

MAINE STATE LEGISLATURE

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Annual Report

Maine Governmental Facilities Authority

2025

MGFA

MAINE GOVERNMENTAL FACILITIES AUTHORITY

MGFA

MAINE GOVERNMENTAL FACILITIES AUTHORITY

Terry Hayes, *Executive Director*

Tel 207-622-9386

Fax 207-623-5359

TO: INTERESTED PARTIES

FROM: Terry Hayes, Executive Director *TH*

RE: 2025 Maine Governmental Facilities Authority Annual Report

This is the annual report for the Maine Governmental Facilities Authority for the 2025 fiscal year, running from July 1, 2024 to June 30, 2025. Created originally in 1987 as the Maine Court Facilities Authority, the Maine Governmental Facilities amendments to the original legislation were enacted into law in 1997 authorizing the Authority to 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.

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) 622-9386.

BAKER
NEWMAN
NOYES

Maine Governmental Facilities Authority

Basic Financial Statements and
Management's Discussion and Analysis

*Year Ended June 30, 2025
With Independent Auditors' Report*

Baker Newman & Noyes LLC
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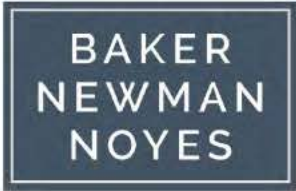
MAINE GOVERNMENTAL FACILITIES AUTHORITY

BASIC FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2025

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Maine Governmental Facilities Authority

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements, consisting of the General Operating Account and General Bond Resolution, of Maine Governmental Facilities Authority (the Authority), as of and for the year ended June 30, 2025, 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 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, 2025, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the 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 opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Baker Newman & Noyes LLC

Portland, Maine
September 9, 2025

MAINE GOVERNMENTAL FACILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2025

As financial management for 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, 2025. 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 its financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements as a whole.

Management Overview

- The Revenue Neutral Policy (adopted June 10, 2021) ensures adequate funding for continuous operations of the Authority while eliminating surplus cash accumulation. The targeted operational reserves are updated annually based on the latest approved budget. Implementation of the Revenue Neutral Policy has saved the State of Maine (the State) a total of \$1,076,176 in new issue and annual authority fees through fiscal 2024. Savings of \$394,405 in annual authority fees were recognized in fiscal 2025. (See note: Mechanics of Revenue Neutral Operation).
- Net position in the Authority's General Operating Account at June 30, 2024 was \$1,816,742, representing a surplus of approximately \$492,000 to targeted reserves. The net position at June 30, 2025 was \$1,598,932, representing a surplus of approximately \$189,811 to target margin of safety reserves of three times the current approved budget or \$1,409,121. The current surplus indicates continuing waivers of annual authority fees in fiscal year 2026. The traditional use of net position is not relevant in a Revenue Neutral Policy operation. The true measure of financial stability is the value of the gross bonds outstanding and their predictive annual revenue stream that can be reinstated as needed. The aggregate annual fees which the Authority could charge in future years based on the current outstanding bond portfolio total \$10,703,182, representing an estimated 21 years of forward operating costs.
- The Authority's gross bonds outstanding at June 30, 2025 were \$439,680,000, a decrease of \$26,915,000 or 5.8% from the prior June 30th outstanding total of \$466,595,000. No bonds were issued in fiscal year 2025 and principal payments of \$26,915,000 were made.
- The Authority's financing receivables at June 30, 2025 were \$439,680,000. The financing payments are closely related to the bonds outstanding. Therefore, the decrease of \$26,915,000 is mainly attributed to the effect of bonds activity as described above. These receivables represent payments due from the State and related entities 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 and related entities.
- The spend down of State of Maine project funds continues to lag behind the intended draw schedules. This is attributed to accumulated back log from the supply chain disruptions associated with the COVID-19 pandemic. While arbitrage rebate liability is still a concern with interest rates remaining high, the improved spend down and use of tax-exempt instruments has muted liability accumulation. See *Federal Income Taxes* within Note 2 of the basic financial statements for more information on arbitrage rebate liabilities.

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, and provide for financing or refinancing of such projects for the judicial, legislative or executive branches of the State and related entities.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2025

The Authority, a component unit of the State, funds the entirety of its operations through loan servicing and administrative fees from the judicial, legislative, and executive branches of the State. The administrative fees for new bond issues are unpredictable and dependent upon the project funding needs of the State while the loan servicing fees occur annually and are easy to forecast. Prior to the implementation of the Revenue Neutral Policy, past practice of the Authority was to allow surplus funds to accumulate in the General Operating Account to ensure funds for continuous operations.

Mechanics of the Revenue Neutral Operation

The Revenue Neutral Policy (adopted on June 10, 2021) ensures flexibility for continuous operation without accumulating surplus funds (increased net position). The margin of safety is defined as three years of budgeted operational costs. The approved budget for fiscal year 2026 is \$469,707 indicating a required margin of safety of \$1,409,121 (three times budget). When the net position grows beyond the required margin of safety, the Authority will adjust annual fees, new issuance fees, or both, in order to bring the operating fund to the targeted margin of safety. The Revenue Neutral Policy effectively caps the net position of the Authority at \$1.41 million for fiscal year 2026 and sets a net position floor of \$939,414 (2 times current year budget). The stability of the Authority's bond portfolio allows for the effective execution of this policy.

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 and practical understanding of the Authority's finances.

The value of net position is less significant in a revenue neutral operation. The key indicator of financial strength for the Authority is the value of its portfolio whereby the portfolio predicts realizable annual fees. The stability of the total assets allows for the smooth execution of a revenue neutral operation where the Authority can "turn earned fees on or off" based on the current net position, current year budget, and calculated margin of safety. At June 30, 2025, the net position was \$1,598,932 – a surplus of approximately \$189,800 to the \$1.41 million target for operational margin of safety.

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.

MAINE GOVERNMENTAL FACILITIES AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2025

The Authority’s financial position for the past two years are summarized as follows:

GENERAL OPERATING ACCOUNT

Statements of Net Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>	<u>Percentage Change</u>
Current assets:			
Cash and cash equivalents	\$ 848,091	\$1,541,918	(45.0)%
Investments	781,171	392,528	99.0
Due from State of Maine	18,510	6,546	182.8
Accrued interest income receivable	<u>7,311</u>	<u>2,521</u>	<u>190.0</u>
Total assets	<u>1,655,083</u>	<u>1,943,513</u>	<u>(14.8)</u>
Current liabilities:			
Accounts payable	56,151	11,912	371.4
Unearned fees	<u>—</u>	<u>114,859</u>	<u>(100.0)</u>
Total current liabilities	<u>56,151</u>	<u>126,771</u>	<u>(55.7)</u>
Net position – unrestricted	<u>\$1,598,932</u>	<u>\$1,816,742</u>	<u>(12.0)%</u>

MAINE GOVERNMENTAL FACILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2025

GENERAL BOND RESOLUTION

Statements of Net Position
June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>	<u>Percentage Change</u>
Current assets:			
Cash and cash equivalents	\$ 35,140	\$ 18,096	94.2%
Investments	752,230	2,100,000	(64.2)
Financing receivables	27,705,000	26,915,000	2.9
Interest and other amounts receivable	4,973,647	5,913,260	(15.9)
Accrued interest income receivable	6,186	21,062	(70.6)
Due from State of Maine	<u>30,078</u>	<u>—</u>	<u>100.0</u>
Total current assets	33,502,281	34,967,418	(4.2)
Noncurrent assets:			
Due from State of Maine	3,794,447	1,550,917	144.7
Financing receivables	<u>411,975,000</u>	<u>439,680,000</u>	<u>(6.3)</u>
Total noncurrent assets	415,769,447	441,230,917	(5.8)
Total assets	<u>449,271,728</u>	<u>476,198,335</u>	<u>(5.7)</u>
Deferred outflow of resources:			
Unamortized deferred loss on refunding	<u>394,718</u>	<u>622,240</u>	<u>(36.6)</u>
Current liabilities:			
Bonds payable	27,879,943	27,142,522	2.7
Accrued interest payable	4,773,181	5,726,326	(16.6)
Accrued interest rebate payable to U.S. Government	<u>782,308</u>	<u>1,378,348</u>	<u>(43.2)</u>
Total current liabilities	33,435,432	34,247,196	(2.4)
Noncurrent liabilities:			
Bonds payable	412,194,775	440,074,718	(6.3)
Accrued interest rebate payable to U.S. Government	<u>3,794,447</u>	<u>2,272,569</u>	<u>67.0</u>
Total liabilities	<u>449,424,654</u>	<u>476,594,483</u>	<u>(5.7)</u>
Net position – restricted	\$ <u>241,792</u>	\$ <u>226,092</u>	<u>6.9%</u>

MAINE GOVERNMENTAL FACILITIES AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2025

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

GENERAL OPERATING ACCOUNT

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>	<u>Percentage Change</u>
Operating revenues:			
Administrative fees	\$ 116,897	\$ 708,622	(83.5)%
Interest income from investments	55,601	34,802	59.8
Net increase in fair value of investments	<u>11,613</u>	<u>22,707</u>	<u>(48.9)</u>
Total operating revenue	184,111	766,131	(76.0)
Operating expenses:			
Administration	292,716	230,113	27.2
Professional and other fees	55,723	49,381	12.8
Office	26,811	25,632	4.6
Other	<u>26,671</u>	<u>34,458</u>	<u>(22.6)</u>
Total operating expenses	<u>401,921</u>	<u>339,584</u>	<u>18.4</u>
Operating (loss) income	(217,810)	426,547	(151.1)
Net position, beginning of year	<u>1,816,742</u>	<u>1,390,195</u>	<u>30.7</u>
Net position, end of year	<u>\$1,598,932</u>	<u>\$1,816,742</u>	<u>(12.0)%</u>

MAINE GOVERNMENTAL FACILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2025

GENERAL BOND RESOLUTION

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>	<u>Percentage Change</u>
Operating revenues:			
Interest and financing charges received and receivable	\$19,309,416	\$17,098,204	12.9%
Interest income from investments	101,637	68,921	47.5
Other income	<u>—</u>	<u>1,136,399</u>	<u>(100.0)</u>
Total operating revenues	19,411,053	18,303,524	6.1
Operating expenses:			
Cost of issuance	—	1,136,399	(100.0)
Interest expense	19,394,289	16,949,053	14.4
Other	<u>1,064</u>	<u>—</u>	<u>100.0</u>
Total operating expenses	<u>19,395,353</u>	<u>18,085,452</u>	<u>7.2</u>
Operating income	15,700	218,072	(92.8)
Net position, beginning of year	<u>226,092</u>	<u>8,020</u>	<u>2,719.1</u>
Net position, end of year	<u>\$ 241,792</u>	<u>\$ 226,092</u>	<u>6.9%</u>

MAINE GOVERNMENTAL FACILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2025

General Operating Account

Cash and cash equivalents held in the General Operating Account decreased \$693,827 or 45.0% at June 30, 2025 compared to June 30, 2024. The decrease is primarily attributed to the waiver of fees in 2025 and the investment of excess operating cash.

Administrative fees in fiscal year 2025 decreased by \$591,725 or 83.5%. The decrease is attributed to the waiver of administrative fees as a result of the Revenue Neutral Policy.

Net position decreased \$217,810 or 12.0% in fiscal year 2025 primarily as a result of the waiver of annual authority fees. The Authority does not plan to charge fees in fiscal year 2026 as current net position is above the target level.

Amounts due from the State of Maine at June 30, 2025 represent amounts due to reimburse the Authority for payment of expenses made on behalf of State facilities.

Unearned fees decreased \$114,859 or 100% in fiscal year 2025 due to waiving administrative fees as a result of the Authority's Revenue Neutral Policy.

Total operating expenses increased \$62,337 or 18.4% in fiscal 2025. The Authority shares office space and staff with the Maine Municipal Bond Bank (the 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. The increase in operating expenses is attributed primarily to increased costs under this arrangement and changes to how the Bond Bank's costs are allocated to the Authority.

General Bond Resolution

Cash and cash equivalents held in the General Bond Resolution increased \$17,044 or 94.2% at June 30, 2025 compared to June 30, 2024. The increase is due to the timing of the receipt of interest payments received from the borrowers and the payment of interest paid to the bond holders.

Investments decreased by \$1,347,770 or 64.2% in fiscal year 2025. The decrease is primarily due to the payment of \$1,423,040 to the Internal Revenue Service in March 2025 to cover rebate expense on the 2020A series construction funds. At June 30, 2025, \$3,824,525 is included in Due from State of Maine representing remaining amounts owed related to arbitrage.

Unamortized deferred loss on refunding decreased \$227,522 or 36.6% at June 30, 2025 as compared to June 30, 2024. The current year decrease is attributed entirely to amortization.

Accrued interest rebate payable to the U.S. Government increased by \$925,838 or 25.4% over fiscal year 2024. The increase is a result of arbitrage in unspent bond proceeds in 2020A, 2021A, 2022A, and 2024A construction funds.

Refer to "Management Overview" section for change in outstanding bonds payable and financing receivables at June 30, 2025 as compared to June 30, 2024.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2025

Interest expense on the bonds increased \$2,445,236 or 14.4% in fiscal year 2025 from 2024 based on the scheduled payments. As a result, interest and other amounts received from borrower increased in fiscal year 2025 by \$2,211,212 or 12.9%.

Other income and cost of issuance expense decreased \$1,136,399 or 100.0%. The decrease relates entirely to the fact that no costs of issuance were incurred in fiscal 2025 as no bonds were issued.

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, 127 Community Drive, Augusta, ME 04330.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

STATEMENTS OF NET POSITION

June 30, 2025

	<u>General Operating Account</u>	<u>General Bond Resolution</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents (note 3)	\$ 848,091	\$ 35,140	\$ 883,231
Investments (notes 3 and 7)	781,171	752,230	1,533,401
Financing receivables (note 4)	-	27,705,000	27,705,000
Interest and other amounts receivable	-	4,973,647	4,973,647
Accrued interest income receivable	7,311	6,186	13,497
Due from State of Maine (note 2)	<u>18,510</u>	<u>30,078</u>	<u>48,588</u>
Total current assets	1,655,083	33,502,281	35,157,364
Noncurrent assets:			
Due from State of Maine (note 2)	-	3,794,447	3,794,447
Financing receivables (note 4)	<u>-</u>	<u>411,975,000</u>	<u>411,975,000</u>
Total noncurrent assets	<u>-</u>	<u>415,769,447</u>	<u>415,769,447</u>
Total assets	<u>1,655,083</u>	<u>449,271,728</u>	<u>450,926,811</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Unamortized deferred loss on refunding (note 5)	<u>-</u>	<u>394,718</u>	<u>394,718</u>
<u>LIABILITIES</u>			
Current liabilities:			
Bonds payable, net (note 4)	-	27,879,943	27,879,943
Accrued interest payable	-	4,773,181	4,773,181
Accounts payable (note 6)	56,151	-	56,151
Accrued interest rebate payable to U.S. Government (note 2)	<u>-</u>	<u>782,308</u>	<u>782,308</u>
Total current liabilities	56,151	33,435,432	33,491,583
Noncurrent liabilities:			
Bonds payable (note 4)	-	412,194,775	412,194,775
Accrued interest rebate payable to U.S. Government (note 2)	<u>-</u>	<u>3,794,447</u>	<u>3,794,447</u>
Total noncurrent liabilities	<u>-</u>	<u>415,989,222</u>	<u>415,989,222</u>
Total liabilities	<u>56,151</u>	<u>449,424,654</u>	<u>449,480,805</u>
<u>NET POSITION</u>			
Restricted	-	241,792	241,792
Unrestricted	<u>1,598,932</u>	<u>-</u>	<u>1,598,932</u>
Total net position	<u>\$1,598,932</u>	<u>\$ 241,792</u>	<u>\$ 1,840,724</u>

See accompanying notes.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2025

	<u>General Operating Account</u>	<u>General Bond Resolution</u>	<u>Total</u>
Operating revenues:			
Interest and financing charges received and receivable	\$ –	\$19,309,416	\$19,309,416
Administrative fees	116,897	–	116,897
Interest income from investments	55,601	101,637	157,238
Net increase in fair value of investments	<u>11,613</u>	<u>–</u>	<u>11,613</u>
Total operating revenues	184,111	19,411,053	19,595,164
Operating expenses (note 6):			
Interest expense	–	19,394,289	19,394,289
Administration	292,716	–	292,716
Professional and other fees	55,723	–	55,723
Office	26,811	–	26,811
Other	<u>26,671</u>	<u>1,064</u>	<u>27,735</u>
Total operating expenses	<u>401,921</u>	<u>19,395,353</u>	<u>19,797,274</u>
Operating (loss) income	(217,810)	15,700	(202,110)
Net position, beginning of year	<u>1,816,742</u>	<u>226,092</u>	<u>2,042,834</u>
Net position, end of year	<u>\$1,598,932</u>	<u>\$ 241,792</u>	<u>\$ 1,840,724</u>

See accompanying notes.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2025

	<u>General Operating Account</u>	<u>General Bond Resolution</u>	<u>Total</u>
Operating activities:			
Cash received from borrower	\$ 2,038	\$ 47,239,299	\$ 47,241,337
Cash paid for operating expenses	<u>(369,646)</u>	<u>(1,064)</u>	<u>(370,710)</u>
Net cash (used) provided by operating activities	(367,608)	47,238,235	46,870,627
Noncapital financing activities:			
Principal paid on bonds payable	–	(26,915,000)	(26,915,000)
Interest paid on bonds payable	<u>–</u>	<u>(20,347,434)</u>	<u>(20,347,434)</u>
Net cash used by noncapital financing activities	–	(47,262,434)	(47,262,434)
Investing activities:			
Purchase of investment securities	(1,302,911)	(75,270)	(1,378,181)
Proceeds from sale/maturity of investment securities	925,881	1,423,040	2,348,921
Interest rebate paid to Internal Revenue Service	–	(1,423,040)	(1,423,040)
Cash received from interest income	<u>50,811</u>	<u>116,513</u>	<u>167,324</u>
Net cash (used) provided by investing activities	<u>(326,219)</u>	<u>41,243</u>	<u>(284,976)</u>
(Decrease) increase in cash and cash equivalents	(693,827)	17,044	(676,783)
Cash and cash equivalents at beginning of year	<u>1,541,918</u>	<u>18,096</u>	<u>1,560,014</u>
Cash and cash equivalents at end of year	<u>\$ 848,091</u>	<u>\$ 35,140</u>	<u>\$ 883,231</u>
Reconciliation of operating (loss) income to net cash (used) provided by operating activities:			
Operating (loss) income	\$ (217,810)	\$ 15,700	\$ (202,110)
Adjustments to reconcile operating (loss) income to net cash (used) provided by operating activities:			
Interest expense	–	19,394,289	19,394,289
Interest income	(55,601)	(101,637)	(157,238)
Increase in fair value of investments	(11,613)	–	(11,613)
Changes in operating assets and liabilities:			
Interest and other amounts receivable	(11,964)	1,014,883	1,002,919
Accounts payable	44,239	–	44,239
Unearned fees	(114,859)	–	(114,859)
Financing receivables	<u>–</u>	<u>26,915,000</u>	<u>26,915,000</u>
Net cash (used) provided by operating activities	<u>\$ (367,608)</u>	<u>\$ 47,238,235</u>	<u>\$ 46,870,627</u>

Supplemental disclosure of noncash activities:

Amounts due from State of Maine were increased approximately \$2.3 million due to additional arbitrage rebate liability incurred in the General Bond Resolution during the year ended June 30, 2025 (see note 2).

See accompanying notes.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

1. Organization

The Maine Governmental Facilities Authority (the Authority) is constituted as an instrumentality and 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 1620, 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, and to provide for financing or refinancing of such projects for 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 \$1,068,595,000 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 financing receivable payments, which are scheduled to closely match required bond principal and interest payments, loan servicing and administrative fees from the State for facilities financed by the Authority. Effective October 1, 2021, the Authority has adopted a revenue neutral policy, whereby it waives such servicing and administrative fees when its net position is above certain target thresholds as outlined in the policy. Contracts with the State are structured as leases; however, as ownership of the underlying assets transfers to the State at the end of the lease term, the transactions are accounted for as financed sales of the assets by the Authority. The State's obligation to make payments under these contracts and any other obligation under the agreements are subject to and dependent upon biennial appropriations being made by the State legislature for such purposes.

The Authority's General Operating Account Fund Group records the revenues and expenses generated from its daily operations in administration of the General Bond Resolution. The Authority has an arrangement with the Maine Municipal Bond Bank (the Bond Bank) resulting in an allocation of general overhead expenses from the operations of the Bond Bank to the Authority. This arrangement, which is renewed each year as part of the budget process, apportions staff, office space and other shared costs to the Authority and provides the Authority with an economic benefit by sharing these costs with a similar organization. The Authority also has direct operating expenses that it pays through the General Operating Account Fund Group.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

2. Significant Accounting Policies

The State 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.

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 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*.

Accounting Method

The Authority uses the accrual basis of accounting, and accordingly recognizes revenues as earned and expenses as incurred.

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, the Authority 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.

At June 30, 2025, the Authority reported an accrued interest rebate payable to the U.S. Government of \$4,576,755 in the General Bond Resolution statement of net position under the arbitrage rebate provisions of Section 148 of the IRC, as a result of arbitrage in unspent bond proceeds in construction funds. 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 General Bond Resolution. The State of Maine is obligated to reimburse the Authority for all program related costs and has remitted funds as necessary to the Authority to pay any required rebate payments due to the Internal Revenue Service. The Authority made payments to the Internal Revenue Service for arbitrage rebate of \$1,423,040 during the year ended June 30, 2025. At June 30, 2025, there remains \$752,230 of such funds received from the State designated for accrued rebate payments which are included investments on the statement of net position of the General Bond Resolution. The remainder of \$3,824,525 is recorded as Due from State of Maine on the General Bond Resolution statement of net position at June 30, 2025.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

2. Significant Accounting Policies (Continued)

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.

Investments

Investments are carried at fair value. 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.

Leases That Transfer Ownership

Projects financed through the issuance of bonds are subsequently leased or subleased to the three branches of state government under lease arrangements in which ownership of the underlying assets is transferred to the State at the conclusion of the lease term. As such, the transactions are accounted for as financed sales of the assets by the Authority, and the property is not reflected on the accompanying financial statements under accounting principles generally accepted in the United States of America. Instead, the Authority records the contractual payments as a financing receivable. Interest revenue is accreted over the life of the contracts using a method approximating the effective interest method.

Bond Discounts, Premiums and Issuance Cost

Costs associated with issuing debt, which are generally paid by means of fees collected from the State, 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 State, and are, therefore, not recorded. For each refunding, bond premiums are presented as an increase to the face amount of the bonds payable.

Refundings

Under GASB Statement No. 23, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old debt, or the life of the new debt, whichever is shorter, using the bonds outstanding method. The unamortized portion of the deferred amount is reported as a deferred outflow of resources. Amortization for the year ending June 30, 2025 was \$227,522.

The gains, losses and economic benefits of advance refundings completed within the General Bond Resolution inure to the State of Maine and not the Authority. See note 5.

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.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

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 and presentation purposes only.

Recently Issued Accounting Pronouncements

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 and 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 Resolutions and Tax Regulatory Agreements.

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 to coincide with the cash needs for operating, debt service and arbitrage rebate requirements.

At June 30, 2025, investments and cash and cash equivalents are as follows (at fair value):

General operating account:	
U.S. Government obligations	\$ 781,171
Cash and cash equivalents	<u>848,091</u>
	<u>\$1,629,262</u>
General bond resolution:	
U.S. Government obligations	\$ 752,230
Cash and cash equivalents	<u>35,140</u>
	<u>\$ 787,370</u>

MAINE GOVERNMENTAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

3. Investments and Cash and Cash Equivalents (Continued)

The following table provides information on future maturities of the Authority's investments as of June 30, 2025:

	<u>Fair Value</u>	<u>Less than One Year</u>	<u>One to Five Years</u>	<u>Six to Ten Years</u>	<u>More than Ten Years</u>
<u>General Operating Account</u>					
U.S. Government obligations	<u>\$781,171</u>	<u>\$250,022</u>	<u>\$531,149</u>	<u>\$ —</u>	<u>\$ —</u>
<u>General Bond Resolution</u>					
U.S. Government obligations	<u>\$752,230</u>	<u>\$752,230</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

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 cash equivalents are primarily held by BNY Mellon, Camden National Bank, Northeast Bank and Wilmington Trust. Management of the Authority is not aware of any issues with respect to custodial credit risk at any of the banks at June 30, 2025.

The cash of the General Operating Account at June 30, 2025 consists of an approximate \$92,000 insured deposit with Camden National Bank. Cash equivalents consist of approximately \$756,000 in money market funds secured by short-term U.S. Treasury obligations.

Cash and cash equivalents of the General Bond Resolution at June 30, 2025 consist primarily of money market funds secured by short-term U.S. Treasury obligations.

4. Bonds Payable and Financing Receivables

As of June 30, 2025, the Authority had authorized and has outstanding the following series and amounts of revenue bonds, with original interest rates and maturity dates:

	<u>Original Maturity (Bond Years)</u>	<u>Original Amount Issued</u>	<u>Amount Outstanding June 30, 2025</u>
Series 2013A, 2.00% – 5.00%, dated June 13, 2013	2014 – 2033	\$ 30,290,000	\$ 5,180,000
Series 2015B, 2.00% – 5.00%, dated November 19, 2015	2016 – 2025	21,190,000	2,535,000
Series 2016A, 3.00% – 5.00%, dated October 6, 2016	2018 – 2029	24,950,000	10,030,000
Series 2016B, 3.00% – 5.00%, dated October 6, 2016	2017 – 2036	17,980,000	9,475,000
Series 2017A, 2.50% – 5.00%, dated August 24, 2017	2018 – 2037	58,535,000	43,505,000
Series 2018A, 3.50% – 5.00%, dated September 27, 2018	2019 – 2038	50,510,000	37,785,000

MAINE GOVERNMENTAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

4. Bonds Payable and Financing Receivables (Continued)

	Original Maturity (Bond Years)	Original Amount Issued	Amount Outstanding June 30, 2025
Series 2020A, 2.50% – 5.00%, dated January 16, 2020	2020 – 2039	\$ 170,995,000	\$ 142,010,000
Series 2021A, 2.00% – 4.00%, dated February 10, 2021	2023 – 2040	12,785,000	11,655,000
Series 2021B, 0.28% – 2.18%, dated February 10, 2021	2021 – 2033	37,355,000	28,840,000
Series 2022A, 3.00% – 5.00%, dated February 22, 2022	2022 – 2041	44,815,000	40,715,000
Series 2024A, 5.00%, dated February 15, 2024	2024 – 2043	64,540,000	63,020,000
Series 2024B, 5.00%, dated February 15, 2024	2024 – 2043	<u>46,010,000</u>	<u>44,930,000</u>
		<u>\$ 579,955,000</u>	<u>\$ 439,680,000</u>

Such amounts are reflected on the statement of net position of the general bond resolution as follows:

Total principal outstanding	\$ 439,680,000
Unamortized original issue premium on refunding bonds	<u>394,718</u>
Total bonds payable	440,074,718
Current portion	<u>(27,879,943)</u>
Noncurrent portion	<u>\$ 412,194,775</u>

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

<u>Due Bond Year Ending October 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$ 27,705,000	\$ 9,546,361	\$ 37,251,361
2026	26,225,000	17,960,199	44,185,199
2027	26,335,000	16,819,528	43,154,528
2028	26,820,000	15,702,593	42,522,593
2029	25,765,000	14,565,790	40,330,790
2030 – 2034	132,890,000	56,247,697	189,137,697
2035 – 2039	134,570,000	26,524,888	161,094,888
2040 – 2043	<u>39,370,000</u>	<u>4,518,550</u>	<u>43,888,550</u>
	<u>\$ 439,680,000</u>	<u>\$ 161,885,606</u>	<u>\$ 601,565,606</u>

MAINE GOVERNMENTAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

4. **Bonds Payable and Financing Receivables (Continued)**

The following summarizes bond payable activity for the Authority for the year ended June 30, 2025:

Balance, beginning of year	\$ 467,217,240
Amortization of premium on refunding bonds	(227,522)
Redemptions	<u>(26,915,000)</u>
Balance, end of year	<u>\$ 440,074,718</u>

The Authority's bonds payable are to be repaid through collection of outstanding financing receivables from the State. Payments are scheduled to closely match required bond principal and interest payments.

5. **Refunding 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 principal and interest, when due, of the defeased bonds. The Authority accounts for these transactions by removing the U.S. Treasury obligations and liabilities for the in-substance defeased bonds from its records, and records a deferred amount on refunding (if applicable). 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 State and not the Authority, although the Authority may receive an administrative fee.

At June 30, 2025, there are no outstanding in-substance defeased bonds.

6. **Operating Expenses**

The Authority has an arrangement 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. The arrangement is approved annually by the Board through the budgetary approval process. The Authority recognized approximately \$336,000 of expense under this arrangement in 2025, and owed the Bond Bank \$56,151 at June 30, 2025.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

7. Fair Value Measurements

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; and
- 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.

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's 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 measured at fair value.

U.S. Government obligations: 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.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2025

7. Fair Value Measurements (Continued)

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, 2025:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>General Operating Account</u>				
U.S. Government obligations	\$ <u>—</u>	\$ <u>781,171</u>	\$ <u>—</u>	\$ <u>781,171</u>
<u>General Bond Resolution</u>				
U.S. Government obligations	\$ <u>—</u>	\$ <u>752,230</u>	\$ <u>—</u>	\$ <u>752,230</u>

8. Subsequent Events

For the purposes of recognition and disclosure in these financial statements, management of the Authority has evaluated subsequent events through September 9, 2025, which is the date that these financial statements were available to be issued.

On August 14, 2025, the Authority issued bond series 2025A with a par amount of \$150,000,000, a True Interest Cost (TIC) of 4.39% and an average coupon of 5.08%. Principal payments begin October 1, 2026 and mature October 1, 2045.