

# MAINE STATE LEGISLATURE

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Annual Report


Maine Governmental Facilities Authority

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2024



Terry Hayes, *Executive Director*  
Tel 207-622-9386  
Fax 207-623-5359

TO: INTERESTED PARTIES  
FROM: Terry Hayes, Executive Director   
RE: 2024 Maine Governmental Facilities Authority Annual Report

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This is the annual report for the Maine Governmental Facilities Authority for the 2024 fiscal year, running from July 1, 2023 to June 30, 2024. Created originally in 1987 as the Maine Court Facilities Authority, the Maine Governmental Facilities amendments to the original legislation were enacted into law in 1997 authorizing the Authority to undertake capital financing activities for structures designated for use as governmental facilities. Each project funded by the Authority requires project specific approval by the Legislature prior to the issuance of bonds for project activities.

If there is further information you might like or questions you may have, concerning the Authority, please feel free to give us a call at (207) 622-9386.



# **Maine Governmental Facilities Authority**

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

*Year Ended June 30, 2024  
With Independent Auditors' Report*

Baker Newman & Noyes LLC  
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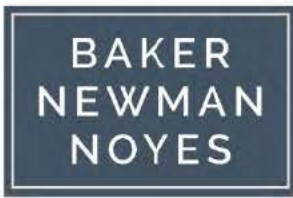
# **MAINE GOVERNMENTAL FACILITIES AUTHORITY**

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

For the Year Ended June 30, 2024

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## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Maine Governmental Facilities Authority

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements, consisting of the General Operating Account and General Bond Resolution, of Maine Governmental Facilities Authority (the Authority), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. The Authority is a component unit of the State of Maine.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority, as well as the individual fund groups referred to above, as of June 30, 2024, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

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

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

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

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

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

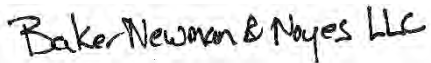
In performing an audit in accordance with GAAS, we:

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

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

**Required Supplementary Information**

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

A handwritten signature in black ink that reads "Baker Newman & Noyes LLC". The signature is written in a cursive, slightly slanted style.

Portland, Maine  
September 20, 2024



# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2024

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, 2024. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities of the Authority and to identify any significant changes in its financial position. We encourage readers to consider the information presented here in conjunction with the basic financial statements as a whole.

### Management Overview

- The Revenue Neutral Policy (adopted June 10, 2021) ensures adequate funding for continuous operations of the Authority while eliminating surplus cash accumulation. The targeted operational reserves are updated annually based on the latest approved budget. Implementation of the Revenue Neutral Policy has saved the State of Maine (the State) a total of \$625,832 in fiscal year 2022 and \$450,344 in fiscal year 2023. It breaks down accordingly to \$224,075 in new issue and \$852,101 in annual authority fees. No savings were realized in fiscal 2024. (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 approximately \$345,000 to targeted reserves. The net position at June 30, 2023 was \$1,390,195, representing a deficit of approximately \$330,000 to targeted reserves. The net position at June 30, 2024 was \$1,816,742, representing a surplus of approximately \$492,000 to target margin of safety reserves of three times the current approved budget or \$1,324,263. The current surplus indicates continuing waivers of annual authority fees in fiscal year 2025 and a partial waiver in fiscal year 2026. The traditional use of net position is not relevant in a Revenue Neutral Policy operation. The true measure of financial stability is the value of the gross bonds outstanding and their predictive annual revenue stream that can be reinstated as needed. The aggregate annual fees which the Authority could charge in future years based on the current outstanding bond portfolio total \$8,209,889, representing an estimated 20 years of forward operating costs.
- The Authority's gross bonds outstanding at June 30, 2024 were \$466,595,000, an increase of \$86,975,000 or 22.9% from the prior June 30<sup>th</sup> outstanding total of \$379,620,000. This is a result of the issuance of 2024A and 2024B of \$110,550,000, less principal payments of \$23,575,000.
- The Authority's financing receivables at June 30, 2024 were \$466,595,000. The financing payments are closely related to the bonds outstanding. Therefore, the increase of \$86,975,000 is mainly attributed to the effect of bonds activity as described above. These receivables represent payments due from the State and related entities for the financing, acquisition, construction, improvements, reconstruction and equipping of structures, or facilities, for the use by the judicial, legislative or executive branches of the State and related entities.
- Many of the Authority's active projects have experienced construction delays due to labor and supply chain constraints brought on by the Covid-19 pandemic. This resulted in significant delays in drawing down construction fund balances. Compounding matters was the historic whipsaw of the interest rate policy of the Federal Reserve as the Authority went from low rates to zero during the pandemic, followed by a subsequent historic rise in rates in the past two years. The net result was much greater earnings in construction accounts across several bond issues and significant arbitrage rebate liability as described on Page 16, Note 2, *Federal Income Taxes*. This past year represented a perfect storm with respect to rebate liability. With project spending picking up and interest rate forecasted to fall in 2025 the Authority can confidently say the worst is behind us. The Authority has also taken the additional step of deploying tax exempt instruments to limit future liability.

# **MAINE GOVERNMENTAL FACILITIES AUTHORITY**

## **MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)**

June 30, 2024

### **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. Prior to the implementation of the Revenue Neutral Policy, past practice of the Authority was to allow surplus funds to accumulate in the General Operating Account to ensure funds for continuous operations.

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

The Revenue Neutral Policy (adopted on June 10, 2021) ensures flexibility for continuous operation without accumulating surplus funds (increased net position). The margin of safety is defined as three years of budgeted operational costs. The approved budget for fiscal year 2025 is \$441,421 indicating a required margin of safety of \$1,324,263 (three times budget). 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 caps the net position of the Authority at \$1.32 MM for fiscal year 2025 and sets a net position floor of \$882,842 (2 times current year budget). The stability of the Authority’s bond portfolio allows for the effective execution of this policy.

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

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

### **Basic Financial Statements**

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

The value of net position is less significant in a revenue neutral operation. The key indicator of financial strength for the Authority is the value of its portfolio whereby the portfolio predicts realizable annual fees. The stability of the total assets allows for the smooth execution of a revenue neutral operation where the Authority can “turn earned fees on or off” based on the current net position, current year budget, and calculated margin of safety. At June 30, 2024, the net position was \$1,816,742 – a surplus of approximately \$492,000 to the \$1.32 MM 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, 2024

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

**GENERAL OPERATING ACCOUNT**

Statements of Net Position  
June 30, 2024 and 2023

	<u><b>2024</b></u>	<u><b>2023</b></u>	<u><b>Percentage Change</b></u>
Current assets:			
Cash and cash equivalents	\$ 1,541,918	\$ 710,774	116.9%
Investments	392,528	721,952	(45.6)
Due from State of Maine	6,546	145,087	(95.5)
Accrued interest income receivable	<u>2,521</u>	<u>3,275</u>	<u>(23.0)</u>
Total assets	<u>1,943,513</u>	<u>1,581,088</u>	<u>22.9</u>
Current liabilities:			
Due to State of Maine	–	182,152	(100.0)
Accounts payable	11,912	8,741	36.3
Unearned fees	<u>114,859</u>	<u>–</u>	<u>100.0</u>
Total current liabilities	<u>126,771</u>	<u>190,893</u>	<u>(33.6)</u>
Net position – unrestricted	<u>\$1,816,742</u>	<u>\$1,390,195</u>	<u>30.7%</u>

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

June 30, 2024

**GENERAL BOND RESOLUTION**

Statements of Net Position  
June 30, 2024 and 2023

	<u><b>2024</b></u>	<u><b>2023</b></u>	<u><b>Percentage Change</b></u>
Current assets:			
Cash and cash equivalents	\$ 18,096	\$ 38,670	(53.2)%
Investments	2,100,000	–	100.0
Financing receivables	26,915,000	23,575,000	14.2
Interest and other amounts receivable	5,913,260	3,861,043	53.2
Accrued interest income receivable	<u>21,062</u>	<u>–</u>	<u>100.0</u>
Total current assets	34,967,418	27,474,713	27.3
Noncurrent assets:			
Due from State of Maine	1,550,917	–	100.0
Financing receivables	<u>439,680,000</u>	<u>356,045,000</u>	<u>23.5</u>
Total assets	<u>476,198,335</u>	<u>383,519,713</u>	<u>24.2</u>
Deferred outflow of resources:			
Unamortized deferred loss on refunding	<u>622,240</u>	<u>902,600</u>	<u>(31.1)</u>
Current liabilities:			
Bonds payable	27,142,522	23,855,359	13.8
Accrued interest payable	5,726,326	3,891,693	47.1
Accrued interest rebate payable to U.S. Government	<u>1,378,348</u>	<u>–</u>	<u>100.0</u>
Total current liabilities	34,247,196	27,747,052	23.4
Noncurrent liabilities:			
Bonds payable	440,074,718	356,667,241	23.4
Accrued interest rebate payable to U.S. Government	<u>2,272,569</u>	<u>–</u>	<u>100.0</u>
Total liabilities	<u>476,594,483</u>	<u>384,414,293</u>	<u>24.0</u>
Net position – restricted	<u>\$ 226,092</u>	<u>\$ 8,020</u>	<u>2,719.1%</u>

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2024

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Percentage Change</u>
Operating revenues:			
Administrative fees	\$ 708,622	\$ —	100.0%
Interest income from investments	34,802	29,127	19.5
Net increase (decrease) in fair value of investments	<u>22,707</u>	<u>(21,978)</u>	<u>(203.3)</u>
Total operating revenue	766,131	7,149	10,616.6
Operating expenses:			
Administration	230,113	181,513	26.8
Professional and other fees	49,381	48,887	1.0
Insurance	—	1,308	(100.0)
Office	25,632	20,879	22.8
Other	<u>34,458</u>	<u>9,083</u>	<u>279.4</u>
Total operating expenses	<u>339,584</u>	<u>261,670</u>	<u>29.8</u>
Operating income (loss)	426,547	(254,521)	(267.6)
Net position, beginning of year	<u>1,390,195</u>	<u>1,644,716</u>	<u>(15.5)</u>
Net position, end of year	<u>\$1,816,742</u>	<u>\$1,390,195</u>	<u>30.7%</u>

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2024

### GENERAL BOND RESOLUTION

Statements of Revenues, Expenses and Changes in Net Position  
For the Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>	<u>Percentage Change</u>
Operating revenues:			
Interest and financing charges received and receivable	\$17,098,204	\$15,700,078	8.9%
Interest income from investments	68,921	48,737	41.4
Other income	<u>1,136,399</u>	<u>26,500</u>	<u>4,188.3</u>
Total operating revenues	18,303,524	15,775,315	16.0
Operating expenses:			
Cost of issuance	1,136,399	—	100.0
Interest expense	16,949,053	15,797,132	7.3
Other	<u>—</u>	<u>26,500</u>	<u>(100.0)</u>
Total operating expenses	<u>18,085,452</u>	<u>15,823,632</u>	<u>14.3</u>
Operating income (loss)	218,072	(48,317)	(551.3)
Net position, beginning of year	<u>8,020</u>	<u>56,337</u>	<u>(85.8)</u>
Net position, end of year	\$ <u>226,092</u>	\$ <u>8,020</u>	<u>2,719.1%</u>

## **MAINE GOVERNMENTAL FACILITIES AUTHORITY**

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

June 30, 2024

#### **General Operating Account**

Cash and cash equivalents held in the General Operating Account increased \$831,144 or 116.9% at June 30, 2024 compared to June 30, 2023. This is primarily due to the receipt of authority fees and was offset by a decrease in investments of \$329,424 or 45.6%.

Administrative fees in fiscal year 2024 increased by \$708,622 or 100%. The increase is due to the receipt of annual authority and initial issuance fees, which had been waived by the Authority in fiscal 2023 under the Revenue Neutral Policy.

Net position increased \$426,547 or 30.7% in fiscal year 2024 primarily as a result of the receipt of annual authority fees. The Authority does not plan to charge fees in fiscal year 2025 as current net position is above the target level.

Amounts due from the State of Maine at June 30, 2024 decreased approximately \$138,000 due to the repayment of insurance premiums from prior fiscal years which were collected in fiscal 2024. Such amounts relating to the current fiscal year were paid by the State prior to the fiscal year end. Residual amounts remaining in the debt service fund for the 2010A issuance, reflected as Due to State of Maine at June 30, 2023, were paid to the State of Maine in fiscal year 2024.

Unearned fees increased \$114,859 or 100% in fiscal year 2024 which represents the portion of the administrative fees paid to the authority in fiscal year 2024 that relate to fiscal year 2025 (July through October).

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 decreased \$20,574 or 53.2% at June 30, 2024 compared to June 30, 2023. The decrease is due to the timing of the receipt of interest payments received from the borrowers and the payment of interest paid to the bond holders.

Investments increased by \$2,100,000 or 100% in fiscal year 2024. The increase is due to the State of Maine partially funding the accrued interest rebate payable to the U.S. Government of \$3,650,917. At June 30, 2024, \$1,550,917 is included in Due from State of Maine representing remaining amounts owed related to arbitrage.

Unamortized deferred loss on refunding decreased \$280,360 or 31.1% at June 30, 2024 as compared to June 30, 2023. The current year decrease is attributed entirely to amortization.

Accrued interest rebate payable to the U.S. Government increased by \$3,650,917 or 100% over fiscal year 2023. The increase is a result of arbitrage in unspent bond proceeds in 2020A, 2021A, and 2022A construction funds.

Refer to "Management Overview" section for change in outstanding bonds payable and financing receivables at June 30, 2024 as compared to June 30, 2023.

## **MAINE GOVERNMENTAL FACILITIES AUTHORITY**

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

June 30, 2024

Interest expense on the bonds increased \$1,151,921 or 7.3% in fiscal year 2024 from 2023 based on the scheduled payments. As a result, interest and other amounts received from borrower increased in fiscal year 2024 by \$1,398,126 or 8.9%.

Other income and cost of issuance expense increased \$1,109,899 or 4,188.3% and \$1,136,399 or 100%, respectively. The increase relates entirely to the costs of issuance in 2024 on the 2024A and 2024B series issuances. There were no bond issuances in fiscal 2023.

#### **Requests for Information**

This financial report is designed to provide a general overview of the Authority's financial statements for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Executive Director, Maine Governmental Facilities Authority, 127 Community Drive, Augusta, ME 04330.



# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## STATEMENTS OF NET POSITION

June 30, 2024

	<u>General Operating Account</u>	<u>General Bond Resolution</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents (note 3)	\$1,541,918	\$ 18,096	\$ 1,560,014
Investments (notes 3 and 7)	392,528	2,100,000	2,492,528
Financing receivables (note 4)	–	26,915,000	26,915,000
Interest and other amounts receivable	–	5,913,260	5,913,260
Accrued interest income receivable	2,521	21,062	23,583
Due from State of Maine	<u>6,546</u>	<u>–</u>	<u>6,546</u>
Total current assets	1,943,513	34,967,418	36,910,931
Noncurrent assets:			
Due from State of Maine (note 2)	–	1,550,917	1,550,917
Financing receivables (note 4)	<u>–</u>	<u>439,680,000</u>	<u>439,680,000</u>
Total noncurrent assets	<u>–</u>	<u>441,230,917</u>	<u>441,230,917</u>
Total assets	<u>1,943,513</u>	<u>476,198,335</u>	<u>478,141,848</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Unamortized deferred loss on refunding (note 5)	<u>–</u>	<u>622,240</u>	<u>622,240</u>
<u>LIABILITIES</u>			
Current liabilities:			
Bonds payable, net (note 4)	–	27,142,522	27,142,522
Accrued interest payable	–	5,726,326	5,726,326
Unearned fees (note 8)	114,859	–	114,859
Accounts payable (note 6)	11,912	–	11,912
Accrued interest rebate payable to U.S. Government (note 2)	<u>–</u>	<u>1,378,348</u>	<u>1,378,348</u>
Total current liabilities	126,771	34,247,196	34,373,967
Noncurrent liabilities:			
Bonds payable (note 4)	–	440,074,718	440,074,718
Accrued interest rebate payable to U.S. Government (note 2)	<u>–</u>	<u>2,272,569</u>	<u>2,272,569</u>
Total liabilities	<u>126,771</u>	<u>476,594,483</u>	<u>476,721,254</u>
<u>NET POSITION</u>			
Restricted	–	226,092	226,092
Unrestricted	<u>1,816,742</u>	<u>–</u>	<u>1,816,742</u>
Total net position	<u>\$1,816,742</u>	<u>\$ 226,092</u>	<u>\$ 2,042,834</u>

See accompanying notes.

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

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

Year Ended June 30, 2024

	General Operating <u>Account</u>	General Bond <u>Resolution</u>	<u>Total</u>
Operating revenues:			
Interest and financing charges received and receivable	\$ —	\$17,098,204	\$17,098,204
Administrative fees (note 8)	708,622	—	708,622
Interest income from investments	34,802	68,921	103,723
Net increase in fair value of investments	22,707	—	22,707
Other income	<u>—</u>	<u>1,136,399</u>	<u>1,136,399</u>
Total operating revenues	766,131	18,303,524	19,069,655
Operating expenses (note 6):			
Interest expense	—	16,949,053	16,949,053
Cost of issuance	—	1,136,399	1,136,399
Administration	230,113	—	230,113
Professional and other fees	49,381	—	49,381
Office	25,632	—	25,632
Other	<u>34,458</u>	<u>—</u>	<u>34,458</u>
Total operating expenses	<u>339,584</u>	<u>18,085,452</u>	<u>18,425,036</u>
Operating income	426,547	218,072	644,619
Net position, beginning of year	<u>1,390,195</u>	<u>8,020</u>	<u>1,398,215</u>
Net position, end of year	<u>\$1,816,742</u>	<u>\$ 226,092</u>	<u>\$ 2,042,834</u>

See accompanying notes.

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## STATEMENTS OF CASH FLOWS

Year Ended June 30, 2024

	General Operating <u>Account</u>	General Bond <u>Resolution</u>	<u>Total</u>
Operating activities:			
Cash received from borrower	\$ 962,022	\$ 40,720,987	\$ 41,683,009
Cash received from other income	—	1,136,399	1,136,399
Cash paid for bond issuance costs	—	(1,136,399)	(1,136,399)
Cash deposited to construction funds	—	(110,550,000)	(110,550,000)
Cash paid for operating expenses	(336,413)	—	(336,413)
Cash paid to State of Maine	<u>(182,152)</u>	<u>—</u>	<u>(182,152)</u>
Net cash provided (used) by operating activities	443,457	(69,829,013)	(69,385,556)
Noncapital financing activities:			
Proceeds from bonds payable	—	123,953,113	123,953,113
Bond premium deposited to construction funds	—	(13,403,113)	(13,403,113)
Principal paid on bonds payable	—	(23,575,000)	(23,575,000)
Interest paid on bonds payable	<u>—</u>	<u>(15,114,420)</u>	<u>(15,114,420)</u>
Net cash provided by noncapital financing activities	—	71,860,580	71,860,580
Investing activities:			
Purchase of investment securities	—	(2,600,000)	(2,600,000)
Proceeds from sale/maturity of investment securities	352,131	500,000	852,131
Cash received from interest income	<u>35,556</u>	<u>47,859</u>	<u>83,415</u>
Net cash provided (used) by investing activities	<u>387,687</u>	<u>(2,052,141)</u>	<u>(1,664,454)</u>
Increase (decrease) in cash and cash equivalents	831,144	(20,574)	810,570
Cash and cash equivalents at beginning of year	<u>710,774</u>	<u>38,670</u>	<u>749,444</u>
Cash and cash equivalents at end of year	<u>\$ 1,541,918</u>	<u>\$ 18,096</u>	<u>\$ 1,560,014</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income	\$ 426,547	\$ 218,072	\$ 644,619
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Interest expense	—	16,949,053	16,949,053
Interest income	(34,802)	(68,921)	(103,723)
Increase in fair value of investments	(22,707)	—	(22,707)
Changes in operating assets and liabilities:			
Interest and other amounts receivable	—	(3,603,134)	(3,603,134)
Accounts payable	3,171	—	3,171
Unearned fees	114,859	—	114,859
Accrued interest rebate payable to U.S. Government	—	3,650,917	3,650,917
Due to/from State of Maine	(43,611)	—	(43,611)
Financing receivables	<u>—</u>	<u>(86,975,000)</u>	<u>(86,975,000)</u>
Net cash provided (used) by operating activities	<u>\$ 443,457</u>	<u>\$ (69,829,013)</u>	<u>\$ (69,385,556)</u>

See accompanying notes.

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

### 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 \$863,595,000 outstanding at any one time except for the issuance of certain revenue refunding securities. The State Legislature may increase this limit as necessary to meet the Authority's needs.

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

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

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

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

### 2. Significant Accounting Policies

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

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

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

#### Accounting Method

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

#### Federal Income Taxes

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

At June 30, 2024, the Authority reported an accrued interest rebate payable to the U.S. Government of \$3,650,917 in the statement of net position under the arbitrage rebate provisions of Section 148 of the IRC, as a result of arbitrage in unspent bond proceeds in construction funds. Construction funds and any related investment income are excluded from these financial statements, and as such, the related arbitrage rebate expense is also excluded. However, as the issuer of the bonds, the Authority is responsible for the calculation and payment of the rebate; therefore, the estimated liability is reported on the statement of net position within the General Bond Resolution. The State of Maine is obligated to reimburse the Authority for all program related costs, and has remitted \$2,100,000 to the Authority as of June 30, 2024 to be utilized for payment of the accrued rebate, which is included in investments on the statement of net position of the General Bond Resolution. The remainder of \$1,550,917 is recorded as Due from State of Maine on the General Bond Resolution statement of net position at June 30, 2024.

#### 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.

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

#### **Investments**

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

#### **Leases That Transfer Ownership**

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

#### **Bond Discounts, Premiums and Issuance Cost**

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

#### **Refundings**

Under GASB Statement No. 23, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old debt, or the life of the new debt, whichever is shorter, using the bonds outstanding method. The unamortized portion of the deferred amount is reported as a deferred outflow of resources. Amortization for the year ending June 30, 2024 was \$280,360.

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, 2024

### 2. Significant Accounting Policies (Continued)

#### Recently Issued Accounting Pronouncements

In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The statement addresses certain required components of management's discussion and analysis, the treatment of unusual or infrequent items, and presentation changes within the statement of revenues, expenses, and changes in net position. The provisions of Statement No. 103 are effective for reporting periods beginning after June 15, 2025, with earlier application permitted. The Authority is currently evaluating the impact of the pending adoption of this statement on its financial statements.

### 3. Investments and Cash and Cash Equivalents

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

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

At June 30, 2024, investments and cash and cash equivalents are as follows (at fair value):

#### General operating account:

U.S. Government obligations	\$ 294,456
U.S. Government-sponsored enterprises	98,072
Cash and cash equivalents	<u>1,541,918</u>
	<u>\$1,934,446</u>

#### General bond resolution:

U.S. Government obligations	\$2,100,000
Cash and cash equivalents	<u>18,096</u>
	<u>\$2,118,096</u>

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

### 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, 2024:

	<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	\$ 294,456	\$ 294,456	\$ —	\$ —	\$ —
U.S. Government-sponsored enterprises	<u>98,072</u>	<u>98,072</u>	<u>—</u>	<u>—</u>	<u>—</u>
	<u>\$ 392,528</u>	<u>\$ 392,528</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<u>General Bond Resolution</u>					
U.S. Government obligations	<u>\$2,100,000</u>	<u>\$2,100,000</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's cash equivalents are primarily held by BNY Mellon, Camden National Bank, Northeast Bank and Wilmington Trust. Management of the Authority is not aware of any issues with respect to custodial credit risk at any of the banks at June 30, 2024.

The cash of the general operating accounts at June 30, 2024 consists of a \$100,000 insured deposit with Camden National Bank. Cash equivalents consist of \$1,441,918 in money market funds secured by short-term U.S. Treasury obligations.

Cash and cash equivalents of the General Bond Resolution at June 30, 2024 consist primarily of money market funds secured by short-term U.S. Treasury obligations.

### 4. Bonds Payable and Financing Receivables

As of June 30, 2024, the Authority had authorized and has outstanding the following series and amounts of revenue bonds, with original interest rates and maturity dates:

	<u>Original Maturity (Bond Years)</u>	<u>Original Amount Issued</u>	<u>Amount Outstanding June 30, 2024</u>
Series 2013A, 2.00% – 5.00%, dated June 13, 2013	2014 – 2033	\$ 30,290,000	\$ 5,180,000
Series 2014A, 1.98%, dated June 19, 2014	2014 – 2024	10,055,000	595,000
Series 2014B, 2.10%, dated July 10, 2014	2015 – 2024	2,900,000	320,000
Series 2015B, 2.00% – 5.00%, dated November 19, 2015	2016 – 2025	21,190,000	4,950,000



# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

	Original Maturity (Bond Years)	Original Amount Issued	Amount Outstanding June 30, 2024
Series 2016A, 3.00% – 5.00%, dated October 6, 2016	2018 – 2029	\$ 24,950,000	\$ 12,490,000
Series 2016B, 3.00% – 5.00%, dated October 6, 2016	2017 – 2036	17,980,000	10,730,000
Series 2017A, 2.50% – 5.00%, dated August 24, 2017	2018 – 2037	58,535,000	45,955,000
Series 2018A, 3.50% – 5.00%, dated September 27, 2018	2019 – 2038	50,510,000	40,145,000
Series 2020A, 2.50% – 5.00%, dated January 16, 2020	2020 – 2039	170,995,000	148,405,000
Series 2021A, 2.00% – 4.00%, dated February 10, 2021	2023 – 2040	12,785,000	12,225,000
Series 2021B, 0.28% – 2.18%, dated February 10, 2021	2021 – 2033	37,355,000	32,815,000
Series 2022A, 3.00% – 5.00%, dated February 22, 2022	2022 – 2041	44,815,000	42,235,000
Series 2024A, 5.00%, dated February 15, 2024	2024 – 2043	64,540,000	64,540,000
Series 2024B, 5.00%, dated February 15, 2024	2024 – 2043	<u>46,010,000</u>	<u>46,010,000</u>
		<u>\$ 592,910,000</u>	<u>\$ 466,595,000</u>

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

Total principal outstanding	\$ 466,595,000
Unamortized original issue premium on refunding bonds	<u>622,240</u>
Total bonds payable	467,217,240
Current portion	<u>27,142,522</u>
Noncurrent portion	<u>\$ 440,074,718</u>

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

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

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

<u>Due Bond Year Ending October 1</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 26,915,000	\$ 10,801,074	\$ 37,716,074
2025	27,705,000	19,092,722	46,797,722
2026	26,225,000	17,960,199	44,185,199
2027	26,335,000	16,819,528	43,154,528
2028	26,820,000	15,702,593	42,522,593
2029 – 2033	132,550,000	61,814,675	194,364,675
2034 – 2038	136,940,000	32,737,350	169,677,350
2039 – 2043	<u>63,105,000</u>	<u>7,304,900</u>	<u>70,409,900</u>
	<u>\$ 466,595,000</u>	<u>\$ 182,233,041</u>	<u>\$ 648,828,041</u>

The following summarizes bond payable activity for the Authority for the year ended June 30, 2024:

Balance, beginning of year	\$ 380,522,600
Issuances – face value	110,550,000
Amortization of premium on refunding bonds	(280,360)
Redemptions	<u>(23,575,000)</u>
Balance, end of year	<u>\$ 467,217,240</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, 2024, there are no outstanding in-substance defeased bonds.

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

### 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 \$308,000 of expense under this arrangement in 2024, and owed the Bond Bank \$11,912 at June 30, 2024.

### 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).

# MAINE GOVERNMENTAL FACILITIES AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2024

### 7. Fair Value Measurements (Continued)

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.

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, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>General Operating Account</u>				
U.S. Government obligations	\$ —	\$ 294,456	\$ —	\$ 294,456
U.S. Government-sponsored enterprises	<u>—</u>	<u>98,072</u>	<u>—</u>	<u>98,072</u>
	<u>\$ —</u>	<u>\$ 392,528</u>	<u>\$ —</u>	<u>\$ 392,528</u>
 <u>General Bond Resolution</u>				
U.S. Government obligations	<u>\$ —</u>	<u>\$2,100,000</u>	<u>\$ —</u>	<u>\$2,100,000</u>

### 8. Unearned Fees

Unearned fees of \$114,859 at June 30, 2024 represent the portion of administrative fees paid to the Authority in the current fiscal year that relate to the following fiscal year.