

# MAINE STATE LEGISLATURE

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Annual Report  
Maine Governmental Facilities Authority

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**MGFA**

MAINE GOVERNMENTAL FACILITIES AUTHORITY



# MGFA

MAINE GOVERNMENTAL FACILITIES AUTHORITY

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Robert O. Lenna, *Executive Director*  
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TO: INTERESTED PARTIES  
FROM: Robert O. Lenna, Executive Director  
RE: 2009 Maine Governmental Facilities Authority Annual Report

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This is the annual report for the Maine Governmental Facilities Authority for the 2009 fiscal year, running from July 1, 2008 to June 30, 2009. Created originally in 1987 as the Maine Court Facilities Authority, the Maine Governmental Facilities amendments to the original legislation were enacted into law in 1997 authorizing the Authority to undertake capital financing activities for structures designated for use as governmental facilities. Each project funded by the Authority requires project specific approval by the Legislature prior to the issuance of bonds for project activities.

In FY 2009, the Authority did not issue any bonds.

If there is further information you might like or questions you may have concerning the Authority, please feel free to give us a call at (207) 622-9386. Additional information about the Authority is available at our website: [www.mgfa.com](http://www.mgfa.com)



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# **Maine Governmental Facilities Authority**

Basic Financial Statements,  
Management's Discussion and Analysis  
and Additional Information

*Year Ended June 30, 2009  
With Independent Auditors' Report*

**MAINE GOVERNMENTAL FACILITIES AUTHORITY**

**BASIC FINANCIAL STATEMENTS, MANAGEMENT'S DISCUSSION  
AND ANALYSIS AND ADDITIONAL INFORMATION**

For the Year Ended June 30, 2009

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**INDEPENDENT AUDITORS' REPORT**

Board of Commissioners  
Maine Governmental Facilities Authority  
Augusta, Maine

We have audited the accompanying financial statements, consisting of the General Operating Account and General Bond Resolution, which collectively comprise the basic financial statements of Maine Governmental Facilities Authority, which is an instrumentality of the State of Maine and is required by Governmental Accounting Standards Board Statements No. 14 and 39 to be shown as a component unit of the State of Maine (for accounting purposes only), as of and for the year ended June 30, 2009, as listed in the accompanying table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Maine Governmental Facilities Authority, as well as the individual fund groups referred to above as of June 30, 2009, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2009 on our consideration of Maine Governmental Facilities 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 compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 – 8 is 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 supplementary information. However, we did not audit the information and express no opinion on it.

Board of Commissioners  
Maine Governmental Facilities Authority

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the Authority's basic financial statements. The supplementary information included in Schedule 1 is presented for the purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information included in Schedule 1 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Limited Liability Company

Portland, Maine  
August 31, 2009

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2009

As financial management of the Maine Governmental Facilities Authority (the "Authority"), we offer readers of these financial statements this narrative, overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2009. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities of the Authority and to identify any significant changes in its financial position. Readers should consider the information presented here only in conjunction with the basic financial statements as a whole.

### Financial Highlights

- Operating revenue for the Authority's General Operating Account was \$351,442 for fiscal year 2009, a decrease of \$217,862 or 38.3% from fiscal year 2008. This decrease was primarily attributed to no new bond issuances in the General Bond Resolution, therefore, no initial issuance fees recorded in the Authority's General Operating Account in fiscal year 2009.
- Net assets in the Authority's Operating Account at June 30, 2009 were \$1,958,745. This represents an increase of \$145,562 or 8.0% over the net assets at June 30, 2008.
- The Authority's gross bonds outstanding at June 30, 2009 were \$192,935,000. Gross bonds outstanding at June 30, 2009 decreased \$15,625,000 from the balance at June 30, 2008. This decrease consists entirely of principal payments in fiscal year 2009.
- The Authority's lease payments receivable from lessee at June 30, 2009 were \$192,935,000. The lease payments are directly related to the bonds outstanding. Therefore, the decrease is entirely attributed to the bonds redeemed during fiscal year 2009. These receivables represent lease payments due from the State of Maine and related entities for the financing, acquisition, construction, improvements, reconstruction and equipping of structures, or facilities, for the use by the judicial, legislative or executive branches of the State of Maine and related entities.

### Overview of the Authority

The Authority was created in 1997 by an Act of the Maine Legislature, is a public body corporate and politic and is constituted as an instrumentality exercising public and essential governmental functions of the State. The Authority was established to issue bonds for the purpose, among other things, of providing funds to acquire real or personal property, prepare and plan projects, furnish and equip projects, provide for financing or refinancing of such projects and lease properties back to the judicial, legislative or executive branches of the State of Maine and related entities.

For financial statement reporting purposes, the Authority is considered a component unit of the State of Maine. However, the Authority does not receive any State appropriations for its operations. The Authority does receive loan servicing fees from the judicial, legislative and executive branches of the State of Maine that are based on the original amount of the lease for each project.

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2009

As the result of the Authority issuing tax-exempt debt, it is required to prepare arbitrage rebate calculations for each series of tax-exempt bonds outstanding and remit payment to the Internal Revenue Service every five years. The Authority's policy is to prepare and review the calculations every six months for financial statement purposes and to annually fund rebate accounts for any rebate liability.

### **Overview of the Financial Statements**

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

### **Basic Financial Statements**

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

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

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

### **Notes to the Financial Statements**

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

### **Financial Analysis**

Net assets may serve, over time, as a useful indicator of a government's financial position. In the case of the Authority's General Operating Account, assets exceeded liabilities by \$1,958,745 at June 30, 2009. This represents an increase of \$145,562 or 8.0% over the previous fiscal year. This increase is related to operating revenues exceeding operating expenses in fiscal year 2009.

**MAINE GOVERNMENTAL FACILITIES AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

June 30, 2009

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

**GENERAL OPERATING ACCOUNT**

	<u>2009</u>	<u>2008</u>	<u>Percentage Change</u>
Current assets:			
Cash and cash equivalents	\$ 908,403	\$1,146,327	(20.8)%
Investments	2,022,300	1,689,482	19.7
Interest and other amounts receivable from lessee	-	500	(100.0)
Accrued interest income receivable	1,931	2,441	(20.9)
Deferred expenses	<u>5,000</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$2,937,634</u>	<u>\$2,838,750</u>	<u>3.5%</u>
Current liabilities:			
Deferred fees	\$ 104,015	\$ 89,878	15.7%
Accounts payable – Maine Municipal Bond Bank	<u>8,278</u>	<u>9,848</u>	<u>(15.9)</u>
Total current liabilities	112,293	99,726	12.6
Noncurrent liabilities:			
Deferred fees	<u>866,596</u>	<u>925,841</u>	<u>(6.4)</u>
Total noncurrent liabilities	<u>866,596</u>	<u>925,841</u>	<u>(6.4)</u>
Total liabilities	978,889	1,025,567	(4.6)
Unrestricted net assets	<u>1,958,745</u>	<u>1,813,183</u>	<u>8.0</u>
Total liabilities and net assets	<u>\$2,937,634</u>	<u>\$2,838,750</u>	<u>3.5%</u>

**MAINE GOVERNMENTAL FACILITIES AUTHORITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2009

**GENERAL BOND RESOLUTION**

	<u>2009</u>	<u>2008</u>	<u>Percentage Change</u>
Current assets:			
Cash and cash equivalents	\$ 123,037	\$ 126,258	(2.6)%
Lease payments receivable from lessee	17,130,000	15,625,000	9.6
Interest and other amounts receivable from lessee	2,265,735	2,086,741	8.6
Accrued interest income receivable	<u>          —</u>	<u>          204</u>	<u>(100.0)</u>
Total current assets	19,518,772	17,838,203	9.4
Noncurrent assets:			
Lease payments receivable from lessee	<u>175,805,000</u>	<u>192,935,000</u>	<u>(8.9)</u>
Total noncurrent assets	<u>175,805,000</u>	<u>192,935,000</u>	<u>(8.9)</u>
Total assets	<u>\$195,323,772</u>	<u>\$210,773,203</u>	<u>(7.3)%</u>
Current liabilities:			
Bonds payable, net	\$ 17,130,000	\$ 15,625,000	9.6%
Accrued interest payable	<u>2,202,017</u>	<u>1,952,875</u>	<u>12.8</u>
Total current liabilities	19,332,017	17,577,875	10.0
Noncurrent liabilities:			
Bonds payable, net	175,805,000	192,935,000	(8.9)
Rebate payable to Internal Revenue Service	<u>182,502</u>	<u>252,913</u>	<u>(27.8)</u>
Total noncurrent liabilities	<u>175,987,502</u>	<u>193,187,913</u>	<u>(8.9)</u>
Total liabilities	195,319,519	210,765,788	(7.3)
Restricted net assets	<u>4,253</u>	<u>7,415</u>	<u>(42.6)</u>
Total liabilities and net assets	<u>\$195,323,772</u>	<u>\$210,773,203</u>	<u>(7.3)%</u>

**MAINE GOVERNMENTAL FACILITIES AUTHORITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2009

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

**GENERAL OPERATING ACCOUNT**

	<u>2009</u>	<u>2008</u>	<u>Percentage Change</u>
Operating revenues:			
Administrative fees	\$ 295,103	\$ 453,311	(34.9)%
Interest income from investments	<u>56,339</u>	<u>115,993</u>	<u>(51.4)</u>
Total operating revenue	351,442	569,304	(38.3)
Operating expenses:			
Salaries	67,804	74,527	(9.0)
Employee benefits	17,197	18,783	(8.4)
Office	12,904	12,558	2.8
Accretion of interest on deferred fees	58,966	62,496	(5.6)
Other	<u>49,009</u>	<u>57,739</u>	<u>(15.1)</u>
Total operating expenses	<u>205,880</u>	<u>226,103</u>	<u>(8.9)</u>
Operating income	145,562	343,201	(57.6)
Net assets, beginning of year	<u>1,813,183</u>	<u>1,469,982</u>	<u>23.3</u>
Net assets, end of year	<u>\$1,958,745</u>	<u>\$1,813,183</u>	<u>8.0%</u>

**GENERAL BOND RESOLUTION**

	<u>2009</u>	<u>2008</u>	<u>Percentage Change</u>
Operating revenues:			
Received and receivable from lessee	\$8,920,826	\$7,856,450	13.5%
Interest income from investments	7,236	21,171	(65.8)
Other revenue	<u>70,411</u>	<u>550,677</u>	<u>(87.2)</u>
Total operating revenues	8,998,473	8,428,298	6.8
Operating expenses:			
Cost of issuance expense	-	550,677	(100.0)
Interest expense	8,863,497	7,704,447	15.0
Amortization of deferred bond issuance costs	138,138	139,794	(1.2)
Other	<u>-</u>	<u>28,069</u>	<u>(100.0)</u>
Total operating expenses	<u>9,001,635</u>	<u>8,422,987</u>	<u>6.9</u>
Operating (loss) income	(3,162)	5,311	(159.5)
Net assets, beginning of year	<u>7,415</u>	<u>2,104</u>	<u>252.4</u>
Net assets, end of year	<u>\$ 4,253</u>	<u>\$ 7,415</u>	<u>(42.6)%</u>

## MAINE GOVERNMENTAL FACILITIES AUTHORITY

### MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2009

#### **General Operating Account**

Cash and cash equivalents held in the General Operating Account decreased \$237,924 or 20.8% at June 30, 2009 compared to June 30, 2008. The decrease is primarily the result of investing additional funds into investments in fiscal year 2009.

Deferred fees decreased \$45,108 or 4.4% from 2008 as a result of amortization of fees collected in advance in prior years (see note 7 in financial statements).

Net assets increased \$145,562 or 8.0% in fiscal year 2009. The Authority continued to maintain a positive spread of income from fees and interest income over operating expenses.

Other operating expenses decreased \$8,730 or 15.1% in fiscal year 2009 as compared to fiscal year 2008. The decrease was due to lower legal fees for fiscal year 2009 (no bond issuances in 2009).

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

#### **General Bond Resolution**

Lease payments receivable from lessee are directly related to the bonds outstanding. Both decreased \$15,625,000 or 7.5% at June 30, 2009 as compared to balances at June 30, 2008. The decrease is due to the scheduled principal payments in fiscal year 2009.

Interest expense on the bonds increased \$1,159,050 or 15.0% in fiscal year 2009 from 2008 based on an increase in average bonds outstanding and the scheduled interest payments.

Other revenues (consisting entirely of premium revenues in 2008) and costs of issuance expense are down by \$480,266 and \$550,677 in 2009 from 2008, respectively, due to there being no bonds issued in fiscal 2009.

Other operating expenses decreased \$28,069 as compared to fiscal year 2008. The majority of this decrease is the result of decreased rebate liability to the Internal Revenue Service recorded in fiscal year 2009 as compared with fiscal year 2008.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Authority's financial statements for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Executive Director, Maine Governmental Facilities Authority, P.O. Box 2268, Augusta, ME 04338-2268.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

BALANCE SHEET

June 30, 2009

<u>ASSETS</u>	<u>General Operating Account</u>	<u>General Bond Resolution</u>	<u>Total</u>
Current assets:			
Cash and cash equivalents (note 3)	\$ 908,403	\$ 123,037	\$ 1,031,440
Investments (note 3)	2,022,300	-	2,022,300
Lease payments receivable from lessee (note 4)	-	17,130,000	17,130,000
Interest and other amounts receivable from lessee	-	2,265,735	2,265,735
Accrued interest income receivable	1,931	-	1,931
Deferred expenses	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total current assets	2,937,634	19,518,772	22,456,406
Noncurrent assets:			
Lease payments receivable from lessee (note 4)	<u>-</u>	<u>175,805,000</u>	<u>175,805,000</u>
	<u>\$2,937,634</u>	<u>\$195,323,772</u>	<u>\$198,261,406</u>
 <u>LIABILITIES AND NET ASSETS</u>			
Current liabilities:			
Bonds payable, net (note 4)	\$ -	\$ 17,130,000	\$ 17,130,000
Accrued interest payable	-	2,202,017	2,202,017
Deferred fees (note 7)	104,015	-	104,015
Accounts payable – Maine Municipal Bond Bank (note 6)	<u>8,278</u>	<u>-</u>	<u>8,278</u>
Total current liabilities	112,293	19,332,017	19,444,310
Noncurrent liabilities:			
Bonds payable, net (note 4)	-	175,805,000	175,805,000
Deferred fees (note 7)	866,596	-	866,596
Rebate payable to Internal Revenue Service	<u>-</u>	<u>182,502</u>	<u>182,502</u>
Total noncurrent liabilities	<u>866,596</u>	<u>175,987,502</u>	<u>176,854,098</u>
Total liabilities	978,889	195,319,519	196,298,408
Net assets:			
Restricted	-	4,253	4,253
Unrestricted	<u>1,958,745</u>	<u>-</u>	<u>1,958,745</u>
Total net assets	<u>1,958,745</u>	<u>4,253</u>	<u>1,962,998</u>
	<u>\$2,937,634</u>	<u>\$195,323,772</u>	<u>\$198,261,406</u>

See accompanying notes.

**MAINE GOVERNMENTAL FACILITIES AUTHORITY**

**STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS**

Year Ended June 30, 2009

	<u>General Operating Account</u>	<u>General Bond Resolution</u>	<u>Total</u>
Operating revenues:			
Received and receivable from lessee	\$       —	\$8,920,826	\$8,920,826
Administrative fees (note 7)	295,103	—	295,103
Interest income from investments	56,339	7,236	63,575
Other revenue	<u>—</u>	<u>70,411</u>	<u>70,411</u>
Total operating revenue	351,442	8,998,473	9,349,915
Operating expenses (note 6):			
Interest expense	—	8,863,497	8,863,497
Salaries	67,804	—	67,804
Employee benefits	17,197	—	17,197
Office	12,904	—	12,904
Accretion of interest on deferred fees (note 7)	58,966	—	58,966
Amortization of deferred bond issuance costs	—	138,138	138,138
Other	<u>49,009</u>	<u>—</u>	<u>49,009</u>
Total operating expenses	<u>205,880</u>	<u>9,001,635</u>	<u>9,207,515</u>
Operating income (loss)	145,562	(3,162)	142,400
Net assets, beginning of year	<u>1,813,183</u>	<u>7,415</u>	<u>1,820,598</u>
Net assets, end of year	<u>\$1,958,745</u>	<u>\$ 4,253</u>	<u>\$1,962,998</u>

See accompanying notes.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

STATEMENT OF CASH FLOWS

Year Ended June 30, 2009

	General Operating Account	General Bond Resolution	Total
Operating activities:			
Cash received from lessee	\$ 191,529	\$ 24,366,832	\$ 24,558,361
Cash paid for operating expenses	<u>(153,484)</u>	<u>—</u>	<u>(153,484)</u>
Net cash provided by operating activities	38,045	24,366,832	24,404,877
Noncapital financing activities:			
Principal paid on bonds payable	—	(15,625,000)	(15,625,000)
Interest paid on bonds payable	<u>—</u>	<u>(8,752,493)</u>	<u>(8,752,493)</u>
Net cash used by noncapital financing activities	—	(24,377,493)	(24,377,493)
Investing activities:			
Purchase of investment securities	(332,818)	—	(332,818)
Cash received from interest income	<u>56,849</u>	<u>7,440</u>	<u>64,289</u>
Net cash (used) provided by investing activities	<u>(275,969)</u>	<u>7,440</u>	<u>(268,529)</u>
Decrease in cash and cash equivalents	(237,924)	(3,221)	(241,145)
Cash and cash equivalents at beginning of year	<u>1,146,327</u>	<u>126,258</u>	<u>1,272,585</u>
Cash and cash equivalents at end of year	<u>\$ 908,403</u>	<u>\$ 123,037</u>	<u>\$ 1,031,440</u>
Reconciliation of operating income to net cash provided by operating activities:			
Operating income (loss)	\$ 145,562	\$ (3,162)	\$ 142,400
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Accretion of interest on deferred fees	58,966	—	58,966
Amortization of deferred fees and costs	(114,215)	138,138	23,923
Interest expense	—	8,863,497	8,863,497
Interest income	(56,339)	(7,236)	(63,575)
Changes in operating assets and liabilities:			
Interest and other amounts receivable from lessee	500	(178,994)	(178,494)
Accounts payable	(1,570)	—	(1,570)
Interest rebate payable to Internal Revenue Service	—	(70,411)	(70,411)
Deferred expenses	(5,000)	—	(5,000)
Other deferred revenue	10,141	—	10,141
Lease payments receivable from lessee	<u>—</u>	<u>15,625,000</u>	<u>15,625,000</u>
Net cash provided by operating activities	<u>\$ 38,045</u>	<u>\$ 24,366,832</u>	<u>\$ 24,404,877</u>

See accompanying notes.

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009

### 1. Organization

The Maine Governmental Facilities Authority (the Authority) is constituted as an instrumentality and, for accounting purposes under Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and No. 39, *Determining Whether Certain Organizations are Component Units*, is considered a component unit of the State of Maine (the State), organized and existing under and pursuant to M.R.S.A., Title 4, Chapter 33, Sections 1601 to 1618, inclusive (the Act).

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

The Authority may not issue securities in excess of \$325,485,000 outstanding at any one time except for the issuance of certain revenue refunding securities. The State Legislature may increase this limit as necessary to meet the Authority's needs.

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

Except for earnings on investments, substantially all of the Authority's revenue is received from lease payments, which are scheduled to closely match required bond principal and interest payments and loan servicing fees from the State for facilities financed by the Authority. The lessee's obligation to make lease payments and any other obligation under the lease agreement are subject to and dependent upon biennial appropriations being made by the State Legislature for such purposes.

### 2. Significant Accounting Policies

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

The Authority complies with 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.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

2. **Significant Accounting Policies (Continued)**

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

Cash and Cash Equivalents

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

Investments

Investments are carried at fair value. Changes in fair value are recorded as net increase or decrease in the fair value of investments on the statements of revenues, expenses and changes in net assets.

Bond Issuance Costs

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

Deferred Amounts on Refunding

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

Original Issue Premiums

Original issue premiums resulting from the advance refunding of bonds outstanding have been deferred and are being amortized over the life of the refunded bonds, or the life of the new bonds, whichever is shorter, using a method which approximates the effective interest method. Original issue premiums for other issues, to the extent they are used to pay bond issuance costs, are recorded as premium revenue on the statement of revenues, expenses and changes in net assets.

Financing Leases

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

MAINE GOVERNMENTAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

2. **Significant Accounting Policies (Continued)**

*Use of Estimates*

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

*Total Columns*

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

3. **Investments and Cash and Cash Equivalents**

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

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

At June 30, 2009, investments and cash and cash equivalents are as follows (at fair value):

General operating account:

Certificate of deposit	\$2,022,300
Cash and cash equivalents	<u>908,403</u>
	<u>\$2,930,703</u>

General bond resolution:

Cash and cash equivalents	<u>\$ 123,037</u>
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For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's cash equivalents are primarily held by Bank of New York, Bank of America and Bangor Savings Bank. The Authority's certificate of deposit is held by Citizen's Bank. Management of the Authority is not aware of any issues with respect to custodial credit risk at any of the banks at June 30, 2009.

**MAINE GOVERNMENTAL FACILITIES AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**3. Investments and Cash and Cash Equivalents (Continued)**

The cash of the general operating account at June 30, 2009, consists entirely of \$208,065 insured deposits with a bank. Cash equivalents consist of \$700,338 in money market funds secured by short-term U.S. Treasury obligations. The certificate of deposit balance of \$2,022,300 at June 30, 2009 is fully collateralized by securities pledged by the issuing bank and matures on December 10, 2009. The fair value of the certificate of deposit approximates cost at June 30, 2009.

Cash and cash equivalents of the General Bond Resolution at June 30, 2009, consist primarily of money market funds secured by short-term U.S. Treasury obligations, held at Bank of New York.

**4. Bonds Payable and Lease Payments Receivable**

As of June 30, 2009, the Authority had authorized and has outstanding the following series and amounts of revenue bonds:

	<u>Original Maturity</u>	<u>Amount Issued</u>	<u>Amount Outstanding June 30, 2009</u>
Series 1999, 4.50% – 5.625%, dated September 1, 1999	2000 – 2019	\$86,945,000	\$ 9,500,000
Series 2000 A, 4.50% – 6.00%, dated June 1, 2000	2001 – 2019	51,855,000	6,530,000
Series 2000 B, 4.30% – 5.375%, dated November 1, 2000	2001 – 2020	6,995,000	1,050,000
Series 2001, 3.75% – 5.375%, dated August 1, 2001	2002 – 2021	36,485,000	23,170,000
Series 2002, 2.00% – 5.00%, dated November 1, 2002	2003 – 2022	10,860,000	7,590,000
Series 2003, 2.00% – 5.00%, dated September 11, 2003	2004 – 2023	18,425,000	8,545,000
Series 2004, 2.00% – 5.00%, dated April 22, 2004	2004 – 2023	29,500,000	26,795,000
Series 2005 A, 3.00% – 5.00%, dated March 8, 2005	2006 – 2020	54,210,000	52,990,000
Series 2005 B, 4.00% – 5.00%, dated November 17, 2005	2006 – 2015	8,890,000	6,220,000
Series 2007 A, 4.00% – 5.00%, dated May 31, 2007	2009 – 2027	10,985,000	10,985,000
Series 2008 A, 4.00% – 5.00%, dated June 19, 2008	2008 – 2028	40,565,000	<u>39,560,000</u>
			<u>\$192,935,000</u>

**MAINE GOVERNMENTAL FACILITIES AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

**4. Bonds Payable and Lease Payments Receivable (Continued)**

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

Total principal outstanding	\$192,935,000
Deferred amount on refunding	(3,270,482)
Unamortized original issue premium	4,100,557
Unamortized bond issue costs	<u>(830,075)</u>
	192,935,000
Less current portion	<u>(17,130,000)</u>
Long-term portion	<u>\$175,805,000</u>

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

<u>Due Bond Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 17,130,000	\$ 8,808,787	\$ 25,938,787
2010	17,130,000	8,069,953	25,199,953
2011	16,465,000	7,275,843	23,740,843
2012	16,340,000	6,671,986	23,011,986
2013	16,260,000	5,979,549	22,239,549
2014 – 2018	73,740,000	18,948,984	92,688,984
2019 – 2023	26,300,000	4,956,143	31,256,143
2024 – 2028	<u>9,570,000</u>	<u>1,377,500</u>	<u>10,947,500</u>
	<u>\$192,935,000</u>	<u>\$62,088,745</u>	<u>\$255,023,745</u>

The following summarizes bond payable activity for the Authority for the year ended June 30, 2009:

Balance, beginning of year	\$208,560,000
Redemptions	<u>(15,625,000)</u>
Balance, end of year	<u>\$192,935,000</u>

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2009

### 5. Refunding Issues

In periods of declining interest rates, the Authority has refunded its bond obligations, reducing aggregate debt service. Where allowed, the Authority retires outstanding bonds prior to their contractual maturity. In other cases, the proceeds of the refunding bonds were principally 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 in-substance defeased bonds. The U.S. Treasury obligations were deposited with the trustees of the in-substance defeased bonds. The Authority accounted for these transactions by removing the U.S. Treasury obligations and liabilities for the in-substance defeased bonds from its records, and recorded a deferred amount on refunding.

There were no advance refundings during the year ended June 30, 2009. At June 30, 2009, the remaining balances of the in-substance defeased bonds total approximately \$71,935,000.

### 6. 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.

### 7. Deferred Fees

Included in deferred fees at June 30, 2009, is \$925,716 representing the advance payment of the present value of all future required annual fees on the 1999 and 2000 A bond issues by the executive branch of the State of Maine in 2002. These amounts are being amortized using the effective interest method over the respective terms of the underlying bonds. During the year ended June 30, 2009, \$114,215 of previously deferred fees was included in revenue.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

SCHEDULE OF ACTIVITIES

Year Ended June 30, 2009

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Capital Grants/ Contributions</u>	<u>Net Revenue (Expense) and Changes in net assets</u>
		<u>Charges for Services</u>	<u>Program Investment Income</u>	<u>Operating Grants and Contributions</u>		<u>Total</u>
<b>Functions/Programs:</b>						
Maine Governmental Facilities Authority	\$ <u>(9,207,515)</u>	\$ <u>9,215,929</u>	\$ <u>7,236</u>	\$ <u>—</u>	\$ <u>—</u>	\$ <u>15,650</u>
Total	\$ <u>(9,207,515)</u>	\$ <u>9,215,929</u>	\$ <u>7,236</u>	\$ <u>—</u>	\$ <u>—</u>	15,650
General revenues:						
Unrestricted interest and investment earnings						56,339
Non program specific grants, contributions and appropriations						—
Miscellaneous income						70,411
Loss on assets held for sale						—
Extraordinary item						—
Total general revenues and extraordinary items						<u>126,750</u>
Changes in net assets						142,400
Net assets, beginning of year						<u>1,820,598</u>
Net assets, end of year						<u>\$1,962,998</u>

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**MGFA**  
MAINE GOVERNMENTAL FACILITIES AUTHORITY

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