

MAINE STATE LEGISLATURE

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HEALTH & HIGHER EDUCATIONAL
FACILITIES AUTHORITY

2000 Financial Report



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TO: INTERESTED PARTIES
FROM: Robert O. Lenna, Executive Director
SUBJECT: Annual Report

This is the fiscal 2000 report for the Maine Health and Higher Educational Facilities Authority. As of June 30, 2000, the Authority has \$85,025,000 outstanding under its general tax exempt conduit resolution, \$798,900,000 outstanding under its tax exempt reserve fund resolution, \$4,535,000 outstanding under its medium term tax exempt reserve fund resolution and \$97,420,000 outstanding under its taxable reserve fund resolution.

During fiscal year 2000 the Authority issued \$75,980,000 of bonds under its tax exempt reserve fund resolution and \$46,400,000 of bonds under its general tax exempt conduit resolution. These sales were accomplished in five series for two hospitals, three colleges, one nursing home, one continuing care retirement community, one residential care facility and one community health facility.

Started in December of 1991, the Authority's unique health and higher education program, using a state moral obligation reserve fund make-up provision and the ability to intercept funds of borrowers prior to any failure to pay, provides unusual strength to a diversified and dispersed portfolio of loans to health care and higher educational facilities throughout Maine. By making use of our ability to aggregate issues, share costs for bond sales among multiple issuers and provide the State's moral obligation credit enhancement to eligible institutions, we provide all of Maine's health and higher educational facilities, from the largest to the smallest, with the lowest cost available for the money they borrow to meet their capital needs.

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

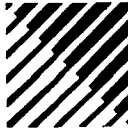
MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

Audited Financial Statements

Year Ended June 30, 2000

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BAKER NEWMAN & NOYES
LIMITED LIABILITY COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Members of
Maine Health and Higher
Educational Facilities Authority

We have audited the accompanying consolidating balance sheet – operating fund and the combined and combining balance sheet – restricted and trustee funds of Maine Health and Higher Educational Facilities Authority as of June 30, 2000, and the related consolidating statement of operations and changes in fund balance – operating fund, combined and combining statement of changes in fund balance and funds held in trust – restricted and trustee funds and consolidating statement of cash flows – operating fund for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. 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 Maine Health and Higher Educational Facilities Authority at June 30, 2000, and the results of its operations and cash flows of its operating fund for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of Maine Health and Higher Educational Facilities Authority at June 30, 2000, and the results of their operations and cash flows of individual operating funds for the year then ended in conformity with generally accepted accounting principles.

Portland, Maine
October 4, 2000

Limited Liability Company

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

CONSOLIDATING BALANCE SHEET – OPERATING FUND

June 30, 2000

ASSETS

	Authority's Operating <u>Fund</u>	Portland Center For Assisted Living (note 8)	<u>Eliminations</u>	Consolidated Operating <u>Fund</u>
Current assets:				
Cash and cash equivalents (note 3)	\$ 4,761,317	\$ 165,994	\$ —	\$ 4,927,311
Investments, at fair value (note 3)	449,688	—	—	449,688
Accrued investment income	23,274	—	—	23,274
Fees receivable from institutions	77,571	—	—	77,571
Fees and other amounts receivable from trusteed funds	1,353,137	—	—	1,353,137
Advances receivable from institutions net of allowance of \$1,019,555 (note 7)	6,028,327	—	(3,973,509)	2,054,818
Resident accounts receivable, net of allowance of \$352,844	—	307,250	—	307,250
Other assets	<u>—</u>	<u>96,430</u>	<u>—</u>	<u>96,430</u>
Total current assets	12,693,314	569,674	(3,973,509)	9,289,479
Long-term assets:				
Assets whose use is limited	—	393,299	—	393,299
Fixed and other assets, net	—	4,866,443	—	4,866,443
Deferred financing costs, net	<u>—</u>	<u>252,840</u>	<u>—</u>	<u>252,840</u>
Total long-term assets	—	5,512,582	—	5,512,582
	<u>\$ 12,693,314</u>	<u>\$6,082,256</u>	<u>\$(3,973,509)</u>	<u>\$ 14,802,061</u>

LIABILITIES AND FUND BALANCE

	Authority's Operating Fund	Portland Center For Assisted Living (note 8)	Eliminations	Consolidated Operating Fund
Current liabilities:				
Current portion of loan payable to trustee funds	\$ —	\$ 375,000	\$ —	\$ 375,000
Current portion of note payable to bank	—	7,702	—	7,702
Accounts payable	227,905	33,289	—	261,194
Estimated third-party payor settlements	—	1,173,481	—	1,173,481
Accrued payroll and other expenses	—	281,556	—	281,556
Advances due to Authority's operating fund	—	3,973,509	(3,973,509)	—
Resident funds held in trust	—	16,554	—	16,554
Deferred revenue	—	4,984	—	4,984
Total current liabilities	227,905	5,866,075	(3,973,509)	2,120,471
Long-term liabilities:				
Loan payable to trustee funds	—	5,898,013	—	5,898,013
Note payable to bank	—	4,124	—	4,124
Total liabilities	227,905	11,768,212	(3,973,509)	8,022,608
Common stock, no par value; authorized 10,000 shares, issued and outstanding 200 shares	—	200	(200)	—
Fund balance (deficit)	12,465,409	(5,686,156)	200	6,779,453
	12,465,409	(5,685,956)	—	6,779,453
	\$ 12,693,314	\$ 6,082,256	\$ (3,973,509)	\$ 14,802,061

See accompanying notes.

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

**COMBINED AND COMBINING BALANCE SHEET –
RESTRICTED AND TRUSTEED FUNDS**

June 30, 2000

ASSETS

	<u>General Resolution</u>	<u>Reserve Fund</u>
Cash and cash equivalents (note 3)	\$ 5,644,378	\$ 54,591,323
Investments, at fair value (note 3)	44,936,776	116,088,490
Accrued investment income	1,101,555	2,475,891
Loans receivable from institutions (note 7)	85,025,000	729,447,987
Loan receivable from operating fund (note 8)	–	–
Other receivables from institutions	227,636	457,114
Other assets	<u>91,444</u>	<u>–</u>
	<u>\$ 137,026,789</u>	<u>\$ 903,060,805</u>

LIABILITIES, FUNDS HELD IN TRUST AND FUND BALANCE

Bonds payable (note 4)	\$ 85,025,000	\$ 798,900,000
Interest payable	1,585,765	18,887,297
Fees payable to operating fund	–	763,104
Accounts payable	75,044	–
Rebate payable to Internal Revenue Service	–	951,750
Deferred revenue	<u>–</u>	<u>437,896</u>
Total liabilities	86,685,809	819,940,047
Funds held in trust and fund balance:		
Construction/program funds	32,438,079	56,217,531
Expense funds	–	80,033
Debt service funds	8,769,205	25,824,611
Debt service reserve funds	9,099,470	–
Earnings funds	34,226	–
Unrestricted fund balance	<u>–</u>	<u>998,583</u>
Total funds held in trust and fund balance	<u>50,340,980</u>	<u>83,120,758</u>
	<u>\$ 137,026,789</u>	<u>\$ 903,060,805</u>

See accompanying notes.

Medium Term Financing Reserve Fund	Taxable Financing Reserve Fund	Total
\$2,745,217	\$ 9,048,154	\$ 72,029,072
835,487	12,003,519	173,864,272
24,093	64,360	3,665,899
2,465,500	79,143,468	896,081,955
—	6,273,013	6,273,013
30	339,642	1,024,422
—	—	91,444
<u>\$6,070,327</u>	<u>\$ 106,872,156</u>	<u>\$ 1,153,030,077</u>
\$4,535,000	\$ 97,420,000	\$ 985,880,000
147,936	3,483,495	24,104,493
22,600	567,433	1,353,137
—	90,418	165,462
—	—	951,750
<u>4,714</u>	<u>69,470</u>	<u>512,080</u>
4,710,250	101,630,816	1,012,966,922
—	1,861,496	90,517,106
1,207	48,355	129,595
1,204,768	3,290,665	39,089,249
—	—	9,099,470
—	—	34,226
<u>154,102</u>	<u>40,824</u>	<u>1,193,509</u>
<u>1,360,077</u>	<u>5,241,340</u>	<u>140,063,155</u>
<u>\$6,070,327</u>	<u>\$ 106,872,156</u>	<u>\$ 1,153,030,077</u>

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

**CONSOLIDATING STATEMENT OF OPERATIONS AND
CHANGES IN FUND BALANCE – OPERATING FUND**

Year Ended June 30, 2000

	Authority's Operating <u>Fund</u>	Portland Center For Assisted Living <u>(note 8)</u>	Elimi- nations	Consolidated Operating <u>Fund</u>
Operating revenues:				
Net resident service revenue	\$ –	\$ 4,014,786	\$ –	\$4,014,786
Administrative and other fees	2,416,028	–	–	2,416,028
Investment income	304,761	–	–	304,761
Net decrease in the fair value of investments	(3,408)	–	–	(3,408)
Interest income from advances to institutions	498,129	–	(392,598)	105,531
Other income	<u>35,600</u>	<u>17,536</u>	<u>–</u>	<u>53,136</u>
	3,251,110	4,032,322	(392,598)	6,890,834
Operating expenses (note 5):				
Salaries	267,151	–	–	267,151
Employee benefits	58,062	–	–	58,062
Travel	14,226	–	–	14,226
Office expenses	140,875	–	–	140,875
Accounting and auditing	45,635	–	–	45,635
Legal	116,043	–	–	116,043
Telephone	9,316	–	–	9,316
Building lease	49,810	–	–	49,810
Paid to Maine Hospital Association	15,947	–	–	15,947
Assistance paid to borrowing institutions (note 7)	800,000	–	–	800,000
Nursing services	–	1,257,916	–	1,257,916
Administrative services	–	572,047	–	572,047
Dietary services	–	487,351	–	487,351
Depreciation and amortization	–	336,634	–	336,634
Plant operations and maintenance	–	255,028	–	255,028
Housekeeping services	–	204,379	–	204,379
Other services	–	378,873	–	378,873
Interest expense	<u>–</u>	<u>946,787</u>	<u>(392,598)</u>	<u>554,189</u>
	<u>1,517,065</u>	<u>4,439,015</u>	<u>(392,598)</u>	<u>5,563,482</u>
Excess (deficiency) of revenues over expenses	1,734,045	(406,693)	–	1,327,352
Fund balance (deficit) at beginning of year	<u>10,731,364</u>	<u>(5,279,463)</u>	<u>200</u>	<u>5,452,101</u>
Fund balance (deficit) at end of year	\$ <u>12,465,409</u>	\$ <u>(5,686,156)</u>	\$ <u>200</u>	\$ <u>6,779,453</u>

See accompanying notes.

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

COMBINED AND COMBINING STATEMENT OF CHANGES IN FUND BALANCE AND FUNDS HELD IN TRUST – RESTRICTED AND TRUSTEED FUNDS

Year Ended June 30, 2000

	<u>General Resolution</u>	<u>Reserve Fund</u>
Fund balance and funds held in trust, beginning of year	\$ 16,658,567	\$ 148,508,433
Additions:		
Bond and note proceeds	46,400,000	65,945,000
Received and receivable from institutions	14,658,749	53,437,938
Transfer from debt service reserves	—	—
Income from investments	2,179,818	9,944,988
Net decrease in the fair value of investments	(16,333)	—
Other income	<u>78,136</u>	<u>702,185</u>
Total additions	63,300,370	130,030,111
Deductions:		
Construction and program costs	18,553,148	114,972,441
Bond issuance costs and remarketing fees	794,782	1,538,851
Principal payments	2,300,000	22,945,000
Interest expense	3,912,819	39,149,432
Paid to institutions	3,765,665	904,270
Transfer to debt service reserves	—	3,513,112
Paid to refunding escrow (note 6)	—	10,569,310
Fee expense	—	1,654,906
Other deductions	<u>291,543</u>	<u>170,464</u>
Total deductions	<u>29,617,957</u>	<u>195,417,786</u>
Increase (decrease) in fund balance and funds held in trust	<u>33,682,413</u>	<u>(65,387,675)</u>
Fund balance and funds held in trust, end of year	\$ <u>50,340,980</u>	\$ <u>83,120,758</u>

See accompanying notes.

Medium Term Financing Reserve <u>Fund</u>	Taxable Financing Reserve <u>Fund</u>	<u>Total</u>
\$1,540,125	\$ 5,639,184	\$ 172,346,309
-	-	112,345,000
1,314,326	12,221,762	81,632,775
103,500	-	103,500
182,617	997,850	13,305,273
(35,312)	-	(51,645)
<u>-</u>	<u>-</u>	<u>780,321</u>
1,565,131	13,219,612	208,115,224
-	194,306	133,719,895
-	183,049	2,516,682
1,395,000	5,565,000	32,205,000
295,873	7,432,234	50,790,358
-	39,983	4,709,918
-	-	3,513,112
-	-	10,569,310
47,298	-	1,702,204
<u>7,008</u>	<u>202,884</u>	<u>671,899</u>
<u>1,745,179</u>	<u>13,617,456</u>	<u>240,398,378</u>
<u>(180,048)</u>	<u>(397,844)</u>	<u>(32,283,154)</u>
<u>\$1,360,077</u>	<u>\$ 5,241,340</u>	<u>\$ 140,063,155</u>

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

CONSOLIDATING STATEMENT OF CASH FLOWS – OPERATING FUND

Year Ended June 30, 2000

	Authority's Operating <u>Fund</u>	Portland Center For Assisted Living (note 8)	Elimi- nations	Consolidated Operating <u>Fund</u>
Cash flows from operating activities:				
Excess (deficiency) of revenues over expenses	\$ 1,734,045	\$(406,693)	\$ —	\$ 1,327,352
Adjustments to reconcile excess (deficiency) of revenues over expenses to net cash provided (used) by operating activities:				
Investment and interest income	(802,890)	—	392,598	(410,292)
Net decrease in the fair value of investments	3,408	—	—	3,408
Depreciation and amortization	—	336,634	—	336,634
Change in assets and liabilities:				
Decrease in fees receivable from institutions	33,285	—	—	33,285
Increase in fees receivable from trustee funds	(492,046)	—	—	(492,046)
Decrease in net resident accounts receivable	—	300,541	—	300,541
Decrease in other assets	77,874	55,649	—	133,523
Increase (decrease) in accounts payable	172,768	(465,275)	—	(292,507)
Decrease in deferred revenue	—	(3,437)	—	(3,437)
Decrease in interest payable to trustee funds	—	(274,015)	—	(274,015)
Increase in accrued payroll and other expenses	—	22,731	—	22,731
Increase in estimated third-party payor settlements	—	236,481	—	236,481
Decrease in resident funds held in trust	—	(3,722)	—	(3,722)
Net cash provided (used) by operating activities	726,444	(201,106)	392,598	917,936
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	2,499,903	—	—	2,499,903
Purchases of investments	(742,372)	—	—	(742,372)
Income received from investments and advances	843,698	—	(392,598)	451,100
Purchases of property and equipment	—	(152,091)	—	(152,091)
Proceeds from sale of assets held for sale	30,000	—	—	30,000
Change in assets whose use is limited	—	385,299	—	385,299
(Increase) decrease in net advances receivable from institutions	(2,998,695)	—	403,059	(2,595,636)
Assistance paid to borrowing institutions	800,000	—	—	800,000
Net cash provided by investing activities	432,534	233,208	10,461	676,203

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

**CONSOLIDATING STATEMENT OF CASH FLOWS – OPERATING FUND
(CONTINUED)**

Year Ended June 30, 2000

	Authority's Operating <u>Fund</u>	Portland Center For Assisted Living <u>(note 8)</u>	<u>Elimi- nations</u>	Consolidated Operating <u>Fund</u>
Cash flows from financing activities:				
Increase in net advances from Authority's operating fund	\$ —	\$ 403,059	\$ (403,059)	\$ —
Payments on loan to trusteeed funds	—	(325,000)	—	(325,000)
Net payments on note payable to bank	<u>—</u>	<u>(6,612)</u>	<u>—</u>	<u>(6,612)</u>
Net cash provided (used) by financing activities	<u>—</u>	<u>71,447</u>	<u>(403,059)</u>	<u>(331,612)</u>
Increase in cash and cash equivalents	1,158,978	103,549	—	1,262,527
Cash and cash equivalents at beginning of year	<u>3,602,339</u>	<u>62,445</u>	<u>—</u>	<u>3,664,784</u>
Cash and cash equivalents at end of year	<u>\$ 4,761,317</u>	<u>\$ 165,994</u>	<u>\$ —</u>	<u>\$ 4,927,311</u>

See accompanying notes.

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

1. Organization

Maine Health and Higher Educational Facilities Authority (the Authority) is constituted as an instrumentality and, for accounting purposes under Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, is considered a component unit of the State of Maine, organized and existing under and pursuant to M.R.S.A., Title 22, Chapter 413, Sections 2051 to 2074, inclusive and as amended by Chapter 584 of the Public Laws of 1991.

The purpose of the Authority, among others, is to assist Maine health care institutions and institutions for higher education (the institutions) in the undertaking of projects involving the acquisition, construction, improvement, reconstruction, and equipping of health care and educational facilities and the refinancing of existing indebtedness. The Authority, pursuant to the Student Loan Corporations Act of 1983, also has the power to finance student loan programs of institutions for higher education.

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

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

The Authority's operating fund records the revenues and expenses generated from its daily operations, and also includes the operations of Portland Center for Assisted Living f/k/a Woodford Park Nursing Care Center, Inc. (the Center), which was acquired by the Authority in 1998 (see Note 8). The Authority has a management agreement with 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 and payment of direct operating expenses by the Authority. The operating fund is not part of the Authority's resolutions and does not legally act as security for outstanding bonds.

The restricted and trustee funds represent various funds and accounts, established with respect to the applicable series bond documents, held by a trustee. The trustee completes the duties and obligations required by the applicable series resolution including investment of moneys as set forth by the Series Resolution and Tax Regulatory Agreement and the application of bond proceeds and institution's deposits as received by the trustee in accordance with the applicable series bond documents.

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

1. Organization (Continued)

Presently, the Authority operates pursuant to four bond resolutions as follows:

General Resolution

These funds consist of funds and accounts established under the Authority's General Bond Resolution adopted June 5, 1973. Under this resolution, the Authority issues bonds exempt from federal and State of Maine income taxes and assists in financing health care institutions and institutions for higher education. Bonds issued under this resolution may be issued under the original Bond Resolution or under an individual Bond Indenture between the Authority and an institution. Loans to institutions made with proceeds of general resolution bonds are written for the entire amount of the bonds (including debt service reserve funds).

Reserve Fund

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

Medium Term Financing Reserve Fund

These funds and accounts are established under the Authority's Resolution establishing the Maine Health Facilities' Medium Term Financing Reserve Fund adopted March 5, 1992. Under this resolution, the Authority issues Bonds exempt from federal and State of Maine income taxes for the purpose of providing financing for Maine health and higher educational facilities. Bonds issued under this resolution are repaid over a medium term and also benefit from the moral obligation reserve fund replenishment mechanism from the State of Maine. Loans to institutions made with proceeds of bonds issued under this resolution are generally written for the net amount of bond proceeds less debt service reserve funds retained by the Authority.

Taxable Financing Reserve Fund

These funds and accounts are established under the Authority's Resolution establishing the Maine Health Facilities' Taxable Financing Reserve Fund Resolution adopted December 15, 1992. Under this resolution, the Authority issues Bonds exempt from State of Maine income taxes. Bonds issued under this resolution benefit from the moral obligation reserve fund replenishment mechanism from the State of Maine. Loans to institutions made with proceeds of bonds issued under this resolution are generally written for the net amount of bond proceeds less debt service reserve funds retained by the Authority.

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

1. Organization (Continued)

The following is a description of the various funds which are held by the trustee as required by the bond resolutions:

Construction/Program Funds

These funds are used to account for the payment of building construction, equipment costs, program expenditures and bond issuance costs. These funds are also used to account for the refunding of existing bond issues.

Expense Funds

These funds are used for the collection and payment of amounts related to expense of the Authority, the trustee, the paying agent and the registrar. These funds are not subject to lien of the bond indentures.

Debt Service Funds

These funds are used to account for certain bond proceeds and the receipts of cash from the institutions and disbursements thereof for bond interest and principal. Generally, the debt service funds held in trust are restricted for payment of principal and interest.

Debt Service Reserve Funds

These funds are generally required to be maintained at an amount equal to the greatest aggregate amount of principal and interest required to be paid in the current or any future bond year. Funding is often provided directly from the bond proceeds. Generally, any debt service reserve funds held in trust are restricted for payment of debt, and in many cases such funds are used for the last debt payment.

Earnings Funds

Generally, all investment income or interest earnings on all funds and accounts are transferred upon receipt or recorded by ledger entry by the trustee to the earnings fund. Section 148(f) of the Internal Revenue Code requires the payment to the federal government of the excess of the amount earned on the investment of certain bond proceeds over the amount that would have been earned on such investments had the amount so invested been invested at a rate equal to the yield on the bonds, together with any income attributed to such excess. Amounts remaining in the earnings fund following the required rebate payments are returned to the originating fund and may be transferred or withdrawn in accordance with the bond documents.

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

2. Significant Accounting Policies

The Authority maintains books of accounts for its own operations (the operating fund, including the Center) and for the restricted and trustee funds (the funds) established in connection with each outstanding bond issue. The books of accounts are maintained in accordance with the principles of proprietary (operating fund) and fiduciary (the funds) fund accounting and the requirements of the bond issue documents. The accompanying financial statements are prepared on the accrual basis of accounting (operating fund) and modified accrual basis of accounting (restricted and trustee funds) and include the accounts of the operating fund and the combined accounts of all bond issues currently outstanding that have not been advance refunded (see Note 6).

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

Cash and Cash Equivalents

The Authority considers all checking and savings deposits and highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments

Investments are carried at fair value (the fair value of guaranteed investment contracts is assumed to equal contract value). Changes in fair value are recorded as net increase (decrease) in the fair value of investments on the statements of operations and changes in fund balances and funds held in trust.

Interfund Transactions

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

All other interfund transactions, except reimbursements, are reported as transfers. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

2. Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment from the acquisition of the Center is stated at cost. Depreciation expense has been computed using the straight-line method at rates intended to amortize the cost of the related assets over their estimated useful lives.

Estimated Third-Party Payor Settlements

Estimated third-party payor settlements with respect to the Center represent estimates of final settlements under cost-reimbursed programs (Medicare and Medicaid).

Amounts due under the cost reimbursement programs will become determinable and final only upon completion of cost reporting and subsequent audit as required under the terms of agreements with respective third-party reimbursing agencies.

Net Resident Service Revenue

Net resident service revenue of the Center is reported at the estimated net realizable amounts from patients, third-party reimbursing agencies, and others for services rendered, including estimated retroactive adjustments under reimbursement formulas with third-party reimbursing agencies. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Amortization

Deferred financing costs of the Center are amortized using the straight-line method over the term of the respective loans. Financing costs in the restricted and trustee funds are treated as expenditures as incurred.

Income Taxes

During fiscal 2000, the Center was granted tax-exempt status under IRS Code Section 501(c)(3) and, as such, is not subject to federal or state income taxes.

Principles of Consolidation

The accompanying consolidated column of the financial statements of the operating fund reflect the accounts of the Authority and its wholly-owned subsidiary, the Center. All intercompany transactions and balances have been eliminated in consolidation.

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

2. Significant Accounting Policies (Continued)

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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 these estimates.

3. Cash and Cash Equivalents and Investments

The Authority is authorized, under Maine statutes, to invest in obligations of the U.S. Treasury, certain U.S. Governmental Agencies and certain state and local governments, as well as certain investment contracts and collateralized repurchase agreements. The trustees invest available cash in accordance with Maine statutes, applicable Series Resolution and Tax Regulatory Agreement.

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

The cash and cash equivalents of the Authority's operating fund at June 30, 2000 consist of a \$100,000 insured and \$15,625 noninsured deposit with a bank and \$4,645,692 of money market funds held by a trust company.

GASB Statement No. 3 requires investments to be classified into three categories to give an indication of the level of risk assumed by the Authority and the institutions; Category 1 includes investments insured or registered in the Authority's or institution's name or securities held by the Authority or institution or by the Authority's or the institution's agent in the Authority's or institution's name; Category 2 includes investments uninsured and unregistered with securities held by the financial institution's trust department or agent in the Authority's or institution's name; and Category 3 includes uninsured and unregistered, with securities held by the financial institution's trust department or its agent, but not in the Authority's or institution's name. There are no Category 1 or 3 investments held by the Authority or the trustees at June 30, 2000.

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

3. Cash and Cash Equivalents and Investments (Continued)

At June 30, 2000, cash and investments are categorized as follows (at fair value):

	<u>Cash and Cash Equivalents</u>	<u>Guaranteed Investment Contracts</u>	<u>U.S. Government Obligations</u>	<u>Total</u>
Restricted and trustee funds:				
General resolution	\$ 5,644,378	\$ 43,328,548	\$1,608,228	\$ 50,581,154
Reserve fund	54,591,323	115,728,252	360,238	170,679,813
Medium term financing reserve fund	2,745,217	—	835,487	3,580,704
Taxable financing reserve fund	<u>9,048,154</u>	<u>12,003,519</u>	<u>—</u>	<u>21,051,673</u>
Total investments held in restricted and trustee funds	72,029,072	171,060,319	2,803,953	245,893,344
Operating fund:				
Authority's operating fund	4,761,317	—	449,688	5,211,005
Portland Center for Assisted Living	<u>165,994</u>	<u>—</u>	<u>—</u>	<u>165,994</u>
Total operating fund investments	<u>4,927,311</u>	<u>—</u>	<u>449,688</u>	<u>5,376,999</u>
	<u>\$ 76,956,383</u>	<u>\$ 171,060,319</u>	<u>\$ 3,253,641</u>	<u>\$ 251,270,343</u>

4. Bonds Payable

As of June 30, 2000, the Authority had the following series and amounts of revenue bonds and notes:

	<u>Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding June 30, 2000</u>
General resolution:			
Colby College, Series 1984, 7.75% — 9.625%, dated September 1, 1984	1990 — 2005	\$ 6,400,000	\$ 960,000
Bowdoin College, Series 1985, variable rate beginning at 5.25%, dated October 1, 1985	1986 — 2010	9,380,000	2,090,000
VHA of New England Capital Asset Financing Program, 1985 Series A through Series G, variable rate beginning at 6%, dated December 30, 1985	2025	26,100,000	18,700,000
Mt. Desert Island Hospital, Series A, variable interest rate equal to 80% of the prime rate of Fleet Boston, dated December 11, 1986	1988 — 2008	1,800,000	630,000

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

4. Bonds Payable (Continued)

	<u>Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding June 30, 2000</u>
General resolution (continued):			
Southern Maine Medical Center, Series 1989, 5.9% – 7.3%, dated November 1, 1989	1990 – 2014	\$ 11,885,000	\$ 2,250,000
Bowdoin College, Series 1991, 4.75% – 7.1%, dated June 1, 1991	1992 – 2011	8,980,000	6,630,000
Colby College, Series 1991, 4.75% – 7.1%, dated July 1, 1991	1992 – 2011	11,965,000	6,080,000
Mt. Desert Island Hospital, Series 1992, variable interest rate equal to 80% of the prime rate of Fleet Boston, dated July 15, 1992	1993 – 2012	1,300,000	1,020,000
Spurwink School, Series 1997, 6.5%, dated December 23, 1997	1998 – 2012	315,000	265,000
Piper Shores, Series 1999A, 7.5% – 7.55%, dated December 1, 1999	2006 – 2029	24,900,000	24,900,000
Piper Shores, Series 1999B, variable rate beginning at 3.9%, dated December 16, 1999	2029	<u>21,500,000</u>	<u>21,500,000</u>
		<u>\$ 124,525,000</u>	<u>\$ 85,025,000</u>
Reserve fund:			
Series 1991, 4.5% – 6.375%, dated December 1, 1991	1992 – 2021	\$ 40,920,000	\$ 27,360,000
Series 1992A, 3.7% – 6.5%, dated June 1, 1992	1993 – 2022	8,040,000	4,965,000
Series 1992B, 3.0% – 5.875%, dated September 15, 1992	1993 – 2022	44,850,000	37,050,000
Series 1993A, 2.5% – 5.60%, dated March 1, 1993	1993 – 2023	50,030,000	19,070,000
Series 1993B, 2.8% – 5.75%, dated May 1, 1993	1994 – 2023	20,000,000	18,000,000
Series 1993C, 2.65% – 5.0%, dated September 1, 1993	1994 – 2013	69,085,000	53,340,000
Series 1993D, 2.60% – 5.7%, dated December 1, 1993	1994 – 2023	93,540,000	78,630,000
Series 1994A, 3.3% – 6.0%, dated March 1, 1994	1994 – 2024	18,380,000	12,870,000
Series 1995A, 4.40% – 5.878%, dated April 11, 1995	1996 – 2025	33,285,000	31,690,000
Series 1995B, variable rate, dated August 2, 1995	1998 – 2025	17,535,000	16,935,000
Series 1995C, 3.875% – 6.2%, dated August 1, 1995	1996 – 2025	13,745,000	12,005,000

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

4. Bonds Payable (Continued)

	<u>Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding June 30, 2000</u>
Reserve fund (continued):			
Series 1996A, 3.75% – 5.625%, dated August 15, 1996	1997 – 2026	\$ 28,515,000	\$ 25,960,000
Series 1996B, 4.5% – 5.75%, dated October 15, 1996	1997 – 2026	41,855,000	37,155,000
Series 1997A, 4.3% – 5.7%, dated June 1, 1997	2000 – 2027	8,310,000	8,310,000
Series 1997B, 4.25% – 5.0%, dated December 1, 1997	1998 – 2018	52,640,000	49,200,000
Series 1998A, 4.0% – 5.28%, dated March 18, 1998	1999 – 2028	76,800,000	74,455,000
Series 1998B, 3.7% – 5.0%, dated June 1, 1998	1999 – 2028	100,540,000	97,270,000
Series 1998C, 2.95% – 5.1%, dated November 1, 1998	1999 – 2029	30,585,000	30,435,000
Series 1999A, 3.5% – 5.25%, dated April 15, 1999	1999 – 2030	98,385,000	98,255,000
Series 1999B, 4.0% – 6.0%, dated December 1, 1999	2000 – 2029	41,505,000	41,505,000
Series 2000A, variable rate, dated January 27, 2000	2002 – 2022	11,755,000	11,755,000
Series 2000B, variable rate, dated January 27, 2000	2000 – 2019	<u>12,685,000</u>	<u>12,685,000</u>
		<u>\$ 912,985,000</u>	<u>\$ 798,900,000</u>
Medium term financing reserve fund:			
Series 1992, 4% – 8.25%, dated March 1, 1992	1993 – 2003	<u>\$ 14,865,000</u>	<u>\$ 4,535,000</u>
Taxable financing reserve fund:			
Series 1992B, 9.35%, dated December 1, 1992	1994 – 2012	\$ 9,350,000	\$ 7,945,000
Series 1993A, 7.35% fixed interest rate 1993 – 1999, dated January 1, 1993	1993 – 2012	57,125,000	44,705,000
Series 1993B, 7.04% fixed interest rate 1994 – 2003, dated October 27, 1993	1994 – 2013	25,060,000	17,780,000
Series 1995A, 9.34% fixed interest rate 1995 – 2014, dated January 25, 1995	1995 – 2014	13,045,000	11,935,000
Series 1996A, 7.03% fixed interest rate 1996 – 2016, dated February 22, 1996	1996 – 2016	<u>16,440,000</u>	<u>15,055,000</u>
		<u>\$ 121,020,000</u>	<u>\$ 97,420,000</u>

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

4. Bonds Payable (Continued)

Each of the above series of bonds of the Authority is payable solely from the revenues from, and is secured by, the project, program or resolution in respect of which it is issued and has no claim of payment from the security or revenues pledged for the payment of the other series of bonds.

Maturities of bonds payable for each of the five years ending after June 30, 2000, combined for all series and resolutions, are as follows:

2001	\$ 30,830,000
2002	33,190,000
2003	35,215,000
2004	34,735,000
2005	35,140,000
Thereafter	816,770,000

5. Operating Expenses

The Authority has a management agreement with Maine Municipal Bond Bank which allocates a portion of Bond Bank expenses to the Authority. The allocation is based on expenses specifically incurred on behalf of the Authority and the Authority's estimated portion of general overhead. The Authority recognized approximately \$444,000 of expense under this agreement in 2000.

6. Refunded Issues

On January 27, 2000, the Authority issued \$11,755,000 in 2000A revenue bonds at a variable interest rate to advance refund \$9,880,000 of outstanding general resolution bonds with an average interest rate of 6.62%. Additionally, approximately \$1,188,000 in underwriting fees, insurance and other issuance costs were paid. The Authority advance refunded the above bonds to reduce total interest payments over the next 22 years by approximately \$1,630,000 (projected based upon management's expected average interest rate of 4.42% for the 2000A bond issue).

The proceeds of the refunding bonds were primarily used to purchase U.S. Treasury obligations, the principal and interest on which will be sufficient to pay the principal and interest, when due, of the defeased bonds. Neither the U.S. Treasury obligations nor the refunded bonds are reflected on the accompanying financial statements. The U.S. Treasury obligations were placed in irrevocable trust accounts with the trustees of the defeased bonds. The gains, losses and economic benefits of these transactions inure to the respective institution and not the Authority. At June 30, 2000, there were \$133,215,000 of advance refunded bonds remaining outstanding with respect to all advance-refunded issues.

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

7. Nursing Home Loans

In 1994, the Maine Department of Human Services (DHS) substantially revised the eligibility criteria for Medicaid coverage of nursing facility services, causing a decline in occupancy in nursing facilities. The occupancy decline has not affected each nursing facility equally. In some instances, particularly in proprietary nursing homes borrowing under the taxable financing reserve fund resolution, which consists primarily of loans to nursing homes, these declines in occupancy have created cash flow problems. Under current practice, the Authority, in conjunction with DHS (which administers the Medicaid program, a major source of revenue of the nursing homes), is working with the nursing home industry to make changes necessary to address such cash flow problems and the State of Maine Legislature has recently appropriated a sum of money to be utilized for this purpose. If such changes are not made and the nursing home industry in Maine continues to suffer from the present reimbursement restrictions, it is likely that a significant number of nursing homes included in the taxable financing reserve fund resolution will have difficulty in fully meeting their debt service obligations to the Authority.

The Authority has advanced approximately \$3,074,000 from the operating fund as of June 30, 2000 to certain financially troubled institutions with outstanding loans owed to the Authority of approximately \$43,540,000. These advances were made to assist these institutions in meeting debt service requirements. At June 30, 2000, the Authority has established a \$1,019,555 reserve in the operating fund (with a provision of \$800,000 during the year ended June 30, 2000) related to amounts which have been advanced or are expected to be advanced to troubled institutions.

8. Portland Center for Assisted Living f/k/a Woodford Park Nursing Care Center, Inc. (the Center)

Effective January 5, 1998, the Authority elected to purchase 100% of the issued and outstanding shares of common stock of the Center. No amounts were paid or are payable to former owners of the Center with respect to this transaction. The Center, as purchased, was a 126-bed facility which provided long-term nursing care to the elderly. On November 1, 1998, the Center was converted to a 125-bed assisted living facility, which is eligible for reimbursements under the Maine Medicaid program. During fiscal 1998, the Authority recorded a loss of approximately \$3.5 million, representing the excess of the Center's liabilities over the estimated fair value of its assets.

Ultimate realization of recorded amounts with respect to the Center's assets is dependent upon continued operations of the Center, which in turn is dependent upon the Center's ability to meet its financing requirements and the success of its future operations. The Center is highly dependent upon regulatory authorities establishing reimbursement rates that are adequate to sustain the Center's operations. As discussed more fully in the following paragraphs, current management believes that actions presently being taken to revise the Center's operating and financial requirements will allow the Center to continue as a going concern and, following such revisions, management plans to sell the Center's assets to an outside party.

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

8. **Portland Center for Assisted Living f/k/a Woodford Park Nursing Care Center, Inc. (the Center)**
(Continued)

In 2000, management completed the process of restructuring the Center so that it now qualifies as a nonprofit entity under Internal Revenue Service code section 501(c)(3). As a result, management may, at their discretion, refinance the existing Authority Revenue Bonds Series 1993A by issuing nontaxable bonds at a lower rate of interest, potentially resulting in interest savings to the Center. Additionally, management of the Authority has indicated their intent to provide resources needed to allow the Center to continue operations through the next fiscal year.

Relevant disclosures for the Center are summarized as follows:

Assets Whose Use is Limited

Assets whose use is limited consist of resident funds held in trust and funds required by the terms of the Authority's Revenue Bonds Series 1993A as follows:

Principal and interest debt service balances	\$376,745
Resident funds	<u>16,554</u>
Total assets whose use is limited	<u>\$393,299</u>

The Center is required by the bond issue to make monthly principal and interest payments into debt service accounts which are held by the bond trustee. The funds in these accounts are used to make the semi-annual payments of interest and annual payments of principal to the bond holders. Through June 30, 2000, due to operating losses incurred, the Center has been unable to fund the principal and interest debt service accounts as required by the bond issue. Instead, the Authority has advanced funds to these accounts and made all necessary principal and interest payments required by the bond issue through June 30, 2000.

Significant Concentration and Estimated Third-Party Payor Settlements

Upon the conversion of the Center to an assisted living facility in December 1998, the Center is no longer eligible for reimbursements under the Federal Medicare program. Approximately 90% of the residents served in 2000 were beneficiaries of the Maine Medicaid program. Under this program, the provider is reimbursed for the care of qualified residents at specified interim contractual rates during the year. Differences between these interim contractual rates and the "cost" of this care, as defined by the Principles of Reimbursement governing the respective programs, are determined and settled on a retroactive basis.

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

8. **Portland Center for Assisted Living f/k/a Woodford Park Nursing Care Center, Inc. (the Center)**
(Continued)

The Center's financial statements reflect the estimated settlements under the Medicaid program. Settlements do not become final until the cost reports are audited and approved by the Maine Department of Human Services (DHS). Differences between estimated and actual settlements are recorded as contractual adjustments in the year of final determination.

The estimated settlements to the Medicaid program include amounts which DHS has determined to be owed based on audited cost reports for years 1994 through 1999, plus an estimated settlement for 2000. Any change in the recorded estimated settlements which may be generated by the resolution of disputed issues or subsequent audits will be recorded as contractual adjustments in the year of final settlement.

Following is a summary of net resident service revenue for the year ended June 30, 2000:

Room and board	\$4,973,760
Contractual adjustments under third-party reimbursement programs	<u>(958,974)</u>
Net resident service revenue	<u>\$4,014,786</u>

Due to the large concentration of residents who receive benefits from the Medicaid reimbursement program, the Center is highly dependent upon regulatory authorities establishing reimbursement rates that are adequate to sustain the Center's operations.

Fixed and Other Assets

Land	\$ 302,291
Building and improvements	7,069,311
Furniture, fixtures and equipment	816,952
Vehicles	<u>36,172</u>
	8,224,726
Less accumulated depreciation	<u>(3,358,283)</u>
Fixed and other assets, net	<u>\$ 4,866,443</u>

Loan Payable to Trusteed Funds

Loan payable to trusteed funds of \$6,273,013 at June 30, 2000 consists of the Authority's Revenue Bonds Series 1993A, which is payable in monthly installments of principal and interest to the trustee sufficient to make semi-annual interest payments and annual principal payments sufficient to retire the bonds when due. The annual principal and interest payments are approximately \$871,000, excluding letter of credit and authority fees. The bonds bear a variable interest rate (7.35% at June 30, 2000).

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

8. **Portland Center for Assisted Living f/k/a Woodford Park Nursing Care Center, Inc. (the Center)**
(Continued)

Approximate annual maturities on this loan for the next five years are as follows:

2001	\$ 375,000
2002	400,000
2003	430,000
2004	460,000
2005	495,000
Thereafter	4,113,013

Note Payable to Bank

The note payable to bank of \$11,826 at June 30, 2000 is payable in monthly installments of \$710, including principal and interest, with a fixed rate of 9.95% per annum. The note is secured by a vehicle. Approximate annual maturities of this note for the next two years are as follows:

2001	\$ 7,702
2002	4,124

Management Agreement

First Atlantic Corp. provided all management and accounting services required by the Center throughout 2000. Based upon an executed management agreement, First Atlantic Corp. charges the Center an annual amount equal to the greater of 5% of net patient service revenues or \$150,000. Management and accounting expenses incurred by the Center under this management agreement for the year ended June 30, 2000 totaled \$200,739.

Employee Benefit Plan

The Center sponsors a discretionary contributory profit sharing plan and 401(k) plan which covers substantially all employees. The Center may elect to match employee contributions of up to 5% of the compensation of all eligible participants. The Center may also elect to make additional discretionary contributions. The Center contributed \$2,509 to the plan for the year ended June 30, 2000.

Commitments and Contingencies

The Center has obtained malpractice and general liability coverage from a commercial insurance company on a claims made basis. As of June 30, 2000, there were no known malpractice claims outstanding which, in the opinion of management, will be settled for amounts in excess of insurance coverage, nor are there any unasserted claims or incidents for which a loss accrual has not been made. The Center intends to continue coverage on a claims made basis with a commercial carrier and anticipates that such coverage will be available.

MAINE HEALTH AND HIGHER EDUCATIONAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2000

**8. Portland Center for Assisted Living f/k/a Woodford Park Nursing Care Center, Inc. (the Center)
(Continued)**

The Center is subject to complaints, claims and litigation which have arisen in the normal course of business. In addition, the Center is subject to compliance with laws and regulations of various government agencies. While no significant regulatory inquiries have been made at June 30, 2000, compliance with these laws and regulations is subject to future government review, interpretation or actions which are unknown and unasserted at this time.

9. Subsequent Event

On July 15, 2000, the Authority issued \$51,540,000 of 2000C Series Revenue Bonds. The bonds mature in 2002 – 2031, and carry an interest rate ranging from 4.375% to 5.75%. The bonds are secured by various loans made to institutions within the State of Maine.