BAKER NEWMAN NOYES

Maine Governmental Facilities Authority

Basic Financial Statements and Management's Discussion and Analysis

Year Ended June 30, 2015
With Independent Auditors' Report

Baker Newman & Noyes, LLC
MAINE | MASSACHUSETTS | NEW HAMPSHIRE
800.244.7444 | www.bnncpa.com

MAINE GOVERNMENTAL FACILITIES AUTHORITY

BASIC FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2015

TABLE OF CONTENTS

BAKER
NEWMAN
NOYES

Baker Newman & Noyes, LLC
MAINE | MASSACHUSETTS | NEW HAMPSHIRE
800.244.7444 | www.bnncpa.com

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Maine Governmental Facilities Authority

We have audited the accompanying 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, 2015, and 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.

Management's Responsibility 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Commissioners
Maine Governmental Facilities Authority

Opinion

In our opinion, the financial statements referred to above 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, 2015, and the respective changes in net position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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, 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
Limited Liability Company

Portland, Maine
September 8, 2015

MAINE GOVERNMENTAL FACILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

As financial management of the Maine Governmental Facilities Authority (the "Authority"), we offer readers of these financial statements this narrative, overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2015. 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.

Financial Highlights

- Operating revenue for the Authority's General Operating Account was $328,980 for fiscal year 2015, a decrease of $38,612 or 10.5% from fiscal year 2014.
- Net position in the Authority's Operating Account at June 30, 2015 was $2,938,255. This represents an increase of $135,791 or 4.8% over the net position at June 30, 2014.
- The Authority's bonds outstanding at June 30, 2015 were $170,870,000. Bonds outstanding at June 30, 2015 decreased $16,305,000 from the balance at June 30, 2014. This is the net result of the issuance of 2014B bonds totaling $2,900,000, less principal payments of $19,205,000.
- The Authority's lease payments receivable from lessee at June 30, 2015 were $170,845,207. The lease payments are closely related to the bonds outstanding. Therefore, the decrease of $16,142,341 is mainly attributed to the net effect of bonds activity as described above. The difference between bond principal payments and principal payments received from lessee of $162,659 relates entirely to the 2010A Series bonds, whereby the Authority receives principal payments on outstanding loans on a schedule that is slightly different than the related required principal repayments on outstanding bonds. These receivables represent lease payments due from the State of Maine and related entities for the financing, acquisition, construction, improvements, reconstruction and equipping of structures, or facilities, for the use by the judicial, legislative or executive branches of the State of Maine and related entities.

Overview of the Authority

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

The Authority is considered a component unit of the State of Maine. However, the Authority does not receive any direct State appropriations for its operations. The Authority does receive loan servicing fees (included in administrative fees on the statement of revenues, expenses and changes in net position) from the judicial, legislative and executive branches of the State of Maine that are based on the original amount of the lease for each project.

As the result of the Authority issuing tax-exempt debt, it is required to prepare arbitrage rebate calculations for each series of tax-exempt bonds outstanding and remit payment to the Internal Revenue Service every five years. The Authority contracts with an arbitrage consultant to maintain and prepare all rebate calculations that will be filed with the Internal Revenue Service.

Overview of the Financial Statements

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

Basic Financial Statements

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

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

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

Notes to the Financial Statements

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

Financial Analysis

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the Authority's general operating account, assets exceeded liabilities by $2,938,255 at June 30, 2015. This represents an increase of $135,791 or 4.8% over the previous fiscal year. This increase is related to operating revenues exceeding operating expenses in fiscal year 2015.

The Authority's financial position for the past two years is summarized as follows:

GENERAL OPERATING ACCOUNT

Statements of Net Position
June 30, 2015 and 2014

	2015	2014	Percentage Change
Current assets:			
Cash and cash equivalents	$1,482,734	$ 683,762	116.8%
Investments	2,004,750	2,757,850	(27.3)
Accounts receivable	4,500	778	478.4
Accrued interest income receivable	1,889	2,171	(13.0)
Other assets	–	5,000	(100.0)
Total current assets	3,493,873	3,449,561	1.3
Current liabilities:			
Unearned fees	133,432	130,350	2.4
Accounts payable	7,282	14,140	(48.5)
Total current liabilities	140,714	144,490	(2.6)
Noncurrent liabilities:			
Unearned fees	414,904	502,607	(17.4)
Total liabilities	555,618	647,097	(14.1)
Net position – unrestricted	$2,938,255	$2,802,464	4.8%

GENERAL BOND RESOLUTION

Statements of Net Position
June 30, 2015 and 2014

	2015	2014	Percentage Change
Current assets:			
Cash and cash equivalents	$ 11,182	$ 219,093	(94.9)%
Lease payments receivable from lessee	19,147,341	19,042,341	0.6
Interest and other amounts receivable from lessee	1,779,259	1,834,874	(3.0)
Total current assets	20,937,782	21,096,308	(0.8)
Noncurrent assets:			
Lease payments receivable from lessee	151,697,866	167,945,207	(9.7)
Total assets	172,635,648	189,041,515	(8.7)
Current liabilities:			
Bonds payable	19,270,000	19,205,000	0.3
Accrued interest payable	1,790,441	1,926,813	(7.1)
Total current liabilities	21,060,441	21,131,813	(0.3)
Noncurrent liabilities:			
Bonds payable	151,600,000	167,970,000	(9.7)
Total noncurrent liabilities	151,600,000	167,970,000	(9.7)
Total liabilities	172,660,441	189,101,813	(8.7)
Net position – restricted	$ (24,793)	$ (60,298)	58.9%

MAINE GOVERNMENTAL FACILITIES AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2015

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, 2015 and 2014

	2015	2014	Percentage Change
Operating revenues:			
Administrative fees	$ 314,145	$ 353,419	(11.1)%
Interest income from investments	17,935	43,768	(59.0)
Net decrease in fair value of investments	(3,100)	(29,595)	(89.5)
Total operating revenue	328,980	367,592	(10.5)
Operating expenses:			
Salaries	56,759	59,304	(4.3)
Employee benefits	27,271	26,308	3.7
Professional and other fees	21,661	30,856	(29.8)
Insurance	40,216	40,241	(0.1)
Office	9,905	10,105	(2.0)
Accretion of interest on unearned fees	32,113	37,359	(14.0)
Other	5,264	5,614	(6.2)
Total operating expenses	193,189	209,787	(7.9)
Operating income	135,791	157,805	(14.0)
Net position, beginning of year	2,802,464	2,644,659	6.0
Net position, end of year	$2,938,255	$2,802,464	4.8%

GENERAL BOND RESOLUTION

Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended June 30, 2015 and 2014

	2015	2014	Percentage Change
Operating revenues:			
Received and receivable from lessee	$7,395,137	$7,975,937	(7.3)%
Interest income from investments	450	105	328.6
Other income	49,109	47,632	3.1
Total operating revenue	7,444,696	8,023,674	(7.2)
Operating expenses:			
Costs of issuance	49,109	47,632	3.1
Interest expense	7,360,082	8,037,186	(8.4)
Total operating expenses	7,409,191	8,084,818	(8.4)
Operating income (loss)	35,505	(61,144)	(158.1)
Net position, beginning of year	(60,298)	846	(7,227.4)
Net position, end of year	$ (24,793)	$ (60,298)	58.9%

General Operating Account

Cash and cash equivalents held in the General Operating Account increased $798,972 or 116.8% at June 30, 2015 compared to June 30, 2014. The increase is primarily the result of transfer of investments to cash.

Unearned fees decreased $84,621 or 13.4% from 2014 primarily as a result of amortization of fees collected in advance in prior years (see note 7 to the accompanying financial statements).

Net position increased $135,791 or 4.8% in fiscal year 2015. The Authority continued to maintain a positive spread of income from fees and interest income over operating expenses.

Administrative fees in fiscal year 2015 decreased by $39,274 or 11.1%. The decrease is primarily due to a reduction in initial issuance fees related to bond issuances within the General Bond Resolution.

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

General Bond Resolution

Cash and cash equivalents held in the General Bond Resolution decreased $207,911 or 94.9% at June 30, 2015 compared to June 30, 2014. The decrease is the primary result of scheduled debt-service payments to be received from lessee as compared to scheduled debt service payments on bonds outstanding.

The Authority's net lease payments receivable from lessee decreased $16,142,341 or 8.6% in fiscal year 2015 compared to fiscal year 2014. The decrease is the net effect of the Authority issuing the 2014B series bonds totaling $2,900,000 and the scheduled principal repayment from lessee of $19,042,341.

Interest expense on the bonds decreased $677,104 or 8.4% in fiscal year 2015 from 2014 based on the scheduled payments. As a result, interest and other amounts received from lessee also decreased in fiscal 2015 by $580,800 or 7.3%.

Requests for Information

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

MAINE GOVERNMENTAL FACILITIES AUTHORITY

STATEMENTS OF NET POSITION

June 30, 2015

ASSETS	General Operating Account	General Bond Resolution	Total
Current assets:			
Cash and cash equivalents (note 3)	$1,482,734	$ 11,182	$ 1,493,916
Investments (note 3)	2,004,750	–	2,004,750
Lease payments receivable from lessee (note 4)	–	19,147,341	19,147,341
Interest and other amounts receivable from lessee	–	1,779,259	1,779,259
Accounts receivable	4,500	–	4,500
Accrued interest income receivable	1,889	–	1,889
Total current assets	3,493,873	20,937,782	24,431,655
Noncurrent assets:			
Lease payments receivable from lessee (note 4)	–	151,697,866	151,697,866
Total assets	3,493,873	172,635,648	176,129,521
LIABILITIES			
Current liabilities:			
Bonds payable (note 4)	–	19,270,000	19,270,000
Accrued interest payable	–	1,790,441	1,790,441
Unearned fees (note 7)	133,432	–	133,432
Accounts payable (note 6)	7,282	–	7,282
Total current liabilities	140,714	21,060,441	21,201,155
Noncurrent liabilities:			
Bonds payable (note 4)	–	151,600,000	151,600,000
Unearned fees (note 7)	414,904	–	414,904
Total noncurrent liabilities	414,904	151,600,000	152,014,904
Total liabilities	555,618	172,660,441	173,216,059
NET POSITION			
Restricted	–	(24,793)	(24,793)
Unrestricted	2,938,255	–	2,938,255
Total net position	$2,938,255	$ (24,793)	$ 2,913,462

See accompanying notes.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2015

	General Operating Account	General Bond Resolution	Total
Operating revenues:			
Received and receivable from lessee	$ –	$7,395,137	$7,395,137
Administrative fees (note 7)	314,145	–	314,145
Interest income from investments	17,935	450	18,385
Net decrease in fair value of investments	(3,100)	–	(3,100)
Other income	–	49,109	49,109
Total operating revenue	328,980	7,444,696	7,773,676
Operating expenses (note 6):			
Costs of issuance	–	49,109	49,109
Interest expense	–	7,360,082	7,360,082
Salaries	56,759	–	56,759
Employee benefits	27,271	–	27,271
Professional and other fees	21,661	–	21,661
Insurance	40,216	–	40,216
Office	9,905	–	9,905
Accretion of interest on unearned fees (note 7)	32,113	–	32,113
Other	5,264	–	5,264
Total operating expenses	193,189	7,409,191	7,602,380
Operating income	135,791	35,505	171,296
Net position, beginning of year	2,802,464	(60,298)	2,742,166
Net position, end of year	$2,938,255	$ (24,793)	$2,913,462

See accompanying notes.

MAINE GOVERNMENTAL FACILITIES AUTHORITY

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2015

	General Operating Account	General Bond Resolution	Total
Operating activities:			
Cash received from lessee	$ 198,689	$ 26,493,093	$ 26,691,782
Cash received from other income	–	24,268	24,268
Cash deposited to construction funds	–	(2,875,159)	(2,875,159)
Cash paid for operating expenses	(167,934)	–	(167,934)
Cash paid for bond issuance costs	–	(49,109)	(49,109)
Net cash provided by operating activities	30,755	23,593,093	23,623,848
Noncapital financing activities:			
Proceeds on bonds payable	–	2,900,000	2,900,000
Principal paid on bonds payable	–	(19,205,000)	(19,205,000)
Interest paid on bonds payable	–	(7,496,454)	(7,496,454)
Net cash used by noncapital financing activities	–	(23,801,454)	(23,801,454)
Investing activities:			
Purchases of investment securities	(1,000,000)	–	(1,000,000)
Proceeds from sales and maturities of investment securities	1,750,000	–	1,750,000
Cash received from interest income	18,217	450	18,667
Net cash provided by investing activities	768,217	450	768,667
Increase (decrease) in cash and cash equivalents	798,972	(207,911)	591,061
Cash and cash equivalents at beginning of year	683,762	219,093	902,855
Cash and cash equivalents at end of year	$ 1,482,734	$ 11,182	$ 1,493,916
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 135,791	$ 35,505	$ 171,296
Adjustments to reconcile operating income to net cash provided by operating activities:			
Accretion of interest on unearned fees	32,113	–	32,113
Amortization of unearned fees	(114,215)	–	(114,215)
Interest expense	–	7,360,082	7,360,082
Interest income	(17,935)	(450)	(18,385)
Decrease in fair value of investments	3,100	–	3,100
Changes in operating assets and liabilities:			
Lease payments receivable from lessee	–	16,142,341	16,142,341
Interest and other amounts receivable from lessee	–	55,615	55,615
Accounts receivable	(3,722)	–	(3,722)
Accounts payable	(6,858)	–	(6,858)
Other unearned fees	(2,519)	–	(2,519)
Deferred expenses	5,000	–	5,000
Net cash provided by operating activities	$ 30,755	$ 23,593,093	$ 23,623,848

See accompanying notes.

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, provide for financing or refinancing of such projects and lease properties back to the judicial, legislative or executive branches of the State government and related entities. The Authority is also authorized to issue bonds and notes to fulfill its statutory purposes.

The Authority may not issue securities in excess of $347,835,000 outstanding at any one time except for the issuance of certain revenue refunding securities. The State Legislature may increase this limit as necessary to meet the Authority's needs.

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

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

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 and payment of direct operating expenses by the Authority.

2. Significant Accounting Policies

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

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).

2. Significant Accounting Policies (Continued)

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

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, 2015.

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.

Financing Leases

Projects financed through the issuance of bonds are subsequently leased or subleased to the three branches of state government under financing lease arrangements. The property is not reflected on the accompanying combined financial statements since the lease agreements meet the criteria for financing leases under accounting principles generally accepted in the United States of America. Instead, the Authority records the present value of lease payments receivable as an asset. Interest revenue is accreted over the life of the lease using a method approximating the effective interest method.

2. Significant Accounting Policies (Continued)

Bond Discounts, Premiums and Issuance Costs

Costs associated with issuing debt, which are generally paid by means of fees collected from lessee, 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 borrowers, and are, therefore, not recorded.

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.

Recently Issued Accounting Pronouncements

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. Management is currently evaluating the impact this statement will have on the Authority's 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.

3. Investments and Cash and Cash Equivalents (Continued)

At June 30, 2015, investments and cash and cash equivalents are as follows (at fair value):

General Operating Account:	
U.S. Government-sponsored enterprise bonds	$2,004,750
Cash and cash equivalents	1,482,734
	$3,487,484
General Bond Resolution:	
Cash and cash equivalents	$ 11,182

The following table provides information on future maturities of the Authority's investments in U.S. Government-sponsored enterprises as of June 30, 2015:

	Fair Value	Less than One Year	One to Five Years	Six to Ten Years	More than Ten Years
General Operating Account					
U.S. Government-Sponsored enterprises	$2,004,750	$ –	$2,004,750	$ –	$ –

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 Camden National Bank, Wilmington Trust and Bangor Savings Bank. Management of the Authority is not aware of any issues with respect to custodial credit risk at any of the banks at June 30, 2015.

The cash of the general operating account at June 30, 2015 consists of $250,000 insured and $186,294 of uninsured deposits with a bank. Cash equivalents consist of $1,046,440 in money market funds secured by short-term U.S. Treasury obligations.

Cash and cash equivalents of the General Bond Resolution at June 30, 2015, consist primarily of money market funds secured by short-term U.S. Treasury obligations, held at Wilmington Trust.

4. Bonds Payable and Lease Payments Receivable

As of June 30, 2015, the Authority had authorized and has outstanding the following series and amounts of revenue bonds:

	Original Maturity	Original Amount Issued	Amount Outstanding June 30, 2015
Series 2004, 2.00% – 5.00%, dated April 22, 2004	2004 – 2023	$ 29,500,000	$ 6,665,000
Series 2005 A, 3.00% – 5.00%, dated March 8, 2005	2006 – 2020	54,210,000	35,850,000
Series 2005 B, 4.00% – 5.00%, dated November 17, 2005	2006 – 2015	8,890,000	885,000
Series 2007 A, 4.00% – 5.00%, dated May 31, 2007	2009 – 2027	10,985,000	7,495,000
Series 2008 A, 4.00% – 5.00%, dated June 19, 2008	2008 – 2028	40,565,000	24,470,000
Series 2009 A, 3.25% – 5.00% dated October 29, 2009	2010 – 2029	11,960,000	9,355,000
Series 2010A, 2.50% – 5.00%, dated April 1, 2010	2010 – 2023	25,600,000	15,895,000
Series 2011A, 3.00% – 4.50%, dated October 26, 2011	2012 – 2031	33,000,000	29,480,000
Series 2013A, 2.00% – 5.00% dated June 13, 2013	2014 – 2033	30,290,000	29,280,000
Series 2014A, 1.98% dated June 19, 2014	2014 – 2024	10,055,000	8,595,000
Series 2014B, 2.10% dated July 10, 2014	2015 – 2024	2,900,000	2,900,000
		$ 257,955,000	$ 170,870,000

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

Total principal outstanding	$ 170,870,000
Less current portion	(19,270,000)
Long-term portion	$ 151,600,000

4. Bonds Payable and Lease Payments Receivable (Continued)

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

Due Bond Year Ending October 1	Principal	Interest	Total
2015	$ 19,270,000	$ 3,580,239	$ 22,850,239
2016	18,405,000	6,365,675	24,770,675
2017	17,940,000	5,575,056	23,515,056
2018	17,920,000	4,831,215	22,751,215
2019	16,965,000	4,055,256	21,020,256
2020 – 2024	38,090,000	13,512,788	51,602,788
2025 – 2029	29,450,000	6,418,083	35,868,083
2030 – 2033	12,830,000	1,168,174	13,998,174
	$ 170,870,000	$45,506,486	$ 216,376,486

The following summarizes bond payable activity for the Authority for the year ended June 30, 2015:

Balance, beginning of year	$ 187,175,000
Issuances	2,900,000
Redemptions	(19,205,000)
Balance, end of year	$ 170,870,000

The Authority's bonds payables are to be repaid through collection of outstanding lease payments receivable from lessee. Lease payments from lessee 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 the principal and interest, when due, of the defeased bonds. Neither the U.S. Treasury obligations nor the defeased bonds are reflected on the accompanying financial statements. 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 lessee and not the Authority, although the Authority may receive an administrative fee.

At June 30, 2015, there were no in-substance defeased bonds outstanding.

6. Operating Expenses

The Authority has an arrangement with the 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 $144,800 of expense under this arrangement in 2015 and owed the Bond Bank approximately $7,000 at June 30, 2015.

7. Unearned Fees

Included in the unearned fees total of $548,336 at June 30, 2015, is $502,609 representing the advance payment of the present value of all future required annual fees on certain bond issues by the executive branch of the State of Maine. These amounts are being amortized using the effective interest method over the respective terms of the underlying bonds. During the year ended June 30, 2015, $114,215 of previously unearned fees was included in administrative fee revenue.

8. Subsequent Events

On July 16, 2015, the Authority issued $41,115,000 in General Resolution bonds to in-substance defease $42,515,000 of 2004A, 2004C and 2005A bonds. The Authority reduced its aggregate debt service payments and the lessee's aggregate lease payments by approximately $2.5 million over the next eight years, resulting in an economic gain (difference between present value of the old debt and new debt service payments) to the lessee of approximately $2.4 million.