Maine Governmental Facilities Authority

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Robert O. Lenna, Executive Director

TO: Interested Parties
FROM: Robert O. Lenna
RE: Annual Report

This is the annual fiscal year report of the Maine Governmental Facilities Authority for the 2004 fiscal year, running from July 1, 2003 to June 30, 2004. Created originally in 1987 as the Maine Court Facilities Authority, the Maine Governmental Facilities Authority amendments to the original legislation were enacted into law in 1997 authorizing the Authority undertake capital financing activities for structures designated for use as governmental facilities. Each project funded by the Authority requires project specific approval by the Legislature prior to the issuance of bonds for project activities.

In FY 2004, the Authority issued $47,925,000 of bonds in two series. Funds made available by these bond sales were used for construction and renovation of Court facilities in Rockland, upgrades and renovations to various state owned facilities, Court facilities planning and technology projects and to refinance a portion of the Authority's outstanding bonds.

If there is further information you might like or questions you may have concerning the Authority please give us a call at 207.622.9386. Additional information about the Authority is available on our website: www.mgfa.com.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

FINANCIAL STATEMENTS

For the Year Ended June 30, 2004

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BAKER NEWMAN & NOYES
LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members of
Maine Governmental Facilities Authority
Augusta, Maine

We have audited the accompanying basic financial statements, consisting of the General Operating Account and General Bond Resolution, of Maine Governmental Facilities Authority as of and for the year ended June 30, 2004, as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Maine Governmental Facilities Authority and the individual fund groups referred to above at June 30, 2004, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 – 6 is not a required part of the basic financial statements, but is supplementary information required by the Government Accounting Standards Board. The supplementary information is the responsibility of the Authority's management. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Baker Newman & Noyes
Limited Liability Company

Portland, Maine
October 8, 2004

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MAINE GOVERNMENTAL FACILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2004

As financial management of the Maine Governmental 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, 2004. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities of the Authority and to identify any significant changes in their financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements as a whole.

Financial Highlights

- Operating revenue for the Authority's General Operating Account was $457,894 for fiscal year 2004, an increase of $177,003 or 63% from fiscal year 2003. This increase was caused primarily by an increase in annual loan servicing fees, primarily related to issuance fees for new bond issues in 2004.
- Fund equity in the Authority's Operating Account at June 30, 2004 was $786,453. This represents an increase of $272,789 or 53.1% over the fund equity at June 30, 2003, mainly due to excess administrative fees collected over operating expenses incurred in 2004, as indicated above.
- The Authority's gross bonds outstanding at June 30, 2004 were $197,950,000. Gross bonds outstanding at June 30, 2004 increased $1,160,000 over the balance at June 30, 2003. This increase consists of the sale of the Series 2003 bonds totaling $18,425,000 and Series 2004 bonds totaling $29,500,000 less principal payments of $11,850,000 and refundings of $34,915,000 in fiscal year 2004.
- The Authority's lease payments receivable from lessee at June 30, 2004 are $197,950,000. The increase of $3,214,310 is mainly attributed to additional bond issues completed during 2004. These receivables represent lease payments due from the State of Maine and the County of Cumberland for the financing, acquisition, construction, improvements, reconstruction and equipping of structures, or facilities, for the use by the judicial, legislative or executive branches of the State of Maine and related entities.

Overview of the Authority

The Authority was created in 1997 by an Act of the Maine Legislature, is 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 providing funds to acquire real or personal property, prepare and plan projects, furnish and equip projects, provide for financing or refinancing of such projects and lease properties back to the judicial, legislative or executive branches of the State of Maine and related entities.

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. The Authority does receive loan servicing fees from the judicial, legislative and executive branches of the State of Maine that are based on the original amount of the lease for each project.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's financial statements, which is 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 balance sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as fund equity. Over time, increases or decreases in fund equity may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating. Fund equity increases when revenues exceed expenses. Increases to assets without a corresponding increase to liabilities results in increased fund equity, which may indicate an improved financial position.

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

Notes to the Financial Statements

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

Financial Analysis

The Authority's financial position and results of operations for the past two years are summarized as follows:

GENERAL OPERATING ACCOUNT

	2004	2003	Percentage Change
Current assets:			
Cash and cash equivalents	$ 1,953,353	$ 1,658,553	17.8%
Accounts receivable from lessee	2,576	59,300	(95.7)
Total assets	$ 1,955,929	$ 1,717,853	13.9%
Current liabilities:			
Deferred fees	$ 42,427	$ 39,716	6.8%
Accounts payable	5,235	232	2156.5
Total current liabilities	47,662	39,948	19.3
Noncurrent liabilities:			
Deferred fees	1,121,814	1,164,241	(3.6)
Total noncurrent liabilities	1,121,814	1,164,241	(3.6)
Total liabilities	1,169,476	1,204,189	(2.9)
Undesignated fund equity	786,453	513,664	53.1
Total liabilities and fund equity	$ 1,955,929	$ 1,717,853	13.9%

GENERAL BOND RESOLUTION

	2004	2003 (Unaudited)	Percentage Change
Current assets:			
Cash and cash equivalents	$ 1,170,155	$ 1,026,804	14.0%
Investments	–	21,830	(100.0)
Lease payments receivable from lessee	11,044,585	11,850,000	(6.8)
Accounts receivable from lessee	2,217,719	2,578,612	(14.0)
Total current assets	14,432,459	15,477,246	(6.8)
Noncurrent assets:			
Cash and cash equivalents	–	1,527,896	(100.0)
Lease payments receivable from lessee	186,905,415	182,885,690	2.2
Total noncurrent assets	186,905,415	184,413,586	1.4
Total assets	$ 201,337,874	$ 199,890,832	.7%
Current liabilities:			
Bonds payable, net	$ 11,044,585	$ 11,830,091	(6.6)%
Accounts payable	10,175	9,616	5.8
Accrued interest payable	2,337,117	2,561,155	(8.7)
Other deferred revenue	14,532	–	–
Rebate payable to Internal Revenue Service	8,032	6,787	18.3
Total current liabilities	13,414,441	14,407,649	(6.9)
Noncurrent liabilities:			
Bonds payable, net	186,905,415	184,553,377	1.3
Rebate payable to Internal Revenue Service	742,843	758,525	(2.1)
Total noncurrent liabilities	187,648,258	185,311,902	1.3
Total liabilities	201,062,699	199,719,551	0.7
Designated fund equity	275,175	171,281	60.7
Total liabilities and fund equity	$ 201,337,874	$ 199,890,832	0.7%

The Authority's results of operations for the past two years are summarized below:

GENERAL OPERATING ACCOUNT

	2004	2003	Percentage Change
Operating revenues:			
Administrative fees	$ 433,755	$ 258,795	67.6%
Interest income from investments	24,139	22,096	9.2
Total operating revenue	457,894	280,891	63.0
Operating expenses:			
Salaries	50,901	50,938	(0.1)
Employee benefits	10,667	11,042	(3.4)
Office	22,793	13,254	72.0
Accretion of interest on deferred fees	74,499	77,036	(3.3)
Other	26,245	22,798	15.1
Total operating expenses	185,105	175,068	5.7
Operating income	272,789	105,823	157.8
Fund equity, beginning of year	513,664	407,841	25.9
Fund equity, end of year	$ 786,453	$ 513,664	53.1%

GENERAL BOND RESOLUTION

	2004	2003 (Unaudited)	Percentage Change
Operating revenues:			
Received and receivable from lessee	$ 10,221,274	$ 9,799,790	4.3%
Interest income from investments	14,494	31,586	(54.1)
Other income	64,689	59,003	9.6
Total operating revenues	10,300,457	9,890,379	4.2
Operating expenses:			
Bond issuance costs	356,976	220,535	61.9
Interest expense	9,724,877	10,026,500	(3.0)
Rebate paid to Internal Revenue Service	–	40,886	(100.0)
Amortization of deferred costs	–	81,278	(100.0)
Other	114,710	–	–
Total operating expenses	10,196,563	10,369,199	(1.7)
Operating income	103,894	(478,820)	(121.7)
Fund equity, beginning of year	171,281	650,101	(73.7)
Fund equity, end of year	$ 275,175	$ 171,281	60.7%

General Operating Account

Cash and cash equivalents held in the General Operating Account increased $294,800 or 17.8% at June 30, 2004 compared to June 30, 2003. The increase was mainly the result of an increase of administrative fees collected by the Authority in fiscal year 2004.

Accounts receivable from lessee decreased 95.7% mainly due to the timing of cash receipts and amounts due from the various lessees at June 30, 2004 versus June 30, 2003.

Fund equity increased 53.1% in fiscal year 2004. The Authority continued to maintain a positive spread of income from fees and interest income over operating expenses.

Operating revenues are generated principally from fees charged to lessees. Administrative fees in 2004 increased 67.6% from 2003. This increase was primarily the result of administrative issuance fees earned from several new bond issues in 2004. Bonds issued in 2004 totaled $47,925,000, versus $10,860,000 issued in 2003.

The Authority shares office space and staff with the Maine Municipal Bond Bank (Bond Bank). The Authority reimburses the Bond Bank for its proportionate share of personnel services, employee benefits, office space, equipment rental and other miscellaneous costs.

General Bond Resolution

Current and noncurrent cash and cash equivalents in the General Bond Resolution decreased $1,384,545 or 54.2% from balances at June 30, 2003. Conversely, investments decreased $21,830 or 100% from balances at June 30, 2003. These changes are mainly due to the refunding of the Series 1993 bond issue which utilized the investments in the debt service reserve fund.

Lease payments receivable from lessee at June 30, 2004 represents an increase of $3,214,310 or 1.6% as compared to balances at June 30, 2003. Lease payments receivable from lessee increased mainly due to the issuance of the Series 2003 and Series 2004 bonds (net of refunding portions), less scheduled principal payments throughout 2004.

Bond issuance costs in 2004 of $356,976 represents an increase of $136,441 from 2003 mainly due to an increase in the par amount of bonds issued in 2004 versus 2003.

As the result of the Authority issuing tax-exempt debt, the Authority is required to prepare arbitrage rebate calculations for each series of bonds outstanding and remit payment to the Internal Revenue Service every five years. There was no rebate expense in 2004, which represents a reduction of $40,886 from 2003. This is mainly due to a reduction in the average investments held, as well as reductions in the average yield on the investments held by the Authority in 2004 versus 2003.

Interest income in the General Bond Resolution for 2004 decreased 54.1% from 2003 as a result of lower average investments on hand during the year, and the fact the debt service reserve fund for the Series 1993 bonds was refunded.

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 request for additional information should be addressed to the Executive Director, Maine Governmental Facilities Authority, P.O. Box 2268, Augusta, ME 04338-2268.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

BALANCE SHEET

June 30, 2004

ASSETS	General Operating Account	General Bond Resolution	Total
Current assets:			
Cash and cash equivalents (note 3)	$1,953,353	$ 1,170,155	$ 3,123,508
Lease payments receivable from lessee (note 4)	–	11,044,585	11,044,585
Accounts receivable from lessee	2,576	2,217,719	2,220,295
Total current assets	1,955,929	14,432,459	16,388,388
Noncurrent assets:			
Lease payments receivable from lessee (note 4)	–	186,905,415	186,905,415
Total assets	$1,955,929	$ 201,337,874	$ 203,293,803
LIABILITIES AND FUND EQUITY			
Current liabilities:			
Bonds payable, net (note 4)	$ –	$ 11,044,585	$ 11,044,585
Accounts payable	–	10,175	10,175
Accrued interest payable	–	2,337,117	2,337,117
Deferred fees (note 6)	42,427	–	42,427
Other deferred revenue	–	14,532	14,532
Rebate payable to Internal Revenue Service	–	8,032	8,032
Accounts payable – Maine Municipal Bond Bank (note 5)	5,235	–	5,235
Total current liabilities	47,662	13,414,441	13,462,103
Noncurrent liabilities:			
Bonds payable, net (note 4)	–	186,905,415	186,905,415
Deferred fees (note 6)	1,121,814	–	1,121,814
Rebate payable to Internal Revenue Service	–	742,843	742,843
Total noncurrent liabilities	1,121,814	187,648,258	188,770,072
Total liabilities	1,169,476	201,062,699	202,232,175
Fund equity:			
Designated	–	275,175	275,175
Undesignated	786,453	–	786,453
Total fund equity	786,453	275,175	1,061,628
	$1,955,929	$ 201,337,874	$ 203,293,803

See accompanying notes.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY

Year Ended June 30, 2004

	General Operating Account	General Bond Resolution	Total
Operating revenues:			
Received and receivable from lessee	$ –	$ 10,221,274	$ 10,221,274
Administrative fees (note 6)	433,755	–	433,755
Interest income from investments	24,139	14,494	38,633
Other income	–	64,689	64,689
Total operating revenue	457,894	10,300,457	10,758,351
Operating expenses (note 5):			
Bond issuance costs	–	356,976	356,976
Interest expense	–	9,724,877	9,724,877
Salaries	50,901	–	50,901
Employee benefits	10,667	–	10,667
Office	22,793	–	22,793
Accretion of interest on deferred fees (note 6)	74,499	–	74,499
Other	26,245	114,710	140,955
Total operating expenses	185,105	10,196,563	10,381,668
Operating income	272,789	103,894	376,683
Fund equity, beginning of year	513,664	171,281	684,945
Fund equity, end of year	$786,453	$ 275,175	$ 1,061,628

See accompanying notes.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2004

	General Operating Account	General Bond Resolution	Total
Operating activities:			
Cash received from lessee	$ 376,264	$ 7,382,389	$ 7,758,653
Cash paid for operating expenses	(79,358)	–	(79,358)
Cash received for other income	–	64,689	64,689
Cash paid for other expenses	(26,245)	(114,151)	(140,396)
Cash paid for bond issuance costs	–	(356,976)	(356,976)
Net cash provided by operating activities	270,661	6,975,951	7,246,612
Noncapital financing activities:			
Proceeds from bonds payable	–	51,090,169	51,090,169
Principal paid on bonds payable	–	(11,850,000)	(11,850,000)
Deposit to refunding escrow	–	(37,571,132)	(37,571,132)
Issue costs paid with refunding	–	(509,037)	(509,037)
Interest paid on bonds payable	–	(9,542,384)	(9,542,384)
Net cash used by noncapital financing activities	–	(8,382,384)	(8,382,384)
Investing activities:			
Cash received from interest income	24,139	58	24,197
Sales and maturities of investments	–	21,830	21,830
Net cash provided by investing activities	24,139	21,888	46,027
Increase (decrease) in cash and cash equivalents	294,800	(1,384,545)	(1,089,745)
Cash and cash equivalents at beginning of year (note 2)	1,658,553	2,554,700	4,213,253
Cash and cash equivalents at end of year	$ 1,953,353	$ 1,170,155	$ 3,123,508
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 272,789	$ 103,894	$ 376,683
Adjustments to reconcile operating income to net cash provided by operating activities:			
Accretion of interest on deferred fees	74,499	–	74,499
Amortization of deferred fees and costs	(114,215)	–	(114,215)
Interest expense	–	9,724,877	9,724,877
Interest income	(24,139)	(14,494)	(38,633)
Changes in operating assets and liabilities:			
Accounts receivable	56,724	360,893	417,617
Accounts payable	5,003	559	5,562
Other deferred revenue	–	14,532	14,532
Lease payments receivable from lessee	–	(3,214,310)	(3,214,310)
Net cash provided by operating activities	$ 270,661	$ 6,975,951	$ 7,246,612

See accompanying notes.

1. Organization

The Maine Governmental Facilities Authority (the Authority) is constituted as an instrumentality and, for accounting purposes under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, is considered a component unit of the State of Maine (the State), organized and existing under and pursuant to M.R.S.A., Title 4, Chapter 33, Sections 1601 to 1618, inclusive (the Act).

The Authority was created for the purpose of assisting in the financing, acquisition, construction, improvement, reconstruction and equipping of structures, or facilities, for use by the judicial, legislative, or executive branches of the State government and related entities. To accomplish its purposes, the Authority is authorized to acquire real or personal property, prepare and plan projects, furnish and equip projects, provide for financing or refinancing of such projects and lease properties back to the judicial, legislative or executive branches of the State government and related entities. The Authority is also authorized to issue bonds and notes to fulfill its statutory purposes.

The Authority may not issue securities in excess of $218,485,000 outstanding at any one time except for the issuance of certain revenue refunding securities. The State Legislature may increase this limit as necessary to meet the Authority's needs.

Debt issued by the Authority is not debt of the State 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 income taxes. Interest paid on bonds issued by the Authority is exempt from federal and Maine income taxes.

Except for earnings on investments, substantially all of the Authority's revenue is received from lease payments, which are scheduled to closely match required bond principal and interest payments and loan servicing fees from the State for facilities financed by the Authority.

2. Significant Accounting Policies

The State of Maine treats the Authority as an "internal service fund" on the State's financial statements. Therefore, the books of accounts of the Authority are maintained in accordance with the principles of proprietary fund accounting and the requirements of the bond issue documents. The accompanying financial statements are prepared on the accrual basis of accounting.

The Authority complies with Governmental Accounting Standards Board Statement (GASB) No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. This Statement requires that the Authority apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions and Accounting Research Bulletins (ARB's). As permitted by GASB No. 20, the Authority has elected not to comply with the FASB Statements and Interpretations issued after November 30, 1989.

2. Significant Accounting Policies (Continued)

The financial statements are prepared in accordance with Governmental Accounting Standards Board 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).

Cash and Cash Equivalents

The Authority considers all checking and savings deposits and highly liquid investments with maturities of three months or less to be cash equivalents. Cash and cash equivalents totaling $1,603,853 on the general operating account at June 30, 2003 were reclassified from investments to cash equivalents for purposes of the 2004 statement of cash flows.

Bond Issuance Costs

Bond issuance costs resulting from the advance refunding of bonds outstanding have been deferred as part of deferred amounts on refunding and are being amortized over the life of the refunded bonds using the bonds outstanding method. Other bond issuance costs paid by the Authority are expensed as incurred.

Deferred Amounts on Refunding

The difference between the reacquisition price and the net carrying amount of the refunded bonds is recorded as a deferred amount on refunding and reported as a deduction from or an addition to the new bonds. The deferred amount on refunding is amortized over the remaining life of the refunded bonds, or the life of the new bonds, whichever is shorter, as a component of interest expense using the bonds outstanding method.

Original Issue Premiums

Original issue premiums resulting from the advance refunding of bonds outstanding have been deferred and are being amortized over the life of the refunded bonds using a method which approximates the effective interest method.

Financing Leases

Projects financed through the issuance of bonds are subsequently leased or subleased to the three branches of state government under financing lease arrangements. The property is not reflected on the accompanying combined financial statements since the lease agreements meet the criteria for financing leases under accounting principles generally accepted in the United States of America.

2. Significant Accounting Policies (Continued)

New Accounting Pronouncements

GASB issued Statement No. 40 in March 2003. This statement amends GASB Statement No. 3 by establishing new disclosure requirements related to investment risks, including credit risk, interest rate risk and foreign currency risk. The statement is expected to be applicable to the Authority beginning in fiscal 2005.

Use of 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Total Columns

The "total" columns contain the totals of the similar accounts of the various funds. The combination of the accounts, including assets therein, is for convenience and presentation purposes only.

3. Cash and Cash Equivalents

The Authority is authorized, under Maine statutes, to invest in obligations of the U.S. Treasury, certain U.S. Governmental Agencies and collateralized repurchase agreements. The Authority invests available cash in accordance with Maine statutes, applicable Series Resolution and Tax Regulatory Agreement.

The Authority's policy is to invest all available funds at the highest possible rates, in conformance with legal and administrative guidelines. Generally, the funds are invested in government securities whose maturities are planned to coincide with the cash needs for operating, debt service and arbitrage rebate requirements.

The cash of the general operating account at June 30, 2004 consists of a $100,000 insured and $226,212 uninsured deposit with a bank. Cash equivalents consist of money market funds.

Government Accounting Standards Board Statement No. 3 requires the investments to be classified into three categories to give an indication of the level of risk assumed by the Authority; Category 1 includes investments insured or registered in the Authority's name or securities held by the Authority or by the Authority's agent in the Authority's name; Category 2 includes investments uninsured and unregistered with securities held by the financial institution's trust department or agent in the Authority's name; and Category 3 includes investments uninsured and unregistered, with securities held by the financial institution's trust department or its agent, but not in the Authority's name. There are no category 1 or 3 investments held by the Authority or its trustees at June 30, 2004.

3. Cash and Cash Equivalents (Continued)

At June 30, 2004, cash and cash equivalents are all classified as category 2 and are as follows (at fair value):

General operating account:	
Cash and cash equivalents	$1,953,353
General bond resolution:	
Cash and cash equivalents	$1,170,155

4. Bonds Payable and Lease Payments Receivable

As of June 30, 2004, the Authority had authorized and has outstanding the following series and amounts of revenue bonds:

	Maturity	Amount Issued	Amount Outstanding June 30, 2004
Series 1999, 4.50% – 5.625%, dated September 1, 1999	2000 – 2019	86,945,000	$ 67,030,000
Series 2000 A, 4.50% – 6.00%, dated June 1, 2000	2001 – 2019	51,855,000	34,075,000
Series 2000 B, 4.30% – 5.375%, dated November 1, 2000	2001 – 2020	6,995,000	5,930,000
Series 2001, 3.75% – 5.375%, dated August 1, 2001	2002 – 2021	36,485,000	32,675,000
Series 2002, 2.00% – 5.00%, dated November 1, 2002	2003 – 2022	10,860,000	10,315,000
Series 2003, 2.00% – 5.00%, dated September 11, 2003	2004 – 2023	18,425,000	18,425,000
Series 2004, 2.00% – 5.00%, dated April 22, 2004	2004 – 2023	29,500,000	29,500,000
			$ 197,950,000

4. Bonds Payable and Lease Payments Receivable (Continued)

Such amounts are reflected on the balance sheet of the general bond resolution as follows:

Total principal outstanding	$ 197,950,000
Deferred amount on refunding	(2,609,327)
Unamortized original issue premium	3,109,394
Unamortized bond issue costs	(500,067)
	197,950,000
Less current portion	11,044,585
Long-term portion	$ 186,905,415

The outstanding bonds payable will mature in each of the following years (in substantially equivalent amounts to payments due from lessees) with interest paid semiannually:

Due Bond Year Ending	Principal	Interest	Total
2004	$ 11,044,586	$ 9,208,373	$ 20,252,959
2005	13,295,000	8,778,917	22,073,917
2006	13,310,000	8,218,639	21,528,639
2007	13,315,000	7,644,858	20,959,858
2008	13,310,000	7,059,451	20,369,451
2009 – 2013	61,639,788	26,525,328	88,165,116
2014 – 2018	55,915,626	11,627,977	67,543,603
2019 – 2023	16,120,000	879,719	16,999,719
	$ 197,950,000	$ 79,943,262	$ 277,893,262

The following summarizes bond payable activity for Authority for the year ended June 30, 2004:

Balance, beginning of year	$ 196,383,468
Issuances – face value	47,925,000
Redemptions	(11,850,000)
Refunded bonds	(34,915,000)
Capitalized issue costs	(509,037)
Capitalized premiums	3,165,169
Deferred amounts on refunding	(2,656,132)
Accretion/amortization of premiums and deferred amounts on refunding	406,532
Balance, end of year	$ 197,950,000

4. Bonds Payable and Lease Payments Receivable (Continued)

The Series 1999 Bonds were issued pursuant to a bond resolution adopted by the Authority on August 18, 1999 for the purpose of financing the acquisition and construction of court facilities for use by the Judicial Department of the State and the renovations of the Statehouse and State office building and construction of correctional facilities for the State of Maine. The bonds are limited revenue obligations of the Authority, payable solely from the lease payments and the funds and accounts established by the resolution. Pursuant to the lease agreement, dated as of August 1, 1999 between the Authority and the State, acting through its Chief Justice of the Supreme Judicial Court for the court facilities project and through the Department of Administration for other projects (the Lessee), the State has agreed to make lease payments sufficient to pay the debt service of the Authority. The Lessee's obligation to make lease payments and any other obligation under the lease agreement are subject to and dependent upon biennial appropriations being made by the State Legislature for such purposes.

The Series 2002, 2001 and 2000 A and B Bonds were issued pursuant to bond resolutions adopted by the Authority on August 18, 1999 and supplemental resolutions adopted by the Authority on November 21, 2002, June 25, 2001 and June 21, 2000, respectively, for the purpose of financing a portion of the remaining costs of acquisition and construction of certain governmental facilities for use by the State of Maine. The bonds are limited revenue obligations of the Authority, payable solely from the lease payments and the funds and accounts established by the resolutions. Pursuant to the master lease agreement, dated as of August 1, 1999, and amendments to such agreement, dated November 1, 2002 August 1, 2001, October 1, 2000 and June 1, 2000 between the Authority and the State, acting through its Chief Justice of the Supreme Judicial Court for the court facilities project and through the Department of Administration for other projects (the Lessee), the State has agreed to make lease payments sufficient to pay the debt service of the Authority. The Lessee's obligation to make lease payments and any other obligation under the lease agreement are subject to and dependent upon biennial appropriations being made by the State Legislature for such purposes.

The Series 2003 Bonds were issued pursuant to a bond resolution adopted by the Authority on August 18, 1999 and a supplemental resolution adopted by the Authority on July 22, 2003 for the purpose of refunding in whole the Authority's outstanding Lease Rental Revenue Bonds, Series 1993, and to finance a portion of the costs of acquisition, construction and equipping of certain governmental facilities for use by the State of Maine. The bonds are limited revenue obligations of the Authority, payable solely from the master lease agreement, dated as of August 1, 1999, and amendments to such agreement, dated June 1, 2000, October 1, 2000, August 1, 2001, November 1, 2002 and September 1, 2003 between the Authority and the State, acting through its Chief Justice of the Supreme Judicial Court for the court facilities project and through the Department of Administration for other projects (the Lessee), the State has agreed to make lease payments sufficient to pay the debt service of the Authority. The Lessee's obligation to make lease payments and any other obligation under the lease agreement are subject to and dependent upon biennial appropriations being made by the State Legislature for such purposes.

4. Bonds Payable and Lease Payments Receivable (Continued)

The Series 2004 Bonds were issued pursuant to a bond resolution adopted by the Authority on August 18, 1999 and a supplemental resolution adopted by the Authority on March 25, 2004 for the purpose of refunding in whole the Authority's outstanding Lease Rental Revenue Bonds, series 1996, to refund a portion of the Authority's outstanding Lease Rental Revenue Bonds, series 1999 and 2000, and to finance a portion of the costs of acquisition, construction and equipping of certain governmental facilities for use by the State of Maine. The bonds are limited revenue obligations of the Authority, payable solely from the lease payments and the funds and accounts established by the resolutions. Pursuant to the master lease agreement, dated as of August 1, 1999, and amendments to such agreement, dated June 1, 2000, October 1, 2000, August 1, 2001, November 1, 2002, September 1, 2003 and April 1, 2004 between the Authority and the State, acting through its Chief Justice of the Supreme Judicial Court for the court facilities project and through the Department of Administration for other projects (the Lessee), the State has agreed to make lease payments sufficient to pay the debt service of the Authority. The Lessee's obligation to make lease payments and any other obligation under the lease agreement are subject to and dependent upon biennial appropriations being made by the State Legislature for such purposes.

The refunding portion of the Series 2003 Bonds, which totaled $6,780,000 at an average interest rate of 2.67%, was used to refund $6,476,000 in Series 1993 Bonds with an average interest rate of 5.07%. The net proceeds from the refunding issue of $6,679,000, including a bond premium of approximately $35,000 and after payment of approximately $136,000 in 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 the refunded bonds. Although the advance refunding resulted in the recognition of a deferred accounting loss of approximately $203,000 in the year ended June 30, 2004, the Authority in effect reduced its aggregate debt service payments by approximately $332,000 over the next nine years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $546,000 after consideration of the elimination of the debt service reserve fund.

The refunding portion of the Series 2004 Bonds, which totaled $27,750,000 at an average interest rate of 4.83%, was used to refund $26,910,000 in Series 1996, 1999 and 2000 Bonds with an average interest rate of 5.84%. The net proceeds from the refunding issue of $30,406,000, including a bond premium of approximately $3,165,000 and after payment of approximately $509,000 in 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 the refunded bonds. Although the advance refunding resulted in the recognition of a deferred accounting loss of approximately $2.6 million in the year ended June 30, 2004, the Authority in effect reduced its aggregate debt service payments by almost $1,299,000 over the next twelve years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $1,286,000.

At June 30, 2004, the remaining balances of the insubstance defeased bonds total approximately $34,915,000.

5. Operating Expenses

The Authority has a management agreement with Maine Municipal 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.

6. Deferred Fees

Deferred fees in the amount of $1,164,241 at June 30, 2004 represents the advance payment of the present value of all future required annual fees on the 1999 and 2000 A bond issues by the executive branch of the State of Maine in 2002. These amounts are being amortized using the effective interest method over the respective terms of the underlying bonds. During the year ended June 30, 2004, $114,215 of previously deferred fees were included in revenue.