

# **THE MAINE TURNPIKE AUTHORITY**

## **Financial Statements**

**For the Years Ended December 31, 2021 and 2020**

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## Financial Statements

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## **Independent Auditor's Report**

To the Board of Directors  
Maine Turnpike Authority  
Portland, Maine

### ***Report on the Audit of the Financial Statements***

#### ***Opinions***

We have audited the accompanying financial statements of the Maine Turnpike Authority (the "Authority"), a component unit of the State of Maine, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Maine Turnpike Authority as of December 31, 2021 and 2020, and respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audits 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 of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Maine Turnpike Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions audit opinions.

#### ***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 (GAAP), 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 Maine Turnpike Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibility 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 auditor's 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 and 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 and *Government Auditing Standards*, 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 Maine Turnpike 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 Maine Turnpike 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 on pages 4-11, the trend data on infrastructure condition on page 48, the schedule of changes in net OPEB liability and related ratios - MTA group health insurance plan, on page 49, the schedule of proportionate share of net OPEB liability - group life insurance, on page 50, the schedule of OPEB contributions - group life insurance, on page 50, the schedule of proportionate share of net pension liability on page 51, and the schedule of contributions on page 51, 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 financial statements in an appropriate operational, economic, or historical context. The management's discussion and analysis presents the comparison of 2021 to 2020, and excludes comparative amounts for 2019. 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 financial statements, and other knowledge we obtained during our audit of the 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.

### ***Supplementary Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The Calculation of the Composite Debt Service Ratio on page 52 and the Statement of Activities for the State of Maine General Purpose Financial Statements on page 53, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 10, 2022 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Maine Turnpike Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Wipfli LLP

South Portland, Maine  
March 10, 2022

# **THE MAINE TURNPIKE AUTHORITY**

## **Management's Discussion and Analysis**

**December 31, 2021**

The management of the Maine Turnpike Authority (the Authority) offers this narrative overview and analysis of the Authority's financial activities for the years ended December 31, 2021 and 2020. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. The information presented here should be read in conjunction with the Authority's basic financial statements.

### **Financial Highlights**

Net operating income for the Maine Turnpike Authority was \$66,286,735 and \$36,839,800 for calendar years 2021 and 2020, respectively. The increase in net operating income is mostly due to an increase in Net Fare Revenue after the COVID-19 pandemic travel restrictions were relaxed in March 2021. Total Revenues increased 20.1% in 2021, which is mostly due to an increase in traffic of 19.8% over the prior year. Additionally, the Authority had a toll increase on November 1, 2021. The decrease in Operating Expenses over the prior year is due to expense reductions in Operations, Maintenance & Preservation Expenses offset by an increase in Depreciation expense.

Current year activity produced a change in net position of \$43,360,102 compared to \$12,986,223 for fiscal years 2021 and 2020, respectively. The term "net position" refers to the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. At the close of calendar year 2021, the Authority had a net position of \$432,364,929, an increase of 10.0% over calendar year 2020. At the close of calendar year 2020, the Authority's net position was \$392,952,985. The Authority's overall financial position has improved as shown by the increase in net position.

### **COVID-19 Impact**

The outbreak of the COVID-19 respiratory disease caused by a new strain of the coronavirus, was declared a pandemic by the World Health Organization in 2020. Since its discovery in late 2019, the United States and local governments have focused on containing the disease by prohibiting non-essential travel and limiting person to person contact. Global and local economies have been affected negatively since restrictions and limits have been put on business and personal activities.

Prior to the outbreak of the COVID-19 disease, the Authority was exceeding toll revenue and traffic compared to the prior year, which was a record year. If revenue and traffic continued trending this way through 2020, it would have been the seventh consecutive year of record revenue and traffic on the Turnpike. In early March 2020, the Governor of Maine issued multiple executive orders and declarations and took various actions to protect the public health in an effort to reduce community spread of the virus and protect Maine's citizens. These measures included restricting access to certain businesses and activities, issuing a "stay at home" directive for most citizens, restricting non-essential travel, requiring self-quarantining by persons traveling into Maine and suspension of lodging and short-term rental operations. In May 2020, as the infection curve began to flatten, the Governor commenced a four-phase plan to gradually reopen the State's economy.

## **Management Discussion and Analysis, *continued***

Since April 2020, the Authority has seen traffic and revenue numbers continue to strengthen through the end of the year. However, the financial impact on the Authority in 2020 was significant. Total revenue in 2020 was approximately \$29 million less than what revenue was in 2019. At the time the pandemic began, the Authority had several high-profile projects in progress, such as the open road tolling (ORT) in York and Gardiner, as well as the Portland Area Widening project. The Authority's board decided early on that these projects, among other projects already underway, would not be delayed because of the pandemic. This decision was based on the fact that there were ample reserves to complete these projects. Additionally, by continuing with the construction schedule, the reduced traffic on the roads shortened the construction timeline and made the construction zones safer. Keeping these projects going also helped lessen the pandemic's economic impact to the region.

The Authority's toll revenue improved considerably in 2021. Through December 2021, revenue was up 20% over 2020. Compared to 2019, revenue was down 0.9% through for fiscal 2021. 2019 was the Turnpike's all-time record year in revenue and transactions.

Although the final impact of the COVID-19 pandemic is uncertain, the Authority's unrestricted and discretionary cash together with future net toll revenues will keep the Authority's financial condition stable. However, the extent to which the COVID-19 pandemic impacts the Authority's operations and its financial condition will depend on future developments, which are highly uncertain and cannot be fully determined at this time, including the duration and severity of the COVID-19 outbreak and its variants, further directives of federal, state and local officials, and national and regional economic conditions resulting from these matters. It is important to note that the Authority has not received, nor has sought, any federal or State assistance, such as through the CARES Act or other sources, as a result of the pandemic.

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

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's financial statements are presented in a manner similar to a private-sector business and have been prepared according to accounting principles generally accepted (GAAP) in the United States. Revenues are recorded as they are earned and expenses are recorded as they are incurred, regardless of when cash is received or disbursed.

#### **Basic Financial Statements**

The statement of net position presents information on all of the Authority's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position serve as a relative indicator of the change in financial position of the Authority.

The statement of revenues, expenses, and changes in net position shows the result of the Authority's total operations during the fiscal year and reflects both operating and non-operating activities. Changes in net position reflect the fiscal period operating impact upon the overall financial position of the Authority.

The statement of cash flows provides a detailed analysis of all sources and uses of cash. The direct method of cash flows is presented, ending with a reconciliation of operating income to net cash provided by operating activities.

## Management Discussion and Analysis, *continued*

The statement of cash flows is divided into the following activities: operating, capital and related financing, and investing.

### Notes to the Financial Statements

The notes provide additional information that is essential to fully understand the data provided in the basic financial statements.

### Other Information

In addition to the basic financial statements and notes, this report also presents required supplementary information concerning infrastructure condition, the retiree healthcare plan, and information on the Authority's participation in the Maine Public Employer's Retirement System. Additionally, certain supplementary information concerning the Authority's debt service ratio, as defined by the bond resolution, is included.

### Financial Analysis

#### Maine Turnpike Authority's Statement of Net Position

|                                                                                      | December 31,            |                         |
|--------------------------------------------------------------------------------------|-------------------------|-------------------------|
|                                                                                      | 2021                    | 2020                    |
| <b>Assets and Deferred Outflows</b>                                                  |                         |                         |
| Current Assets                                                                       | \$ 222,249,190          | \$ 260,856,204          |
| Capital Assets, Net of Accumulated Depreciation                                      | 893,272,758             | 841,793,059             |
| Non-Current Restricted Assets                                                        | 63,534,630              | 60,319,847              |
| Other Assets                                                                         | 186,571                 | 208,644                 |
| Deferred Loss on Refunding Bonds                                                     | 7,402,199               | 8,304,464               |
| Deferred Outflows of Resources                                                       | 10,254,819              | 9,838,389               |
| <b>Total Assets and Deferred Outflows</b>                                            | <b>\$ 1,196,900,167</b> | <b>\$ 1,181,320,607</b> |
| <b>Liabilities and Deferred Inflows</b>                                              |                         |                         |
| Current Liabilities                                                                  | 70,568,854              | 68,267,986              |
| Bonds Payable, Net of Unamortized Premiums<br>and Discounts, net of current position | 617,647,014             | 641,967,938             |
| Other Post Employment Benefits Liabilities                                           | 54,353,627              | 52,858,257              |
| Other Non-current Liabilities                                                        | 1,051,101               | 1,082,809               |
| Net Pension (Asset)/Liability                                                        | (1,102,845)             | 15,351,264              |
| Deferred Inflows of Resources                                                        | 22,017,487              | 8,839,368               |
| <b>Total Liabilities and Deferred Inflows</b>                                        | <b>\$ 764,535,238</b>   | <b>\$ 788,367,622</b>   |
| <b>Net Position:</b>                                                                 |                         |                         |
| Net Investment in Capital Assets                                                     | 353,758,250             | 353,317,134             |
| Restricted                                                                           | 38,313,435              | 93,978,802              |
| Unrestricted (Deficit)                                                               | 40,293,243              | (54,342,951)            |
| <b>Total Net Position</b>                                                            | <b>\$ 432,364,929</b>   | <b>\$ 392,952,985</b>   |
| <b>Total Liabilities, Deferred Outflows and Net Position</b>                         | <b>\$ 1,196,900,167</b> | <b>\$ 1,181,320,607</b> |

## **Management Discussion and Analysis, *continued***

As noted earlier, net position serves as an indicator of the Authority's overall financial position. In the case of the Authority, assets and deferred outflows exceeded liabilities and deferred inflows by \$432,364,928 at the close of 2021. This represents an increase of \$39,411,944 (10.0%) over the net position balance of \$392,952,985 as of December 31, 2020.

The largest portion of the Authority's net position reflects its net investment in capital assets (e.g., right-of-way, roads, bridges, toll equipment, etc.) less any related outstanding debt used to acquire those assets. The Authority uses these capital assets to provide service and consequently, these assets are not available for liquidating liabilities or for other spending. The net investment in Capital Assets was \$353,758,250 and \$353,317,134 as of December 31, 2021 and 2020, respectively.

In 2019, a joint agreement was made between the Maine Turnpike Authority, the MaineDOT and NHDOT regarding repairs needed to the Piscataqua River Bridge that connects the states of Maine and New Hampshire. This also is the primary gateway to the Maine Turnpike from the south. The rehabilitation includes widening and improving the outside shoulder to accommodate future traffic when functioning as a travel lane, paving the median and installing a concrete median barrier, paving and restriping the full width. The Maine Turnpike Authority's share of the project cost is approximately \$12 million and the project began in the fall of 2019 and is expected to take approximately three years to complete. Since the Piscataqua River Bridge is jointly owned by the MaineDOT and the NHDOT, the Maine Turnpike Authority has no ownership interest in the bridge, therefore the Authority's share of the project cost is treated as a transfer of equity to the MaineDOT. The total transfer of equity to the MaineDOT was \$3,948,158 and \$3,863,402 in 2021 and 2020, respectively.

Restricted net position is reserved for projects defined in the bond resolutions and applicable bond issue official statements. The Authority's restricted net position was \$38,313,435 and \$93,978,802 as of December 31, 2021 and 2020, respectively. The decrease in the restricted net position is attributed to the December 31, 2021 cash and investment balances in the General Reserve Fund were not board designated as restricted assets. Cash and Investment balances in the General Reserve Fund were board designated as restricted in the year ended December 31, 2020. The unrestricted net position for the year ended December 31, 2020 is negative due to recording the net pension and OPEB liabilities.

## Management Discussion and Analysis, *continued*

### The Maine Turnpike Authority's Changes in Net Position

|                                        | For the Years Ended December 31, |                       |
|----------------------------------------|----------------------------------|-----------------------|
|                                        | 2021                             | 2020                  |
| <b>Revenues:</b>                       |                                  |                       |
| Net Fare Revenues                      | \$ 138,771,705                   | \$ 115,460,212        |
| Concession Rental                      | 4,405,257                        | 2,911,613             |
| Investment Income                      | 89,113                           | 1,179,333             |
| Miscellaneous                          | 2,458,300                        | 2,077,613             |
| <b>Total Revenues</b>                  | <b>\$ 145,724,375</b>            | <b>\$ 121,628,771</b> |
| <b>Expenses (Income):</b>              |                                  |                       |
| Operations                             | 23,526,371                       | 25,698,927            |
| Maintenance                            | 31,357,369                       | 33,965,105            |
| Administrative                         | 2,124,300                        | 2,085,360             |
| Depreciation                           | 13,734,369                       | 12,011,324            |
| Preservation                           | 8,619,174                        | 10,728,790            |
| Interest Expense                       | 26,372,064                       | 22,219,971            |
| Other                                  | (3,369,374)                      | 1,933,070             |
| <b>Total Expenses</b>                  | <b>\$ 102,364,273</b>            | <b>\$ 108,642,547</b> |
| <b>Change in Net Position</b>          | <b>43,360,102</b>                | <b>12,986,222</b>     |
| <b>Net Position, beginning of year</b> | <b>\$ 392,952,985</b>            | <b>\$ 383,830,165</b> |
| <b>Equity Transfers - MaineDOT</b>     | <b>\$ (3,948,158)</b>            | <b>\$ (3,863,402)</b> |
| <b>Net Position, end of year</b>       | <b>\$ 432,364,929</b>            | <b>\$ 392,952,985</b> |

The Authority's net fare revenues, which represent approximately 95.2% of all operating revenues, increased \$23,311,493 (20.2%) in 2021. The increase is due to the COVID-19 global pandemic restrictions being relaxed at the beginning of 2021, allowing for more travel. Investment income in 2021 decreased 92.4% over prior year 2020 due to a lower interest rate environment. Operations, Maintenance and Administrative expenses decreased \$4,741,352 (7.7%) in 2021. This decrease is mainly attributed to a decrease in Fare Collection expenses in employee salaries and benefits. As toll collectors retire, their positions are being replaced with employees from temporary employment agencies. Additionally, fewer storms in 2021 led to lower operating expenses such as salt, gasoline and diesel purchases and a reduction in State Police Troop G costs in 2021. The capital program in 2021 was one of the largest in the Authority's history. This is due to several large projects such as open road tolling (ORT) plazas being built in York (Exit 7) and Gardiner (Exit 103), reconstruction of the South Portland interchange (Exit 45) and the Portland area widening. Preservation expenses decreased \$2,109,616 (19.7%) in 2021 due to a reduction in bridges needing repair.

## Management Discussion and Analysis, *continued*

### Capital Assets and Debt Administration

#### *Capital Assets*

The Authority's investment in capital assets as of December 31, 2021 amounted to \$1,018,179,949 of gross asset value with accumulated depreciation of \$124,907,191, leaving a net book value of \$893,272,758. Capital assets include right-of-way, roads, bridges, buildings, equipment and vehicles. Please see Note 3 of the financial statements for a schedule of changes in the Authority's capital assets.

Capital asset acquisitions are capitalized at cost. Acquisitions are funded through debt issuance and Authority revenues.

The Authority has been in the process of updating and modernizing its electronic toll system and toll facilities. The toll system, operational since 2004, is being replaced by Transcore's Infinity system. This project will upgrade each toll plaza location with improved traffic counting and video/image technology to continue the highly accurate data collection the Authority requires. Outdated toll booths, administrative buildings and access tunnels at each location are being replaced or rehabilitated. Upgrades were completed in 2021 to the Exit 103 (Gardiner – I295) and Exit 7 (York). The toll plazas at Exit 103 (Gardiner) and Exit 7 (York) were reconfigured to allow for an Open Road Tolling (ORT) Plaza, which allows patrons to travel through the plaza at highway speed in the center lanes or allow those that want to pay cash that option as well. Major interchange and toll system improvements at Exit 45 (Maine Mall) continued through 2021. This is the last plaza to be converted to Transcore's Infinity electronic toll system and will be completed in 2023. In 2021, bridge rehabilitation work was completed on the Warren Avenue bridge, this was the last bridge to be completed for work to continue on the Portland area widening project. In 2021, Phase 1 of the Portland area widening was completed and Phase 2 (between miles 44 and 46) commenced and is expected to continue through 2022. Lastly, the parking lot expansion at the northbound and southbound Kennebunk service plazas was completed. This expansion allows for increased parking capacity for passenger and commercial vehicles.

#### *Modified Approach for Infrastructure Assets*

The Maine Turnpike Authority has elected to use the modified approach to infrastructure reporting. This means that, in lieu of reporting depreciation on infrastructure, the Authority reports the costs associated with maintaining the existing asset in good condition as preservation expense. Infrastructure assets include: roads, bridges, interchanges, tunnels, right of way, drainage, guard rails, and lighting systems associated with the road. Pursuant to its bond covenants, the Authority maintains a reserve maintenance fund for these preservation expenses. For fiscal 2021, \$8,619,174 was spent for preservation compared to an estimated cost of \$9,663,500.

The roadways are rated on a 10-point scale, with 10 meaning that every aspect of the roadway is in new and perfect condition. The Authority's system as a whole is given an overall rating, indicating the average condition of all roadways operated by the Authority. The assessment of condition is made by visual inspection designed to reveal any condition that would reduce highway-user benefits below the maximum level of service. The Authority's policy is to maintain the roadway condition at a rating of 8 (generally good condition) or better. The results of the 2021

## Management Discussion and Analysis, *continued*

inspection states that the Maine Turnpike has been maintained in generally good condition and presents a favorable appearance, which is the same assessment the Authority received in 2020.

### *Long-term Debt*

The Authority has outstanding bonds payable of \$552,920,000 and \$23,755,000 for revenue and subordinated bonds, excluding unamortized bond discounts and premiums. Please see Note 6 of the financial statements for the annual principal payment requirements on revenue and subordinated bonds as of December 31, 2021.

The Authority has a bond cap, set by the Legislature, on the amount of revenue bonds that can be outstanding at any given time. As of December 31, 2021, the Maine Turnpike Authority has a bond cap of \$600 million for general turnpike projects and a \$150 million bond cap for the Gorham connector project. As of December 31, 2021, outstanding bonds were \$522,920,000, leaving \$77,080,000 available under the cap for general turnpike projects. As of December 31, 2021, outstanding bonds were \$30,000,000, leaving \$120,000,000 available under the cap for the Gorham Bypass project.

The Authority's current bond ratings are as follows:

|                   |     |
|-------------------|-----|
| Fitch             | AA- |
| Moody's           | Aa3 |
| Standard & Poor's | AA- |

In 2021, Fitch, Standard & Poor's and Moody's reviewed the Authority's finances and each agency affirmed the Authority's ratings and gave a stable outlook.

### *Debt Service Reserve Fund*

The general bond resolution requires the Authority to fund the Debt Service Reserve Requirement with cash and investments or with a surety policy or letter of credit.

Currently, the Debt Service Reserve requirement is approximately \$24,234,308, which is fifty percent of maximum annual debt service (MADS). The debt service reserve requirement is fully funded with cash. The Authority has approximately \$4,871,000 of surety bonds in place, however it is rated lower than the Authority's bond ratings and therefore do not count towards the Debt Service Reserve requirement.

Please see Note 7 of the Financial Statements for more discussion of the Debt Service Reserve Fund.

### **Toll Increase**

On November 1, 2021, the Maine Turnpike Authority implemented a toll increase which was necessary to meet its long-term financial goals and obligations. The Authority took many steps to reduce the amount of this increase by entering into a forward delivery agreement to refund a significant portion of outstanding debt and by making significant reductions to the operating budget. The impact of the toll increase was approximately 13%. Even with the toll increase, the Maine Turnpike will retain one of the lowest toll rates per mile in the United States. The last toll increase was in 2012

## **Management Discussion and Analysis, *continued***

### **Budgetary Controls**

Each year the Maine Turnpike Authority presents their Operating, Reserve Maintenance and Capital budgets to the Transportation Committee and it is ultimately voted on by the State of Maine Legislature. The Authority has made several decisions which have resulted in significant reductions to preceding budgets that have been received very positively by the Committee and the Legislature. More importantly, actual expenses have begun to prove that these decisions have positively affected the Authority's outcome without negatively impacting the mission of the Authority which is to provide a safe and efficient highway operated at a reasonable cost.

### **Requests for Information**

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Chief Financial Officer, Maine Turnpike Authority, 2360 Congress Street, Portland, ME 04102; or email your questions to [info@maineturnpike.com](mailto:info@maineturnpike.com).

## STATEMENTS OF NET POSITION

| ASSETS AND DEFERRED OUTFLOWS OF RESOURCES                                 | December 31,            |                         |
|---------------------------------------------------------------------------|-------------------------|-------------------------|
|                                                                           | 2021                    | 2020                    |
| <b>Current Assets:</b>                                                    |                         |                         |
| Cash and Equivalents                                                      | \$ 89,857,905           | \$ 25,452,952           |
| Investments - Short Term                                                  | 31,508,469              | -                       |
| Restricted Cash and Equivalents to meet<br>current restricted liabilities | 28,746,212              | 65,143,424              |
| Restricted Investments - Short Term                                       | 62,148,610              | 161,312,538             |
| Accounts Receivable and Accrued Interest Receivable                       | 7,156,881               | 5,718,331               |
| Inventory                                                                 | 955,363                 | 1,469,957               |
| Other - Current Assets                                                    | 1,875,750               | 1,759,003               |
| <b>Total Current Assets</b>                                               | <b>222,249,190</b>      | <b>260,856,205</b>      |
| <b>Non-Current Assets:</b>                                                |                         |                         |
| Restricted Assets                                                         |                         |                         |
| Cash and Equivalents                                                      | 61,131,067              | 60,281,219              |
| Accounts Receivable and Accrued Interest Receivable                       | 2,403,563               | 38,628                  |
| <b>Total Restricted Assets</b>                                            | <b>63,534,630</b>       | <b>60,319,846</b>       |
| <b>Other Assets</b>                                                       |                         |                         |
| Prepaid Bond Insurance - Net                                              | 186,571                 | 208,643                 |
| <b>Total Other Assets</b>                                                 | <b>186,571</b>          | <b>208,643</b>          |
| <b>Capital Assets not being Depreciated:</b>                              |                         |                         |
| Land and Infrastructure                                                   | 672,016,781             | 594,318,504             |
| Construction in Progress                                                  | 89,522,754              | 154,439,250             |
| <b>Capital Assets net of Accumulated Depreciation:</b>                    |                         |                         |
| Property and Equipment                                                    | 131,733,223             | 93,035,306              |
| <b>Total Capital Assets - Net of Accumulated Depreciation</b>             | <b>893,272,758</b>      | <b>841,793,060</b>      |
| <b>Total Non-Current Assets</b>                                           | <b>956,993,959</b>      | <b>902,321,550</b>      |
| <b>TOTAL ASSETS</b>                                                       | <b>1,179,243,149</b>    | <b>1,163,177,753</b>    |
| <b>Deferred Outflows of Resources:</b>                                    |                         |                         |
| Deferred Loss on Refunding Bonds                                          | 7,402,199               | 8,304,464               |
| Deferred Pension Outflows                                                 | 5,788,896               | 3,401,878               |
| Deferred Other Post Employment Benefit Outflows                           | 4,465,923               | 6,436,511               |
| <b>Total Deferred Outflows of Resources</b>                               | <b>17,657,018</b>       | <b>18,142,853</b>       |
| <b>Total Assets and Deferred Outflows of Resources</b>                    | <b>\$ 1,196,900,167</b> | <b>\$ 1,181,320,607</b> |

*The accompanying notes are an integral part of these financial statements.*

**STATEMENTS OF NET POSITION, *continued***

| <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>       | <b>December 31,</b>     |                         |
|--------------------------------------------------------------------------|-------------------------|-------------------------|
|                                                                          | <b>2021</b>             | <b>2020</b>             |
| <b>Current Liabilities Payable from Unrestricted Assets:</b>             |                         |                         |
| Accounts, Contracts and Retainage Payable                                | \$ 7,417,752            | \$ 4,339,252            |
| Accrued Salary, Vacation and Sick Leave Payable                          | 3,988,434               | 3,605,578               |
| Unearned Fare Revenue                                                    | 13,339,700              | 12,359,464              |
| Unearned Concession Rentals                                              | 93,245                  | 100,279                 |
| <b>Total Current Liabilities Payable from Unrestricted Assets</b>        | <b>24,839,130</b>       | <b>20,404,573</b>       |
| <b>Current Liabilities Payable from Restricted Assets:</b>               |                         |                         |
| Accounts, Contracts and Retainage Payable                                | 13,422,747              | 18,293,788              |
| Accrued Salary, Vacation and Sick Leave Payable                          | 555,541                 | 537,596                 |
| Bond Interest Payable                                                    | 12,978,795              | 11,256,489              |
| Current Portion of Revenue Bonds and Subordinated Debt Payable           | 18,435,000              | 17,350,000              |
| Other Current Liabilities                                                | 337,640                 | 425,540                 |
| <b>Total Current Liabilities Payable from Restricted Assets</b>          | <b>45,729,723</b>       | <b>47,863,412</b>       |
| <b>Total Current Liabilities</b>                                         | <b>70,568,854</b>       | <b>68,267,986</b>       |
| <b>Non-current Liabilities:</b>                                          |                         |                         |
| Long-term Revenue Bonds and Subordinated Debt Payable                    | 617,647,014             | 641,967,938             |
| Other Post Employment Benefits Liabilities                               | 54,353,627              | 52,858,257              |
| Other Non-current Liabilities                                            | 1,051,101               | 1,082,809               |
| Net Pension (Asset)/Liability                                            | (1,102,845)             | 15,351,264              |
| <b>Total Non-current Liabilities</b>                                     | <b>671,948,897</b>      | <b>711,260,268</b>      |
| <b>Total Liabilities</b>                                                 | <b>742,517,751</b>      | <b>779,528,254</b>      |
| <b>Deferred Inflows of Resources:</b>                                    |                         |                         |
| Deferred Pension Inflows                                                 | 16,221,843              | 370,821                 |
| Deferred Other Post Employment Benefit Inflows                           | 5,795,644               | 8,468,547               |
| <b>Total Liabilities and Deferred Inflows of Resources</b>               | <b>764,535,238</b>      | <b>788,367,622</b>      |
| <b>Net Position:</b>                                                     |                         |                         |
| Net Investment in Capital Assets                                         | 353,758,250             | 353,317,134             |
| Restricted                                                               | 38,313,435              | 93,978,802              |
| Unrestricted (Deficit)                                                   | 40,293,243              | (54,342,951)            |
| <b>Total Net Position</b>                                                | <b>432,364,929</b>      | <b>392,952,985</b>      |
| <b>Total Liabilities, Deferred Inflows of Resources and Net Position</b> | <b>\$ 1,196,900,167</b> | <b>\$ 1,181,320,607</b> |

*The accompanying notes are an integral part of these financial statements.*

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

|                                                    | For the Years Ended December 31, |                       |
|----------------------------------------------------|----------------------------------|-----------------------|
|                                                    | 2021                             | 2020                  |
| <b>REVENUES</b>                                    |                                  |                       |
| <b>Operating Revenue:</b>                          |                                  |                       |
| Net Fare Revenue                                   | \$ 138,771,705                   | \$ 115,460,212        |
| Concession Rentals                                 | 4,405,257                        | 2,911,613             |
| Miscellaneous                                      | 2,458,300                        | 2,077,613             |
| <b>Total Operating Revenues</b>                    | <b>145,635,262</b>               | <b>120,449,438</b>    |
| <b>Interest Income</b>                             |                                  |                       |
| Revenue Fund                                       | (36,279)                         | 78,879                |
| Reserve Maintenance Fund                           | 25,828                           | 422,008               |
| Improvement Account                                | 24,227                           | 292,344               |
| Interchange Account                                | 8,887                            | 77,166                |
| Maine Department of Transportation Account         | 552                              | 9,472                 |
| <b>Total Interest Income</b>                       | <b>23,214</b>                    | <b>879,869</b>        |
| <b>Total Revenues</b>                              | <b>145,658,476</b>               | <b>121,329,307</b>    |
| <b>EXPENSES</b>                                    |                                  |                       |
| <b>Operating Expenses:</b>                         |                                  |                       |
| Operations                                         | 23,526,371                       | 25,698,927            |
| Maintenance                                        | 31,357,369                       | 33,965,105            |
| Administration                                     | 2,124,300                        | 2,085,360             |
| Depreciation                                       | 13,734,369                       | 12,011,324            |
| Reserve Maintenance - Preservation                 | 8,619,174                        | 10,728,790            |
| Other Expenses - Capital General Expenses          | 10,158                           | -                     |
| <b>Total Operating Expenses</b>                    | <b>79,371,740</b>                | <b>84,489,506</b>     |
| <b>Net Operating Income</b>                        | <b>66,286,735</b>                | <b>36,839,800</b>     |
| <b>Non-Operating Revenue/(Expenses):</b>           |                                  |                       |
| Investment Income                                  | 65,899                           | 299,464               |
| Gain/(Loss) on Sale and Disposal of Capital Assets | (1,044,806)                      | (4,619,760)           |
| Interest Expense                                   | (26,372,064)                     | (22,219,971)          |
| Bond Issuance Cost                                 | (491,429)                        | (1,167,274)           |
| Bond Insurance Amortization                        | (22,073)                         | (23,597)              |
| Bond Premium/Discount Amortization                 | 5,885,924                        | 4,918,333             |
| Deferred Loss on Refunding Amortization            | (902,266)                        | (933,684)             |
| General Reserve Expense                            | (45,819)                         | (107,088)             |
| <b>Total Non-Operating Revenue/(Expenses)</b>      | <b>(22,926,633)</b>              | <b>(23,853,579)</b>   |
| <b>Change in Net Position</b>                      | <b>43,360,102</b>                | <b>12,986,222</b>     |
| <b>Net Position at beginning of year</b>           | <b>392,952,985</b>               | <b>383,830,165</b>    |
| Equity Transfers - MaineDOT                        | (3,948,158)                      | (3,863,402)           |
| <b>Net Position at end of year</b>                 | <b>\$ 432,364,929</b>            | <b>\$ 392,952,985</b> |

*The accompanying notes are an integral part of these financial statements.*

## STATEMENTS OF CASH FLOWS

|                                                                        | For the Years Ended December 31, |                       |
|------------------------------------------------------------------------|----------------------------------|-----------------------|
|                                                                        | 2021                             | 2020                  |
| <b>Operating Activities:</b>                                           |                                  |                       |
| Cash Received from Tolls/Customers                                     | \$ 178,561,268                   | \$ 146,334,220        |
| Cash Payments to Suppliers                                             | (79,311,296)                     | (68,788,124)          |
| Cash Payments to Employees                                             | (24,454,181)                     | (26,261,333)          |
| <b>Net Cash Provided by Operating Activities</b>                       | <b>74,795,791</b>                | <b>51,284,763</b>     |
| <b>Capital and Related Financing Activities:</b>                       |                                  |                       |
| Acquisition and Construction of Capital Assets                         | (69,818,318)                     | (107,184,613)         |
| Proceeds from Issuance of Revenue Bonds                                | -                                | 151,642,560           |
| Bond Proceeds Used to Fund Debt Service Reserve                        | -                                | 4,326,650             |
| Payments for Bond Issuance Expenses                                    | (416,292)                        | (1,134,642)           |
| Interest Paid on Revenue Bonds                                         | (23,535,759)                     | (20,749,715)          |
| Payment of Principal on Revenue Bonds                                  | (16,020,000)                     | (14,750,000)          |
| Interest Paid on Subordinated Debt Bonds                               | (1,114,000)                      | (1,177,250)           |
| Payment of Principal on Special Obligation Bonds                       | (1,330,000)                      | (1,265,000)           |
| <b>Net Cash Provided by (Used in) Capital and Financing Activities</b> | <b>(112,234,369)</b>             | <b>9,707,990</b>      |
| <b>Cash Payments made for the Piscataqua River Bridge Repairs</b>      | <b>(1,467,778)</b>               | <b>(3,843,398)</b>    |
| <b>Investing Activities:</b>                                           |                                  |                       |
| Purchase of Investments                                                | (100,034,610)                    | (135,776,103)         |
| Proceeds from Sales and Maturities of Investments                      | 167,690,069                      | 55,000,000            |
| Interest Received                                                      | 108,487                          | 1,455,131             |
| <b>Net Cash Provided by (Used in) Investing Activities</b>             | <b>67,763,945</b>                | <b>(79,320,972)</b>   |
| Net Increase (Decrease) in Cash and Equivalents                        | 28,857,589                       | (22,171,617)          |
| Cash and Equivalents at Beginning of Year                              | 150,877,595                      | 173,049,211           |
| <b>Cash and Equivalents at End of Year</b>                             | <b>\$ 179,735,184</b>            | <b>\$ 150,877,595</b> |
| Cash and Equivalents - Unrestricted                                    | \$ 89,857,905                    | \$ 25,452,952         |
| Restricted Cash and Equivalents - Current                              | 28,746,212                       | 65,143,424            |
| Restricted Cash and Equivalents - Non-Current                          | 61,131,067                       | 60,281,219            |
|                                                                        | <b>\$ 179,735,184</b>            | <b>\$ 150,877,595</b> |

*The accompanying notes are an integral part of these financial statements.*

**STATEMENTS OF CASH FLOWS, *continued***

|                                                                                             | <b>For the Years Ended December 31,</b> |                      |
|---------------------------------------------------------------------------------------------|-----------------------------------------|----------------------|
|                                                                                             | <b>2021</b>                             | <b>2020</b>          |
| <b>Reconciliation of Net Operating Income to Net Cash Provided by Operating Activities:</b> |                                         |                      |
| <b>Income from Operations</b>                                                               | <b>\$ 66,286,735</b>                    | <b>\$ 36,839,800</b> |
| Adjustments to Reconcile Operating Income to Net Cash provided by Operating Activities:     |                                         |                      |
| Depreciation                                                                                | 13,734,368                              | 12,011,324           |
| Interest (Income)/Expense Included in Operating Revenue                                     | (23,214)                                | (879,869)            |
| <b>Changes in Assets and Liabilities:</b>                                                   |                                         |                      |
| Accounts Receivable                                                                         | (1,430,979)                             | (283,265)            |
| Prepaid Accounts                                                                            | (116,747)                               | (9,380)              |
| Inventory                                                                                   | 514,594                                 | (336,130)            |
| Accounts, Contracts and Retainage Payable                                                   | (3,345,919)                             | 975,180              |
| OPEB Liability and Deferred Inflows/Outflows                                                | 793,055                                 | 1,109,204            |
| Net Pension Liability and Deferred Inflows/Outflows                                         | (2,990,105)                             | 735,223              |
| Unearned Toll and Concession Revenue                                                        | 973,201                                 | 498,673              |
| Accrued Salary, Vacation and Sick Leave Payable                                             | 400,800                                 | 624,004              |
| <b>Net Cash Provided by Operating Activities</b>                                            | <b>\$ 74,795,791</b>                    | <b>\$ 51,284,763</b> |

*The accompanying notes are an integral part of these financial statements.*

**THE MAINE TURNPIKE AUTHORITY**  
**Notes to Financial Statements**  
**For the Years Ended December 31, 2021 and 2020**

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**Note 1 – Summary of Organization and Significant Accounting Policies and Procedures**

**Reporting Entity** – The Maine Turnpike Authority (the Authority) is a body corporate and politic created by an act of the Legislature of the State of Maine, Chapter 69 of the Private and Special Laws of 1941 as amended, authorized and empowered to construct, maintain and operate a turnpike at such a location as shall be approved by the State Highway Commission and to issue turnpike revenue bonds of the Authority, payable solely from revenues of the Authority. Under the provisions of the Act, turnpike revenue bonds and interest thereon shall not be deemed debt or liability or a pledge of the faith and credit of the State of Maine.

During 1982, the Legislature of the State of Maine, Chapter 595 of the Public Laws of the State of Maine 1982, authorized an act to amend the Maine Turnpike Authority Statutes. This act states that the Maine Turnpike Authority shall continue in existence until such a time as the Legislature shall provide for termination and all outstanding indebtedness of the Authority shall be repaid or an amount sufficient to repay that indebtedness shall be set aside in trust.

In evaluating the Authority as a reporting entity, management has addressed all potential component units for which the Authority may be financially accountable and, as such, should be included within the Authority's financial statements. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14 as amended by GASB Statement No. 61, the Authority is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Authority. Additionally, the Authority is required to consider other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the reporting entity's financial statements to be misleading. Based on the application of these criteria, there are no other entities that should be included as part of these financial statements.

Under these standards, the Authority is considered to be a component unit of the State of Maine.

**Basis of Accounting** – The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (standards and interpretations), constitute GAAP for governmental units. GAAP also includes guidance from the American Institute of Certified Public Accountants in the publication entitled, State and Local Governments. The Authority prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States for governmental proprietary funds, which are similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. Proprietary funds distinguish operating revenues and expenses from non-operating activity. Operating revenues arise from providing goods or services to outside parties for a fee. The intent of the governing body is that the operating costs, including administration and depreciation, of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Revenues and expenses that are not derived directly from operations are reported as non-operating revenues and expenses.

**Note 1 – Summary of Organization and Significant Accounting Policies and Procedures, *continued***

**Operating Revenues and Expenses** – The Authority’s operating revenues and expenses consist of revenues earned and expenses incurred relating to the operation and maintenance of its System. Operating revenues for fares are recognized as the vehicles pass through the toll system. Prepayments on account are recorded as unearned fare revenue. Concession rental income is recognized based on the terms of the rental agreements. Net fare revenue is net of credit card fees of \$2,689,526 and \$2,197,806 for 2021 and 2020, respectively.

**Non-operating revenues** – Non-operating revenues consists of the amortization of bond premiums and discounts realized on previously issued debt, investment income earned and non-operating accounts and gains or loss from the sale of capital assets.

**Interest Income on Operating Accounts** – Interest income generated from on-going operations is included in operating revenue.

**Cash and Equivalents** – For purposes of the statements of cash flow, demand deposit accounts with commercial banks, and cash invested in short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

**Investments** – Investments are carried at fair value. Accrued interest paid upon the purchase of investments is recognized as interest income in the period it is earned.

**Fair Value Measurements** - 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. In determining fair value, the Authority uses various methods, including market, income and cost approaches. Based on these approaches, the Authority often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Authority utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Authority is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 – Quoted prices for identical assets and liabilities traded in active exchange markets, such as the New York Stock Exchange.
- Level 2 – Observable inputs other than Level 1 including quoted prices for similar assets or liabilities, quoted prices in less active markets, or other observable inputs that can be corroborated by observable market data.
- Level 3 – Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

**Note 1 – Summary of Organization and Significant Accounting Policies and Procedures, *continued***

In determining the appropriate levels, the Authority performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

**Accounts Receivable** – Accounts receivable consists primarily of toll revenues due from commercial accounts and other tolling agencies. The Authority obtains surety bonds to cover commercial accounts receivable. Management believes that all accounts receivable as of December 31, 2021 and 2020 are fully collectable. Therefore, no allowance for doubtful accounts was recorded.

**Inventory** – Inventory consists of EZ Pass transponders, salt and fuel for MTA vehicles. The EZ Pass transponders will be sold to customers and are valued using the First-In First-Out (FIFO) method. Salt and vehicle fuel, to be used in operations, are valued using a weighted average method. Inventory items are carried at the lower of cost or net realizable value.

**Other Assets** – Expenses that benefit more than one reporting period are charged to Prepaid Expenses and expensed over its service period. Examples include insurance premiums, software site licenses and service contracts.

**Restricted Assets** – Restricted assets of the Authority represent bond proceeds designated for construction, and other monies required to be restricted for debt service, operations, maintenance, renewal and replacement.

**Capital Assets** – All capital assets are recorded on the balance sheet at historical cost. Capital assets are included in one of the following categories: Infrastructure; Land and Land Improvements; Buildings; Vehicles; Toll System; Computer and Other Equipment; Intangible Assets; and Construction in Progress.

Costs to acquire additional capital assets, and to replace existing assets or otherwise prolong their useful lives, are capitalized for toll equipment, buildings, toll facilities, other related costs and furniture and equipment. The Authority has elected to use the modified approach to infrastructure reporting. This means that, in lieu of reporting depreciation on infrastructure, the Authority reports as preservation expense the costs associated with maintaining the existing road in good condition. Infrastructure assets include roads, bridges, interchanges, tunnels, right of way, drainage, guardrails, and lighting systems associated with the road.

**Note 1 – Summary of Organization and Significant Accounting Policies and Procedures, *continued***

Depreciation of toll equipment, buildings, toll facilities, other related costs, signs, software and furniture and equipment is computed using the straight-line method, using the full-month convention, over the estimated useful lives of the assets as follows:

|                                      |               |
|--------------------------------------|---------------|
| Buildings                            | 30 – 50 years |
| Building Improvements                | 15 – 20 years |
| Land Improvements (exhaustible)      | 15 years      |
| Toll Equipment                       | 5 – 10 years  |
| Furniture and Fixtures               | 5 – 15 years  |
| Software                             | 3 – 10 years  |
| Computers, Printers and IT Equipment | 3 – 5 years   |
| Other Equipment (incl. Vehicles)     | 5 – 20 years  |

The following minimum capitalization thresholds for capitalizing fixed assets are as follows:

|                                         |            |
|-----------------------------------------|------------|
| Land and Improvements (non-exhaustible) | \$ 1       |
| Land Improvements (exhaustible)         | \$ 5,000   |
| Buildings and Improvements              | \$ 25,000  |
| Machinery/Equipment/Vehicles            | \$ 5,000   |
| Computers, Printers & IT Equipment      | \$ 5,000   |
| Software                                | \$ 10,000  |
| Infrastructure                          | \$ 100,000 |

Under the modified approach, infrastructure assets are considered to be “indefinite lived” assets; that is, the assets themselves will last indefinitely and are, therefore, not depreciated. Costs related to maintenance, renewal and replacement for these assets are not capitalized, but instead are considered to be period costs and are included in preservation expense.

Construction in Progress represents costs incurred by the Authority for in-process activities designed to expand, replace, or extend the lives of existing property and equipment.

**Retainage Payable** – Retainage payable represents amounts billed to the Authority by contractors for which payment is not due pursuant to retained percentage provisions in construction contracts until substantial completion of performance by contractor and acceptance by the Authority.

**Accrued Vacation and Sick Leave Payable** – Accrued vacation and sick leave payable includes accumulated vacation pay and vested sick pay.

**Accrued Salaries Payable** – Accrued salaries payable includes salary and wage expense incurred at the end of the period but not paid until the following period, which amounted to \$476,597 and \$396,608 for the years ended December 31, 2021 and 2020, respectively, and are included on the statement of net position under Accrued Salary, Vacation and Sick Leave Payable.

**Note 1 – Summary of Organization and Significant Accounting Policies and Procedures, *continued***

**Unearned Toll Revenue** – The Authority offers a prepaid balance program which allows patrons to carry a balance on their account for future toll expenses. This balance is reduced by each trip through the tolls and can be increased by the patron at any time but also includes a minimum balance set by the Authority. The Authority offers a Volume Discount Plan for passenger vehicles for which revenue is earned based on the vehicle passing through the toll system. Any amount remaining in the patrons account is accounted for as unearned revenue.

**Bond Premium, Discount and Issuance Costs** – Bond premiums and discounts associated with the issuance of bonds are amortized using the effective interest rate method over the life of the bonds. Bond issuance costs such as bond insurance are amortized using the straight-line method over the life of the bonds. Other bond issuance costs, such as consulting, legal and underwriter fees are expensed in the period they are incurred.

**Refunded Bonds** – The Authority defeased certain bonds in 2012, 2014 and 2015 by placing cash received from the advanced refunding into an irrevocable escrow account to provide for all future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Authority's balance sheets. In December 2021, the Authority entered into a forward delivery agreement to refund the Series 2012 bonds. Please see Note 16 for more detail.

**Deferred Outflows of Resources** - In addition to assets, the statement of net position will sometimes report a separate section for *deferred outflows of resources*. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority has three items that qualifies for reporting in this category. The first is a deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other two items are the deferred outflows related to the pension liability and the deferred outflows related to the other post-employment benefits liability, each of which are more fully disclosed in the footnotes.

**Deferred Inflows of Resources** - In addition to liabilities, the statement of net position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows of resources recognized on the statement of net position and balance sheet relate to the net pension liability, and the other post-employment liability, each of which are more fully disclosed in the footnotes.

**Use of Estimates** – The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure for contingent assets and liabilities at the date of the basic financial statements, and reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

**Use of Restricted/Unrestricted Net Position** – When an expense is incurred for purposes for which both restricted and unrestricted assets are available, the Authority's policy is to apply restricted net position first.

## Notes to Financial Statements, continued

### Note 1 – Summary of Organization and Significant Accounting Policies and Procedures, continued

**Recent Accounting Pronouncements** – In June 2017, the GASB issued GASB 87, *Leases*. This new standard will provide users of the financial statements a more accurate picture of the assets and the long-term financial obligations of governments that lease. Lessees will recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset and lessors will recognize a lease receivable and a deferred inflow of resources. The new leasing standard will apply for fiscal years beginning after June 15, 2021.

### Note 2 – Deposits and Investments

#### *Deposits*

**Custodial Credit Risk-Authority Deposits:** For deposits, custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2021, the Authority reported deposits of \$401,216 with bank balances of \$665,656. The entire balance of \$665,656 was covered by the F.D.I.C. As of December 31, 2020, the Authority reported deposits of \$342,672 with bank balances of \$302,233. The entire balance of \$302,233 was covered by the F.D.I.C.

#### *Investments*

At December 31, 2021, the Authority had the following investments and maturities:

|                                    | <u>Fair Value</u>     | <u>Less Than 1 Year</u> | <u>1-5 Years</u> | <u>More Than 5 Years</u> |
|------------------------------------|-----------------------|-------------------------|------------------|--------------------------|
| Money Market                       | \$ 259,087,247        | \$ 259,087,247          | \$ -             | \$ -                     |
| U.S. Government Securities         | 10,536,933            | 10,536,933              | -                | -                        |
| Federated Treasury Obligation Fund | 3,366,867             | 3,366,867               | -                | -                        |
| <b>Total Investments</b>           | <b>\$ 272,991,047</b> | <b>\$ 272,991,047</b>   | <b>\$ -</b>      | <b>\$ -</b>              |

At December 31, 2020, the Authority had the following investments and maturities:

|                                    | <u>Fair Value</u>     | <u>Less Than 1 Year</u> | <u>1-5 Years</u> | <u>More Than 5 Years</u> |
|------------------------------------|-----------------------|-------------------------|------------------|--------------------------|
| Money Market                       | \$ 218,746            | \$ 218,746              | \$ -             | \$ -                     |
| U.S. Government Securities         | 12,153,329            | 12,153,329              | -                | -                        |
| Federated Treasury Obligation Fund | 299,475,386           | 299,475,386             | -                | -                        |
| <b>Total Investments</b>           | <b>\$ 311,847,461</b> | <b>\$ 311,847,461</b>   | <b>\$ -</b>      | <b>\$ -</b>              |

## Notes to Financial Statements, continued

### Note 2 – Deposits and Investments, continued

Deposits and investments are as follows:

|                                       | 2021                  | 2020                  |
|---------------------------------------|-----------------------|-----------------------|
| Deposits                              | \$ 401,216            | \$ 342,672            |
| Investment                            | 272,991,047           | 311,847,461           |
| <b>Total Deposits and Investments</b> | <b>\$ 273,392,263</b> | <b>\$ 312,190,133</b> |

Deposits and investments have been reported as follows in the financial statements:

|                                             | 2021                  | 2020                  |
|---------------------------------------------|-----------------------|-----------------------|
| Cash and Equivalents                        | \$ 89,857,905         | \$ 25,452,952         |
| Current Restricted Cash and Equivalents     | 28,746,212            | 65,143,424            |
| Noncurrent Restricted Cash and Equivalents  | 61,131,067            | 60,281,219            |
| Investments - Short Term                    | 31,508,469            | -                     |
| Current Restricted Investments - Short Term | 62,148,610            | 161,312,538           |
| <b>Total Deposits and Investments</b>       | <b>\$ 273,392,263</b> | <b>\$ 312,190,133</b> |

### Fair Value

Fair Values of Assets measured on a recurring basis at December 31 are as follows:

|                                     | Total                 | Level 1               | Level 2             | Level 3     |
|-------------------------------------|-----------------------|-----------------------|---------------------|-------------|
| <b>December 31, 2021</b>            |                       |                       |                     |             |
| Cash Equivalents                    | 401,216               | 401,216               | -                   | -           |
| Money Market                        | 259,087,247           | 259,087,247           | -                   | -           |
| U.S. Government Securities          | 10,536,933            | 10,536,933            | -                   | -           |
| Federated Treasury Obligations Fund | 3,366,867             | -                     | 3,366,867           | -           |
|                                     | <b>\$ 273,392,263</b> | <b>\$ 270,025,396</b> | <b>\$ 3,366,867</b> | <b>\$ -</b> |

|                                     | Total                 | Level 1              | Level 2               | Level 3     |
|-------------------------------------|-----------------------|----------------------|-----------------------|-------------|
| <b>December 31, 2020</b>            |                       |                      |                       |             |
| Cash Equivalents                    | 342,672               | 342,672              | -                     | -           |
| Money Market                        | 218,746               | 218,746              | -                     | -           |
| U.S. Government Securities          | 12,153,329            | 12,153,329           | -                     | -           |
| Federated Treasury Obligations Fund | 299,475,386           | -                    | 299,475,386           | -           |
|                                     | <b>\$ 312,190,133</b> | <b>\$ 12,714,747</b> | <b>\$ 299,475,386</b> | <b>\$ -</b> |

There were no assets classified Level 3 as of December 31, 2021 or December 31, 2020.

## Notes to Financial Statements, *continued*

### Note 2 – Deposits and Investments, *continued*

*Interest Rate Risk:* The Authority's policy for investment rate risk is as follows: Portfolio maturities will provide for stability of income and reasonable liquidity; liquidity will be assured through practices ensuring that the next disbursement date is covered through maturities to be staggered to avoid undue concentration in a specific maturity sector.

Maturities selected will provide investments or marketable securities which can be sold to raise cash in a day's notice without loss of principal; and, risks of market price volatility will be controlled through maturity diversification such that aggregate price losses on instruments with maturities exceeding one year shall not be greater than coupon interest on investment income received from the balance of the portfolio.

*Credit Risk:* Maine statutes authorize the Authority to invest in obligations of the U.S. Treasury and U.S. agencies and repurchase agreements. The Authority does not have a formal policy related to credit rate risk. The Federal Treasury Obligations Fund is a money market fund and is rated AAAM by Standard & Poor's.

*Custodial credit risk: investments* – For investments, this is the risk that in the event of failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The Authority is authorized to invest in: obligations of the U.S. government and its agencies provided they are full faith and credit obligations fully insured or collateralized certificates of deposit at commercial banks and savings and loan associations, repurchase agreements collateralized by U.S. Treasury or Agency securities; and money market mutual funds whose portfolios consist of government securities.

The Authority's investment policy is to attain a market rate of return considered reasonable under generally accepted market principles throughout budgetary and economic cycles while preserving and protecting capital in the overall portfolio thus ensuring prudent use of public funds and preservation of the public's trust. The standard of prudence to be used by investment officials shall be the "prudent investor" standard and shall be applied in the context of managing the overall portfolio. All security transactions, including collateral for repurchase agreements, entered into by the MTA shall be conducted on a "delivery vs. payment" basis. Securities will be held by a third-party custodian, or Trust Department designated by the Executive Director, CFO, or Director of Finance and evidenced by safekeeping receipts.

## Notes to Financial Statements, continued

### Note 3 – Capital Assets

A Summary of changes to capital assets for the year ended December 31, 2021 is as follows:

|                                                        | Balance<br>12/31/2020 | Additions           | Transfers           | Disposals          | Balance<br>12/31/2021 |
|--------------------------------------------------------|-----------------------|---------------------|---------------------|--------------------|-----------------------|
| <b>Capitalized Assets Not Being Depreciated (cost)</b> |                       |                     |                     |                    |                       |
| Land                                                   | \$ 56,319,344         | 2,988,795           | 19,338,056          | -                  | \$ 78,646,196         |
| Infrastructure                                         | 537,999,160           | -                   | 57,731,975          | (2,360,550)        | 593,370,585           |
| Construction in Progress                               | 154,439,250           | 64,163,621          | (129,080,117)       | -                  | 89,522,754            |
| <b>Total Capital Assets Not Being Depreciated</b>      | <b>748,757,755</b>    | <b>67,152,416</b>   | <b>(52,010,086)</b> | <b>(2,360,550)</b> | <b>761,539,535</b>    |
| <b>Capitalized Assets Being Depreciated (cost)</b>     |                       |                     |                     |                    |                       |
| Land Improvements (exhaustible)                        | 24,677,455            | -                   | 10,394,964          | (17,976)           | 35,054,443            |
| Buildings                                              | 75,670,677            | -                   | 12,000,340          | (1,332,743)        | 86,338,274            |
| Machinery and Equipment                                | 106,416,835           | 1,561,857           | 29,614,781          | (2,345,776)        | 135,247,697           |
| <b>Total Capital Assets Being Depreciated</b>          | <b>206,764,967</b>    | <b>1,561,857</b>    | <b>52,010,086</b>   | <b>(3,696,496)</b> | <b>256,640,414</b>    |
| <b>Less Accumulated Depreciation for:</b>              |                       |                     |                     |                    |                       |
| Land Improvements (exhaustible)                        | (11,420,537)          | (1,586,224)         | -                   | 17,976             | (12,988,785)          |
| Buildings                                              | (35,983,385)          | (2,592,139)         | -                   | 637,032            | (37,938,492)          |
| Machinery and Equipment                                | (66,325,741)          | (9,556,005)         | -                   | 1,901,832          | (73,979,915)          |
| <b>Total Accumulated Depreciation</b>                  | <b>(113,729,663)</b>  | <b>(13,734,369)</b> | <b>-</b>            | <b>2,556,841</b>   | <b>(124,907,191)</b>  |
| <b>Total Capital Assets Being Depreciated, net</b>     | <b>93,035,305</b>     | <b>(12,172,512)</b> | <b>52,010,086</b>   | <b>(1,139,655)</b> | <b>131,733,223</b>    |
| <b>Total Capital Assets</b>                            | <b>\$ 841,793,060</b> | <b>54,979,904</b>   | <b>-</b>            | <b>(3,500,205)</b> | <b>\$ 893,272,758</b> |

A Summary of changes to capital assets for the year ended December 31, 2020 is as follows:

|                                                        | Balance<br>12/31/2019 | Additions           | Transfers          | Disposals          | Balance<br>12/31/2020 |
|--------------------------------------------------------|-----------------------|---------------------|--------------------|--------------------|-----------------------|
| <b>Capitalized Assets Not Being Depreciated (cost)</b> |                       |                     |                    |                    |                       |
| Land                                                   | \$ 55,165,346         | 1,228,911           | 113,380            | (188,293)          | \$ 56,319,344         |
| Infrastructure                                         | 494,768,092           | -                   | 47,687,050         | (4,455,983)        | 537,999,160           |
| Construction in Progress                               | 100,622,258           | 106,267,172         | (52,450,179)       | -                  | 154,439,250           |
| <b>Total Capital Assets Not Being Depreciated</b>      | <b>650,555,696</b>    | <b>107,496,083</b>  | <b>(4,649,748)</b> | <b>(4,644,276)</b> | <b>748,757,755</b>    |
| <b>Capitalized Assets Being Depreciated (cost)</b>     |                       |                     |                    |                    |                       |
| Land Improvements (exhaustible)                        | 21,873,134            | -                   | 2,804,321          | -                  | 24,677,455            |
| Buildings                                              | 75,435,309            | -                   | 235,367            | -                  | 75,670,677            |
| Machinery and Equipment                                | 105,717,562           | 911,554             | 1,610,060          | (1,822,341)        | 106,416,835           |
| <b>Total Capital Assets Being Depreciated</b>          | <b>203,026,006</b>    | <b>911,554</b>      | <b>4,649,748</b>   | <b>(1,822,341)</b> | <b>206,764,967</b>    |
| <b>Less Accumulated Depreciation for:</b>              |                       |                     |                    |                    |                       |
| Land Improvements (exhaustible)                        | (10,270,599)          | (1,149,938)         | -                  | -                  | (11,420,537)          |
| Buildings                                              | (33,578,698)          | (2,404,687)         | -                  | -                  | (35,983,385)          |
| Machinery and Equipment                                | (59,629,228)          | (8,456,700)         | -                  | 1,760,187          | (66,325,741)          |
| <b>Total Accumulated Depreciation</b>                  | <b>(103,478,525)</b>  | <b>(12,011,324)</b> | <b>-</b>           | <b>1,760,187</b>   | <b>(113,729,663)</b>  |
| <b>Total Capital Assets Being Depreciated, net</b>     | <b>99,547,480</b>     | <b>(11,099,770)</b> | <b>4,649,748</b>   | <b>(62,154)</b>    | <b>93,035,306</b>     |
| <b>Total Capital Assets</b>                            | <b>\$ 750,103,176</b> | <b>96,396,313</b>   | <b>-</b>           | <b>(4,706,430)</b> | <b>\$ 841,793,060</b> |

## Notes to Financial Statements, *continued*

### Note 4 – Letter of Credit

The Authority has a \$35 million letter of credit with Bangor Savings Bank which expires on December 31, 2022. It is secured under the General Resolution solely by the Authority's Revenues (as defined therein) on a subordinated basis to the Authority's outstanding bonds and additional bonds to be issued on a senior basis, all in accordance with the Resolution. There was no outstanding balance on the letter of credit as of December 31, 2021 and 2020.

### Note 5 – Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and adding back any unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Authority's net investment in capital assets was calculated as follows:

|                                               | Years Ended December 31, |                       |
|-----------------------------------------------|--------------------------|-----------------------|
|                                               | 2021                     | 2020                  |
| Capital Assets                                | \$ 1,018,179,949         | \$ 955,522,722        |
| Unspent Bond Proceeds                         | 13,405,492               | 80,464,075            |
| Accumulated Depreciation                      | (124,907,191)            | (113,729,663)         |
| Bonds Payable                                 | (552,920,000)            | (568,940,000)         |
| <b>Total Net Investment In Capital Assets</b> | <b>\$ 353,758,250</b>    | <b>\$ 353,317,134</b> |

### Note 6 – Long-term Debt

#### Revenue Bonds Payable

The Authority issues revenue bonds from time to time for the purpose of financing capital improvements and new projects. As of December 31, 2021, the Authority had the following outstanding bonds:

- \$68,990,000 of Series 2012A Revenue Bonds, issued in March 2012, to pay a portion of the costs of various turnpike projects.
- \$84,240,000 of Series 2012B Revenue Refunding Bonds. The proceeds from the bonds were used to advance refund all of the Series 2003 Bonds maturing in the years 2014 through 2033, and a portion of the Series 2004 Bonds maturing in the years 2022 through 2030, in the outstanding principal amount of \$87,055,000.
- \$39,715,000 of Series 2014 Revenue Refunding Bonds, issued in July 2014. The proceeds from the bonds were used to advance refund a portion of principal amounts of the Series 2004 maturing in the years 2015 through 2020 and Series 2007 maturing in the years 2018 through 2024, in the outstanding principal amount of \$43,765,000.
- \$144,875,000 of Series 2015 Revenue Refunding Bonds, issued in April 2015. The proceeds from the bonds were used to refund the principal amounts of the Series 2005 Bonds maturing in the years 2016 through 2030; Series 2007 Bonds maturing in the years 2025 through 2035; and Series 2009 Bonds maturing 2020 through 2038

**Notes to Financial Statements, continued****Note 6 – Long-term Debt, continued****Revenue Bonds Payable, continued**

- \$150,000,000 of Series 2018 Revenue Bonds, issued in February 2018, to pay a portion of the costs of various turnpike projects.
- \$130,000,000 of Series 2020 Revenue Bonds, issued in November 2020, to pay a portion of the costs of the Gorham Bypass project as well as various turnpike projects.

Interest on all bonds is payable semi-annually on January 1st and July 1st of each year. The bonds will mature on July 1st in the years and principal amounts noted below:

| <b>Issue</b>                       | <b>Amount Issued</b> | <b>Maturity Date</b> | <b>Interest Rate</b> | <b>Balance 12/31/2021</b> |
|------------------------------------|----------------------|----------------------|----------------------|---------------------------|
| Series 2012 (A & B)                | 153,230,000          | 7/1/2014 - 2042      | 2.00-5.00 %          | 132,520,000               |
| Series 2014                        | 39,715,000           | 7/1/2015 - 2024      | 2.00-5.00 %          | 4,640,000                 |
| Series 2015                        | 144,875,000          | 7/1/2015 - 2038      | 2.00-5.00 %          | 135,760,000               |
| Series 2018                        | 150,000,000          | 7/1/2018 - 2047      | 4.00-5.00 %          | 150,000,000               |
| Series 2020                        | 130,000,000          | 7/1/2021 - 2050      | 3.00-5.00 %          | 130,000,000               |
| <b>Total Revenue Bonds Payable</b> |                      |                      |                      | <b>\$552,920,000</b>      |

Requirements for the repayment of the outstanding revenue bonds are as follows:

| <b><u>Year Ending</u></b> | <b><u>Principal</u></b> | <b><u>Interest</u></b> | <b><u>Total debt service</u></b> |
|---------------------------|-------------------------|------------------------|----------------------------------|
| 2022                      | 17,050,000              | 24,896,790             | 41,946,790                       |
| 2023                      | 17,910,000              | 24,044,290             | 41,954,290                       |
| 2024                      | 22,265,000              | 23,148,790             | 45,413,790                       |
| 2025                      | 23,430,000              | 22,132,815             | 45,562,815                       |
| 2026                      | 27,400,000              | 21,068,615             | 48,468,615                       |
| 2027 - 2031               | 140,830,000             | 86,180,205             | 227,010,205                      |
| 2032 - 2036               | 95,695,000              | 59,605,250             | 155,300,250                      |
| 2033 - 2041               | 88,255,000              | 37,816,950             | 126,071,950                      |
| 2042 - 2046               | 79,475,000              | 20,200,950             | 99,675,950                       |
| 2047 - 2050               | 40,610,000              | 3,966,900              | 44,576,900                       |
| <b>Totals</b>             | <b>\$552,920,000</b>    | <b>\$323,061,555</b>   | <b>875,981,555</b>               |

**Notes to Financial Statements, continued****Note 6 – Long-term Debt, continued****Revenue Bonds Payable, continued**

A summary of changes in revenue bonds is as follows:

| <b>Issue</b>  | <b>12/31/2020</b>    | <b>Additions</b> | <b>Reductions</b>     | <b>12/31/2021</b>    |
|---------------|----------------------|------------------|-----------------------|----------------------|
| Series 2004   | \$3,380,000          | -                | (\$3,380,000)         | \$ -                 |
| Series 2012   | 136,365,000          | -                | (3,845,000)           | 132,520,000          |
| Series 2014   | 6,040,000            | -                | (1,400,000)           | 4,640,000            |
| Series 2015   | 143,155,000          | -                | (7,395,000)           | 135,760,000          |
| Series 2018   | 150,000,000          | -                | -                     | 150,000,000          |
| Series 2020   | 130,000,000          | -                | -                     | 130,000,000          |
| <b>Totals</b> | <b>\$568,940,000</b> | <b>\$0</b>       | <b>(\$16,020,000)</b> | <b>\$552,920,000</b> |

**Special Obligation Bonds Payable**

- \$27,555,000 of Series 2014 Special Obligation Bonds, issued in July 2014, to purchase a section of Interstate 95 in Kittery extending approximately 1.9 miles from the current southern end of the Turnpike to the abutment of the bridge over the Piscataqua River at the New Hampshire Border. This Kittery segment of the Interstate was maintained by the Authority under contract with Maine DOT and the Authority was reimbursed for the costs associated with upkeep of this section of the Interstate.

| <b>Issue</b>                                  | <b>Amount Issued</b> | <b>Maturity Date</b> | <b>Interest Rate</b> | <b>Balance 12/31/2021</b> |
|-----------------------------------------------|----------------------|----------------------|----------------------|---------------------------|
| Series 2014                                   | \$25,085,000         | 7/1/2019 - 2034      | 3.00-5.00 %          | \$23,755,000              |
| <b>Total Special Obligation Bonds Payable</b> |                      |                      |                      | <b>\$23,755,000</b>       |

## Notes to Financial Statements, continued

### Note 6 – Long-term Debt, continued

#### Special Obligation Bonds Payable, continued

Requirements for the repayment of the outstanding special obligation bonds are as follows:

| <u>Year Ending</u> | <u>Principal</u>    | <u>Interest</u>    | <u>Total Debt Service</u> |
|--------------------|---------------------|--------------------|---------------------------|
| 2022               | 1,385,000           | 1,060,800          | 2,445,800                 |
| 2023               | 1,450,000           | 991,550            | 2,441,550                 |
| 2024               | 1,525,000           | 919,050            | 2,444,050                 |
| 2025               | 1,600,000           | 842,800            | 2,442,800                 |
| 2026               | 1,680,000           | 762,800            | 2,442,800                 |
| 2027 - 2031        | 9,445,000           | 2,772,250          | 12,217,250                |
| 2032 - 2034        | 6,670,000           | 655,450            | 7,325,450                 |
| <b>Totals</b>      | <b>\$23,755,000</b> | <b>\$8,004,700</b> | <b>\$31,759,700</b>       |

A summary of changes in special obligation bonds is as follows:

| <u>Issue</u>  | <u>12/31/2020</u>   | <u>Additions</u> | <u>Reductions</u>    | <u>12/31/2021</u>   |
|---------------|---------------------|------------------|----------------------|---------------------|
| Series 2014   | \$25,085,000        | \$0              | (\$1,330,000)        | \$23,755,000        |
| <b>Totals</b> | <b>\$25,085,000</b> | <b>\$0</b>       | <b>(\$1,330,000)</b> | <b>\$23,755,000</b> |

Changes in Revenue and Special Obligation long-term liability for the year ended December 31, 2021, were as follows:

| <u>Bond Type</u>                   | <u>12/31/2020</u>    | <u>Additions</u> | <u>Reductions</u>     | <u>12/31/2021</u>    | <u>Due within one year</u> |
|------------------------------------|----------------------|------------------|-----------------------|----------------------|----------------------------|
| Revenue Bonds                      | \$568,940,000        | -                | (\$16,020,000)        | \$552,920,000        | \$17,050,000               |
| Special Obligation Bonds           | 25,085,000           | -                | (1,330,000)           | 23,755,000           | 1,385,000                  |
| <b>Subtotal</b>                    | <b>594,025,000</b>   | <b>-</b>         | <b>(17,350,000)</b>   | <b>576,675,000</b>   | <b>18,435,000</b>          |
| Adjustment for Premium / Discount: | 65,292,936           | -                | (5,885,924)           | 59,407,011           | -                          |
| <b>Total</b>                       | <b>\$659,317,936</b> | <b>\$0</b>       | <b>(\$23,235,924)</b> | <b>\$636,082,011</b> | <b>\$18,435,000</b>        |

## Notes to Financial Statements, continued

### Note 6 – Long-term Debt, continued

Changes in Revenue and Special Obligation long-term liability for the year ended December 31, 2020, were as follows:

| Bond Type                          | 12/31/2019           | Additions            | Reductions            | 12/31/2020           | Due within one year |
|------------------------------------|----------------------|----------------------|-----------------------|----------------------|---------------------|
| Revenue Bonds                      | \$453,690,000        | 130,000,000          | (\$14,750,000)        | \$568,940,000        | \$16,020,000        |
| Special Obligation Bonds           | 26,350,000           | -                    | (1,265,000)           | 25,085,000           | 1,330,000           |
| <b>Subtotal</b>                    | <b>480,040,000</b>   | <b>130,000,000</b>   | <b>(16,015,000)</b>   | <b>594,025,000</b>   | <b>17,350,000</b>   |
| Adjustment for Premium / Discounts | 44,242,061           | 25,969,210           | (4,918,334)           | 65,292,936           | -                   |
| <b>Total</b>                       | <b>\$524,282,061</b> | <b>\$155,969,210</b> | <b>(\$20,933,334)</b> | <b>\$659,317,936</b> | <b>\$17,350,000</b> |

### Note 7 – Debt Service Reserve Fund

The general bond resolution requires the Authority to fund the Debt Service Reserve Requirement with cash and investments or with a surety policy or letter of credit. In order to satisfy this requirement in the past, the Authority acquired surety policies issued by Financial Security Assurance, Inc (FSA) and AMBAC Assurance Corporation. Currently, the Authority has one surety in place:

| Debt Service Reserve<br>Fund Surety Policy<br>Provider | Series Availability        | Termination<br>Date | Maximum<br>Amount |
|--------------------------------------------------------|----------------------------|---------------------|-------------------|
| Ambac                                                  | All Turnpike Revenue Bonds | July 1, 2030        | \$ 4,871,359      |

In 2008, as a result of the sub-prime mortgage crisis, AMBAC was downgraded significantly and did not maintain ratings by Moody's and S&P at least equal to the ratings on the Authority's outstanding revenue bonds.

As a result, while still in effect, this surety no longer qualifies under the general bond resolution to meet the Debt Service Reserve Fund requirement.

Currently, the Debt Service Reserve requirement is \$24,234,308, which is one half of maximum annual debt service (MADS), the same as it was in 2020. The debt service reserve fund is currently 100% funded with cash.

**Note 8 – Maine Public Employees Retirement System (MainePERS) – Consolidated Retirement Pension Plan**

**Plan Descriptions**

The Authority contributes to the Maine Public Employees Retirement System, as part of the PLD Consolidated Plan (the Plan) which is a cost sharing multiple employer defined benefit pension plan. The Plan was established as the administrator of a public employee retirement system under the Laws of the State of Maine. The PLD Plan covers 305 participating employers. The Authority's full-time and permanent part-time employees are eligible to participate in the Plan.

Benefit terms are established by Maine statute, in the case of the PLD Consolidated Plan, an advisory group, also established by statute, reviews the terms of the Plan and periodically makes recommendations to the legislature to amend them. The Plan's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten-year requirement was reduced by legislative action to five years). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD Plan members, normal retirement age is 60 for members hired before July 1, 2014. Normal retirement age is 65 for members hired on or after July 1, 2014. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The Plan also provides disability and death benefits which are established by statute for State employee members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the Plan's Board of Trustees and is currently 0.93%.

For the years ended December 31, 2021 and 2020, the Authority's total payroll for all employees was \$24,489,867 and \$26,907,889, respectively and total covered payroll was \$23,840,322 and \$25,350,467, respectively for the PLD Plan. Covered payroll refers to all compensation paid by the Authority to active employees covered by the Plan.

**Note 8 – Maine Public Employees Retirement System (MainePERS) – Consolidated Retirement Pension Plan, *continued***

**Contributions**

The contribution requirements of the PLD Plan members are defined by law or the Plan's Board. Employees of the Authority are required to contribute 7.35% or 8.10% of covered compensation to the PLD Plan, depending on the date they were hired. The contributions are deducted from the employee's wages or salary and remitted by the Authority to the Plan on a monthly basis. Employer contribution rates are determined through actuarial valuations. The Authority's required contribution rate for the years ended December 31, 2021 and 2020, was 10.3% and 10.1%, respectively, of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Authority's contributions to the Plan for the years ended December 31, 2021 and 2020 were \$2,582,038 and \$2,738,995, respectively.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**

At December 31, 2021 and 2020, the Authority reported an asset of \$1,102,845 and liability of \$15,351,264, respectively for its proportionate share of the net pension liability. The net pension asset/liability was measured as of June 30, 2021 and June 30, 2020, and the total pension asset/liability used to calculate the net pension asset/liability was determined by actuarial valuations as of these dates. The Authority's proportion of the net pension asset/liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the Authority's proportion was 3.43%, which was a decrease of 0.430% from its proportion measured as of June 30, 2020. At June 30, 2020, the Authority's proportion was 3.86%, which was an increase of 0.120% from its proportion measured as of June 30, 2019.

For the years ended December 31, 2021 and 2020, the Authority recognized pension (benefit)/expense of (\$617,451) and \$3,274,961, respectively. At December 31, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Notes to Financial Statements, *continued***

**Note 8 – Maine Public Employees Retirement System (MainePERS) – Consolidated Retirement Pension Plan, *continued***

**December 31, 2021**

|                                                                                                      | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|------------------------------------------------------------------------------------------------------|-------------------------------------------|----------------------------------------------|
| Differences between expected and actual results                                                      | \$ 713,407                                | \$ 74,958                                    |
| Changes of assumptions                                                                               | 3,703,261                                 | -                                            |
| Net difference between projected and actual earnings on Plan investments                             | -                                         | 15,032,178                                   |
| Changes in proportion and differences between contributions and proportionate share of contributions | 134,271                                   | 1,114,707                                    |
| Contributions subsequent to the measurement date                                                     | 1,237,957                                 | -                                            |
| <b>Total</b>                                                                                         | <b>\$ 5,788,896</b>                       | <b>\$ 16,221,843</b>                         |

**December 31, 2020**

|                                                                                                      | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|------------------------------------------------------------------------------------------------------|-----------------------------------------------|----------------------------------------------|
| Differences between expected and actual results                                                      | \$ 921,204                                    | \$ 168,786                                   |
| Changes of assumptions                                                                               | -                                             | -                                            |
| Net difference between projected and actual earnings on Plan investments                             | 998,927                                       | -                                            |
| Changes in proportion and differences between contributions and proportionate share of contributions | 268,542                                       | 202,035                                      |
| Contributions subsequent to the measurement date                                                     | 1,213,205                                     | -                                            |
| <b>Total</b>                                                                                         | <b>\$ 3,401,878</b>                           | <b>\$ 370,821</b>                            |

## Notes to Financial Statements, *continued*

### **Note 8 – Maine Public Employees Retirement System (MainePERS) – Consolidated Retirement Pension Plan, *continued***

The \$1,237,957 of deferred outflows of resources as of December 31, 2021, resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2022. The \$1,213,205 of deferred outflows of resources as of December 31, 2020, resulting from the Authority's contribution subsequent to the measurement date were recognized as a reduction of the net position liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be netted and recognized in pension expense, (addition or (reduction) to expense) as follows:

| Years ending December 31, |                               |
|---------------------------|-------------------------------|
| 2022                      | \$ (2,145,313)                |
| 2023                      | (1,926,588)                   |
| 2024                      | (3,421,860)                   |
| 2025                      | (4,177,143)                   |
| <b>Total</b>              | <b><u>\$ (11,670,904)</u></b> |

### **Actuarial Assumptions**

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |                                                |
|---------------------------|------------------------------------------------|
| Inflation                 | PLD Plan 2.75%, per annum                      |
| Salary increases          | PLD Plan 2.75% - 11.48%, per year              |
| Investment rate of return | PLD Plan 6.50%, per annum, compounded annually |

Mortality rates were based on the 2010 Public Plan General Benefits-weighted Healthy Retiree Mortality table, for males and females, projected generationally using the RPEC\_2020 model.

The actuarial assumptions used in the June 30, 2021 valuation was based on the results of an actuarial experience study for the periods of June 30, 2016 to June 30, 2020.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class are summarized in the following table:

## Notes to Financial Statements, *continued*

### Note 8 – Maine Public Employees Retirement System (MainePERS) – Consolidated Retirement Pension Plan, *continued*

#### Actuarial Assumptions - Continued

| <u>Asset Class</u> | <u>Long-term<br/>Expected Real<br/>Rate of Return</u> |
|--------------------|-------------------------------------------------------|
| Public Equities    | 6.0%                                                  |
| U.S. Government    | 2.3%                                                  |
| Private Equity     | 7.6%                                                  |
| Real Assets:       |                                                       |
| Real Estate        | 5.2%                                                  |
| Infrastructure     | 5.3%                                                  |
| Natural Resources  | 5.0%                                                  |
| Traditional Credit | 3.0%                                                  |
| Alternative Credit | 7.2%                                                  |
| Diversifiers       | 5.9%                                                  |
| <b>Total</b>       |                                                       |

#### Discount Rate

The discount rate used to measure the total pension liability was 6.50% for the PLD Plan. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### Sensitivity of the Proportionate Share of the Net Pension (Asset)/Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 6.50%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

|                       | <u>Discount<br/>Rate</u> | <u>Authority's proportionate<br/>share of net pension<br/>(asset)/liability</u> |
|-----------------------|--------------------------|---------------------------------------------------------------------------------|
| 1% decrease           | 5.500%                   | \$ 15,694,145                                                                   |
| Current discount rate | 6.500%                   | (1,102,845)                                                                     |
| 1% increase           | 7.500%                   | (14,996,145)                                                                    |

**Note 8 – Maine Public Employees Retirement System (MainePERS) – Consolidated Retirement Pension Plan, continued**

**Plan Fiduciary Net Position**

Detailed information about the Plan's fiduciary net position is available in the separately issued Maine Public Employees Retirement System financial report.

**Note 9 – Operating Lease**

In 2006, the Authority entered into lease agreements with HMS Host and CN Brown to operate its five service plazas on the Turnpike. The Authority entered into the arrangements as a means to provide services to users of the Turnpike in a more efficient, cost-effective manner. As a result of the COVID-19 pandemic, HMS Host's business has had a significant short-term decline on the Turnpike, hindering their ability to make the required minimum rent payments commencing April 2020. HMS Host and the Authority amended the lease to provide a temporary waiver of the fixed rent for 2020 and accept the percentage of sales. The 2020 percentage rent, less what had already been remitted in early 2020, was paid in full in early 2021. In July 2021, HMS Host sold its toll concession business to Applegreen. Applegreen, based in the United Kingdom, assumed all rights, obligations and liabilities of HMS Host under the operating agreement and will continue to operate under the HMS Host name. HMS Host percentage rent was \$3,007,551 and \$1,952,907 in 2021 and 2020, respectively. The lease agreement with CN Brown provides for contingent rent based on sales. The Authority received \$1,388,106 and \$947,300 in contingent rentals from CN Brown in 2021 and 2020, respectively.

In April 2018 the Authority entered into a lease agreement with Maine Crafts Association for an area located in the Authority's West Gardiner Service Plaza. The lease agreement is contingent based on gross sales however also provide a guaranteed minimum rent of \$800 per month from April 1, 2018 through March 31, 2023. The Authority received minimum rent of \$9,600 and contingent rent of \$2,077 from Maine Crafts Association in 2021.

Contingent rent for HMS host is 20% of sales for years 1-10, 21% of sales for years 11-20 and 22% of sales for years 21-30. Contingent rent for CN Brown is based on the gallons of gasoline and diesel fuel sold at a fuel rent factor of 8 cents per gallon, adjusted upward each year for the Consumer Price Index Change that exceeds 2%, plus 10% of the sales of other products, plus 5% of the sales of tobacco products and plus 2% of the amount received from the Lottery Commission. The Authority has retained the right to approve the activities of the lessees and also has established limits to the prices that can be charged to customers. Contingent rent for the Maine Crafts Association is 2% on all gross sales exceeding \$500,000, and 4% on all gross sales exceeding \$600,000.

The lease agreement with HMS Host requires \$8 million of capital improvements to be paid for by HMS Host, consisting of leasehold improvements, equipment and furnishings as approved by the Authority. \$4 million of these

## Notes to Financial Statements, *continued*

### Note 9 – Operating Lease, *continued*

improvements must be incurred prior to December 31, 2017 and the remaining \$4 million must be incurred prior to December 31, 2027. If the required amount of \$8 million has not been reinvested by HMS Host by the end of the term, then the remainder of the sum shall be rebated to the Authority in cash. Prior to the December 31, 2017 requirement date, HMS Host did invest in excess of \$4 million dollars in the facilities.

The leased facilities are reported as capital assets of the Authority with a net book value of \$27,758,652 and \$29,308,699 as of December 31, 2021 and 2020, respectively.

Future minimum rentals to be received under the HMS Host lease as of December 31, 2021 are as follows:

|              |                             |
|--------------|-----------------------------|
| 2022         | 3,050,000                   |
| 2023         | 3,050,000                   |
| 2024         | 3,050,000                   |
| 2025         | 3,050,000                   |
| 2026         | 3,050,000                   |
| 2027 - 2031  | 15,250,000                  |
| 2032 - 2036  | 15,250,000                  |
| 2037         | 7,625,000                   |
| <b>Total</b> | <b><u>\$ 53,375,000</u></b> |

Future minimum rentals to be received under the Maine Crafts Association lease as of December 31, 2021 are as follows:

|              |                         |
|--------------|-------------------------|
| 2022         | 9,600                   |
| 2023         | 2,400                   |
| <b>Total</b> | <b><u>\$ 12,000</u></b> |

**Note 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**Participating Local District Consolidated Plan – Retiree Group Life Insurance**

*General Information*

*Plan description.* Employees are provided with OPEB through the Participating Local District Consolidated Plan – Retiree Group Life Insurance (PLD Plan), a cost-sharing multiple-employer defined benefit OPEB plan administered by the Maine Public Employees Retirement System (MainePERS). State of Maine Statutes grants the authority to establish and amend the benefit terms to the MainePERS Board of Trustees. MainePERS issues a publicly available financial report that can be obtained at [www.mainebers.org](http://www.mainebers.org).

*Benefits provided.* The Group Life Insurance Plan (the Plan) provides basic group life insurance benefits, during retirement, to retirees who participated in the Plan prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retirees' average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

*Contributions.* Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims. PLD employers are required to remit a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period. Contributions to the OPEB plan from the Authority were \$98,087 and \$91,050 for the years ended June 30, 2021 and June 30, 2020 actuarial valuations. Employees are not required to contribute to the OPEB plan.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At December 31, 2021 and 2020, the Authority reported a liability of \$853,433 and \$1,065,776, respectively for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2021 and June 30, 2020, and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of these dates. The Authority's proportion of the collective net OPEB liability was based on a projection of the Authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2021, the Authority's proportion was 8.267%, which was an increase of 0.18% from its proportion measured as of June 30, 2020.

**Notes to Financial Statements, continued**

**Note 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued**

**Participating Local District Consolidated Plan – Retiree Group Life Insurance, continued**

For the years ended December 31, 2021 and 2020, the Authority recognized OPEB expense (benefit) of (\$95,857) and \$(80,259), respectively. The Authority's reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources as of December 31:

|                                                                                                            | 2021                                 |                                     | 2020                                 |                                     |
|------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
|                                                                                                            | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| Differences Between Expected and Actual Results                                                            | \$ 96,437                            | \$ 261,941                          | \$ 131,581                           | \$ 26,613                           |
| Changes of Assumptions                                                                                     | 143,980                              | 575,509                             | 110,917                              | 759,518                             |
| Net Difference Between Projected and Actual<br>Earnings on Plan Investments                                | -                                    | -                                   | -                                    | -                                   |
| Changes in Proportion and Differences Between<br>Contributions and Proportionate Share of<br>Contributions | 54,370                               | 39,896                              | 29,825                               | 50,353                              |
| Contributions Subsequent to the Measurement Date                                                           | 49,044                               | -                                   | 45,525                               | -                                   |
| <b>Total</b>                                                                                               | <b>\$ 343,831</b>                    | <b>\$ 877,346</b>                   | <b>\$ 317,848</b>                    | <b>\$ 836,484</b>                   |

Of the total amount reported as deferred outflows of resources related to OPEB as of December 31, 2021, \$49,044 resulting from Authority contributions subsequent to the measurement date will be included as a reduction of the collective net OPEB liability in the year ending December 31, 2022. Of the total amount reported as deferred outflows of resources related to OPEB as of December 31, 2020, \$45,525 resulting from Authority contributions subsequent to the measurement date was included as a reduction of the collective net OPEB liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the Authority's OPEB expense, as follows:

**Year Ended December 31,**

|              |                     |
|--------------|---------------------|
| 2022         | \$ (190,098)        |
| 2023         | (102,921)           |
| 2024         | (148,313)           |
| 2025         | (173,315)           |
| 2026         | 16,043              |
| Thereafter   | 16,045              |
| <b>Total</b> | <b>\$ (582,559)</b> |

## Notes to Financial Statements, *continued*

### Note 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), *continued*

#### Participating Local District Consolidated Plan – Retiree Group Life Insurance, *continued*

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2021 using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|                             |                                                 |
|-----------------------------|-------------------------------------------------|
| Inflation                   | 2.75 percent                                    |
| Salary increases            | 2.75% - 11.48% including inflation              |
| Investment rate of return   | 6.50% per annum, compounded annually            |
| Healthcare cost trend rates | Not applicable to the group life insurance plan |

Based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality table, for males and females, projected generationally using the RPEC\_2020 model.

The actuarial assumptions used in the June 30, 2021 valuation was based on the results of an actuarial experience study for the period from June 30, 2016 through June 30, 2020.

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. Those ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table:

| <b>Asset Class</b>       | <b>Long-Term<br/>Expected Real<br/>Rate of Return</b> |
|--------------------------|-------------------------------------------------------|
| Public Equities          | 6.0%                                                  |
| Real Estate              | 5.2%                                                  |
| Traditional Credit       | 3.0%                                                  |
| US Government Securities | 2.3%                                                  |
| <b>Total</b>             |                                                       |

**Note 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), *continued***

**Participating Local District Consolidated Plan – Retiree Group Life Insurance, *continued***

The discount rate used to measure the total OPEB liability for the PLD Plan was 6.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the Authority's proportionate share of the collective net OPEB liability to changes in the discount rate.* The following presents the Authority's proportionate share of the collective net OPEB liability, as well as what the Authority's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current discount rate:

|                                                                         | 1% Decrease<br>(5.50%) | Discount Rate<br>(6.50%) | 1% Increase<br>(7.50%) |
|-------------------------------------------------------------------------|------------------------|--------------------------|------------------------|
| Authority's Proportionate Share of<br>the Collective Net OPEB Liability | \$ 1,266,879           | \$ 853,433               | \$ 521,766             |

**Retiree Group Health Insurance Plan**

**General Information**

*Plan description.* In addition to providing pension benefits, the Authority provides health care benefits for certain retired employees. Eligibility to receive health care benefits follows the same requirements as MainePERS. Eligible retirees receive 100% paid health benefit coverage, Anthem POS plan until age 65 or Medicare Advantage plan at the age of 65. The Authority paid approximately \$1,319,678 and \$1,390,961 of insurance contributions for approximately 304 retirees for the years ended December 31, 2021 and 2020 respectively. Benefit provisions are established and amended through negotiations between the Authority and the respective unions.

The Authority does not issue a separate financial report for its OPEB as the Authority does not fund an OPEB plan and operates on a pay-as-you-go basis. Employers fund their own benefits. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

*Benefits provided.* The Health Plan provides healthcare and life insurance benefits for retirees and their dependents. Authority employees with 1 year of continuous service and health plan participation at retirement are eligible to participate in the Health Plan. Retirees who are not eligible for Medicare retain coverage in the same group health plan as active employees. Retirees must pay for Medicare Part B coverage to be eligible to participate in the State-sponsored employer funded Companion Plan.

## Notes to Financial Statements, *continued*

### Note 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), *continued*

#### Retiree Group Health Insurance Plan, *continued*

*Plan Membership.* At December 31, 2021, the following were covered by the benefit terms:

|                                      |            |
|--------------------------------------|------------|
| Inactive Employees or Beneficiaries  |            |
| Currently Receiving Benefit Payments | 304        |
| Active Employees                     | 330        |
| <b>Total</b>                         | <b>634</b> |

#### **Total OPEB Liability**

The Authority's total OPEB liability of \$53,500,194 was measured as of January 1, 2022 and \$51,792,481 was measured as of December 31, 2020, and was determined by an actuarial valuation as of January 1, 2021.

*Actuarial assumptions and other inputs.* The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

General inflation of 2.75% was used along with an aggregate payroll increase of 3.00%. Merit payroll increases, mortality, termination, disability and retirement assumptions relied on the MainePERS December 31, 2012 through June 30, 2015's experience study. Mortality rates were based on the RP-2014 Total Dataset Healthy Annuitant Mortality Table for Males or Females. The mortality improvement scale RPEC-2015 was modified to converge to an ultimate rate of 0.85% for ages 20 to 85 grading down to 0.00% for ages 111 to 120 with convergence to the ultimate rate in 2021.

The discount rate was based on high quality AA/Aa or higher bond yields in effect for 20-year, tax exempt general obligation municipal bonds using the Bond Buyer index.

**Notes to Financial Statements, *continued*****Note 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), *continued*****Retiree Group Health Insurance Plan, *continued***

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of an actuarial experience study, conducted by the MainePERS Consolidated Plan for Participating Local Districts, for the period July 1, 2012 through June 30, 2015.

**Changes in the Total OPEB Liability**

|                                                    | December 31,<br>2021        | December 31,<br>2020        |
|----------------------------------------------------|-----------------------------|-----------------------------|
| Balance as of beginning of year                    | \$ 51,792,481               | \$ 57,027,569               |
| Changes for the Year:                              |                             |                             |
| Service Cost                                       | 1,794,435                   | 1,874,329                   |
| Interest                                           | 1,118,493                   | 1,589,027                   |
| Changes in Benefit Terms                           | -                           | -                           |
| Differences Between Expected and Actual Experience | -                           | (8,013,182)                 |
| Changes in Assumptions of Other Inputs             | 450,450                     | 1,131,136                   |
| Benefit Payments                                   | <u>(1,655,665)</u>          | <u>(1,816,398)</u>          |
| Net Changes                                        | <u>1,707,713</u>            | <u>(5,235,088)</u>          |
| Balance as of end of year                          | <u><u>\$ 53,500,194</u></u> | <u><u>\$ 51,792,481</u></u> |

Changes in assumptions or other inputs reflect a change in the discount rate from 2.12% in 2020 to 2.06% in 2021.

**Notes to Financial Statements, continued****Note 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), continued****Retiree Group Health Insurance Plan, continued**

*Sensitivity of the total OPEB liability to changes in the discount rate.*

The following table shows how the total OPEB liabilities would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate used for the Health Plan is 2.06%.

|                      | 1% Decrease<br>(1.06%) | Discount Rate<br>(2.06%) | 1% Increase<br>(3.06%) |
|----------------------|------------------------|--------------------------|------------------------|
| Total OPEB Liability | \$ 61,922,212          | \$ 53,500,194            | \$ 46,677,520          |

*Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates.*

The following table shows how the total OPEB liabilities would change if the healthcare rate used was one percentage point lower or one percentage point higher than the current rate of 5.75% to 6.10%.

|                      | 1% Decrease<br>(4.75%-5.10%) | Current Trend<br>(5.75%-6.10%) | 1% Increase<br>(6.75%-7.10%) |
|----------------------|------------------------------|--------------------------------|------------------------------|
| Total OPEB Liability | \$ 45,685,132                | \$ 53,500,194                  | \$ 63,402,728                |

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the years ended December 31, 2021 and 2020, the Authority recognized OPEB expense of \$2,646,183 and \$3,096,511, respectively. At December 31, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**Notes to Financial Statements, *continued***

**Note 10 – POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB), *continued***

**Retiree Group Health Insurance Plan, *continued***

|                                                                                                                      | December 31, 2021                    |                                     | December 31, 2020                    |                                  |
|----------------------------------------------------------------------------------------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|----------------------------------|
|                                                                                                                      | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources | Deferred<br>Outflows of<br>Resources | Deferred Inflows<br>of Resources |
| Differences Between Expected and Actual Results                                                                      | \$ -                                 | \$ 4,451,768                        | \$ -                                 | \$ 6,232,475                     |
| Changes of Assumptions                                                                                               | 4,122,093                            | 466,530                             | 6,118,663                            | 1,399,588                        |
| Net Difference Between Projected and Actual Earnings<br>on OPEB Plan Investments                                     | -                                    | -                                   | -                                    | -                                |
| Changes in Proportion and Differences Between<br>Authority Contributions and Proportionate Share of<br>Contributions | -                                    | -                                   | -                                    | -                                |
| Contributions Subsequent to the Measurement Date                                                                     | -                                    | -                                   | -                                    | -                                |
| <b>Total</b>                                                                                                         | <b>\$ 4,122,093</b>                  | <b>\$ 4,918,298</b>                 | <b>\$ 6,118,663</b>                  | <b>\$ 7,632,063</b>              |

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**Year Ended December 31,**

|              |                     |
|--------------|---------------------|
| 2022         | \$ 199,783          |
| 2023         | (381,464)           |
| 2024         | (664,574)           |
| 2025         | 50,050              |
| <b>Total</b> | <b>\$ (796,205)</b> |

**Note 11 – Union Contract**

In October 2020, the Authority signed a three-year contract with the Maine State Employees Association (MSEA) and expires at the end of 2023. For this contract, the Employee and Supervisory Units were reorganized into three new units: Fare Collection, Headquarters, and Maintenance & Operations.

## Notes to Financial Statements, *continued*

### Note 12 – Commitments and Contingencies

The Authority is a defendant in various lawsuits. Although the outcomes of the lawsuits are not presently determinable, it is the belief of the Authority's legal counsel that any settlement or damages assessed would be covered by insurance, and therefore should not have a material adverse effect on the Authority's financial condition.

Future commitments on outstanding construction projects for improvements and maintenance totaled approximately \$77,689,933 and \$53,493,585 as of December 31, 2021 and December 31, 2020, respectively.

Due to changes to enabling legislation in 2011, the Authority is potentially obligated to provide 5% of its annual operating revenues to the Maine Department of Transportation (MaineDOT). The Authority has incurred and expects to continue to incur significant expenses from construction projects that will be of mutual benefit to MaineDOT and accordingly has met its obligation to MaineDOT.

### Note 13 – Risk Management

The Authority is exposed to various risks of loss related to theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the Authority is insured through various commercial insurance carriers. As required by the Authority's contract with its bondholders, the Authority's consulting engineer certifies each year that insurance limits and coverage adequately protect the properties, interests, and operations of the Authority. Claims expenditure, liabilities and reserves are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The Authority is self-insured for its workers' compensation liability. The program provides coverage for up to a maximum of \$1,000,000 for each workers' compensation claim and \$25,000,000 in the aggregate. In addition, the Authority purchases excess workers' compensation insurance to limit its financial risk. The Authority is responsible for claims made up to \$750,000 per covered claim. Reserves are estimated at one hundred percent of expected expenditures. Settled claims have not exceeded the commercial coverage in any of the past three years.

The following summarizes the claims activity with respect to the Authority's self-insured workers' compensation program:

|                                      | <u>2021</u>                | <u>2020</u>                |
|--------------------------------------|----------------------------|----------------------------|
| Unpaid Claims as of January 1        | \$ 1,504,609               | \$ 2,315,218               |
| Incurred Claims / Claim Resolutions  | 251,883                    | (357,295)                  |
| Total Claim Payments                 | <u>368,586</u>             | <u>453,314</u>             |
| Current Claims Liability             | 337,640                    | 425,540                    |
| Long-term Claims Liability           | <u>1,050,264</u>           | <u>1,079,069</u>           |
| <b>Total Unpaid Claims Liability</b> | <b><u>\$ 1,387,904</u></b> | <b><u>\$ 1,504,609</u></b> |

**Note 14 – MaineDOT Equity Transfers**

In 2019, a joint agreement was made between the Maine Turnpike Authority, the MaineDOT and NHDOT regarding repairs needed to the Piscataqua River Bridge that connects the states of Maine and New Hampshire. This bridge is the primary gateway to the Maine Turnpike from the south. The rehabilitation includes widening and improving the outside shoulder to accommodate future traffic when functioning as a travel lane, paving the median and installing a concrete median barrier, paving and restriping the full width. The Maine Turnpike Authority's share of the project cost is approximately \$12 million, which the Authority considers as a transfer of equity to the MaineDOT. The project began in the fall of 2019 and is expected to take approximately three years to complete. Since the Piscataqua River Bridge is jointly owned by the MaineDOT and the NHDOT, the Maine Turnpike Authority has no ownership interest in the bridge, therefore the Authority's share of the project cost is treated as a transfer of equity to the MaineDOT. The total transfer of equity to the MaineDOT was \$3,948,158 and \$3,863,402 in 2021 and 2020, respectively.

**Note 15 – Risks and Uncertainties**

Beginning in March 2020, the United States economy began suffering adverse effects from the COVID-19 pandemic including financial markets, supply chains, business, and communities. Specific to the Authority, COVID-19 did impact various parts of its 2020 operations and financial results including a reduction to Total Revenues of \$29 million and a decrease in traffic of 21.8% compared to 2019 which was a record year in both revenue and traffic. However, in 2021, the Authority's finances recovered as net fare revenue increased 20% over 2020 and was just 1% lower than 2019 levels. Management believes that its unrestricted and discretionary cash, together with future net fare revenues, will keep the Authority's financial condition stable. However, the full impact of COVID-19, and its variants, is unknown and cannot be reasonably estimated as these events are still developing.

**Note 16 – Forward Delivery of Refunded Revenue Bonds**

In December 2021, the Authority entered into a forward delivery agreement with its bond underwriter, BofA Securities, to refund \$124,900,000 of the Series 2012 revenue bonds. The new bond par amount will be \$102,340,000, reflecting a net present value savings of approximately \$25,350,000. Final settlement of this agreement is expected to occur on or about April 4, 2022.

**REQUIRED SUPPLEMENTARY INFORMATION**

**Trend Data on Infrastructure Condition**

The Authority has elected to use the modified approach to infrastructure reporting under GASB 34. The Authority’s consulting engineers are required to make an inspection at least once a year of the Turnpike, and, on or before the first day of October of each year, to submit to the Authority a report setting forth (a) their findings whether the Turnpike has been maintained in good repair, working order and condition, (b) their advice and recommendations as to the proper maintenance, repair and operation of the Turnpike during the ensuing Fiscal Year and an estimate of the amount of money necessary for such purposes, (c) their advice and recommendations as to the amounts and types of insurance to be carried, and (d) their recommendations as to the amount that should be deposited into the Reserve Maintenance Fund during the upcoming Fiscal Year.

The roadways are rated on a 10-point scale, with 10 meaning that every aspect of the roadway is in new and perfect condition. The Authority’s system as a whole is given an overall rating, indicating the average condition of all roadways operated by the Authority. The assessment of condition is made by visual inspection designed to reveal any condition that would reduce highway-user benefits below the maximum level of service. The Authority’s policy is to maintain the roadway condition at rating of 8 (generally good condition) or better. The results of the 2021 inspection states that the Maine Turnpike has been maintained in generally good condition and presents a favorable appearance.

The budget to actual expenditures for Preservation for 2021 is as follows:

|                      | <b>Budget</b> |           | <b>Actual</b> |           |
|----------------------|---------------|-----------|---------------|-----------|
| Preservation Expense | \$            | 9,663,500 | \$            | 8,619,174 |

**REQUIRED SUPPLEMENTARY INFORMATION, *Continued***

**Maine Turnpike Authority  
Schedule of Changes in Net OPEB Liability and Related Ratios -  
MTA Group Health Insurance Plan  
December 31, 2021**

**Total OPEB liability**

| Year | Service Cost | Interest    | Changes in<br>Benefit<br>Terms | Differences<br>Between<br>Expected and<br>Actual<br>Experience | Changes Of<br>Assumptions<br>Or Other<br>Inputs | Benefit<br>Payments | Net Change in<br>Total OPEB<br>Liability | Total OPEB<br>Liability -<br>Ending | Covered<br>Payroll | Total OPEB<br>Liability as<br>a<br>Percentage<br>of Covered<br>Payroll | Discount<br>Rate<br>Used |
|------|--------------|-------------|--------------------------------|----------------------------------------------------------------|-------------------------------------------------|---------------------|------------------------------------------|-------------------------------------|--------------------|------------------------------------------------------------------------|--------------------------|
| 2021 | \$1,794,435  | \$1,118,493 | \$ -                           | \$ -                                                           | \$450,450                                       | (\$1,655,665)       | \$1,707,713                              | \$53,500,194                        | \$22,037,718       | 242.8%                                                                 | 2.06%                    |
| 2020 | 1,874,329    | 1,589,027   | -                              | (8,013,182)                                                    | 1,131,136                                       | (1,816,398)         | (5,235,088)                              | 51,792,481                          | 21,457,868         | 241.4%                                                                 | 2.12%                    |
| 2019 | 1,333,533    | 1,909,232   | -                              | -                                                              | 9,430,003                                       | (1,756,589)         | 10,916,179                               | 57,027,569                          | 22,682,162         | 251.4%                                                                 | 2.74%                    |
| 2018 | 1,500,957    | 1,704,318   | -                              | -                                                              | (4,198,762)                                     | (1,876,608)         | (2,870,095)                              | 46,111,391                          | 20,878,892         | 220.9%                                                                 | 4.10%                    |

**Notes to schedule:**

Changes of assumptions: Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period.

Funding method was changed from Projected Unit Credit funding to Entry Age Normal funding method.

This schedule is presented to illustrate requirements to show information for 10 years. However, until a full 10 year trend is completed, the Authority presents information for those years of which information is available.

**REQUIRED SUPPLEMENTARY INFORMATION, Continued****Group Term Life Healthcare Plan**

Maine Turnpike Authority  
Schedule of Proportionate Share of Net OPEB Liability - Group Life Insurance  
Maine Public Employees Retirement System  
December 31, 2021

| Year Ended    | Authority's Proportion of the Collective Net OPEB Liability | Authority's Proportionate Share of the Collective Net OPEB Liability | State's Proportionate Share of the Collective Net OPEB Liability | Total Collective Net OPEB Liability | Authority's Covered Payroll | Authority's Proportionate Share of the Collective Net OPEB Liability as a Percentage of its Covered Payroll | Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability |
|---------------|-------------------------------------------------------------|----------------------------------------------------------------------|------------------------------------------------------------------|-------------------------------------|-----------------------------|-------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|
| Dec. 31, 2021 | 8.27%                                                       | \$ 853,433                                                           | \$ -                                                             | \$ 853,433                          | \$ 23,840,322               | 3.58%                                                                                                       | 67.30%                                                                  |
| Dec. 31, 2020 | 8.08%                                                       | 1,065,776                                                            | -                                                                | 1,065,776                           | 25,350,467                  | 4.20%                                                                                                       | 55.40%                                                                  |
| Dec. 31, 2019 | 8.35%                                                       | 1,785,923                                                            | -                                                                | 1,785,923                           | 23,673,818                  | 7.54%                                                                                                       | 43.18%                                                                  |
| Dec. 31, 2018 | 8.15%                                                       | 1,645,671                                                            | -                                                                | 1,645,671                           | 22,811,303                  | 7.21%                                                                                                       | 43.92%                                                                  |
| Dec. 31, 2017 | 8.14%                                                       | 1,361,435                                                            | -                                                                | 1,361,435                           | 22,246,620                  | 6.12%                                                                                                       | 47.42%                                                                  |

This schedule is presented to illustrate requirements to show information for 10 years. However, until a full 10 year trend is completed, the Authority presents information for those years of which information is available.

Maine Turnpike Authority  
Schedule of OPEB Contributions - Group Life Insurance  
Maine Public Employees Retirement System  
December 31, 2021

| Year Ended    | Contractually Required Contribution | Contributions Relative to Contractually Required Contribution | Contribution Deficiency (Excess) | Authority's Covered Payroll | Contributions as a Percentage of Covered Payroll |
|---------------|-------------------------------------|---------------------------------------------------------------|----------------------------------|-----------------------------|--------------------------------------------------|
| Dec. 31, 2021 | \$ 38,600                           | \$ 38,600                                                     | \$ -                             | \$ 23,840,322               | 0.16%                                            |
| Dec. 31, 2020 | 36,000                              | 36,000                                                        | -                                | 25,350,467                  | 0.14%                                            |
| Dec. 31, 2019 | 34,000                              | 34,000                                                        | -                                | 23,673,818                  | 0.14%                                            |
| Dec. 31, 2018 | 31,300                              | 31,300                                                        | -                                | 22,811,303                  | 0.14%                                            |
| Dec. 31, 2017 | 33,000                              | 33,000                                                        | -                                | 22,246,620                  | 0.15%                                            |

This schedule is presented to illustrate requirements to show information for 10 years. However, until a full 10 year trend is completed, the Authority presents information for those years of which information is available.

**REQUIRED SUPPLEMENTARY INFORMATION, Continued**

**Maine Turnpike Authority  
Schedule of Proportionate Share of Net Pension Liability  
Maine Public Employees Retirement System  
December 31, 2021**

**Maine Public Employee Retirement System**

| Fiscal Year | Valuation Date | Authority's<br>Proportion of the<br>Net Pension<br>Liability(Asset) | Authority's<br>Proportionate<br>Share of the Net<br>Pension Liability | Covered<br>Employee<br>Payroll | Authority's Share of the<br>Net Pension Liability as a<br>Percentage of Covered<br>Payroll | Plan Fiduciary Net<br>Position as a Percentage<br>of the Total Pension<br>Liability |
|-------------|----------------|---------------------------------------------------------------------|-----------------------------------------------------------------------|--------------------------------|--------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------|
| 2021        | 07/01/2021     | \$ (1,102,845)                                                      | 3.4318%                                                               | \$ 23,840,322                  | N/A                                                                                        | 100.90%                                                                             |
| 2020        | 07/01/2020     | 15,351,264                                                          | 3.8638%                                                               | 25,350,467                     | 60.56%                                                                                     | 88.35%                                                                              |
| 2019        | 07/01/2019     | 11,437,656                                                          | 3.7419%                                                               | 23,673,818                     | 48.31%                                                                                     | 90.60%                                                                              |
| 2018        | 07/01/2018     | 10,611,572                                                          | 3.8774%                                                               | 22,811,303                     | 46.52%                                                                                     | 91.14%                                                                              |
| 2017        | 07/01/2017     | 16,098,398                                                          | 3.9318%                                                               | 22,246,620                     | 72.36%                                                                                     | 86.43%                                                                              |
| 2016        | 07/01/2016     | 20,031,423                                                          | 3.7701%                                                               | 20,397,862                     | 98.20%                                                                                     | 81.61%                                                                              |
| 2015        | 07/01/2015     | 12,529,254                                                          | 3.9271%                                                               | 19,263,547                     | 65.04%                                                                                     | 88.27%                                                                              |
| 2014        | 07/01/2014     | 5,724,658                                                           | 3.7202%                                                               | 18,906,556                     | 30.28%                                                                                     | 94.10%                                                                              |

**Maine Turnpike Authority  
Schedule of Contributions  
Maine Public Employees Retirement System  
December 31, 2021**

**Maine Public Employee Retirement System**

| Fiscal Year | Valuation<br>Date | Contractually<br>Required<br>Contribution | Contributions<br>Relative to<br>Contractually<br>Required<br>Contribution | Contribution<br>Deficiency<br>(Excess) | Covered Employee<br>Payroll | Contributions as a<br>Percentage of Covered<br>Employee Payroll |
|-------------|-------------------|-------------------------------------------|---------------------------------------------------------------------------|----------------------------------------|-----------------------------|-----------------------------------------------------------------|
| 2021        | 07/01/2021        | \$ 2,582,038                              | \$ 2,582,038                                                              | \$ -                                   | \$ 23,840,322               | 10.83%                                                          |
| 2020        | 07/01/2020        | 2,738,995                                 | 2,738,995                                                                 | -                                      | 25,350,467                  | 10.80%                                                          |
| 2019        | 07/01/2019        | 2,545,495                                 | 2,545,495                                                                 | -                                      | 23,673,818                  | 10.75%                                                          |
| 2018        | 07/01/2018        | 2,391,982                                 | 2,391,982                                                                 | -                                      | 22,811,303                  | 10.49%                                                          |
| 2017        | 07/01/2017        | 2,285,861                                 | 2,285,861                                                                 | -                                      | 22,246,620                  | 10.28%                                                          |
| 2016        | 07/01/2016        | 2,034,516                                 | 2,034,516                                                                 | -                                      | 20,397,862                  | 9.97%                                                           |
| 2015        | 07/01/2015        | 1,739,777                                 | 1,739,777                                                                 | -                                      | 19,263,547                  | 9.03%                                                           |
| 2014        | 07/01/2014        | 1,471,779                                 | 1,471,779                                                                 | -                                      | 18,906,556                  | 7.78%                                                           |

## OTHER SUPPLEMENTARY INFORMATION

### Calculation of the Composite Debt Service Ratio, as Defined by the Bond Resolutions and Related Documents (000's)

|                                                                        | Years Ended December 31st, |                   |
|------------------------------------------------------------------------|----------------------------|-------------------|
|                                                                        | 2021                       | 2020              |
| <b>Revenues:</b>                                                       |                            |                   |
| Net Fare Revenue                                                       | \$ 138,772                 | \$ 115,460        |
| Concession Rental                                                      | 4,405                      | 2,912             |
| Investment Income <sup>1</sup>                                         | 38                         | 1,058             |
| Miscellaneous                                                          | 2,458                      | 2,078             |
| <b>Total Revenues</b>                                                  | <b>\$ 145,673</b>          | <b>\$ 121,508</b> |
| <b>Expenses:</b>                                                       |                            |                   |
| Operations                                                             | 23,527                     | 25,699            |
| Maintenance                                                            | 12,635                     | 12,695            |
| Administrative                                                         | 2,124                      | 2,085             |
| <b>Total Expenses</b>                                                  | <b>\$ 38,286</b>           | <b>\$ 40,479</b>  |
| <b>Net Operating Revenues</b>                                          | <b>\$ 107,387</b>          | <b>\$ 81,029</b>  |
| Debt Service Payments <sup>2</sup>                                     | 39,556                     | 35,500            |
| Reserve Maintenance Fund Deposit                                       | 40,000                     | 40,000            |
| MDOT Account / Sub Debt Fund Deposit                                   | 2,444                      | 2,442             |
| <b>Other General Reserve Fund Deposits</b>                             | <b>\$ 25,387</b>           | <b>\$ 3,087</b>   |
| <b>Debt Service Ratio of Net Revenues to Debt Service <sup>3</sup></b> | <b>2.71</b>                | <b>2.28</b>       |

**Note:** Revenues and expenses are presented on this schedule on the accrual basis in accordance with accounting principles generally accepted in the United States. Certain amounts included on the Statements of Revenues, Expenses, and Changes in Net Position are not part of the net revenues, as defined, and therefore excluded from this schedule.

<sup>1</sup> Capital fund and Rebate Fund earnings are not included in investment income, consistent with the Maine Turnpike Revenue Bond Resolution.

<sup>2</sup> Represents Debt Service Deposits, net of capitalized interest, on the outstanding Revenue Bonds only.

<sup>3</sup> Net Revenues divided by Debt Service. The Bond Resolution requires a minimum ratio of 2.0.

**OTHER SUPPLEMENTARY INFORMATION, *Continued***

**Statement of Activities for the State of Maine General Purpose Financial Statements (000's)**

| <u>Functions/Programs</u>                             | <u>Expenses</u>   | <u>Charges for<br/>Services</u> | <u>Program<br/>Investment<br/>Income</u> | <u>Operating<br/>Grants and<br/>Contrib.</u> | <u>Capital<br/>Grants/<br/>Contrib.</u> | <u>Total</u>      |
|-------------------------------------------------------|-------------------|---------------------------------|------------------------------------------|----------------------------------------------|-----------------------------------------|-------------------|
| Governmental Activities                               |                   |                                 |                                          |                                              |                                         |                   |
| Subtotal Governmental Activities                      | \$ -              | \$ -                            | \$ -                                     | \$ -                                         | \$ -                                    | \$ -              |
| Business-type Activities:                             |                   |                                 |                                          |                                              |                                         |                   |
| THE MAINE TURNPIKE AUTHORITY                          | 101,320           | 138,772                         |                                          |                                              |                                         | 37,452            |
| Subtotal Business-type Activities                     | <b>101,320</b>    | <b>138,772</b>                  | -                                        | -                                            | -                                       | <b>37,452</b>     |
| <b>Total</b>                                          | <b>\$ 101,320</b> | <b>\$ 138,772</b>               | <b>\$ -</b>                              | <b>\$ -</b>                                  | <b>\$ -</b>                             | <b>\$ 37,452</b>  |
| General Revenues:                                     |                   |                                 |                                          |                                              |                                         |                   |
| Unrestricted Interest and Investment Earnings         |                   |                                 |                                          |                                              |                                         | 89                |
| Non program Specific Grants, Contrib. & Approp.       |                   |                                 |                                          |                                              |                                         | -                 |
| Miscellaneous Income                                  |                   |                                 |                                          |                                              |                                         | 6,864             |
| Gain (Loss) on Asset Dispositions                     |                   |                                 |                                          |                                              |                                         | (1,045)           |
| Extraordinary Item                                    |                   |                                 |                                          |                                              |                                         | -                 |
| <b>Total General Revenues and Extraordinary Items</b> |                   |                                 |                                          |                                              |                                         | <b>5,908</b>      |
| <b>Change in Net Assets</b>                           |                   |                                 |                                          |                                              |                                         | <b>43,360</b>     |
| Net Assets, Beginning of the Year                     |                   |                                 |                                          |                                              |                                         | 392,953           |
| Equity Transfers - MaineDOT                           |                   |                                 |                                          |                                              |                                         | (3,948)           |
| <b>Net Assets, End of the Year</b>                    |                   |                                 |                                          |                                              |                                         | <b>\$ 432,365</b> |

This schedule is strictly used by the State of Maine for the purpose of component unit reporting.