MAINE STATE LEGISLATURE

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MAINE TURNPIKE AUTHORITY
Financial Statements

For the Year Ended December 31, 2008

The Maine Turnpike Authority

2008 Financial Statements

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Independent Auditor's Report

To the Governing Board of the
Maine Turnpike Authority:

We have audited the accompanying financial statements of the Maine Turnpike Authority, as of and for the year ended December 31, 2008. These financial statements are the responsibility of the Maine Turnpike 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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 financial statements referred to above present fairly, in all material respects, the financial position of the Maine Turnpike Authority as of December 31, 2008, and the changes in its financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2009 on our consideration of the Maine Turnpike Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-7, the Schedule of Funding Progress for the Retiree Healthcare Plan on page 24 and the Trend Data on Infrastructure Condition on page 24 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Maine Turnpike Authority. The Calculation of the Composite Debt Service Ratio, as Defined by the Bond Resolutions and Related Documents is supplementary information presented for purposes of additional analysis and is not a required part of the basic financial statements. The Calculation of the Composite Debt Service Ratio, as Defined by the Bond Resolutions and Related Documents has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Runyon Kersteen Ouellette

March 30, 2009
South Portland, Maine

The Maine Turnpike Authority

Management's Discussion and Analysis

December 31, 2008

The management of the Maine Turnpike Authority (the Authority) offers this narrative overview and analysis of the Authority's financial activities for the year ended December 31, 2008, which should be read in conjunction with the Authority's basic financial statements.

On January 1, 2008, the Authority converted to a full governmental GAAP basis of accounting. Prior to GAAP, the Authority based its financial statements on provisions outlined in its General Bond Resolution and subsequent supplemental resolutions. Certain assets, liabilities, revenues and expenses were not included in those financial statements. As a result, the Authority will not include comparative financial statements in this financial report.

Overview of the Basic Financial Statements

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

Basic Financial Statements

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

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

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

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and notes, this report also presents certain supplementary information concerning the Authority's debt service ratio, as defined by the bond resolution.

Financial Analysis

Maine Turnpike Authority's Net Assets

		12/31/2008
Assets		
Current Assets	$	19,314,193
Long-term Investments		5,104,525
Capital Assets, Net of Accumulated Depreciation		426,400,049
Non-current Assets		31,686,473
Other Assets		27,740,121
Total Assets	**$**	**510,245,361**
Liabilities and Net Assets		
Current Liabilities		42,169,800
Bonds Payable (net of current portion)		371,785,353
Other Non-current Liabilities		1,572,084
Total Liablilities	**$**	**415,527,237**
Net Assets:		
Invested in Capital Assets, Net of Related Debt		81,974,311
Restricted		12,571,306
Unrestricted		172,507
Total Net Assets	**$**	**94,718,124**
Total Liabilities and Net Assets	**$**	**510,245,361**

As noted earlier, net assets serve as an indicator of the Authority's overall financial position. Restricted net assets are reserved for projects defined in the bond resolutions and applicable bond issue official statements. The Authority's net assets were $94.7 million for the year ending December 31, 2008.

The largest portion of the Authority's net assets reflects its investment in capital assets (e.g., right-of-way, roads, bridges, toll equipment, etc.) less any related outstanding debt used to acquire those assets. The Authority uses these capital assets to provide service and consequently, these assets are not available for liquidating liabilities or for other spending.

An additional portion of the Authority's net assets at December 31, 2008, represents resources that are subject to the external restrictions on how they can be used under the bond resolutions. The remaining unreserved net assets may be used to meet the Authority's capital and ongoing obligations.

The Maine Turnpike Authority's Change in Net Assets

		12/31/2008
Revenues:		
Net Fare Revenues	$	81,539,766
Concession Rental		3,397,291
Investment Income		1,940,081
Miscellaneous		1,177,552
Total Revenues	**$**	**88,054,690**
Expenses:		
Operations		24,870,104
Maintenance		27,505,707
Administrative		2,566,502
Depreciation		5,268,581
Preservation		10,299,213
Interest Expense		18,818,858
Other		585,419
Total Expenses	**$**	**89,914,384**
Change in Net Assets		**(1,859,694)**
Net Assets, Beginning of Year		**96,577,818**
Net Assets, End of Year	**$**	**94,718,124**

Net fare revenue was $81.5 million for 2008. This represents approximately 95% of all operating revenues. Operations, Maintenance and Administrative expenses were $55.0 million in 2008.

Capital Assets and Debt Administration

Capital Assets

The Authority's investment in capital assets as of December 31, 2008 amounted to $473.9 million of gross asset value with accumulated depreciation of $47.5 million, leaving a net book value of $426.4 million. Capital assets include right-of-way, roads, bridges, buildings, equipment and vehicles. Please see Note 3 of the financial statements for a schedule of change in the Authority's capital assets.

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

Major capital asset events of 2008 included the completion of the West Gardiner Service Plaza and the Route 202 and Mayall Road bridges. Construction of the Authority's new headquarters in Portland and the disaster recovery site in New Gloucester were well in progress in 2008. These projects are scheduled to be completed in the second quarter of 2009.

Modified Approach for Infrastructure Assets

The Maine Turnpike Authority has elected to use the modified approach to infrastructure reporting under GASB 34. This means that, in lieu of reporting depreciation on infrastructure, the Authority reports the costs associated with maintaining the existing asset in good condition as preservation expense. Infrastructure assets include: roads, bridges, interchanges, tunnels, right of way, drainage, guard rails, and lighting systems associated with the road. Pursuant to its bond covenants, the Authority maintains a reserve maintenance fund for these preservation expenses. For fiscal 2008, $10.3 million was spent for preservation compared to a budgeted cost of $14.8 million.

Long-term Debt

The Authority has outstanding bonds payable of $349.0 million and $19.5 for revenue and special obligation bonds, respectively (both net of unamortized bond discounts and premiums and deferred loss on refunding). In May 2008, the Authority issued revenue bonds of $45.9 million to current refund $48.0 million and $19.5 million of special obligation bonds to advance refund $20.5 million of special obligation bonds. The refunding of these bonds resulted in a net present value savings of approximately $3.7 million. Please see Note 4 of the financial statements for the annual principal payment requirements on revenue and special obligation bonds as of December 31, 2008.

The Authority has a cap, set by the Legislature, on the amount of revenue bonds that can be outstanding at any given time. In 2007 this cap was increased to $486.0 million. As of December 31, 2008, outstanding revenue bonds were $349.0, leaving $137.0 million available under the cap.

The Authority's current bond ratings are as follows:

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

Debt Service Reserve Fund

The general bond resolution requires the Authority to fund the Debt Service Reserve Requirement with cash and investments or with a surety policy or letter of credit. In order to satisfy this requirement, the Authority acquired surety policies issued by Financial Guaranty Insurance Company (FGIC), Financial Security Assurance, Inc (FSA), MBIA Insurance Company and AMBAC Assurance Corporation. The surety policies cover various series and terminate on various dates in the future. Please see Note 6 of the financial statements for a schedule summarizing the surety policies purchased.

Each of the providers of the Debt Service Reserve Fund surety policies was rated Aaa by Moody's and AAA by Standard & Poor's (S&P) at the time of issuance of its respective policy. However, each of MBIA, FGIC and Ambac have been downgraded significantly as a result of their exposure to the sub-prime mortgage risk and do not maintain ratings by Moody's and S&P at least equal to the ratings on the outstanding revenue bonds. Accordingly, each of the policies from MBIA, FGIC and Ambac, while still in effect, no longer qualify under the general bond resolution to meet the Debt Service Reserve Fund requirement.

With the issuance of the Series 2009 revenue bonds, the Debt Service Reserve requirement will be $16.5 million. Of this amount, $4.1 million will be satisfied by the surety policies issued by FSA. In response to the downgrades of MBIA, FGIC and Ambac, the Authority deposited $5.3 million into the Debt Service Reserve Fund in December 2008. The balance of the debt service reserve fund requirement will be funded by a portion of the Series 2009 proceeds and if needed, by Revenues deposited into the Debt Service Reserve Fund by the end of December 2009.

Events That Will Impact Financial Position

In December 2008, the Authority's board unanimously voted to increase tolls effective February 1, 2009. The toll adjustment is projected to raise an additional $20.1 million annually and represents approximately a 25% increase. Prior to this increase, the Authority last adjusted tolls February 1, 2005.

On January 29, 2009, the Authority's board unanimously approved the issuance of $50 million revenue bonds to pay for the portion of costs related to turnpike projects. Bond proceeds were received by the Authority on February 11, 2009.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Chief Financial Officer, Maine Turnpike Authority, 430 Riverside Street, Portland, ME 04103; or email your questions to *info@maineturnpike.com*.

MAINE TURNPIKE AUTHORITY
Balance Sheet
December 31, 2008

ASSETS		
Current Assets:		
Cash and Equivalents	$	3,323,896
Restricted Cash and Equivalents to Meet Current Restricted Liabilities		11,309,110
Accounts Receivable and Accrued Interest Receivable		2,740,275
Inventory		1,168,715
Other Current Assets		772,197
Total Current Assets		**19,314,193**
Non-Current Assets:		
Restricted Assets		
Cash and Equivalents		30,378,142
Investments		5,104,525
Accounts Receivable and Accrued Interest Receivable		1,308,331
Total Restricted Assets		**36,790,998**
Bond Issuance Cost - Net		8,260,121
Other Non-Current Assets		19,480,000
Capital Assets not Being Depreciated:		
Property and Equipment		356,164,964
Construction in Progress		15,865,083
Capital Assets Net of Accumulated Depreciation:		
Property and Equipment		54,370,002
Total Capital Assets - Net of Accumulated Depreciation		**426,400,049**
Total Non-Current Assets		**490,931,168**
Total Assets	**$**	**510,245,361**
LIABILITIES AND NET ASSETS		
Current Liabilities Payable from Unrestricted Assets:		
Accounts, Contracts and Retainage Payable	$	2,924,925
Accrued Vacation and Sick Leave Payable		2,722,890
Unearned Toll Revenue		4,328,537
Total Current Liabilities Payable from Unrestricted Assets		**9,976,352**
Current Liabilities Payable from Restricted Assets:		
Accounts, Contracts and Retainage Payable		9,385,599
Accrued Vacation and Sick Leave Payable		217,588
Bond Interest Payable		12,494,306
Current Portion of Revenue Bonds & Special Obligation Bonds Payable		9,805,000
Other Current Liabilities		290,955
Total Current Liabilities Payable from Restricted Assets		**32,193,448**
Total Current Liabilities		**42,169,800**
Non-Current Liabilities:		
Long-term Revenue Bonds & Special Obligation Bonds Payable		371,785,353
Other Non Current Liabilities		1,572,084
Total Non-Current Liabilities		**373,357,437**
Total Liabilities	**$**	**415,527,237**
Net Assets:		
Invested in Capital Assets - Net of Related Debt		81,974,311
Restricted		12,571,306
Unrestricted		172,507
Total Net Assets	**$**	**94,718,124**
Total Liabilities and Net Assets	**$**	**510,245,361**

See accompanying notes to financial statements.

MAINE TURNPIKE AUTHORITY
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended December 31, 2008

REVENUES		
Operating Revenue:		
Net Fare Revenue	$	81,539,766
Concession Rentals		3,397,291
Miscellaneous		1,177,552
Total Operating Revenues		**86,114,609**
Interest Income		
Revenue Fund		25,155
Reserve Maintenance Fund		28,749
Improvement Account		115,417
Interchange Account		141
MDOT Account		13,880
Total Interest Income		**183,342**
Total Revenues	**$**	**86,297,951**
EXPENSES		
Operating Expenses:		
Operations		24,870,104
Maintenance		27,505,707
Administration		2,566,502
Depreciation		5,268,581
Preservation		10,299,213
Other Expenses		24,001
Total Operating Expenses	**$**	**70,534,108**
Operating Income	**$**	**15,763,843**
Non-operating Revenue (Expenses):		
Investment Income:		
Capital Fund		443,980
Debt Service Fund Interest Accounts		84,333
Debt Service Fund Principal Accounts		98,219
Debt Service Reserve Fund Interest Account		182
Refunding Escrow Interest Account		1,130,025
Loss on Sale of Capital Assets		(31,571)
Interest Expense		(18,818,858)
Bond Issuance Cost Amortization		(378,403)
Bond Premium/Discount Amortization		1,231,587
Deferred Loss on Refunding Amortization		(328,031)
MDOT Prepaid Transfer Amortization		(1,055,000)
Total Non-Operating Expenses	**$**	**(17,623,537)**
Change in Net Assets		**(1,859,694)**
Net Assets, beginning of year		**96,577,818**
Net Assets, end of year	**$**	**94,718,124**

See accompanying notes to financial statements.

MAINE TURNPIKE AUTHORITY
Statement of Cash Flows
Year Ended December 31, 2008

Operating Activities:		
Cash Received from Tolls/Customers	$	106,711,357
Cash Payments to Suppliers		(59,239,589)
Cash Payments to Employees		(22,928,674)
Net Cash Provided by Operating Activities	**$**	**24,543,094**
Capital and Related Financing Activities:		
Acquisition and Construction of Capital Assets		(26,607,799)
Proceeds from Issuance of Revenue Refunding Bonds		48,406,597
Proceeds from Issuance of Special Oblig. Refunding Bonds		19,242,293
Payments for Bond Expenses		(641,679)
Call Premium Paid on Redemption of Bonds		(670,400)
Interest Paid on Revenue Bonds		(17,738,997)
Payment of Principal on Revenue Bonds		(8,360,000)
Interest Paid on Subordinated Debt Bonds		(1,001,588)
Payment of Principal on Special Obligation Bonds		(1,465,000)
Payment of Principal on Redemption of Refunded Bonds		(47,970,000)
Payment of Principal on Redemption of Spec. Oblig. Refunded Bonds		(19,070,000)
Net Cash Used in Capital and Related Financing Activities	**$**	**(55,876,573)**
Investing Activities:		
Purchase of Investments		(9,932,248)
Proceeds from Sales and Maturities of Investments		10,031,157
Interest Received from Investments		4,692,226
Interest Received		1,079,252
Net Cash Provided by Investing Activities	**$**	**5,870,387**
Net Decrease in Cash and Equivalents		(25,463,092)
Cash and Equivalents at Beginning of Year		70,474,240
Cash and Equivalents at End of Year	**$**	**45,011,148**
Cash and Equivalents - Unrestricted		3,323,896
Restricted Cash and Equivalents - Current		11,309,110
Restricted Cash and Equivalents - Non-Current		30,378,142
	$	**45,011,148**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Income from Operations	**$**	**15,763,843**
Adjustments to Reconcile Operating Income to Net Cash provided by Operating Activities:		
Depreciation		5,268,581
Interest Income included in Operating Revenue		(183,342)
Other		24,001
Changes in Assets and Liabilities:		
Accounts Receivable		501,260
Prepaid Accounts		67,806
Inventory		(1,168)
Accounts, Contracts and Retainage Payable		3,121,069
Unearned Concession Rentals		(133,333)
Unearned Toll Revenue		381,934
Accrued Worker's Comp Liability Payable		15,481
Accrued Vacation and Sick Leave Payable		61,621
Accrued Salaries & Payroll Taxes		(344,659)
Net Cash Provided by Operating Activities	**$**	**24,543,094**

See accompanying notes to financial statements.

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

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

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

For financial reporting purposes, the Authority is a stand-alone entity; there are no component units included in the accompanying financial statements and the Authority is not considered a component unit of another entity.

Basis of Accounting – The Authority prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which are similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. In accordance with Government Accounting Standards Board (GASB) Statement No. 20, the Authority follows the pronouncements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989 except where those pronouncements conflict with GASB pronouncements. The Authority has the option but has elected not to follow subsequent private-sector guidance. Proprietary funds distinguish operating revenues and expenses from non-operating activity. Operating revenues arise from providing goods or services to outside parties for a fee. The intent of the governing body is that the operating costs, including administration and depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses that are not derived directly from operations are reported as non-operating revenues and expenses.

Operating Revenues and Expenses – The Authority's operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its System.

Interest Income on Operating Accounts – Interest income generated from on-going operations is included in operating revenue, in accordance with the requirements outlined in GASB 34.

Cash and Equivalents – For purposes of the statements of cash flow, demand deposit accounts with commercial banks, and cash invested in commercial money market funds are considered cash equivalents.

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

Note 1 – Summary of Organization and Significant Accounting Policies and Procedures (continued)

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

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

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

Costs to acquire additional capital assets, and to replace existing assets or otherwise prolong their useful lives, are capitalized for toll equipment, buildings, toll facilities, other related costs and furniture and equipment. The Authority has elected to use the modified approach to infrastructure reporting under GASB 34. This means that, in lieu of reporting depreciation on infrastructure, the Authority reports as preservation expense the costs associated with maintaining the existing road in good condition. Infrastructure assets include roads, bridges, interchanges, tunnels, right of way, drainage, guardrails, and lighting systems associated with the road.

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

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

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

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

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

Note 1 – Summary of Organization and Significant Accounting Policies and Procedures (continued)

Prepaid Expenses - Expenses that benefit more than one reporting period are charged to Prepaid Expenses and expensed over its service period. Examples include insurance premiums, software site licenses and service contracts.

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

Accrued Salaries Payable – Accrued salaries payable includes salary and wage expense incurred at the end of the period but not paid until the following period.

Unearned Commuter Revenue – The Authority offers the Commuter Plan to patrons who travel regularly between the same two exits. Commuters pay a set fee, in advance, that covers a three month period. Revenue is earned over this three month period on a prorated basis. Commuter quarters start in February, May, August and November.

Bond Premium, Discount and Issuance Costs – Bond premiums and discounts associated with the issuance of bonds are amortized using the effective interest rate method over the life of the bonds. Bond issuance costs are amortized using the straight-line method over the life of the bonds.

Deferred Amount on Refunding Revenue Bonds – The difference between the reacquisition price and the net carrying amount of refunded bonds is amortized on a straight-line basis over the life of the refunded bonds or the life of the refunding bonds, whichever is shorter.

Note 2 – Deposits and Investments

Deposits

Custodial Credit Risk-Authority Deposits: For deposits, custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2008, the Authority reported deposits of $2,096,972 with a bank balance of $2,986,787. The entire balance of $2,986,787 was covered by the F.D.I.C. ($764,678) or by additional insurance purchased on behalf of the Authority by the respective banking institutions ($2,222,109).

Investments

At December 31, 2008, the Authority had the following investments and maturities:

	Fair Value	Less Than 1 Year	1-5 Years	More Than 5 Years
U.S. Government Securities	$ 5,104,525	$ 19,992	$ 5,084,533	0
Federated Treasury Obligation (1)	37,885,798		Not Applicable	
Money Market Funds (1)	5,028,378		Not Applicable	
Total Investments	**$ 48,018,701**	**$ 19,992**	**$ 5,084,533**	**0**

(1) Mutual funds and money market funds are not considered securities that exist in physical or book entry form and therefore are exempt from the custodial credit risk disclosure noted above.

Deposits and investments are as follows:

Deposits	$ 2,096,972
Investment	48,018,701
Total Deposits	**$ 50,115,673**

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

Cash and Equivalents	$ 3,323,896
Current Restricted Cash and Equivalents	11,309,110
Noncurrent Restricted Cash and Equivalents	30,378,142
Noncurrent Investments	5,104,525
Total Investments	**$ 50,115,673**

Note 2 – Deposits and Investments (continued)

Interest Rate Risk: The Authority's policy for investment rate risk is as follows: Portfolio maturities will provide for stability of income and reasonable liquidity; liquidity will be assured through practices ensuring that the next disbursement date is covered through maturing to be staggered to avoid undue concentration in a specific maturity sector; maturities selected will provide investments or marketable securities which can be sold to raise cash in day's notice without loss of principal; and, risks of market price volatility will be controlled through maturity diversification such that aggregate price losses on instruments with maturities exceeding one year shall not be greater than coupon interest on investment income received from the balance of the portfolio.

Credit Risk: Maine statutes authorize the Authority to invest in obligations of the U.S. Treasury and U.S. agencies and repurchase agreements. The Authority does not have a formal policy related to credit rate risk. The Authority's investments in U.S. Government Securities of $5,104,525 were rated AAA by Standard and Poor's.

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

The Authority's investment policy is to attain a market rate of return considered reasonable under generally accepted market principles throughout budgetary and economic cycles while preserving and protecting capital in the overall portfolio thus ensuring prudent use of public funds and preservation of the public's trust. The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing the overall portfolio. All security transactions, including collateral for repurchase agreements, entered into by the MTA shall be conducted on a "delivery vs. payment" basis. Securities will be held by a third party custodian, or Trust Department designated by the Executive Director, CFO, or Director of Finance and evidenced by safekeeping receipts. Of the Authority's $5,028,378 investment in money market and mutual funds, 100% was collateralized by underlying securities held by the trust department of the related bank, which were in the Authority's name.

Note 3 – Capital Assets

A Summary of changes to capital assets for the year ended December 31, 2008 is as follows:

	Balance 12/31/2007	Additions	Transfers	Disposals	Balance 12/31/2008
Capitalized Assets Not Being Depreciated (cost)					
Land	$ 22,607,358	$ 1,222,965	$ 6,171,281	$ 0	$ 30,001,604
Infrastructure	320,816,100	0	5,373,580	26,319	326,163,361
Construction in Progress	8,122,411	29,015,428	(21,272,757)	0	15,865,083
Total Capital Assets Not Being Depreciated	**351,545,869**	**30,238,393**	**(9,727,897)**	**26,319**	**372,030,048**
Capitalized Assets Being Depreciated (cost)					
Land Improvements (exhaustible)	7,552,620	0	1,371,829	565,768	8,358,681
Buildings	45,147,158	0	8,248,199	557,168	52,838,189
Improvements	470,437	0	0	0	470,437
Machinery and Equipment	40,661,255	1,214,859	107,869	1,768,571	40,215,412
Total Capital Assets Being Depreciated	**93,831,471**	**1,214,859**	**9,727,897**	**2,891,507**	**101,882,719**
Less Accumulated Depreciation for:					
Land Improvements (exhaustible)	(5,374,098)	(345,843)	0	(565,768)	(5,154,174)
Buildings	(10,499,097)	(1,500,357)	0	(557,168)	(11,442,286)
Improvements	(359,362)	(78,406)	0	0	(437,768)
Machinery and Equipment	(28,813,867)	(3,343,975)	0	(1,679,351)	(30,478,490)
Total Accumulated Depreciation	**(45,046,424)**	**(5,268,581)**	**0**	**(2,802,287)**	**(47,512,718)**
Total Capital Assets Being Depreciated, net	**48,785,047**	**(4,053,722)**	**9,727,897**	**89,220**	**54,370,001**
Total Capital Assets	**$ 400,330,916**	**$ 26,184,672**	**$ 0**	**$ 115,539**	**$ 426,400,049**

Note 4 – Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and adding back any unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Authority's net assets invested in capital assets, net of related debt was calculated as follows at December 31, 2008:

Capital Assets	$ 473,912,767
Unspent Bond Proceeds	4,544,262
Accumulated Depreciation	(47,512,718)
Bonds Payable	(348,970,000)
Total Invested In Capital Assets Net of Related Debt	**$ 81,974,311**

Note 5 – Long-term Debt

Revenue Bonds Payable

The Authority issues revenue bonds from time to time for the purpose of financing capital improvements and new projects. As of December 31, 2008, the Authority had the following outstanding bonds:

- $73,130,000 of Series 1994 Revenue Bonds, issued in July 1994, to finance the electronic toll conversion and major bridge deck repairs.

- $50,000,000 of Series 1997 Revenue Bonds, issued in February 1997, to finance interchange construction and reconstruction and to provide additional monies for the payment of a portion of the Debt Service Reserve Fund requirements.

- $126,000,000 of Series 2000 Revenue Bonds, issued in March 2000, to finance modernization, widening, and interchange construction and reconstruction.

- $51,000,000 of Series 2003 Revenue Bonds, issued in May 2003, to retire the 2002 Commercial Paper Subordinated Notes and to finance various turnpike projects.

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

- $76,715,000 of Series 2005 Revenue Bonds, issued in April 2005, to advance refund a portion of the principal amount of the Series 2000 bonds.

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

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

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

Issue	Amount Issued	Maturity Date	Interest Rate	Balance 12/31/2008
Series 1994	$ 73,130,000	7/1/1995 - 2009	3.75-7.50 %	$ 3,745,000
Series 1997	50,000,000	7/1/1998 - 2010	4.50-6.00 %	3,920,000
Series 2000	126,000,000	7/1/2007 - 2012	5.00-5.30 %	10,045,000
Series 2003	51,000,000	7/1/2011 - 2033	3.50-5.25 %	51,000,000
Series 2004	115,050,000	7/1/2005 - 2030	3.00-5.25 %	107,985,000
Series 2005	76,715,000	7/1/2006 - 2030	3.00-5.125 %	76,390,000
Series 2007	50,000,000	7/1/2013 - 2037	3.75-5.25 %	50,000,000
Series 2008	45,885,000	7/1/2010 - 2018	3.00-5.00 %	45,885,000
Total Revenue Bonds Payable				**$ 348,970,000**

Note 5 – Long-term Debt (continued)

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

	Principal	Interest	Total debt service
2009	$ 8,855,000	$ 17,682,444	$ 26,537,444
2010	7,060,000	16,954,560	24,014,560
2011	11,570,000	16,631,688	28,201,688
2012	11,955,000	16,161,200	28,116,200
2013	13,575,000	15,595,771	29,170,771
2014-2018	78,815,000	67,384,519	146,199,519
2019-2023	63,915,000	49,108,446	113,023,446
2024-2028	82,925,000	31,063,494	113,988,494
2029-2033	57,500,000	10,175,275	67,675,275
2034-2037	12,800,000	1,722,788	14,522,788
Totals	**$ 348,970,000**	**$ 242,480,185**	**$ 591,450,185**

A summary of changes in revenue bonds is as follows:

	12/31/07	Additions	Reductions	12/31/08
Series 1994	$ 7,240,000	$ 0	$ (3,495,000)	$ 3,745,000
Series 1997	5,740,000	0	(1,820,000)	3,920,000
Series 1998	47,970,000	0	(47,970,000)	0
Series 2000	12,830,000	0	(2,785,000)	10,045,000
Series 2003	51,000,000	0	0	51,000,000
Series 2004	108,135,000	0	(150,000)	107,985,000
Series 2005	76,500,000	0	(110,000)	76,390,000
Series 2007	50,000,000	0	0	50,000,000
Series 2008	0	45,885,000	0	45,885,000
Totals	**$ 359,415,000**	**$ 45,885,000**	**$ (56,330,000)**	**$ 348,970,000**

Note 5 – Long-term Debt (continued)

Special Obligation Bonds Payable

• $19,480,000 of Series 2008 Special Obligation Refunding Bonds, issued in May 2008, to refund all of the Authority's outstanding Series 1998 Special Obligation Bonds.

Issue	Amount Issued	Maturity Date	Interest Rate	Balance 12/31/2008
Series 2008	$ 19,480,000	7/1/2009 - 2018	3.00-4.00 %	$ 19,480,000
Total Special Obligation Bonds Payable				**$ 19,480,000**

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

	Principal	Interest	Total Debt Service
2009	$ 950,000	$ 762,399	$ 1,712,399
2010	1,795,000	671,663	2,466,663
2011	1,845,000	617,813	2,462,813
2012	1,900,000	562,463	2,462,463
2013	1,985,000	478,400	2,463,400
2014-2018	11,005,000	1,304,913	12,309,913
Totals	**$ 19,480,000**	**$ 4,397,651**	**$ 23,877,651**

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

	12/31/07	Additions	Reductions	12/31/08
Series 1998	$ 20,535,000	$ 0	$ 20,535,000	$ 0
Series 2008	0	19,480,000	0	19,480,000
Totals	**$ 20,535,000**	**$ 19,480,000**	**$ 20,535,000**	**$ 19,480,000**

Note 5 – Long-term Debt (continued)

Revenue and Special Obligation long-term liability for the year ended December 31, 2008, was as follows:

	12/31/2007	Additions	Reductions	12/31/2008	Due within one year
Revenue Bonds	$ 359,415,000	$ 45,885,000	$ (56,330,000)	$ 348,970,000	$ 8,855,000
Special Obligation Bonds	20,535,000	19,480,000	(20,535,000)	19,480,000	950,000
Subtotal	**379,950,000**	**65,365,000**	**(76,865,000)**	**368,450,000**	**9,805,000**
Adjustment for Unamortized Balances:					
Premium / Discounts	15,410,808	3,685,870	(1,343,148)	17,753,530	$ 0
Deferred Loss on Refunding	(3,536,742)	(1,404,466)	328,031	(4,613,177)	$ 0
Total	**$ 391,824,066**	**$ 67,646,404**	**$ (77,880,117)**	**$ 381,590,353**	**$ 9,805,000**

Note 6 – Debt Service Reserve Fund

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

Debt Service Reserve Fund Surety Policy Provider	Series Availability	Termination Date	Maximum Amount
MBIA	1994 and 1997	July 1, 2018	$ 5,263,254
FGIC	2000	July 1, 2012	4,871,788
Ambac	2003	July 1, 2033	1,893,884
FSA	2004	July 1, 2030	1,781,929
MBIA	All Turnpike Revenue Bonds Issued Prior to 2004	July 1, 2018	12,029,000
Ambac	All Turnpike Revenue Bonds	July 1, 2030	4,871,359
FSA	All Turnpike Revenue Bonds	July 1, 2018	2,308,902

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

Note 6 – Debt Service Reserve Fund (continued)

Accordingly, each of the policies from MBIA, FGIC and Ambac, while still in effect, no longer qualify under the general bond resolution to meet the Debt Service Reserve Fund requirement.

With the issuance of the Series 2009 revenue bonds, the Debt Service Reserve requirement will be $16.5 million. Of this amount, $4.1 million will be satisfied by the surety policies issued by FSA. In response to the downgrades of MBIA, FGIC and Ambac, the Authority deposited $5.3 million into the Debt Service Reserve Fund in December 2008. The balance of the debt service reserve fund requirement will be funded by a portion of the Series 2009 proceeds and if needed, by Revenues deposited into the Debt Service Reserve Fund by the end of December 2009.

Note 7 – Maine Public Employees Retirement System (MainePERS) – Consolidated Retirement Pension Plan

Plan Description – The Authority participates in the Maine Public Employees Retirement System, a multiple-employer defined benefits pension plan, which covers substantially all employees. The MainePERS provides retirement, disability and death benefits to plan participants and beneficiaries. Employees are eligible for normal retirement upon attaining age sixty and early retirement after completing twenty-five or more years of service.

Funding Policy – Plan participants are required to contribute 6.5% of their annual compensation and the Authority is required to contribute at an actuarially determined rate. The current rate is 4% of employee earned compensation.

The Maine Turnpike Authority's contributions to MainePERS were approximately $1,173,649, $1,227,540 and $1,114,370 for the years ended December 31, 2008, 2007 and 2006, respectively.

Note 8 – Other Post Employment Benefits (OPEB)

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

Plan Descriptions. In addition to providing pension benefits, the Authority provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees receive 100% paid health benefit coverage, Anthem POS plan until age 65 or Medicare Advantage plan at the age of 65. The Authority paid approximately $942,000 of insurance contributions for approximately 200 retirees for the year end December 31, 2008. Benefit provisions are established and amended through negotiations between the Authority and the respective unions.

In December 2008, the Authority entered into a contract with an external consultant to assist in the determination and valuation of the Authority's OPEB liability under GASB Statement Number 45. An OPEB liability actuarial valuation was

Note 8 – Other Post Employment Benefits (continued)

completed by the consultant in March 2009 to which the Authority is in the process of reviewing the various alternatives, including methodology, discount rates and other assumptions.

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

The following table represents the OPEB costs for the year, the amount contributed and changes in the OPEB plan for the year ending December 31, 2008:

Normal Cost	$ 1,499,000
UAAL amortization	1,507,000
Annual Required Contribution/OPEB Cost	3,006,000
Contributions Made (Pay-As-You-Go)	(942,000)
Increase in Net OPEB Obligation	2,064,000
Net OPEB Obligation - Beginning of Year	0
Net OPEB Obligation - End of Year	$ 2,064,000

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for year ending December 31, 2008 was as follows:

Annual Required Contribution (ARC)	$ 3,006,000
Actual Contributions (Pay-As-You-Go)	942,000
Percentage Contributed	31.3%
Actuarial Accrued Liability	$ 39,815,000
Plan Assets	0
Unfunded Actuarial Accrued Liability	39,815,000
Covered payroll	$ 18,420,000
Unfunded actuarial accrued liability as a percentage of covered payroll	216.2%

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

Note 8 – Other Post Employment Benefits (continued)

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

Actuarial valuation date	1/1/09
Actuarial cost method	Entry age normal
Amortization method	Level percent of payroll
Remaining amortization period	30 years
Actuarial assumptions:	
Investment rate of return	4.5%
Projected salary increases	3.5%
Healthcare inflation rate	4.5% - 8.7%

Note 9 – Commitments & Contingencies

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

As of December 31, 2008, the Authority committed to a contract for the construction of a new administration building on a parcel of land owned by the Authority for $11,397,000.

Required Supplementary Information

Trend Data on Infrastructure Condition

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

The roadways are rated on a 10-point scale, with 10 meaning that every aspect of the roadway is in new and perfect condition. The Authority's system as a whole is given an overall rating, indicating the average condition of all roadways operated by the Authority. The assessment of condition is made by visual inspection designed to reveal any condition that would reduce highway-user benefits below the maximum level of service. The Authority's policy is to maintain the roadway condition at rating of 8 (generally good condition) or better. The results of the 2008 inspection states that the Maine Turnpike has been maintained in generally good condition and presents a favorable appearance.

The budget to actual expenditures for Preservation for 2008 is as follows:

	Budget	Actual
Preservation Expense	$ 14,795,421	$ 10,299,213

Retiree Healthcare Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
12/31/08	$0	$39,815,000	$39,815,000	0.00%	$18,420,000	216.2%

Other Supplementary Information

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

		2008
Revenues:		
Net Fare Revenue	$	81,540
Concession Rental		3,397
Investment Income [1]		366
Miscellaneous		1,178
Total Revenues	**$**	**86,481**
Expenses:		
Operations		24,870
Maintenance		10,357
Administrative		2,567
Total Expenses	**$**	**37,794**
Net Operating Revenues	**$**	**48,687**
Debt Service Payments [2]		23,590
Reserve Maintenance Fund Deposit		24,750
MDOT Account / Sub Debt Fund Deposit		2,467
Other General Reserve Fund Deposits	**$**	**(2,120)**
Debt Service Ratio of Net Revenues to Debt Service [3]		**2.06**

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

[1] Capital fund and Rebate Fund earnings are not included in investment income, consistent with the Maine Turnpike Revenue Bond Resolution.
[2] Represents Debt Service Deposits, net of capitalized interest, on the outstanding Revenue Bonds only.
[3] Net Revenues divided by Debt Service.