

# MAINE STATE LEGISLATURE

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Annual Report

Maine Governmental Facilities Authority

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2022

**MGFA**

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MAINE GOVERNMENTAL FACILITIES AUTHORITY

# MGFA

MAINE GOVERNMENTAL FACILITIES AUTHORITY

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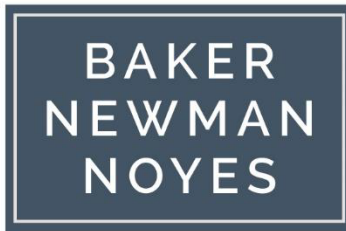
TO: INTERESTED PARTIES  
FROM: Terry Hayes, Executive Director *TH*  
RE: 2022 Maine Governmental Facilities Authority Annual Report

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This is the annual report for the Maine Governmental Facilities Authority for the 2022 fiscal year, running from July 1, 2021 to June 30, 2022. 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 2022, the Authority issued \$44,815,000 of bonds in one series. Funds made available by these bond sales were used for the State Owned projects.

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.



# **Maine Governmental Facilities Authority**

**Basic Financial Statements and  
Management's Discussion and Analysis**

*Year Ended June 30, 2022  
With Independent Auditors' Report*

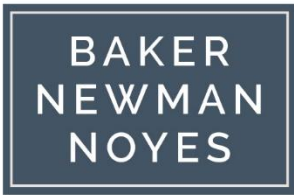
**MAINE GOVERNMENTAL FACILITIES AUTHORITY**

**BASIC FINANCIAL STATEMENTS AND MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2022

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Maine Governmental Facilities Authority

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements, consisting of the General Operating Account and General Bond Resolution, of Maine Governmental Facilities Authority (the Authority), which comprise the statements of net position as of June 30, 2022, the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements. The Authority is a component unit of the State of Maine.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority, as well as the individual fund groups referred to above, as of June 30, 2022, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' Responsibilities on the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Board of Commissioners  
Maine Governmental Facilities Authority

**Required Supplementary Information**

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

*Baker Newman & Noyes LLC*

Portland, Maine  
September 21, 2022



# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2022

As financial management for the Maine Governmental Facilities Authority (the "Authority"), we offer readers of these financial statements this narrative, overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2022. This discussion and analysis are designed to assist the reader in focusing on the significant financial issues and activities of the Authority and to identify any significant changes in its financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements as a whole.

### Management Overview

- The Revenue Neutral Policy (adopted June 10, 2021) ensures adequate funding for continuous operations of the Authority while eliminating surplus cash accumulation. The targeted operational reserves are updated annually based on the latest approved budget. Implementation of the Revenue Neutral Policy has saved the State of Maine (the "State") a total of \$625,832 in fiscal year 2022. It breaks down accordingly to \$224,075 in new issue and \$401,757 in annual authority fees. (See note: Mechanics of Revenue Neutral Operation)
- Net position in the Authority's General Operating Account at June 30, 2021 was \$1,929,745, representing a surplus of approximately \$630,000 to targeted reserves. The net position at June 30, 2022 was \$1,644,716, representing a surplus of \$345,000 to targeted reserves. The current surplus indicates continuing waivers for both annual fees and new issuance fees in fiscal year 2023 and a partial waiver in fiscal year 2024. The traditional use of net position is not relevant in an at-cost, Revenue Neutral Policy operation. The true measure of financial stability is the value of the gross bonds outstanding and their predictive annual revenue stream that can be switched on as needed. The waived annual fees for fiscal year 2022 were \$401,757. Without consideration of 2023 and 2024 waivers, annual fees were projected to approximate \$450,344 and \$459,438 in fiscal years 2023 and 2024, respectively. The rising annual fee trend indicates the financial strength of the program. The aggregate annual fees on the current outstanding bond portfolio total \$6,040,345, representing an estimated 17 years of forward operating costs.
- The Authority's gross par value of bonds outstanding at June 30, 2022 were \$401,975,000, an increase of \$25,815,000 or 6.9% from the prior June 30<sup>th</sup> outstanding total of \$376,160,000. This is the net result of the issuance of 2022A \$44,815,000, less principal payments of \$19,000,000.
- The Authority's financing receivables at June 30, 2022 were \$401,786,273. Payments on financing receivables are closely related to debt service on the bonds outstanding. Therefore, the increase of approximately \$25,775,000 is mainly attributed to the net effect of bonds activity as described above. The difference between bond principal payments and principal payments received from the State relates entirely to the 2010A Series bonds, whereby the Authority received principal payments on outstanding loans on a schedule that is slightly different than the related required principal repayments on outstanding bonds. These receivables represent payments due from the State and related entities for the financing, acquisition, construction, improvements, reconstruction and equipping of structures, or facilities, for the use by the judicial, legislative or executive branches of the State and related entities.
- The Authority adopted the provisions of GASB 87 effective July 1, 2021 within the General Bond Resolution. Based upon a thorough review of lease contracts with the State, the substance of the contract, and a transfer of ownership of the related assets at the end of the contract term, the Authority determined the contracts constitute financed sales of the related assets. Accordingly, all prior lease payments receivable from the lessee are now reported as financing receivables on the statement of net position, and all prior amounts reported as received and receivable from lessee are now reported as interest and financing charges received and receivable on the statement of revenues, expenses, and changes in net position.

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2022

### **Overview of the Authority**

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

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

### **Mechanics of the Revenue Neutral Operation**

Adopted on June 10<sup>th</sup>, 2021, the Revenue Neutral Policy ensures flexibility for continuous operation without accumulating surplus funds within the General Operating Account (increased net position). Authority management has defined the margin of safety as three years of budgeted operational costs. When the net position grows beyond the required margin of safety, the Authority will waive annual fees, new issuance fees, or both in order to bring the operating fund to the targeted margin of safety. The Revenue Neutral Policy effectively sets a target limit of the net position of the Authority at \$1.3MM for fiscal year 2022 and sets a net position floor of \$750,000. The stability of the Authority's bond portfolio allows for the effective execution of this policy.

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

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

### **Basic Financial Statements**

The basic financial statements are designed to provide readers with a broad overview and practical understanding of the Authority's finances.

The value of net position is less significant in a revenue neutral operation. The key indicator of financial strength for the Authority is the value of its portfolio whereby the portfolio predicts realizable annual fees. The stability of the total assets allows for the smooth execution of a revenue neutral operation where the Authority can "turn earned fees on or off" based on the current net position, current year budget, and calculated margin of safety. At June 30, 2022, the net position was \$1,644,716 – a surplus of approximately \$344,000 to the \$1.3MM target for operational margin of safety.

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

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

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

June 30, 2022

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

**GENERAL OPERATING ACCOUNT**

Statements of Net Position  
June 30, 2022 and 2021

|                                    | <u>2022</u>        | <u>2021</u>        | <u>Percentage<br/>Change</u> |
|------------------------------------|--------------------|--------------------|------------------------------|
| Current assets:                    |                    |                    |                              |
| Cash and cash equivalents          | \$ 327,502         | \$1,008,390        | (67.5)%                      |
| Investments                        | 1,342,811          | 1,017,110          | 32.0                         |
| Other assets                       | –                  | 8,000              | (100.0)                      |
| Accrued interest income receivable | <u>1,987</u>       | <u>4,761</u>       | <u>(58.3)</u>                |
| Total assets                       | 1,672,300          | 2,038,261          | (18.0)                       |
| Current liabilities:               |                    |                    |                              |
| Unearned fees                      | –                  | 96,421             | (100.0)                      |
| Accounts payable                   | <u>27,584</u>      | <u>12,095</u>      | <u>128.1</u>                 |
| Total liabilities                  | <u>27,584</u>      | <u>108,516</u>     | <u>(74.6)</u>                |
| Net position – unrestricted        | <u>\$1,644,716</u> | <u>\$1,929,745</u> | <u>(14.8)%</u>               |

**MAINE GOVERNMENTAL FACILITIES AUTHORITY**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2022

**GENERAL BOND RESOLUTION**

Statements of Net Position  
June 30, 2022 and 2021

|                                        | <u>2022</u>        | <u>2021</u>        | <u>Percentage<br/>Change</u> |
|----------------------------------------|--------------------|--------------------|------------------------------|
| Current assets:                        |                    |                    |                              |
| Cash and cash equivalents              | \$ 264,180         | \$ 209,442         | 26.1%                        |
| Financing receivables                  | 22,379,240         | 19,039,961         | 17.5                         |
| Interest and other amounts receivable  | <u>4,340,797</u>   | <u>3,840,148</u>   | <u>13.0</u>                  |
| Total current assets                   | 26,984,217         | 23,089,551         | 16.9                         |
| Noncurrent assets:                     |                    |                    |                              |
| Financing receivables                  | <u>379,407,033</u> | <u>356,971,273</u> | <u>6.3</u>                   |
| Total assets                           | <u>406,391,250</u> | <u>380,060,824</u> | <u>6.9</u>                   |
| Deferred outflow of resources:         |                    |                    |                              |
| Unamortized deferred loss on refunding | <u>1,236,850</u>   | <u>1,624,844</u>   | <u>(23.9)</u>                |
| Current liabilities:                   |                    |                    |                              |
| Bonds payable                          | 22,689,062         | 19,388,200         | 17.0                         |
| Accrued interest payable               | <u>4,359,913</u>   | <u>3,887,787</u>   | <u>12.1</u>                  |
| Total current liabilities              | 27,048,975         | 23,275,987         | 16.2                         |
| Noncurrent liabilities:                |                    |                    |                              |
| Bonds payable                          | <u>380,522,788</u> | <u>358,396,644</u> | <u>6.2</u>                   |
| Total liabilities                      | <u>407,571,763</u> | <u>381,672,631</u> | <u>6.8</u>                   |
| Net position – restricted              | \$ <u>56,337</u>   | \$ <u>13,037</u>   | <u>332.1%</u>                |

**MAINE GOVERNMENTAL FACILITIES AUTHORITY**

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

June 30, 2022

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

**GENERAL OPERATING ACCOUNT**

Statements of Revenues, Expenses and Changes in Net Position  
For the Years ended June 30, 2022 and 2021

|                                           | <u>2022</u>        | <u>2021</u>        | <u>Percentage<br/>Change</u> |
|-------------------------------------------|--------------------|--------------------|------------------------------|
| Operating revenues:                       |                    |                    |                              |
| Administrative fees                       | \$ 96,421          | \$ 618,101         | (84.4)%                      |
| Interest income from investments          | 7,290              | 22,240             | (67.2)                       |
| Net decrease in fair value of investments | <u>(26,670)</u>    | <u>(19,855)</u>    | <u>34.3</u>                  |
| Total operating revenue                   | 77,041             | 620,486            | (87.6)                       |
| Operating expenses:                       |                    |                    |                              |
| Administration                            | 193,477            | 139,554            | 38.6                         |
| Professional and other fees               | 48,712             | 35,695             | 36.5                         |
| Insurance                                 | 97,266             | 92,380             | 5.3                          |
| Office                                    | 16,988             | 13,505             | 25.8                         |
| Other                                     | <u>5,627</u>       | <u>4,090</u>       | <u>37.6</u>                  |
| Total operating expenses                  | <u>362,070</u>     | <u>285,224</u>     | <u>26.9</u>                  |
| Operating (loss) income                   | <u>(285,029)</u>   | <u>335,262</u>     | <u>(185.0)</u>               |
| Net position, beginning of year           | <u>1,929,745</u>   | <u>1,594,483</u>   | <u>21.0</u>                  |
| Net position, end of year                 | <u>\$1,644,716</u> | <u>\$1,929,745</u> | <u>(14.8)%</u>               |

**MAINE GOVERNMENTAL FACILITIES AUTHORITY**

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

June 30, 2022

**GENERAL BOND RESOLUTION**

Statements of Revenues, Expenses and Changes in Net Position  
For the Years Ended June 30, 2022 and 2021

|                                                        | <u>2022</u>       | <u>2021</u>       | <u>Percentage<br/>Change</u> |
|--------------------------------------------------------|-------------------|-------------------|------------------------------|
| Operating revenues:                                    |                   |                   |                              |
| Interest and financing charges received and receivable | \$15,519,623      | \$15,768,316      | (1.6)%                       |
| Interest income from investments                       | 1,044             | 288               | 262.5                        |
| Other income (see note below)                          | <u>390,274</u>    | <u>618,751</u>    | <u>(36.9)</u>                |
| Total operating revenues                               | 15,910,941        | 16,387,355        | (2.9)                        |
| Operating expenses:                                    |                   |                   |                              |
| Cost of issuance                                       | 390,274           | 618,751           | (36.9)                       |
| Interest expense                                       | <u>15,477,367</u> | <u>15,722,240</u> | <u>(1.6)</u>                 |
| Total operating expenses                               | <u>15,867,641</u> | <u>16,340,991</u> | <u>(2.9)</u>                 |
| Operating income                                       | 43,300            | 46,364            | (6.6)                        |
| Net position, beginning of year                        | <u>13,037</u>     | <u>(33,327)</u>   | <u>(139.1)</u>               |
| Net position, end of year                              | \$ <u>56,337</u>  | \$ <u>13,037</u>  | <u>332.1%</u>                |

Note: Other income represents funds received from the bond issue to pay cost of issuance expenses for the issue.

## MAINE GOVERNMENTAL FACILITIES AUTHORITY

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

June 30, 2022

#### **General Operating Account**

Cash and cash equivalents held in the General Operating Account decreased \$680,888 or 67.5% at June 30, 2022 compared to June 30, 2021. The decrease is primarily attributed to the waiver of fees in 2022 and the investment of excess operating cash.

Administrative fees in fiscal year 2022 decreased by \$521,680 or 84.4%. The decrease is due to waiving administrative fees as a result of the Authority's Revenue Neutral Policy. Unearned fees of \$96,421 at June 30, 2021, which represented the advance payment of annual authority fees paid by the State that were collected in fiscal year 2021, were recognized as administrative fee revenue in fiscal year ended June 30, 2022.

Net position decreased \$285,029 or 14.8% in fiscal year 2022. This decrease was projected and is primarily the result of the implementation of the Revenue Neutral Policy.

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

#### **General Bond Resolution**

Cash and cash equivalents held in the General Bond Resolution increased \$54,738 or 26.1% at June 30, 2022 compared to June 30, 2021. The increase is primarily related to payments received from the State in excess of required debt service payments on the 2010A Series bonds as previously described.

Unamortized deferred loss on refunding decreased \$387,994 or 23.9% at June 30, 2022 as compared to June 30, 2021. The amount relates entirely to the accounting loss recognized as part of the 2015A and 2016A refunding bond issuance net of accumulated amortization. The current year decrease is attributed to amortization.

Refer to "Management Overview" section for change in outstanding bonds payable and financing receivables at June 30, 2022 as compared to June 30, 2021.

Interest expense on the bonds decreased \$244,873 or 1.6% in fiscal year 2022 from 2021 based on the scheduled payments. As a result, interest and financing charges received from borrower decreased in fiscal 2022 by \$248,693 or 1.6%.

Other income and cost of issuance expense each decreased \$228,477 or 36.9%. The decrease relates entirely to lower costs of issuance in 2022, which are reimbursed from the bond issuance accounts and are considered revenue to the General Bond Resolution.

#### **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 requests for additional information should be addressed to the Executive Director, Maine Governmental Facilities Authority, 127 Community Drive, Augusta, ME 04330.

**MAINE GOVERNMENTAL FACILITIES AUTHORITY**

**STATEMENTS OF NET POSITION**

June 30, 2022

|                                                 | <u>General<br/>Operating<br/>Account</u> | <u>General<br/>Bond<br/>Resolution</u> | <u>Total</u>        |
|-------------------------------------------------|------------------------------------------|----------------------------------------|---------------------|
| <b><u>ASSETS</u></b>                            |                                          |                                        |                     |
| Current assets:                                 |                                          |                                        |                     |
| Cash and cash equivalents (note 3)              | \$ 327,502                               | \$ 264,180                             | \$ 591,682          |
| Investments (note 3)                            | 1,342,811                                | -                                      | 1,342,811           |
| Financing receivables (note 4)                  | -                                        | 22,379,240                             | 22,379,240          |
| Interest and other amounts receivable           | -                                        | 4,340,797                              | 4,340,797           |
| Accrued interest income receivable              | <u>1,987</u>                             | <u>-</u>                               | <u>1,987</u>        |
| Total current assets                            | 1,672,300                                | 26,984,217                             | 28,656,517          |
| Noncurrent assets:                              |                                          |                                        |                     |
| Financing receivables (note 4)                  | <u>-</u>                                 | <u>379,407,033</u>                     | <u>379,407,033</u>  |
| Total assets                                    | <u>1,672,300</u>                         | <u>406,391,250</u>                     | <u>408,063,550</u>  |
| <b><u>DEFERRED OUTFLOW OF RESOURCES</u></b>     |                                          |                                        |                     |
| Unamortized deferred loss on refunding (note 5) | <u>-</u>                                 | <u>1,236,850</u>                       | <u>1,236,850</u>    |
| <b><u>LIABILITIES</u></b>                       |                                          |                                        |                     |
| Current liabilities:                            |                                          |                                        |                     |
| Bonds payable, net (note 4)                     | -                                        | 22,689,062                             | 22,689,062          |
| Accrued interest payable                        | -                                        | 4,359,913                              | 4,359,913           |
| Accounts payable (note 6)                       | <u>27,584</u>                            | <u>-</u>                               | <u>27,584</u>       |
| Total current liabilities                       | 27,584                                   | 27,048,975                             | 27,076,559          |
| Noncurrent liabilities:                         |                                          |                                        |                     |
| Bonds payable (note 4)                          | <u>-</u>                                 | <u>380,522,788</u>                     | <u>380,522,788</u>  |
| Total liabilities                               | <u>27,584</u>                            | <u>407,571,763</u>                     | <u>407,599,347</u>  |
| <b><u>NET POSITION</u></b>                      |                                          |                                        |                     |
| Restricted                                      | -                                        | 56,337                                 | 56,337              |
| Unrestricted                                    | <u>1,644,716</u>                         | <u>-</u>                               | <u>1,644,716</u>    |
| Total net position                              | <u>\$1,644,716</u>                       | <u>\$ 56,337</u>                       | <u>\$ 1,701,053</u> |

See accompanying notes.



**MAINE GOVERNMENTAL FACILITIES AUTHORITY**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

Year Ended June 30, 2022

|                                                        | General<br>Operating<br><u>Account</u> | General<br>Bond<br><u>Resolution</u> | <u>Total</u>           |
|--------------------------------------------------------|----------------------------------------|--------------------------------------|------------------------|
| Operating revenues:                                    |                                        |                                      |                        |
| Interest and financing charges received and receivable | \$       –                             | \$15,519,623                         | \$15,519,623           |
| Administrative fees                                    | 96,421                                 | –                                    | 96,421                 |
| Interest income from investments                       | 7,290                                  | 1,044                                | 8,334                  |
| Net decrease in fair value of investments              | (26,670)                               | –                                    | (26,670)               |
| Other income                                           | <u>          –</u>                     | <u>      390,274</u>                 | <u>      390,274</u>   |
| Total operating revenues                               | 77,041                                 | 15,910,941                           | 15,987,982             |
| Operating expenses (note 6):                           |                                        |                                      |                        |
| Interest expense                                       | –                                      | 15,477,367                           | 15,477,367             |
| Cost of issuance                                       | –                                      | 390,274                              | 390,274                |
| Administration                                         | 193,477                                | –                                    | 193,477                |
| Professional and other fees                            | 48,712                                 | –                                    | 48,712                 |
| Insurance                                              | 97,266                                 | –                                    | 97,266                 |
| Office                                                 | 16,988                                 | –                                    | 16,988                 |
| Other                                                  | <u>      5,627</u>                     | <u>          –</u>                   | <u>      5,627</u>     |
| Total operating expenses                               | <u>      362,070</u>                   | <u>    15,867,641</u>                | <u>    16,229,711</u>  |
| Operating (loss) income                                | (285,029)                              | 43,300                               | (241,729)              |
| Net position, beginning of year                        | <u>    1,929,745</u>                   | <u>        13,037</u>                | <u>    1,942,782</u>   |
| Net position, end of year                              | <u>\$    1,644,716</u>                 | <u>\$          56,337</u>            | <u>\$    1,701,053</u> |

See accompanying notes.

**MAINE GOVERNMENTAL FACILITIES AUTHORITY**

**STATEMENTS OF CASH FLOWS**

Year Ended June 30, 2022

|                                                                                            | <u>General<br/>Operating<br/>Account</u> | <u>General<br/>Bond<br/>Resolution</u> | <u>Total</u>           |
|--------------------------------------------------------------------------------------------|------------------------------------------|----------------------------------------|------------------------|
| Operating activities:                                                                      |                                          |                                        |                        |
| Cash received from borrower                                                                | \$ —                                     | \$ 34,058,935                          | \$ 34,058,935          |
| Cash received from other income                                                            | —                                        | 390,274                                | 390,274                |
| Cash deposited to construction funds                                                       | —                                        | (44,815,000)                           | (44,815,000)           |
| Cash paid for bond issuance costs                                                          | —                                        | (390,274)                              | (390,274)              |
| Cash paid for operating expenses                                                           | <u>(338,581)</u>                         | <u>—</u>                               | <u>(338,581)</u>       |
| Net cash used by operating activities                                                      | (338,581)                                | (10,756,065)                           | (11,094,646)           |
| Noncapital financing activities:                                                           |                                          |                                        |                        |
| Proceeds from bonds payable                                                                | —                                        | 52,910,000                             | 52,910,000             |
| Bond premium deposited to construction funds                                               | —                                        | (8,095,000)                            | (8,095,000)            |
| Principal paid on bonds payable                                                            | —                                        | (19,000,000)                           | (19,000,000)           |
| Interest paid on bonds payable                                                             | <u>—</u>                                 | <u>(15,005,241)</u>                    | <u>(15,005,241)</u>    |
| Net cash provided by noncapital financing activities                                       | —                                        | 10,809,759                             | 10,809,759             |
| Investing activities:                                                                      |                                          |                                        |                        |
| Purchase of investment securities                                                          | (1,352,371)                              | —                                      | (1,352,371)            |
| Proceeds from sale/maturity of investment securities                                       | 1,000,000                                | —                                      | 1,000,000              |
| Cash received from interest income                                                         | <u>10,064</u>                            | <u>1,044</u>                           | <u>11,108</u>          |
| Net cash (used) provided by investing activities                                           | <u>(342,307)</u>                         | <u>1,044</u>                           | <u>(341,263)</u>       |
| (Decrease) increase in cash and cash equivalents                                           | (680,888)                                | 54,738                                 | (626,150)              |
| Cash and cash equivalents at beginning of year                                             | <u>1,008,390</u>                         | <u>209,442</u>                         | <u>1,217,832</u>       |
| Cash and cash equivalents at end of year                                                   | <u>\$ 327,502</u>                        | <u>\$ 264,180</u>                      | <u>\$ 591,682</u>      |
| Reconciliation of operating (loss) income to net cash used by operating activities:        |                                          |                                        |                        |
| Operating (loss) income                                                                    | \$ (285,029)                             | \$ 43,300                              | \$ (241,729)           |
| Adjustments to reconcile operating (loss) income to net cash used by operating activities: |                                          |                                        |                        |
| Interest expense                                                                           | —                                        | 15,477,367                             | 15,477,367             |
| Interest income                                                                            | (7,290)                                  | (1,044)                                | (8,334)                |
| Decrease in fair value of investments                                                      | 26,670                                   | —                                      | 26,670                 |
| Changes in operating assets and liabilities:                                               |                                          |                                        |                        |
| Interest and other amounts receivable                                                      | —                                        | (500,649)                              | (500,649)              |
| Accounts payable                                                                           | 15,489                                   | —                                      | 15,489                 |
| Unearned fees                                                                              | (96,421)                                 | —                                      | (96,421)               |
| Other assets                                                                               | 8,000                                    | —                                      | 8,000                  |
| Financing receivables                                                                      | <u>—</u>                                 | <u>(25,775,039)</u>                    | <u>(25,775,039)</u>    |
| Net cash provided by operating activities                                                  | <u>\$ (338,581)</u>                      | <u>\$ (10,756,065)</u>                 | <u>\$ (11,094,646)</u> |

See accompanying notes.

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### 1. Organization

The Maine Governmental Facilities Authority (the Authority) is constituted as an instrumentality and a component unit of the State of Maine (the State), organized and existing under and pursuant to M.R.S.A., Title 4, Chapter 33, Sections 1601 to 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, and to provide for financing or refinancing of such projects for the judicial, legislative or executive branches of the State government and related entities. The Authority is also authorized to issue bonds and notes to fulfill its statutory purposes.

The Authority may not issue securities in excess of \$754,045,000 outstanding at any one time except for the issuance of certain revenue refunding securities. The State Legislature may increase this limit as necessary to meet the Authority's needs.

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

Except for earnings on investments, substantially all of the Authority's revenue is received from financing receivable payments, which are scheduled to closely match required bond principal and interest payments, loan servicing and administrative fees from the State for facilities financed by the Authority. Effective October 1, 2021, the Authority has adopted a revenue neutral policy, whereby it waives such servicing and administrative fees when its net position is above certain target thresholds as outlined in the policy. Contracts with the State are structured as leases, however, as ownership of the underlying assets transfers to the State at the end of the lease term, the transactions are accounted for as financed sales of the assets by the Authority. The State's obligation to make payments under these contracts and any other obligation under the agreements are subject to and dependent upon biennial appropriations being made by the State Legislature for such purposes.

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

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### 2. Significant Accounting Policies

The State treats the Authority as an “internal service fund” on the State’s financial statements. Therefore, the books of accounts of the Authority are maintained in accordance with the principles of proprietary fund accounting and the requirements of the bond issue documents.

As discussed below, the Authority complies with Governmental Accounting Standards Board (GASB) statements codified under GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidelines Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASB 62).

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

#### Accounting Method

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

#### Federal Income Taxes

It is the opinion of management that the Authority is exempt from federal income taxes under Internal Revenue Code (IRC) Section 115, and that the Authority has maintained its tax-exempt status and has no uncertain tax positions that require adjustment or disclosure in these financial statements. However, the Authority is subject to the arbitrage rebate requirements of Section 148 of the IRC. Section 148 requires that any arbitrage profit earned on the proceeds of tax-exempt bonds issued after 1985 must be rebated to the federal government at least once every five years, with the balance rebated no later than 60 days after the retirement of the bonds.

There was no arbitrage rebate expense for the year ended June 30, 2022.

#### Cash and Cash Equivalents

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

#### Investments

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

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

#### Leases That Transfer Ownership

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

#### Bond Discounts, Premiums and Issuance Cost

Costs associated with issuing debt, which are generally paid by means of fees collected from the State, are expensed in the year incurred. To the extent they are used to pay bond issuance costs, premiums remitted to the Authority are recorded as other income. Other premiums and discounts are passed on to the State, and are, therefore, not recorded. For each refunding, bond premiums are presented as an increase to the face amount of the bonds payable.

#### Refundings

Under GASB Statement No. 23, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old debt, or the life of the new debt, whichever is shorter, using the bonds outstanding method. The unamortized portion of the deferred amount is reported as a deferred outflow of resources. Amortization for the year ending June 30, 2022 was \$387,994.

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

#### Use of Estimates

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

#### 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.

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### 2. Significant Accounting Policies (Continued)

#### Recently Adopted Accounting Pronouncements

In June 2017, GASB issued Statement No. 87, *Leases*. This statement requires government entities that are lessees to recognize the following: (a) a lease liability and (b) an intangible asset representing the lessee's right to use the leased asset; and report in its financial statements: (a) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (b) interest expense on the lease liability, and (c) note disclosures about the lease. Government entities that are lessors must recognize the following: (a) a lease receivable and (b) a deferred inflow of resources and continue to report the leased asset in its financial statements; and report in its financial statements: (a) lease revenue, recognized over the term of the lease, corresponding with the reduction of the deferred inflow, (b) interest income on the receivable, and (c) note disclosures about the lease. The statement provides exceptions from the single-approach for short-term leases, financed purchases/sales, leases of assets that are investments, and certain regulated leases. The statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, nonlease components embedded in lease contracts (such as service agreements), and leases with related parties. In May 2020, GASB issued Statement No. 95, which delayed the effective date of Statement No. 87 to reporting periods beginning after June 15, 2021.

The Authority adopted GASB 87 effective July 1, 2021 within the General Bond Resolution. Based upon a thorough review of the lease contracts with the State, the substance of the contract, and a transfer of ownership of the related assets at the end of the contract term, the Authority determined the contracts are financed sales of the related assets. Accordingly, all prior lease payments receivable from lessee are now reported as financing receivables on the statement of net position, and all prior amounts reported as received and receivable from lessee are now reported as interest and financing charges received and receivable on the statement of revenues, expenses and changes in net position. There was no other impact on the financial statements as a result of adoption of GASB 87.

### 3. Investments and Cash and Cash Equivalents

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

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

At June 30, 2022, investments and cash and cash equivalents are as follows (at fair value):

|                                       |                    |
|---------------------------------------|--------------------|
| General operating account:            |                    |
| U.S. Government obligations           | \$1,243,758        |
| U.S. Government-sponsored enterprises | 99,053             |
| Cash and cash equivalents             | <u>327,502</u>     |
|                                       | <u>\$1,670,313</u> |
| General bond resolution:              |                    |
| Cash and cash equivalents             | \$ <u>264,180</u>  |

**MAINE GOVERNMENTAL FACILITIES AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

The following table provides information on future maturities of the Authority's investments as of June 30, 2022:

|                                       | <u>Fair Value</u>  | <u>Less than One Year</u> | <u>One to Five Years</u> | <u>Six to Ten Years</u> | <u>More than Ten Years</u> |
|---------------------------------------|--------------------|---------------------------|--------------------------|-------------------------|----------------------------|
| <u>General Operating Account</u>      |                    |                           |                          |                         |                            |
| U.S. Government obligations           | \$1,243,758        | \$ -                      | \$1,243,758              | \$ -                    | \$ -                       |
| U.S. Government-sponsored enterprises | <u>99,053</u>      | <u>-</u>                  | <u>99,053</u>            | <u>-</u>                | <u>-</u>                   |
|                                       | <u>\$1,342,811</u> | <u>\$ -</u>               | <u>\$1,342,811</u>       | <u>\$ -</u>             | <u>\$ -</u>                |

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's cash equivalents are primarily held by BNY Mellon, Camden National Bank, Northeast Bank and Wilmington Trust. Management of the Authority is not aware of any issues with respect to custodial credit risk at any of the banks at June 30, 2022.

The cash of the general operating accounts at June 30, 2022, consists of \$19,697 insured deposit with Camden National Bank. Cash equivalents consist of \$307,805 in money market funds secured by short-term U.S. Treasury obligations.

Cash and cash equivalents of the General Bond Resolution at June 30, 2022 consist primarily of money market funds secured by short-term U.S. Treasury obligations.

**4. Bonds Payable and Financing Receivables**

As of June 30, 2022, the Authority had authorized and has outstanding the following series and amounts of revenue bonds, with original interest rates and maturity dates:

|                                                      | <u>Original Maturity</u> | <u>Original Amount Issued</u> | <u>Amount Outstanding June 30, 2022</u> |
|------------------------------------------------------|--------------------------|-------------------------------|-----------------------------------------|
| Series 2010 A, 2.50% – 5.00%,<br>dated April 1, 2010 | 2010 – 2023              | \$ 25,600,000                 | \$ 545,000                              |
| Series 2013A, 2.00% – 5.00%,<br>dated June 13, 2013  | 2014 – 2033              | 30,290,000                    | 8,000,000                               |
| Series 2014A, 1.98%,<br>dated June 19, 2014          | 2014 – 2024              | 10,055,000                    | 2,160,000                               |
| Series 2014B, 2.10%,<br>dated July 10, 2014          | 2015 – 2024              | 2,900,000                     | 935,000                                 |
| Series 2015A, 3.00% – 5.00%,<br>dated July 16, 2015  | 2015 – 2023              | 41,115,000                    | 70,000                                  |

**MAINE GOVERNMENTAL FACILITIES AUTHORITY**

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

|                                                          | <u>Original<br/>Maturity</u> | <u>Original<br/>Amount<br/>Issued</u> | <u>Amount<br/>Outstanding<br/>June 30, 2022</u> |
|----------------------------------------------------------|------------------------------|---------------------------------------|-------------------------------------------------|
| Series 2015B, 2.00% – 5.00%,<br>dated November 19, 2015  | 2016 – 2025                  | \$ 21,190,000                         | \$ 9,575,000                                    |
| Series 2016A, 3.00% – 5.00%,<br>dated October 6, 2016    | 2018 – 2029                  | 24,950,000                            | 17,435,000                                      |
| Series 2016B, 3.00% – 5.00%,<br>dated October 6, 2016    | 2017 – 2036                  | 17,980,000                            | 13,065,000                                      |
| Series 2017A, 2.50% – 5.00%,<br>dated August 24, 2017    | 2018 – 2037                  | 58,535,000                            | 50,505,000                                      |
| Series 2018A, 3.50% – 5.00%,<br>dated September 27, 2018 | 2019 – 2038                  | 50,510,000                            | 44,565,000                                      |
| Series 2020 A, 2.50% – 5.00%,<br>dated January 16, 2020  | 2020 – 2039                  | 170,995,000                           | 160,265,000                                     |
| Series 2021A, 2.00% – 4.00%,<br>dated February 10, 2021  | 2023 – 2040                  | 12,785,000                            | 12,785,000                                      |
| Series 2021B, 0.28% – 2.18%,<br>dated February 10, 2021  | 2021 – 2033                  | 37,355,000                            | 37,255,000                                      |
| Series 2022A, 3.00% – 5.00%,<br>dated February 22, 2022  | 2022 – 2041                  | <u>44,815,000</u>                     | <u>44,815,000</u>                               |
|                                                          |                              | \$ <u>549,075,000</u>                 | \$ <u>401,975,000</u>                           |

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

|                                                       |                       |
|-------------------------------------------------------|-----------------------|
| Total principal outstanding                           | \$ 401,975,000        |
| Unamortized original issue premium on refunding bonds | <u>1,236,850</u>      |
| Total bonds payable                                   | 403,211,850           |
| Current portion                                       | <u>22,689,062</u>     |
| Noncurrent portion                                    | \$ <u>380,522,788</u> |

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

| <u>Due Bond<br/>Year Ending October 1</u> | <u>Principal</u>      | <u>Interest</u>       | <u>Total</u>          |
|-------------------------------------------|-----------------------|-----------------------|-----------------------|
| 2022                                      | \$ 22,355,000         | \$ 7,726,225          | \$ 30,081,225         |
| 2023                                      | 23,575,000            | 15,566,777            | 39,141,777            |
| 2024                                      | 24,315,000            | 14,662,063            | 38,977,063            |
| 2025                                      | 24,215,000            | 13,695,222            | 37,910,222            |
| 2026                                      | 22,545,000            | 13,179,549            | 35,724,549            |
| 2027 – 2031                               | 111,065,000           | 49,821,352            | 160,886,352           |
| 2032 – 2036                               | 107,760,000           | 27,530,868            | 135,290,868           |
| 2037 – 2041                               | <u>66,145,000</u>     | <u>9,465,000</u>      | <u>75,610,000</u>     |
|                                           | \$ <u>401,975,000</u> | \$ <u>151,647,056</u> | \$ <u>553,622,056</u> |



MAINE GOVERNMENTAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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

The following summarizes bond payable activity for the Authority for the year ended June 30, 2022:

|                                            |                       |
|--------------------------------------------|-----------------------|
| Balance, beginning of year                 | \$ 377,784,844        |
| Issuances – face value                     | 44,815,000            |
| Amortization of premium on refunding bonds | (387,994)             |
| Redemptions                                | <u>(19,000,000)</u>   |
| Balance, end of year                       | <u>\$ 403,211,850</u> |

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

5. **Refunding Issues**

In periods of declining interest rates, the Authority has refunded certain bond obligations. The proceeds of any advance refunding bonds are primarily used to purchase U.S. Treasury obligations, the principal and interest on which will be sufficient to pay principal and interest, when due, of the defeased bonds. The Authority accounts for these transactions by removing the U.S. Treasury obligations and liabilities for the in-substance defeased bonds from its records, and records a deferred amount on refunding (if applicable). The U.S. Treasury obligations are placed in irrevocable trust accounts with the trustees of the defeased bonds. The gains, losses and economic benefits of these transactions inure to the State and not the Authority, although the Authority may receive an administrative fee.

At June 30, 2022, the balances of the General Resolution in-substance defeased bonds totaled \$13,225,000.

6. **Operating Expenses**

The Authority has an arrangement with Maine Municipal Bond Bank which allocates a portion of Bond Bank expenses to the Authority. The allocation is based on expenses specifically incurred on behalf of the Authority and the Authority's estimated portion of general overhead. The arrangement is approved annually by the Board through the budgetary approval process. The Authority recognized approximately \$325,500 of expense under this arrangement in 2022, and owed the Bond Bank \$15,019 at June 30, 2022.

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2022

### 7. Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 – Inputs to the valuation method include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The three valuation techniques are as follows:

- *Market approach* – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- *Cost approach* – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- *Income approach* – Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques).

Each asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

*U.S. Government obligations and U.S. Government-sponsored enterprises:* Fair value is determined based on quoted prices in active markets, or by using broker or dealer quotations, external pricing providers, or alternative pricing sources with reasonable levels of price transparency.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

7. **Fair Value Measurements (Continued)**

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Authority believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Authority's assets carried at fair value on a recurring basis as of June 30, 2022:

|                                       | <u>Level 1</u> | <u>Level 2</u>     | <u>Level 3</u> | <u>Total</u>       |
|---------------------------------------|----------------|--------------------|----------------|--------------------|
| <u>General Operating Account</u>      |                |                    |                |                    |
| U.S. Government obligations           | \$ -           | \$1,243,758        | \$ -           | \$1,243,758        |
| U.S. Government-sponsored enterprises | <u>-</u>       | <u>99,053</u>      | <u>-</u>       | <u>99,053</u>      |
|                                       | <u>\$ -</u>    | <u>\$1,342,811</u> | <u>\$ -</u>    | <u>\$1,342,811</u> |