debt securities to their maturity, at which point the funds are needed to make required bond principal and interest payments. The following table provides information on future maturities of the Authority's investments as of June 30, 2024:

	Fair Value	Less than One Year	One to Five Years	Six to Ten Years	More than Ten Years
Operating Fund					
U.S. Government-sponsored enterprises bonds and notes (FHLB, FNMA, etc.)	$14,114,690	$11,026,058	$ 3,088,632	$ –	$ –
Corporate notes	350,939	–	267,339	83,600	–
	$14,465,629	$11,026,058	$ 3,355,971	$ 83,600	$ –
Reserve Fund					
U.S. Government-sponsored enterprises bonds and notes (FHLB, FNMA, etc.)	$38,439,149	$10,128,864	$25,773,950	$ 2,536,335	$ –
Corporate notes	9,179,387	5,478,727	971,060	2,729,600	–
Municipal bonds	43,836,378	2,611,888	2,732,956	8,895,940	29,595,594
	$91,454,914	$18,219,479	$29,477,966	$14,161,875	$29,595,594

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investments are primarily held by U.S. Bank and Bank of New York. Management of the Authority is not aware of any issues with respect to custodial credit risk at these institutions at June 30, 2024.

For an investment, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Authority. The Authority's investment policy limits its investments to those with high credit quality such as U.S. Treasury Obligations, U.S. Government-sponsored enterprises, municipal bonds, certificates of deposit or corporate notes backed by high credit quality banks and insurance companies as rated by rating agencies such as Moody's Investor Service or Standard & Poor's, rated at AA- or better, or municipal bonds rated at A- or better. P-1 ratings for corporate notes reflect a superior rating by Moody's Investor Service to repay short-term obligations.

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

At June 30, 2024, the ratings for investments in debt securities are summarized as follows. These ratings were as of June 30, 2024 and are not necessarily the ratings that existed at time of purchase.

Operating Fund and Reserve Fund

Issuer	Rating	Fair Value
U.S. Government-sponsored enterprises [(1)]	AA+/Aaa	$ 52,553,839
Corporate notes	A-1/AAA	5,829,666
Corporate notes	A-/A1	3,700,660
Municipal bonds	AAA/Aaa	594,423
Municipal bonds	AA+/Aaa – Aa3	5,768,827
Municipal bonds	AA/Aa1 – A1	21,600,216
Municipal bonds	AA-/Aa2 – A1	13,113,609
Municipal bonds	A+/Aa3 – A1	2,123,071
Municipal bonds	A/A2	636,232
		$ 105,920,543

[(1)] Includes FHLMC, FHLB, FFCB, TVA

Trustee and custodian held cash and cash equivalents at June 30, 2024 consist primarily of short-term money market funds invested exclusively in U.S. Treasury obligations.

4. Bonds Payable

Total Reserve Fund bonds payable, with original interest rates and maturities, consist of the following at June 30, 2024:

	Original Maturity	Original Amount Issued	Amount Outstanding June 30, 2024
Reserve Fund:			
Series 2010 B, 2.5% – 5.25% dated June 24, 2010	2011 – 2031	$ 96,755,000	$ 1,505,000
Series 2011 A, 2.0% – 5.0% dated August 31, 2011	2012 – 2031	36,535,000	1,180,000
Series 2013 A, 2.0% – 5.0% dated May 23, 2013	2014 – 2033	64,030,000	21,580,000
Series 2014 A, 3.0% – 5.0% dated July 24, 2014	2015 – 2032	43,185,000	5,570,000
Series 2015 A, 2.0% – 5.0% dated July 30, 2015	2016 – 2035	27,395,000	3,405,000
Series 2016 A, 3.0% – 5.0% dated June 28, 2016	2017 – 2035	64,840,000	24,600,000

4. Bonds Payable (Continued)

	Original Maturity	Original Amount Issued	Amount Outstanding June 30, 2024
Series 2017 A, 3.0% – 5.0% dated June 27, 2017	2018 – 2031	$ 39,000,000	$ 20,410,000
Series 2017 B, 3.5% – 5.0% dated December 28, 2017	2018 – 2038	43,630,000	28,780,000
Series 2019 A, 3.0% – 5.0% dated July 31, 2019	2020 – 2039	54,640,000	45,805,000
Series 2019 B, 3.0% – 5.0% dated November 6, 2019	2020 – 2049	36,415,000	32,625,000
Series 2019 C, 5.0% dated April 3, 2020	2020 – 2040	42,350,000	32,540,000
Series 2020 A, 4.0% – 5.0% dated June 30, 2020	2021 – 2031	21,665,000	9,510,000
Series 2020 B, 2.75% – 5.0% dated November 10, 2020	2021 – 2031	13,105,000	11,810,000
Series 2021 A, 2.5% – 5.0% dated May 19, 2021	2022 – 2050	86,065,000	80,175,000
Series 2021 B, 0.359% – 3.118% dated May 19, 2021	2022 – 2043	156,870,000	147,935,000
Series 2021 C, 2.5% – 5.0% dated December 2, 2021	2023 – 2051	20,435,000	18,670,000
Series 2022 A, 5.0% – 5.5% dated June 2, 2022	2023 – 2052	48,310,000	47,695,000
Series 2022 B, 4.75% dated June 2, 2022	2023 – 2032	1,395,000	1,290,000
Series 2022 C, 5.0% – 5.5% dated November 15, 2022	2023 – 2052	85,585,000	84,720,000
Series 2023A, 4.375% – 5.0% dated July 25, 2023	2024 – 2053	68,415,000	68,415,000
Series 2023B, 4.75% – 5.25% dated December 5, 2023	2024 – 2053	122,420,000	122,420,000
		$ 1,173,040,000	810,640,000
Current portion			34,170,000
Noncurrent portion			$ 776,470,000

4. Bonds Payable (Continued)

The outstanding Reserve Fund bonds payable will mature in each of the following fiscal years with interest payable semiannually:

Fiscal Year Ending	Principal	Interest	Total
2025	$ 34,170,000	$ 34,918,362	$ 69,088,362
2026	32,945,000	33,047,585	65,992,585
2027	33,915,000	31,601,470	65,516,470
2028	34,885,000	30,123,001	65,008,001
2029	35,910,000	28,593,959	64,503,959
2030 – 2034	177,885,000	119,888,989	297,773,989
2035 – 2039	162,130,000	83,904,366	246,034,366
2040 – 2044	138,225,000	53,446,034	191,671,034
2045 – 2049	83,395,000	29,039,891	112,434,891
2050 – 2054	77,180,000	8,274,206	85,454,206
Total	$ 810,640,000	$ 452,837,863	$ 1,263,477,863

The following summarizes bonds payable activity for the Authority for the year ended June 30, 2024:

	Reserve Fund
Balance, beginning of year	$ 655,865,000
Issuances, at par	190,835,000
Redemptions:	
Principal payments	(30,995,000)
Bonds refunded (note 8)	(5,065,000)
Balance, end of year	$ 810,640,000

The Authority’s bonds payable are to be repaid through collection of outstanding loans receivable from institutions and liquidation of reserve fund investments (see note 6).

Certain outstanding bonds contain provisions for prepayment at the Authority’s option.

5. Conduit Debt

Conduit debt of the Authority consists of bonds outstanding within the General Resolution. The following is a summary of outstanding conduit debt, with original interest rates, at June 30, 2024:

	Original Maturity	Original Amount Issued	Amount Outstanding June 30, 2024
General Resolution:			
Bowdoin College, Series 2008, variable rate, dated March 24, 2008	2027	$ 20,700,000	$ 20,700,000
Bowdoin College, Series 2009 B, 6.667%, dated May 14, 2009	2035 – 2039	19,750,000	19,750,000
Colby College, Series 2014 B, 4.341% – 4.441%, dated May 20, 2014	2026 – 2044	4,665,000	4,665,000
Bates College, Series 2015, 3.0% – 5.0%, dated July 8, 2015	2016 – 2036	27,790,000	21,940,000
Redington Fairview, Series 2016, 2.85%, dated January 20, 2016	2017 – 2031	7,500,000	3,500,000
Eastern Maine Health, Series 2016, 4.0% – 5.0%, dated July 13, 2016	2037 – 2046	170,825,000	170,825,000
University of New England, Series 2017 A, 3.0% – 5.0%, dated March 2, 2017	2018 – 2047	46,945,000	41,680,000
University of New England, Series 2017 B, 3.0% – 5.0%, dated October 11, 2017	2018 – 2038	40,100,000	31,745,000
Bowdoin College, Series 2017, 5.00%, dated December 28, 2017	2035 – 2039	30,435,000	30,435,000
Maine Medical Center, Series 2018 A, 4.0% – 5.0%, dated July 18, 2018	2029 – 2048	164,330,000	164,330,000
Maine Medical Center, Series 2018 B, 3.84% – 3.94% dated July 18, 2018	2027 – 2028	10,930,000	10,930,000
John F. Murphy Homes, Series 2018, 5.50% dated August 1, 2018	2019 – 2039	4,500,000	3,807,807
Maine Medical Center, Series 2018 C, variable rate, dated August 1, 2018	2026 – 2036	36,735,000	36,735,000
Maine College of Art, Series 2018, variable rate, dated September 26, 2018	2043	2,202,775	1,947,723
Bowdoin College, Series 2018, 4.0% – 5.0%, dated November 29, 2018	2020 – 2048	28,885,000	26,805,000
Colby College, Series 2019, 2.22%, dated June 12, 2019	2026	25,000,000	25,000,000
Bates College, Series 2019, 1.89%, dated November 20, 2019	2023 – 2028	50,000,000	46,000,000
Bates College, Series 2020, 2.0%, dated May 21, 2020	2021 – 2040	10,325,000	9,026,000
Maine Health, Series 2020A, 4.0% – 5.0% dated July 29, 2020	2026 – 2050	212,700,000	212,700,000

5. Conduit Debt (Continued)

	Original Maturity	Original Amount Issued	Amount Outstanding June 30, 2024
Piper Shores, Series 2021 A-1, 2.31% dated March 25, 2021	2021 – 2041	$ 19,380,000	$ 15,790,083
Piper Shores, Series 2021 A-2, 2.79–2.88% dated March 25, 2021	2021 – 2041	18,620,000	15,234,176
Maine Health, Series 2021, 1.467% dated April 5, 2021	2021 – 2030	21,115,000	14,385,000
University of New England 2021 A, 2.75% – 5.0%, dated December 15, 2021	2022 – 2051	44,320,000	42,930,000
University of New England 2021 B, 0.73% – 3.045% dated December 15, 2021	2022 – 2043	27,980,000	24,530,000
Maine Health, Series 2022, 1.55% dated April 4, 2022	2022 – 2031	13,755,000	11,105,000
Covenant Health, Series 2023, 4.0% dated March 14, 2023	2037	33,460,000	33,460,000
Bates College, Series 2023, 2.9% dated April 4, 2023	2024 – 2043	52,300,000	52,300,000
Maine Health Services, Series 2024, 2.532% dated April 3, 2024	2024 – 2037	87,130,000	87,130,000
		$ 1,232,377,775	$ 1,179,385,789

The following is a summary of conduit debt activity for the year ended June 30, 2024:

Bonds outstanding as of June 30, 2023	$ 1,162,960,356
Issuances, at par	87,130,000
Redemptions:	
Principal Payments	(70,704,567)
Bonds outstanding as of June 30, 2024	$ 1,179,385,789

At June 30, 2024, there were approximately $146,460,000 of defeased bonds remaining outstanding with respect to advance refunded conduit debt of bond issues of the General Resolution.

6. Reserve Funds

The Authority is required to maintain debt service reserve assets which are equal to the maximum amount of principal installments and interest maturing and becoming due in any succeeding calendar year on all loan obligations then outstanding as of such date of calculation. At June 30, 2024, the required debt service reserve within the Reserve Fund was approximately $67,000,000 and the fair value of the debt service reserve assets totaled approximately $75,000,000. The approximately $8,000,000 overage is a result of fair market value adjustments on the debt service reserve investments. The reserve fund requirements are reviewed when new bond issues are initiated and at fiscal year end, at which time funds would be transferred, if necessary, to meet the requirement.

Effective June 14, 2023 the Authority maintains a revolving line of credit with Bar Harbor Bank & Trust, which is available to supplement the Authority's debt service reserve assets. As of June 30, 2024, the total amount available under this line of credit was $1,000,000. There were no borrowings on the line at June 30, 2024 or outstanding during 2024. Interest on borrowings is variable based on the One Month Prime Rate plus 2.00%, and is due monthly, based on the amount outstanding. The line of credit matures on June 14, 2026. The borrowings are secured by collateral pledge of the Authority, held in an account at Bar Harbor Bank & Trust.

The Authority maintains a supplemental reserve as described above and in note 1. The fair value of these assets at June 30, 2024 is approximately $23,200,000.

7. Operating Expenses

The Authority has an arrangement with Maine Municipal Bond Bank (the Bond Bank) which allocates a portion of Bond Bank expenses to the Authority. The allocation is based on expenses specifically incurred on behalf of the Authority and the Authority's estimated portion of general overhead. The arrangement is approved annually by the Board through the budgetary approval process. The Authority recognized approximately $683,000 of expense under this arrangement for the year ended June 30, 2024, and owed the Bond Bank $16,234 at June 30, 2024.

8. Refunded Issues

In periods of declining interest rates, the Authority has refunded certain bond obligations. The proceeds of any advance refunding bonds are primarily used to purchase U.S. Treasury obligations, the principal and interest on which will be sufficient to pay the principal and interest, when due, of the defeased bonds. Neither the U.S. Treasury obligations nor the defeased bonds are reflected on the accompanying financial statements. The U.S. Treasury obligations are placed in irrevocable trust accounts with the trustees of the defeased bonds. The gains, losses and economic benefits of these transactions inure to the respective Institution and not the Authority, although the Authority may receive an administrative fee.

8. Refunded Issues (Continued)

On July 25, 2023, the Authority issued $68,415,000 of Reserve Fund 2023A series bonds with an average interest rate of 4.62%, a portion of which was used to in-substance defease $5,065,000 of certain maturities within the 2013A bond series. A portion of the net proceeds of approximately $72,742,000, including other sources of funds and after payment of underwriting fees, insurance and other issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on defeased bonds. St. Joseph College realized a net present value savings of approximately $255,000 as a result of this bond issuance.

At June 30, 2024, there were approximately $29,065,000 of defeased bonds remaining outstanding with respect to all advance-refunding issues within the Reserve Fund Resolution.

9. Other Receivables – Operating Fund

The Authority has approximately $157,000 of other receivables outstanding within the Operating Fund at June 30, 2024, approximately $151,000 of which is in relation to semi-annual fees due from institutions within the General Bond Resolution.

10. Fair Value Measurements

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

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

Level 2 – Inputs to the valuation method include:

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

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

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

10. Fair Value Measurements (Continued)

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

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

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

Following is a description of the valuation methodologies used for assets measurement at fair value:

Cash equivalents: Fair value approximates the relative book values at June 30, as these financial instruments have short maturities.

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

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

The following table sets forth by level, within the fair value hierarchy, the Authority's assets carried at fair value on a recurring basis as of June 30, 2024:

	Level 1	Level 2	Total
Operating Fund			
U.S. Government-sponsored enterprises bonds and notes	$ –	$14,114,690	$14,114,690
Corporate notes	–	350,939	350,939
	$ –	$14,465,629	$14,465,629

10. Fair Value Measurements (Continued)

	Level 1	Level 2	Total
Reserve Fund			
Investments held by trustee:			
Cash equivalents	$23,942,571	$ –	$23,942,571
U.S. Government-sponsored enterprises bonds and notes	–	35,856,976	35,856,976
Corporate notes	–	4,994,067	4,994,067
Municipal bonds	–	33,501,251	33,501,251
	$23,942,571	$74,352,294	$98,294,865
Supplemental reserve investments:			
Cash equivalents	$ 6,071,089	$ –	$ 6,071,089
U.S. Government-sponsored enterprises bonds and notes	–	2,582,173	2,582,173
Corporate notes	–	4,185,320	4,185,320
Municipal bonds	–	10,335,127	10,335,127
	$ 6,071,089	$17,102,620	$23,173,709

There were no Level 3 investments as of June 30, 2024.

11. Subsequent Events

On September 10, 2024, the Authority issued $86,405,000 of Reserve Fund 2024A series bonds with an average interest rate of 4.77%, with principal payments beginning July 1, 2025 and maturing July 1, 2054.

On September 12, 2024, the Authority issued $187,380,000 of General Resolution Fund series bonds with an average interest rate of 5.16%, with principal payments beginning October 1, 2025 and maturing October 1, 2054.