

# **THE MAINE TURNPIKE AUTHORITY**

## **Financial Statements**

**For the Years Ended December 31, 2012 and 2011**

# THE MAINE TURNPIKE AUTHORITY

## Financial Statements

For the Years Ended December 31, 2012 and 2011

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## Independent Auditors' Report

To the Board of Directors  
Maine Turnpike Authority  
Portland, Maine

### Report on the Financial Statements

We have audited the accompanying financial statements of the Maine Turnpike Authority, a component unit of the State of Maine, as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Maine Turnpike Authority, as of December 31, 2012 and 2011, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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To the Board of Directors  
Maine Turnpike Authority

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-8, the schedule of funding progress for the retiree healthcare plan on page 31 and the trend data on infrastructure condition on page 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The Calculation of the Composite Debt Service Ratio on page 32, as required by the bond resolutions and related documents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Calculation of the Composite Debt Service Ratio 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. Such information has been subjected to the auditing procedures applied in the audit 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 Calculation of the Composite Debt Service Ratio 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 19, 2013 on our consideration of the Maine Turnpike 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 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 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 Maine Turnpike Authority's internal control over financial reporting and compliance.

Maerpage LLC

March 19, 2013  
South Portland, Maine

# THE MAINE TURNPIKE AUTHORITY

## Management's Discussion and Analysis

December 31, 2012

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, 2012 and 2011. 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

Operating income for the Maine Turnpike Authority was \$36,212,014 and \$38,108,066 for calendar years 2012 and 2011, respectively. The decrease in operating income is mostly due to an increase in Net Fare Revenue offset by a greater increase in Preservation expenses. Total Revenues increased 2.7% in 2012 which is mostly due to a toll increase implemented on November 1, 2012. The increase in Operating Expenses is mostly due to an increase in Preservation expenses. The Authority expanded its paving and bridge repair programs in 2012.

Net income produced an increase in net position of \$14,595,839 and \$15,946,804 for fiscal years 2012 and 2011, respectively. The term "net position" refers to the difference between assets and liabilities. At the close of calendar year 2012, the Authority had a net position of \$153,627,969, an increase of 9.5% over calendar year 2011. At the close of calendar year 2011, the Authority's net position was \$139,032,130. The Authority's overall financial position has improved as shown by the increase in net position.

### 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. All of the current year's 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 and liabilities, 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 current fiscal period's operating impact upon the overall financial position of the Authority.

## Management Discussion and Analysis, *continued*

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

### Notes to the Financial Statements

The notes provide additional information that is essential to fully understand that 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 and the retiree healthcare plan. 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

	<u>December 31,</u>	
	<u>2012</u>	<u>2011, Restated</u>
<b>Assets and Deferrals</b>		
Current Assets	\$ 104,234,514	\$ 39,625,074
Capital Assets, Net of Accumulated Depreciation	489,030,660	470,687,529
Non-Current Restricted Assets	39,311,162	42,332,507
Other Assets	19,828,671	22,309,009
Deferred Outflows of Resources	9,146,765	3,454,978
<b>Total Assets and Deferred Outflows</b>	<b><u>\$ 661,551,771</u></b>	<b><u>\$ 578,409,097</u></b>
<b>Liabilities and Net Position</b>		
Current Liabilities	43,174,273	41,833,145
Bonds Payable, Net of Unamortized Premiums	451,304,104	386,655,788
Other Post Employment Benefits Liability	12,161,000	9,651,649
Other Non-current Liabilities	1,284,425	1,236,385
<b>Total Liabilities</b>	<b><u>\$ 507,923,802</u></b>	<b><u>\$ 439,376,967</u></b>
<b>Net Position:</b>		
Net Investment in Capital Assets	115,189,754	99,202,534
Restricted	31,776,349	31,945,482
Unrestricted	6,661,866	7,884,114
<b>Total Net Position</b>	<b><u>\$ 153,627,969</u></b>	<b><u>\$ 139,032,130</u></b>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 661,551,771</u></b>	<b><u>\$ 578,409,097</u></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 exceeded liabilities by \$153,627,969 at the close of the most recent calendar year. This represents an increase of \$14,595,839 (9.5%) over the previous year. This increase was primarily due to operating results.

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 \$115,189,754 and \$99,202,534 for the years ending December 31, 2012 and 2011, 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 \$31,776,349 and \$31,945,482 for the years ending December 31, 2012 and 2011, respectively. The remaining unrestricted net position serves as working capital and may be used to meet the Authority's capital and ongoing operational needs.

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

	<b>For the Years Ended December 31,</b>	
	<b>2012</b>	<b>2011, Restated</b>
<b>Revenues:</b>		
Net Toll Fare Revenues	\$ 104,507,889	\$ 101,654,987
Concession Rental	4,051,615	3,866,024
Investment Income (Loss)	140,864	(200,745)
Miscellaneous	1,142,267	1,625,175
<b>Total Revenues</b>	<b>\$ 109,842,635</b>	<b>\$ 106,945,441</b>
<b>Expenses:</b>		
Operations	23,030,296	24,010,944
Maintenance	28,850,395	28,039,369
Administrative	2,399,757	2,653,361
Depreciation	5,301,133	5,237,026
Preservation	13,824,705	9,002,562
Interest Expense	21,109,957	19,718,419
Other	730,552	2,336,955
<b>Total Expenses</b>	<b>\$ 95,246,796</b>	<b>\$ 90,998,636</b>
<b>Changes in Net Position</b>	<b>14,595,839</b>	<b>15,946,804</b>
<b>Net Position, beginning of year</b>	139,032,130	123,085,326
<b>Net Position, end of year</b>	<b>\$ 153,627,969</b>	<b>\$ 139,032,130</b>

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

The Authority's net fare revenues, which represent approximately 95% of all operating revenues, increased \$2,852,902 (2.81%) in 2012. The increase is due to a 20.5% toll increase implemented on November 1, 2012. Concession Rental income increased \$185,591 (4.80%) in 2012, due to increased customer patronage. Operations, Maintenance and Administrative expenses decreased \$423,226 (.8%) in 2012. This decrease is attributed to multiple decisions by management to reduce costs and become more efficient. Fare collection costs continue to decline as the Authority gains efficiencies with higher E-ZPass usage. Other cost reduction efforts include reducing legal costs by utilizing in-house staff, reducing state police costs through the reduction of overtime, as well as reducing spending in public relations, organizational memberships and sponsorships. Preservation expenses increased \$4,822,143 (53.6%) in 2012 due to the expansion of the paving and bridge repair programs.

### **Capital Assets and Debt Administration**

#### *Capital Assets*

The Authority's investment in capital assets as of December 31, 2012 amounted to \$552,923,695 of gross asset value with accumulated depreciation of \$63,893,036, leaving a net book value of \$489,030,660. 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.

Major capital asset events of 2012 include the completion of the Washington Ave, Exit 53, Hallowell Road Chandler Mill Road, and Furbush Road bridges. In addition, construction of the New Gloucester Open Road Toll, Gray Maintenance Facility and Presumpscot Bridge on the Falmouth Spur are well in progress with an estimated completion of late spring/early summer 2013.

#### *Modified Approach for Infrastructure Assets*

The Maine Turnpike Authority has elected to use the modified approach to infrastructure reporting under GASB 34. 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 2012, \$13,824,705 was spent for preservation compared to an estimated cost of \$14,543,500.

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 rating of 8 (generally good condition) or better. The results of the 2012 inspection states that the Maine Turnpike has been maintained in generally good condition and presents a favorable appearance, which is essentially the same assessment the Authority received in 2011.



## Management Discussion and Analysis, *continued*

### *Long-term Debt*

The Authority has outstanding bonds payable of \$453,832,237 and \$13,031,867 for revenue and subordinated bonds, respectively (both net of 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, 2012.

The Authority has a cap, set by the Legislature, on the amount of revenue bonds that can be outstanding at any given time. In 2007 this cap was increased to \$486,000,000. As of December 31, 2012, outstanding revenue bonds were \$425,705,000, leaving \$60,295,000 available under the cap.

The Authority's current bond ratings are as follows:

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

### *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 \$17,942,461, which is fifty percent of maximum annual debt service (MADS). To meet this requirement, the Authority has deposited \$17,942,461 of cash into the Debt Service Reserve Fund.

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

### **Revenue Bond Purchase**

As part of its capital investment program, the Authority borrowed \$68.99 million in March 2012, its first bond issue in three years. The Authority's policy is to fund its capital improvement program 50% with bond proceeds and 50% with cash from operations. Because interest rates were low and the market for selling bonds was the most favorable in recent history, the timing of the bond sale was advantageous. The Authority made the decision to refund an additional \$84.2 million of old bonds and save \$8.8 million in present value of future interest payments. This refunding also reduced future debt service payments by \$10.7 million and lessened the impact of the November 1, 2012 toll increase.

### **Toll Increase**

On November 1, 2012, 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 taking advantage of the most favorable bond market in recent history, and by making significant reductions

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

to the operating budget. If conservative assumptions hold, the Maine Turnpike Authority's toll increase for 2012 will pay not only for existing debt service but also for future capital needs without another increase through 2031. Even with the current increase, the Turnpike will retain one of the lowest toll rates per mile in the United States.

### **Elimination of Commuter Plan and Implementation of Volume Discount**

Since 1982, the Maine Turnpike Authority offered a commuter discount program for passenger cars. This program was replaced with a volume based discount on November 1, 2012, the same day the toll increase was implemented. Like the prior program, the new volume based program offers significant discounts to Maine E-ZPass holders in addition to the already reduced E-ZPass rate. This program allows a much wider range of E-ZPass subscribers to be eligible for a discount. Recent analysis has proven that the amount of discounts and number of subscribers benefiting from the discounts has increased substantially with the volume based program.

### **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).

## STATEMENT OF NET POSITION

ASSETS AND DEFERRED OUTFLOWS	December 31,	
	2012	2011, Restated
<b>Current Assets:</b>		
Cash and Equivalents	\$ 5,573,525	\$ 6,068,401
Restricted Cash and Equivalents to meet current restricted liabilities	47,312,101	27,366,833
Restricted Investments - Short Term	44,789,708	-
Accounts Receivable and Accrued Interest Receivable	4,068,055	3,554,263
Inventory	1,642,771	1,461,605
Other - Current Assets	848,354	1,173,972
<b>Total Current Assets</b>	<b>104,234,514</b>	<b>39,625,074</b>
<b>Non-Current Assets:</b>		
Restricted Assets		
Cash and Equivalents	24,319,490	42,331,917
Investments - Long Term	14,893,518	-
Accounts Receivable and Accrued Interest Receivable	98,154	590
<b>Total Restricted Assets</b>	<b>39,311,162</b>	<b>42,332,507</b>
<b>Other Assets</b>		
Bond Issuance Cost - Net	6,838,671	7,419,009
MDOT Prepaid Transfer	12,990,000	14,890,000
<b>Total Other Assets</b>	<b>19,828,671</b>	<b>22,309,009</b>
Capital Assets not being Depreciated:		
Land and Infrastructure	413,917,907	383,097,120
Construction in Progress	17,988,769	26,861,444
Capital Assets net of Accumulated Depreciation:		
Property and Equipment	57,123,984	60,728,965
<b>Total Capital Assets - Net of Accumulated Depreciation</b>	<b>489,030,660</b>	<b>470,687,529</b>
<b>Total Non-Current Assets</b>	<b>548,170,492</b>	<b>535,329,045</b>
<b>TOTAL ASSETS</b>	<b>\$ 652,405,005</b>	<b>\$ 574,954,119</b>
<b>Deferred Outflows of Resources:</b>		
Deferred Loss on Refunding Bonds	9,146,765	3,454,978
<b>Total Assets and Deferred Outflows</b>	<b>\$ 661,551,771</b>	<b>\$ 578,409,097</b>

*See independent auditors' report.*

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

**STATEMENT OF NET POSITION, *continued***

LIABILITIES AND NET POSITION	December 31,	
	2012	2011, Restated
<b>Current Liabilities Payable from Unrestricted Assets:</b>		
Accounts, Contracts and Retainage Payable	\$ 2,618,169	\$ 2,340,029
Accrued Salary, Vacation and Sick Leave Payable	2,936,234	3,025,152
Unearned Toll Revenue	6,465,910	5,776,226
Unearned Concession Rentals	280,912	649,924
<b>Total Current Liabilities Payable from Unrestricted Assets</b>	<b>12,301,224</b>	<b>11,791,331</b>
<b>Current Liabilities Payable from Restricted Assets:</b>		
Accounts, Contracts and Retainage Payable	3,998,094	5,968,164
Accrued Salary, Vacation and Sick Leave Payable	156,370	249,030
Bond Interest Payable	10,622,136	9,682,850
Current Portion of Revenue Bonds and Subordinated Debt Payable	15,560,000	13,855,000
Other Current Liabilities	536,450	286,770
<b>Total Current Liabilities Payable from Restricted Assets</b>	<b>30,873,049</b>	<b>30,041,814</b>
<b>Total Current Liabilities</b>	<b>43,174,273</b>	<b>41,833,145</b>
<b>Non-current Liabilities:</b>		
Long-term Revenue Bonds and Subordinated Debt Payable	451,304,104	386,655,788
Other Post Employment Benefits Liability	12,161,000	9,651,649
Other Non-current Liabilities	1,284,425	1,236,385
<b>Total Non-current Liabilities</b>	<b>464,749,529</b>	<b>397,543,822</b>
<b>Total Liabilities</b>	<b>507,923,802</b>	<b>439,376,967</b>
<b>Net Position:</b>		
Net Investment in Capital Assets	115,189,754	99,202,534
Restricted	31,776,349	31,945,482
Unrestricted	6,661,866	7,884,114
<b>Total Net Position</b>	<b>153,627,969</b>	<b>139,032,130</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 661,551,771</b>	<b>\$ 578,409,097</b>

*See independent auditors' report.  
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,	
	2012	2011, Restated
<b>REVENUES</b>		
<b>Operating Revenue:</b>		
Net Fare Revenue	\$ 104,507,889	\$ 101,654,987
Concession Rentals	4,051,615	3,866,024
Miscellaneous	1,142,267	1,625,175
<b>Total Operating Revenues</b>	<b>109,701,771</b>	<b>107,146,186</b>
<b>Interest Income (loss)</b>		
Revenue Fund	(31,569)	(28,499)
Reserve Maintenance Fund	(29,983)	(42,952)
Improvement Account	(8,239)	(10,150)
Interchange Account	(8,128)	(1,407)
Maine Department of Transportation Account	(2,017)	(2,467)
<b>Total Interest Income (loss)</b>	<b>(79,936)</b>	<b>(85,475)</b>
<b>Total Revenues</b>	<b>109,621,835</b>	<b>107,060,711</b>
<b>EXPENSES</b>		
<b>Operating Expenses:</b>		
Operations	23,030,296	24,010,944
Maintenance	28,850,395	28,039,369
Administration	2,399,757	2,653,361
Depreciation	5,301,133	5,237,026
Reserve Maintenance - Preservation	13,824,705	9,002,562
Other Expenses - Capital General Expenses	3,535	9,383
<b>Total Operating Expenses</b>	<b>73,409,822</b>	<b>68,952,645</b>
<b>Operating Income</b>	<b>36,212,014</b>	<b>38,108,066</b>
<b>Non-Operating Revenue/(Expenses):</b>		
Investment Income (loss)	220,800	(115,270)
Loss on Sale and Disposal of Capital Assets	(121,883)	(1,315,481)
Interest Expense	(21,109,957)	(19,718,419)
Bond Issuance Cost Amortization	(488,286)	(502,940)
Bond Premium/Discount Amortization	2,458,640	1,721,915
Deferred Loss on Refunding Amortization	(675,488)	(386,067)
MDOT Prepaid Transfer Amortization	(1,900,000)	(1,845,000)
<b>Total Non-Operating Revenue/(Expenses)</b>	<b>(21,616,175)</b>	<b>(22,161,262)</b>
<b>Change in Net Position</b>	<b>14,595,839</b>	<b>15,946,804</b>
<b>Net Position at beginning of year</b>	<b>139,032,130</b>	<b>123,085,326</b>
<b>Net Position at end of year</b>	<b>\$ 153,627,969</b>	<b>\$ 139,032,130</b>

*See independents auditors' report.  
The accompanying notes are an integral part of these financial statements.*

## STATEMENTS OF CASH FLOWS

	<b>For the Years Ended December 31,</b>	
	<b>2012</b>	<b>2011, Restated</b>
<b>Operating Activities:</b>		
Cash Received from Tolls/Customers	\$ 133,569,685	\$ 129,372,536
Cash Payments to Suppliers	(67,441,542)	(60,641,666)
Cash Payments to Employees	(21,922,581)	(23,471,498)
<b>Net Cash Provided by Operating Activities</b>	<b>44,205,562</b>	<b>45,259,372</b>
<b>Capital and Related Financing Activities:</b>		
Acquisition and Construction of Capital Assets	(25,558,745)	(22,948,712)
Proceeds from Issuance of Revenue Bonds	75,480,591	-
Bond Proceeds Used to Fund Debt Service Reserve	1,413,328	-
Payments for Bond Expenses	(589,386)	-
Interest Paid on Revenue Bonds	(19,521,009)	(19,273,725)
Payment of Principal on Revenue Bonds	(11,955,000)	(11,570,000)
Interest Paid on Subordinated Debt Bonds	(562,463)	(617,813)
Payment of Principal on Special Obligation Bonds	(1,900,000)	(1,845,000)
<b>Net Cash Provided By (Used in) Capital and Financing Activities</b>	<b>16,807,317</b>	<b>(56,255,250)</b>
<b>Investing Activities:</b>		
Purchase of Investments	(122,420,548)	-
Proceeds from Sales and Maturities of Investments	62,499,892	-
Interest Received/(Paid)	345,743	(200,279)
<b>Net Cash Used in Investing Activities</b>	<b>(59,574,913)</b>	<b>(200,279)</b>
Net Increase/(Decrease) in Cash and Equivalents	1,437,966	(11,196,156)
Cash and Equivalents at Beginning of Year	75,767,151	86,963,307
<b>Cash and Equivalents at End of Year</b>	<b>77,205,117</b>	<b>75,767,151</b>
Cash and Equivalents - Unrestricted	5,573,525	6,068,401
Restricted Cash and Equivalents - Current	47,312,101	27,366,833
Restricted Cash and Equivalents - Non-Current	24,319,490	42,331,917
	<b>\$ 77,205,116</b>	<b>\$ 75,767,151</b>

*See independents auditors' report.*

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

**STATEMENTS OF CASH FLOWS, *continued*****For the Years Ended December 31,**

	<u>2012</u>	<u>2011, Restated</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
<b>Income from Operations</b>	<b>\$ 36,212,014</b>	<b>\$ 38,108,067</b>
Adjustments to Reconcile Operating Income to Net Cash provided by Operating Activities:		
Depreciation	5,301,133	5,237,026
Interest Loss included in Operating Revenue	79,936	85,474
Other - Capital General Expenses	3,536	9,383
<b>Changes in Assets and Liabilities:</b>		
Accounts Receivable	(513,787)	95,682
Prepaid Accounts	325,618	(45,613)
Inventory	(181,166)	550,649
Accounts, Contracts and Retainage Payable	2,839,186	498,313
Unearned Toll & Concession Revenue	320,672	1,001,452
Accrued Salary, Vacation and Sick Leave Payable	(181,578)	(281,060)
<b>Net Cash Provided by Operating Activities</b>	<b><u>\$ 44,205,562</u></b>	<b><u>\$ 45,259,372</u></b>

*See independent auditors' report.*

*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, 2012 and 2011**

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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.

For financial reporting purposes, the Authority is a stand-alone entity; there are no component units included in the accompanying financial statements. In 2012 the Authority was determined to be considered a component unit of the State of Maine, for reporting purposes only.

For December 31, 2012 the Authority adopted GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”. This statement requires amounts reported as deferred outflows and inflows of resources to be reported in a separate section following assets and liabilities, respectively, in a new statement of net position.

**Basis of Accounting** – The Authority prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for proprietary funds, which are similar to those for private business enterprises. Accordingly, revenues are recorded when earned and expenses are recorded when incurred. In accordance with Government Accounting Standards Board (GASB) Statement No. 20, the Authority follows the pronouncements of the Financial Accounting Standards Board (FASB) issued before November 30, 1989 except where those pronouncements conflict with GASB pronouncements. The Authority has the option but has elected not to follow subsequent private-sector guidance. 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.

**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 deferred 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 \$1,243,967 and \$1,242,917 for 2012 and 2011, respectively.



## Notes to Financial Statements, *continued*

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

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

**Interest Income on Operating Accounts** – Interest income generated from on-going operations is included in operating revenue, in accordance with the requirements outlined in GASB 34.

**Cash and Equivalents** – For purposes of the statements of cash flow, demand deposit accounts with commercial banks, and cash invested in commercial money market funds 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.

**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, 2012 and 2011 are fully collectable. Therefore, no allowance for doubtful accounts was recorded.

**Inventory** – Inventory consists of both EZ Pass transponders and salt. The EZ Pass transponders will be sold to customers and are valued using the First-In First-Out (FIFO) method. Salt, to be used in operations is valued using a weighted average method. Both the EZ Pass Transponders and salt are carried at the lower of cost or market.

**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 under GASB 34. 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.

## Notes to Financial Statements, *continued*

### 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:

Building	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.

**Prepaid Expenses** – 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.

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

## Notes to Financial Statements, *continued*

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

**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 \$768,858 and \$580,256 for the years ended December 31, 2012 and 2011, respectively, and are included on the balance sheet under Accrued Salary, Vacation and Sick Leave Payable.

**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. Up until October 31, 2013, the Authority offered a Commuter Plan to patrons who travel regularly between the same two exits. Commuters paid a set fee, in advance, that covered a three month period. Revenue was earned over the three month period on a prorated basis. On November 1, 2013 the Authority replaced the Commuter Plan with a Volume Discount Plan for passenger vehicles.

**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 are amortized using the straight-line method over the life of the bonds.

**Refunded Bonds** – The Authority defeased certain bonds in 2004, 2005, 2008 and 2012 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.

**Deferred Outflows of Resources** – In addition to assets, the statement of financial 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/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. 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.

**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.

**Reclassifications** – Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 classifications.

**Recent Accounting Pronouncements** – In March 2012, the GASB issued GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities". This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. The new statement is effective for periods beginning after December 15, 2012. The Authority is currently assessing the impact of this statement on its financial statements.

In June 2012, the GASB issued GASB Statement No. 68, "Accounting and Financial Reporting for Pensions" – an amendment of GASB Statement No. 27. This statement improves accounting and financial reporting by state and local government pensions. The new statement is effective for periods beginning after June 15, 2014. The Authority is currently assessing the impact of this statement on its financial statements.

**Notes to Financial Statements, continued**

**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, 2012, the Authority reported deposits of \$3,317,248 with a bank balance of \$3,303,424. The entire balance of \$3,303,424 was covered by the F.D.I.C. (\$3,062,046) or by additional insurance purchased on behalf of the Authority by the respective banking institutions (\$241,378). As of December 31, 2011, the Authority reported deposits of \$616,502 with a bank balance of \$643,726. The entire balance of \$643,726 was covered by the F.D.I.C. (\$312,171) or by additional insurance purchased on behalf of the Authority by the respective banking institutions (\$331,555).

*Investments*

At December 31, 2012, 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>
U.S. Government Securities	\$ 1,715,000	\$ 1,715,000	\$ -	\$ -
U.S. Government Obligations	\$ 59,683,226	\$ 44,789,708	\$ 6,375,151	\$ 8,518,367
Federated Treasury Obligation Fund	\$ 72,172,868	\$ -	Not Applicable	\$ -
<b>Total Investments</b>	<b>\$ 133,571,094</b>	<b>\$ 46,504,708</b>	<b>\$ 6,375,151</b>	<b>\$ 8,518,367</b>

At December 31, 2011, 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>
U.S. Government Securities	\$ 5,447,803	\$ 5,447,803	\$ -	\$ -
Federated Treasury Obligation Fund	69,702,846		Not Applicable	
<b>Total Investments</b>	<b>\$ 75,150,649</b>	<b>\$ 5,447,803</b>	<b>\$ -</b>	<b>\$ -</b>

Deposits and investments are as follows:

	<u>2012</u>	<u>2011</u>
Deposits	\$ 3,317,248	\$ 616,472
Investment	133,571,094	75,150,649
<b>Total Deposits and Investments</b>	<b>\$ 136,888,342</b>	<b>\$ 75,767,121</b>

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

	<u>2012</u>	<u>2011</u>
Cash and Equivalents	\$ 5,573,525	\$ 6,068,371
Current Restricted Cash and Equivalents	47,312,101	27,366,833
Noncurrent Restricted Cash and Equivalents	24,319,490	42,331,917
Current Restricted Investments	44,789,708	-
Restricted Investments - Long Term	14,893,518	-
<b>Total Deposits and Investments</b>	<b>\$ 136,888,342</b>	<b>\$ 75,767,121</b>

## 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 maturing 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.

*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, 2012 is as follows:

	Balance 12/31/2011	Additions	Transfers	Disposals	Balance 12/31/2012
<b>Capitalized Assets Not Being Depreciated (cost)</b>					
Land	\$ 33,148,547	698,000	53,042	-	\$ 33,899,589
Infrastructure	349,948,573	8,491	30,774,906	(713,652)	380,018,318
Construction in Progress	26,861,444	22,119,058	(30,991,733)	-	17,988,769
<b>Total Capital Assets Not Being Depreciated</b>	<b>409,958,564</b>	<b>22,825,549</b>	<b>(163,785)</b>	<b>(713,652)</b>	<b>431,906,676</b>
<b>Capitalized Assets Being Depreciated (cost)</b>					
Land Improvements (exhaustible)	8,864,847	-	-	-	8,864,847
Buildings	64,048,912	34,110	3,806	(422,363)	63,664,465
Improvements	-	-	-	-	-
Machinery and Equipment	47,424,371	1,542,538	159,979	(639,181)	48,487,707
<b>Total Capital Assets Being Depreciated</b>	<b>120,338,130</b>	<b>1,576,648</b>	<b>163,785</b>	<b>(1,061,544)</b>	<b>121,017,020</b>
<b>Less Accumulated Depreciation for:</b>					
Land Improvements (exhaustible)	(6,314,088)	(348,241)	-	-	(6,662,329)
Buildings	(17,587,823)	(2,107,887)	-	381,300	(19,314,410)
Improvements	-	-	-	-	-
Machinery and Equipment	(35,707,254)	(2,845,005)	-	635,962	(37,916,297)
<b>Total Accumulated Depreciation</b>	<b>(59,609,165)</b>	<b>(5,301,133)</b>	<b>-</b>	<b>1,017,262</b>	<b>(63,893,036)</b>
<b>Total Capital Assets Being Depreciated, net</b>	<b>60,728,965</b>	<b>(3,724,484)</b>	<b>163,785</b>	<b>(44,282)</b>	<b>57,123,984</b>
<b>Total Capital Assets</b>	<b>\$ 470,687,529</b>	<b>19,101,065</b>	<b>-</b>	<b>(757,934)</b>	<b>\$ 489,030,660</b>

	Balance 12/31/2010	Additions	Transfers	Disposals Restated	Balance 12/31/2011 Restated
<b>Capitalized Assets Not Being Depreciated (cost)</b>					
Land	\$ 33,065,612	82,942	-	(7)	\$ 33,148,547
Infrastructure	326,341,159	35,527	25,008,873	(1,436,986)	349,948,573
Construction in Progress	28,169,067	24,979,254	(26,286,877)	-	26,861,444
<b>Total Capital Assets Not Being Depreciated</b>	<b>387,575,838</b>	<b>25,097,723</b>	<b>(1,278,004)</b>	<b>(1,436,993)</b>	<b>409,958,564</b>
<b>Capitalized Assets Being Depreciated (cost)</b>					
Land Improvements (exhaustible)	8,864,847	-	-	-	8,864,847
Buildings	63,892,801	-	156,111	-	64,048,912
Improvements	470,437	-	-	(470,437)	-
Machinery and Equipment	45,498,708	1,457,680	1,121,893	(653,910)	47,424,371
<b>Total Capital Assets Being Depreciated</b>	<b>118,726,793</b>	<b>1,457,680</b>	<b>1,278,004</b>	<b>(1,124,347)</b>	<b>120,338,130</b>
<b>Less Accumulated Depreciation for:</b>					
Land Improvements (exhaustible)	(5,965,847)	(348,241)	-	-	(6,314,088)
Buildings	(15,473,679)	(2,114,144)	-	-	(17,587,823)
Improvements	(470,437)	-	-	470,437	-
Machinery and Equipment	(33,552,668)	(2,774,641)	-	620,055	(35,707,254)
<b>Total Accumulated Depreciation</b>	<b>(55,462,631)</b>	<b>(5,237,026)</b>	<b>-</b>	<b>1,090,492</b>	<b>(59,609,165)</b>
<b>Total Capital Assets Being Depreciated, net</b>	<b>63,264,162</b>	<b>(3,779,346)</b>	<b>1,278,004</b>	<b>(33,855)</b>	<b>60,728,965</b>
<b>Total Capital Assets</b>	<b>\$ 450,840,000</b>	<b>21,318,377</b>	<b>-</b>	<b>(1,470,848)</b>	<b>\$ 470,687,529</b>

## Notes to Financial Statements, *continued*

### Note 4 – Letter of Credit

The Authority has a \$20 million letter of credit with Bangor Savings Bank which expires on December 31, 2013. 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, 2012 and 2011.

### Note 5 – Net Position

Net position represents the difference between assets and liabilities. 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,	
	2012	2011, Restated
Capital Assets	\$ 552,923,695	\$ 530,296,695
Unspent Bond Proceeds	51,864,095	5
Accumulated Depreciation	(63,893,036)	(59,609,166)
Bonds Payable	(425,705,000)	(371,485,000)
<b>Total Net Investment In Capital Assets</b>	<b>\$ 115,189,754</b>	<b>\$ 99,202,534</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, 2012, the Authority had the following outstanding bonds:

- \$51,000,000 of Series 2003 Revenue Bonds, issued in May 2003, to retire the 2002 Commercial Paper Subordinated Notes and to finance various turnpike projects.
- \$115,050,000 of Series 2004 Revenue Bonds, issued in October 2004, to pay a portion of the costs of various turnpike projects and to advance refund a portion of the principal amount of the Series 1994, 1997 and 2000 bonds.
- \$76,715,000 of Series 2005 Revenue Bonds, issued in April 2005, to advance refund a portion of the principal amount of the Series 2000 bonds.
- \$50,000,000 of Series 2007 Revenue Bonds, issued in September 2007, to pay a portion of the costs of various turnpike projects.
- \$45,885,000 of Series 2008 Refunding Revenue Bonds, issued in May 2008, to advance refund principal amounts of the Series 1998 Refunding Bonds, which was called in July 2008.

**Notes to Financial Statements, continued**

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

- \$50,000,000 of Series 2009 Revenue Bonds, issued in February 2009, to pay a portion of the costs of various turnpike projects, interest only until 2014.
- \$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. This advance refunding took advantage of a general reduction in interest rates to achieve an overall reduction in future debt service costs. The reacquisition price exceeded the carrying amount of the old debt by \$6,367,275. This amount is being netted against the new debt and amortized over the life of the old debt. The transaction resulted in a reduction in future debt service payments of \$10,683,942 and an economic gain of \$8,830,377.

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 12/31/2012</b>
Series 2003	51,000,000	7/1/2011 - 2033	3.50-5.25 %	1,360,000
Series 2004	115,050,000	7/1/2005 - 2030	3.00-5.25 %	60,575,000
Series 2005	76,715,000	7/1/2006 - 2030	3.00-5.125 %	75,900,000
Series 2007	50,000,000	7/1/2013 - 2037	3.75-5.25 %	50,000,000
Series 2008	45,885,000	7/1/2010 - 2018	3.00-5.00 %	34,640,000
Series 2009	50,000,000	7/1/2014 - 2038	3.00-6.00 %	50,000,000
Series 2012	153,230,000	7/1/2014 - 2042	2.00-5.00 %	153,230,000
<b>Total Revenue Bonds Payable</b>				<b>\$ 425,705,000</b>

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

	<b>Principal</b>	<b>Interest</b>	<b>Total debt service</b>
2013	13,575,000	20,765,871	34,340,871
2014	15,775,000	20,109,921	35,884,921
2015	16,535,000	19,344,234	35,879,234
2016	17,250,000	18,618,959	35,868,959
2017	18,090,000	17,793,046	35,883,046
2018-2022	81,520,000	76,627,749	158,147,749
2023-2027	97,980,000	56,055,025	154,035,025
2028-2032	92,505,000	31,075,306	123,580,306
2033-2037	49,450,000	13,768,550	63,218,550
2038-2042	23,025,000	3,229,250	26,254,250
<b>Totals</b>	<b>\$ 425,705,000</b>	<b>\$ 277,387,911</b>	<b>\$ 703,092,911</b>



**Notes to Financial Statements, continued**

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

A summary of changes in revenue bonds is as follows:

	<u>12/31/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/12</u>
Series 2000	795,000	-	(795,000)	-
Series 2003	49,730,000	-	(48,370,000)	1,360,000
Series 2004	105,430,000	-	(44,855,000)	60,575,000
Series 2005	76,030,000	-	(130,000)	75,900,000
Series 2007	50,000,000	-	-	50,000,000
Series 2008	39,500,000	-	(4,860,000)	34,640,000
Series 2009	50,000,000	-	-	50,000,000
Series 2012	-	153,230,000	-	153,230,000
<b>Totals</b>	<b>\$ 371,485,000</b>	<b>\$ 153,230,000</b>	<b>\$ (99,010,000)</b>	<b>\$ 425,705,000</b>

**Special Obligation Bonds Payable**

- \$19,480,000 of Series 2008 Special Obligation Refunding Bonds, issued in May 2008, to refund all of the Authority’s outstanding Series 1998 Special Obligation Bonds. The Special Obligation Refunding Bonds are subordinate to the outstanding Revenue Bonds and were originally issued in 1996.

<u>Issue</u>	<u>Amount Issued</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance 12/31/2012</u>
Series 2008	\$ 19,480,000	7/1/2009 - 2018	3.00-4.00 %	\$ 12,990,000
<b>Total Special Obligation Bonds Payable</b>				<b>\$ 12,990,000</b>

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

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	1,985,000	478,400	2,463,400
2014	2,045,000	413,888	2,458,888
2015	2,120,000	342,313	2,462,313
2016	2,195,000	268,113	2,463,113
2017	2,275,000	185,800	2,460,800
2018	2,370,000	94,800	2,464,800
<b>Totals</b>	<b>\$ 12,990,000</b>	<b>\$ 1,783,314</b>	<b>\$ 14,773,314</b>

**Notes to Financial Statements, continued**

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

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

	<u>12/31/11</u>	<b>Additions</b>	<b>Reductions</b>	<u>12/31/12</u>
Series 2008	14,890,000	0	(1,900,000)	12,990,000
<b>Totals</b>	<b>\$ 14,890,000</b>	<b>\$ -</b>	<b>\$ (1,900,000)</b>	<b>\$ 12,990,000</b>

Revenue and Special Obligation long-term liability for the year ended December 31, 2012, was as follows:

	<u>12/31/2011</u>	<b>Additions</b>	<b>Reductions</b>	<u>12/31/2012</u>	<b>Due within one year</b>
Revenue Bonds	\$ 371,485,000	\$ 153,230,000	\$ (99,010,000)	\$ 425,705,000	\$ 13,575,000
Special Obligation Bonds	14,890,000	-	(1,900,000)	12,990,000	1,985,000
<b>Subtotal</b>	<b>386,375,000</b>	<b>153,230,000</b>	<b>(100,910,000)</b>	<b>438,695,000</b>	<b>15,560,000</b>
Adjustment for Premium / Discounts	14,135,788	19,034,371	(5,001,055)	28,169,104	-
<b>Total</b>	<b>\$ 400,510,788</b>	<b>\$ 172,264,371</b>	<b>\$(105,911,055)</b>	<b>\$ 466,864,104</b>	<b>\$ 15,560,000</b>

Revenue and Special Obligation long-term liability for the year ended December 31, 2011, was as follows:

	<u>12/31/2010</u>	<b>Additions</b>	<b>Reductions</b>	<u>12/31/2011</u>	<b>Due within one year</b>
Revenue Bonds	\$ 383,055,000	\$ -	\$ (11,570,000)	\$ 371,485,000	\$ 11,955,000
Special Obligation Bonds	16,735,000	-	(1,845,000)	14,890,000	1,900,000
<b>Subtotal</b>	<b>399,790,000</b>	<b>-</b>	<b>(13,415,000)</b>	<b>386,375,000</b>	<b>13,855,000</b>
Adjustment for Premium / Discounts	15,857,703	-	(1,721,915)	14,135,788	-
<b>Total</b>	<b>\$ 415,647,703</b>	<b>\$ -</b>	<b>\$(15,136,915)</b>	<b>\$ 400,510,788</b>	<b>\$ 13,855,000</b>

## Notes to Financial Statements, *continued*

### 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, the Authority acquired surety policies issued by Financial Guaranty Insurance Company (FGIC), Financial Security Assurance, Inc (FSA), MBIA Insurance Company and AMBAC Assurance Corporation. The surety policies cover various series and terminate on various dates in the future. A summary of the surety policies purchased is as follows:

<b>Debt Service Reserve Fund Surety Policy Provider</b>	<b>Series Availability</b>	<b>Termination Date</b>	<b>Maximum Amount</b>
Ambac	2003	July 1, 2033	1,893,884
FSA	2004	July 1, 2030	1,781,929
MBIA	All Turnpike Revenue Bonds Issued Prior to 2004	July 1, 2018	12,029,000
Ambac	All Turnpike Revenue Bonds	July 1, 2030	4,871,359
FSA	All Turnpike Revenue Bonds	July 1, 2018	2,308,902

Each of the providers of the Debt Service Reserve Fund surety policies was rated Aaa by Moody's and AAA by Standard & Poor's (S&P) at the time of issuance of its respective policy. However, each of MBIA, FGIC, Ambac and FSA have been downgraded significantly as a result of their exposure to the 2008 sub-prime mortgage risk and do not maintain ratings by Moody's and S&P at least equal to the ratings on the Authority's outstanding revenue bonds.

Accordingly, each of the policies from MBIA, FGIC, Ambac and FSA, while still in effect, no longer qualify under the general bond resolution to meet the Debt Service Reserve Fund requirement.

Currently, the Debt Service Reserve requirement is \$17,942,461, which is one half of maximum annual debt service (MADS). In response to the downgrades of MBIA, FGIC, Ambac and FSA, the Authority has funded the Debt Service Reserve Fund of \$17,972,461 with cash, keeping the Authority in compliance with its bond resolution requirement of funding one half of MADS.

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

**Plan Description** – The Authority participates in the Maine Public Employees Retirement System, a multiple-employer defined benefits pension plan, which covers substantially all employees. The MainePERS provides retirement, disability and death benefits to plan participants and beneficiaries. Employees are eligible for normal retirement upon attaining age sixty and early retirement after completing twenty-five or more years of service.

## Notes to Financial Statements, *continued*

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

**Funding Policy** – Plan participants are required to contribute 6.5% of their annual compensation and the Authority is required to contribute at an actuarially determined rate. The current rate is 5.3% of employee earned compensation.

The Maine Turnpike Authority's contributions to MainePERS were approximately \$1,423,355, \$1,315,433 and \$1,160,575 for the years ended December 31, 2012, 2011 and 2010, respectively.

### 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. The terms of the agreements are as follows. The lease agreement with HMS Host is contingent based on sales however also provides a guaranteed minimum rent of \$3,050,000 or 85% of the previous year's rental, whichever is greater. In previous years the Authority has waived the minimum rent requirement for HMS Host, and has only required them to pay the contingent rent for any such years. In addition, the Authority received contingent rentals of \$208,567 and \$23,225 in 2012 and 2011, respectively. The lease agreement with CN Brown provides for contingent rent based on sales. The Authority received \$793,048 and \$792,798 in contingent rentals from CN Brown in 2012 and 2011, respectively.

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, 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.

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 improvements must be incurred prior to December 31, 2017 and the remaining \$4 million must be incurred prior to December 31, 2027.

The leased facilities are reported as capital assets of the Authority with a net book value of \$29,969,819 and \$31,223,855 as of December 31, 2012 and 2011, respectively.

Future minimum rentals to be received under the HMS Host lease as of December 31, 2012 are as follows:

2013	\$ 3,050,000
2014	3,050,000
2015	3,050,000
2016	3,050,000
2017	3,050,000
2018 - 2022	15,250,000
2023 - 2027	15,250,000
2028 - 2032	15,250,000
2033 - 2037	13,725,000
<b>Total</b>	<b>\$ 74,725,000</b>

**Note 10 – Other Post Employment Benefits (OPEB)**

The Governmental Accounting Standards Board (GASB) Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented, as required, by the MTA on January 1, 2008. Under this pronouncement, it requires that the long-term cost of retirement health care and obligations for other postemployment benefits be determined on an actuarial basis and reported similar to pension plans.

*Plan Descriptions.* 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 \$1,197,000 of insurance contributions for approximately 250 retirees for the year end December 31, 2012. Benefit provisions are established and amended through negotiations between the Authority and the respective unions.

GASB Statement Number 45 requires the Authority to perform an actuarial analysis of its OPEB costs. In December 2012, the Authority entered into a contract with an external consultant to assist in the determination and valuation of the Authority’s OPEB liability for 2012 and 2013. The most recent OPEB liability actuarial valuation was completed by the consultant in February 2013.

*Funding Policy and Annual OPEB Cost.* GASB Statement Number 45 does not mandate the prefunding of post employment benefit liabilities. The Authority currently plans to only partially fund (on a pay-as-you-go) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement Number 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table represents the OPEB costs for the year, the amount contributed and changes in the OPEB plan:

	<b>Years Ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
Normal Cost	\$ 1,533,000	\$ 1,582,000
UAAL amortization	2,166,000	2,190,000
Annual Required Contribution/OPEB Cost	3,699,000	3,772,000
Contributions Made (Pay-As-You-Go)	(1,197,000)	(1,084,000)
Increase in Net OPEB Obligation	2,502,000	2,688,000
Net OPEB Obligation - Beginning of Year	9,659,000	6,971,000
Net OPEB Obligation - End of Year	<u>\$ 12,161,000</u>	<u>\$ 9,659,000</u>

**Notes to Financial Statements, continued**

**Note 10 – Other Post Employment Benefits (OPEB), continued**

The Authority’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation was as follows:

	<b>Years Ended December 31,</b>	
	<b>2012</b>	<b>2011</b>
Annual Required Contribution (ARC)	\$ 3,699,000	\$ 3,772,000
Actual Contributions (Pay-As-You-Go)	1,197,000	1,084,000
Percentage Contributed	32.4%	28.7%
Actuarial Accrued Liability	\$ 51,530,000	\$ 48,563,000
Plan Assets	-	-
Unfunded Actuarial Accrued Liability	51,530,000	48,563,000
Covered payroll	\$ 17,114,000	\$ 20,093,000
Unfunded actuarial accrued liability as a percentage of covered payroll	301.1%	241.7%

For the year ended December 31, 2010 the ARC was \$3,554,000, the actual contribution was \$949,000 and the percentage contributed was 27.0%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Authority and plan members at that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of plan assets. Significant methods and assumptions were as follows:

	<b>2012</b>	<b>2011</b>
Actuarial valuation date	1/1/13	1/1/11
Actuarial cost method	Entry age normal	Entry age normal
Amortization method	Level percent of payroll	Level percent of payroll
Remaining amortization period	26 years	28 years
Actuarial assumptions:		
Investment rate of return	4.0%	4.5%
Projected salary increases	3.3%	2.0%
Healthcare inflation rate	5.0% - 8.9%	4.5% - 9.5%

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

### **Note 11 – Union Contract**

The Authority has an agreement with the Maine State Employees Association, which covers Supervisors and Employees, which expired on December 31, 2011. The Authority is currently negotiating with the union to execute a new contract and is currently in static-status quo.

### **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

Commitments on outstanding construction projects for improvements and maintenance totaled approximately \$3,153,885 and \$8,442,743 as of 12/31/2012 and 12/31/2011, 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.

## Notes to Financial Statements, *continued*

### Note 13 – Risk Management, *continued*

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

	<u>2012</u>	<u>2011</u>
Unpaid Claims as of January 1	\$ 1,521,350	\$ 1,791,092
Incurred Claims	719,413	173,031
Total Claim Payments	<u>428,173</u>	<u>442,773</u>
Current Claims Liability	536,450	286,770
Long-term Claims Liability	<u>1,276,140</u>	<u>1,234,580</u>
<b>Total Unpaid Claims Liability</b>	<b><u>\$ 1,812,590</u></b>	<b><u>\$ 1,521,350</u></b>

### Note 14 – Restatement of Net Position

During 2012, management was made aware of two events that required the recording of adjustments to the prior audited period:

- HMS Host, the Authority's restaurant concessionaire, notified the Authority that it misinterpreted the concession agreement and overpaid their rent for 2011.
- During a routine internal review of infrastructure assets, it was determined that four (4) bridges that were replaced in 2011 were not removed (disposed of) from the ledger.

Net position as of December 31, 2011 has been restated as follows:

Net position, December 31, 2011, as previously reported	\$ 140,864,873
Prior period adjustment:	
• Restate Concession Rental for the overpayment by HMS Host in 2011	(395,757)
• Restate Gain/Loss on the Sale of Fixed Assets for infrastructure assets that were disposed of in 2011	(1,436,986)
<b>Net position, December 31, 2011, as restated</b>	<b><u>\$ 139,032,130</u></b>

The Change in Net Position for the year ended December 31, 2011 decreased by \$1,832,743 as a result of these restatements.



**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 2012 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 2011 is as follows:

	<u>Budget</u>	<u>Actual</u>
Preservation Expense	\$ 14,543,500	\$ 13,824,705

**Retiree Healthcare Plan**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a) / c]
12/31/08	\$ 0	\$ 39,815,000	\$ 39,815,000	0.00%	\$ 18,420,000	216.2%
12/31/09	0	39,815,000	39,815,000	0.00%	19,064,000	208.8%
12/31/10	0	48,563,000	48,563,000	0.00%	19,699,000	246.5%
12/31/11	0	48,563,000	48,563,000	0.00%	20,093,000	241.7%
12/31/12	0	51,530,000	51,530,000	0.00%	17,114,000	301.1%

**OTHER SUPPLEMENTARY INFORMATION**

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

	<u>Years Ended December 31st,</u>	
	<u>2012</u>	<u>2011</u>
<b>Revenues:</b>		
Net Fare Revenue	\$ 104,508	\$ 101,655
Concession Rental	4,052	4,262
Investment Income <sup>1</sup>	(99)	(136)
Miscellaneous	1,142	1,625
<b>Total Revenues</b>	<b><u>\$ 109,603</u></b>	<b><u>\$ 107,406</u></b>
<b>Expenses:</b>		
Operations	23,031	24,011
Maintenance	10,565	11,046
Administrative	2,399	2,653
<b>Total Expenses</b>	<b><u>\$ 35,995</u></b>	<b><u>\$ 37,710</u></b>
<b>Net Operating Revenues</b>	<b><u>\$ 73,608</u></b>	<b><u>\$ 69,696</u></b>
Debt Service Payments <sup>2</sup>	29,274	30,844
Reserve Maintenance Fund Deposit	30,000	28,000
MDOT Account / Sub Debt Fund Deposit	2,462	2,463
<b>Other General Reserve Fund Deposits</b>	<b><u>\$ 11,872</u></b>	<b><u>\$ 8,389</u></b>
<b>Debt Service Ratio of Net Revenues to Debt Service<sup>3</sup></b>	<b><u>2.51</u></b>	<b><u>2.26</u></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 of America. 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.