

STATE OF MAINE



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2000

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

MAINE



FOR THE FISCAL YEAR ENDED JUNE 30, 2000

ANGUS S. KING, JR.
Governor

JANET E. WALDRON
Commissioner
Department of Administrative & Financial Services

CAROL F. WHITNEY
State Controller

Prepared by the State Controller's Office

Cover photographs:

Portland Headlight

Spectacular Portland Head Lighthouse, the most famous lighthouse in the United States and the thirteenth built on the Atlantic coast, is situated along the shores of the ninety acre Fort Williams Park. The lighthouse began operation in 1791 and was lit by 16 whale oil lamps. A frequent visitor to Portland Head in the 1840s was Henry Wadsworth Longfellow, who lived in Portland. Longfellow's poem "The Lighthouse" was inspired by the many hours he spent at Portland Head Light. Today, nearly 400,000 people visit the site annually enjoying the museum, a beautiful flower garden kept by a local garden club, walking along the rocks, and the historic nature of the Light and the forts remaining in Fort Williams Park.

Photograph by: Jari Feldt

Maine Capitol Building

Maine's Capitol Dome is seen between two fir trees from Capital Park in a typical winter scene. The Dome was not part of the original construction of the Capitol Building that was completed by famed architect Charles Bullfinch of Boston in 1832. Added by another Boston architect in 1909-10, the Dome is topped by a figure holding a pine torch that for the sculptor represented *wisdom*. Capital Park, to the east of the Capitol Building, is contemporary with the original Capitol construction, though the Olmstead Brothers firm provided an updated plan for the park in 1920. Today, sitting on the terrace of the Capitol Building and enjoying the sweep of the finely designed park is a popular break for anyone in the State Building complex.

Photograph by: Jari Feldt

Bar Harbor

Bar Harbor, rich in summer recreational history, is located within Acadia National Park. Though the affluent at the turn of the century came here to frolic, they had much to do with preserving the landscape we know and enjoy today. Acadia National Park became the first National Park established east of the Mississippi, and today is the fifth most visited park in the United States. Pictured in the harbor is the *Mary Todd*, a four-masted schooner, one of thirteen schooners that call Maine harbors homeport. With 3,500 miles of coastline and an equal number of islands, Maine offers one of the finest sailing adventures in the world.

Photograph by: Jari Feldt

Moose in Rangeley

Moose, the State animal of Maine, is the largest member of the deer family in the world. Seen in the cover photo against the scenic beauty of the Rangeley region, "moose watching" is one of the State's most popular tourist attractions. They are primarily seen in the northern half of Maine near water. A bull moose weighs about 1,000 pounds, is about 10 feet long, and 7 feet from ground shoulder. The cow moose is slightly smaller and does not have the *rack* that the bull develops. These lumbering, seemingly tame animals eat 40 to 50 pounds of woodland and aquatic vegetation daily. Though the moose has poor eyesight, a keen sense of smell and hearing alerts them to possible danger. Unwary tourists must remember to stay away from cows with calves, and bulls during the rutting season or they are likely to be charged by the moose. Moose land speed for those interested is 35 mph!

Photograph courtesy of: Maine Office of Tourism

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This notice is provided as required by Title II of the Americans with Disabilities Act of 1990.

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State of Maine
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Information relating to the State of Maine is available at the following web site:

<http://www.state.me.us>

STATE OF MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

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INTRODUCTORY SECTION

STATE OF MAINE
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES
BUREAU OF ACCOUNTS AND CONTROL
14 STATE HOUSE STATION AUGUSTA, ME 04333-0014

CAROL F. WHITNEY
STATE CONTROLLER



TERRY E. BRANN, CPA
DEPUTY STATE CONTROLLER

March 1, 2001

**To the Citizens, Governor, and Members of the Legislature
of the State of Maine**

We are pleased to present the 2000 Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2000 in accordance with 5 M.R.S.A. § 1547. It is also our pleasure to announce that this is the first CAFR published by the State Controller's office that is compliant with generally accepted accounting principles, commonly known as GAAP.

The CAFR is presented in three sections: introductory, financial and statistical. The introductory section, which is unaudited, includes this transmittal letter, the State's organizational chart and a list of principal elected and appointed officials. The financial section includes the State Auditor's report, the audited general purpose financial statements and notes thereto. It also includes the underlying combining and individual fund financial statements and supporting schedules. The statistical section shows selected economic, financial trend and demographic information for the State on a multi-year basis.

The Governmental Accounting Standards Board (GASB) has mandated certain changes to the CAFR by the year 2002. Based on a GASB reporting model that resembles private sector annual reporting, writing of the state CAFR for the edification of citizens, legislators and other audiences is emphasized and demands more and better readability. Other mandates include a significantly expanded Introductory Section that is to be known as the Management Discussion and Analysis section, and an expanded Statistical section. Although this is a challenge for virtually all states to meet, we are planning to move toward the GASB model in the CAFR for fiscal year 2002.

The financial reporting section includes all the funds and account groups of the primary government, along with all component units. Component units are legally separate organizations for which the primary government is financially accountable in accordance with criteria established by GASB. Note 1A elaborates on the component unit criteria and lists organizations, agencies, boards, commissions and authorities that the State includes as component units.

We believe that the information in the CAFR presents fairly and accurately in all material aspects the financial position and affairs of the State with the exception of certain qualifications of the State Auditor in the Independent Auditor's Report. Responsibility for the accuracy and the completeness of this report, including all disclosure, rests with the State.

ECONOMIC CONDITION AND OUTLOOK

The Maine economy roared into 2000 pounding on all cylinders. Consumer Retail Sales were up 8.5% through the first half-year, following two extraordinary years of 8%-plus growth. Similarly, payroll employment increased at a 2.8% rate through June, on track to challenge the nearly 3% growth rates of 1998 and 1999. However, with a major stock market correction in the spring and other imbalances continuing to accumulate, the national economy began to unravel about midyear. Consumer and business capital expenditures weakened considerably, creating an inventory overhang, fuel prices spiked, and by fall one began to hear the “R” word whispered. The second half-year brought rapidly declining growth rates in nearly all of the national and State economic indicators. Growth in Real Gross Domestic Product, over 5% during the first half-year, fell to just over 1% by year end and recession appeared to be an almost even bet.

The major economic indicators for Maine tell the story of a broad-based weakening in the State economy. While none of the measures of economic output was actually negative for the year, growth was slower in retail sales and payroll employment, while construction awards, bank deposits, help-wanted advertising and housing permits were all comparatively weak. Nevertheless, payroll employment was still increasing, even at year’s end, and the unemployment rate came down even more during the year than in 1999. Also, social assistance caseloads continued to decline in 2000, as did bankruptcies and banks’ non-performing loans. Thus, on balance, Maine economic performance for the year 2000, while not outstanding, was unequivocally positive.

Employment

Maine payroll employment growth was 13,000 or 2.2% in 2000. As expected, services accounted for nearly half of the new jobs, with retail trade, construction, and government (largely because of Census worker increases) also making sizable contributions. Marking the sixth consecutive year of job losses, manufacturing employment declined by 1,400 jobs. In fact, manufacturing jobs have declined in 11 of the past 12 years. Of course, this is a reflection of the national trend of structural change, although the manufacturing sector has been shrinking faster in Maine than in the nation.

All of Maine’s 16 counties had lower unemployment rates in 2000 than in 1999. Because jobless rates were already significantly lower in the coastal counties, these generally had smaller rate declines for the year. The largest unemployment rate declines were in Somerset and Washington (-1.6 percentage points), and Aroostook and Oxford Counties (-1.5 points). Overall, the lowest rates were in the south-coast and mid-coast counties; the central counties (Androscoggin, Kennebec, and Penobscot) were at or slightly above the State average for the year, while those counties around the outer rim of Maine had the highest rates. This general pattern has been consistent for several decades.

Taxable Retail Sales

Maine Consumer Retail Sales increased by 4% in 2000, less than half the growth rate of each of the two previous years. Building Supply store-types chalked up the fastest growth rate, a healthy 8%, but this was down from 14.7% in 1999. In fact, all six of the store-type groups that are tracked had slower growth in 2000 than in the previous year. The “Other Retail” group (mostly smaller specialty stores) was weakest, with only 3% growth for the year.

Summary

Once upon a time, major turning points in the Maine economy lagged those of the US economy. Today, national shifts are reflected immediately in Maine’s indicators, and it is easy to see why. When the Fed acts to raise or lower key interest rates, Maine banks respond within hours. And pricing or promotional incentive decisions at Wal-Mart or Home Depot or General Motors or Ford headquarters affect stores or dealerships in all states simultaneously, and national financial and economic news which affect consumer confidence and buying decisions is broadcast or published everywhere at once. Thus, when the national economy began to sputter, about midyear, the Maine economy coughed, and the State and nation both experienced strong growth for the first half-year and weak growth in the second half-year.

Maine employment and personal income growth rates over the past few years have not kept pace with national rates largely due to much slower population growth. Yet, Maine's unemployment rate has been below the national rate for the past year and a half, so Maine has actually outperformed the nation when it comes to providing jobs for its citizens. And, slow population growth is not in itself a bad thing, as rapid growth in population density invariably increases pressures on the natural environment, transportation infrastructure, crime rates, etc. In the long run then, slow population growth is a boon to Maine's environment and its people, helping us to stay on top of growth pressures and to maintain our truly exceptional quality of life.

Outlook

Reflecting most forecasts for the national economy, the Maine economy is expected to slow moderately in 2001. According to the Maine Consensus Economic Forecasting Commission official forecast of February 2001, Maine personal income will increase by 4.5% in 2001, before returning to 5% annual growth in the out years. Since labor participation rates are near record highs, and payroll employment growth has been 5 to 7 times population growth over the past 3 years, employment growth is expected to slow to just a bit over 1% for the next few years. This is less than half the growth rate of the past 3 years. Unemployment rates will likely remain below the US averages over the next few years.

MAJOR INITIATIVES

Infrastructure

It was a particularly big year for public infrastructure investment in Maine in 2000. The turnpike widening began in the spring of 2000 and is a 5-year project scheduled for completion in 2005. The project, along with other modernization and interchange constructions and reconstructions, will be financed with a \$126 million bond issue. The \$47 million Carleton Bridge over the Kennebec in Bath was completed. At 2,592 feet (420 foot spans), this is the longest span bridge of its particular type in North America. It was also a banner year for upgrading government facilities. A total of \$122 million was contracted last year.

Education

A new initiative called "30 and 1000" seeks to raise per capita income in Maine to the national average by 2010. To achieve this, the initiative proposes increasing the number of adults in Maine with college degrees to 30% and increasing investments in research and development to \$1,000 a year per worker. Several meetings during 2000, the first chaired by Governor King, brought together people from business, higher education and State government to discuss these proposals.

Utility Restructuring

With California's rolling blackouts as headline news, Maine people cannot help but wonder what their own future will bring. In the short term, Maine will likely see continued price volatility as problems with market structure and operations are identified and addressed.

State Programs

In the spring of 2000, several pieces of landmark legislation were adopted that: direct State agencies to limit growth-related capital investments to locally designated areas, require the State to locate office and other civil buildings, first in downtowns, and second in locally designated growth areas; direct additional local revenue sharing to service center communities; expand/modify current use taxation mechanisms in support of land consumptive natural resource-based industries; improve access management requirements on State roadways; appropriate \$1.8 million for smart growth initiatives and the creation of a State Downtown Center; capitalize (with a \$50 million bond issue) the Land for Maine's Future Program which acquires important ecological and productive lands; establish several study committees, task forces, and rule-making efforts to explore additional initiatives for consideration in the 120th Legislative session, including areas of growth management and model ordinances, access management, school siting, affordable housing, building and health safety codes in downtowns, productive natural resource based industries, and site location development.

In addition, the Governor's Cabinet adopted "Smart Growth: The Competitive Advantage", a three year action plan for State government, to assure a strong rate of return on public investment, renewed commitment of environmental stewardship, and stepped up efforts to build and strengthen community.

Environmental Issues

Maine is facing a number of environmental issues with significant implications for its economic and ecological well-being. The four major issues are: mercury in the environment, invasion of aquatic species, global climate change, and clean air. The Department of Environmental Protection (DEP) is leading the effort to eliminate sources of mercury pollution. The State Planning Office and the University of Maine's Margaret Chase Smith Center for Public Policy jointly produced the State of Maine Climate Change Action Plan. State implementation of Federal Clean Air Act provisions to reduce sulfur and nitrogen oxides and particulate matter emissions will potentially have a profound effect on manufacturing, power production, and transportation in Maine.

FINANCIAL INFORMATION

Internal Control

State management is responsible for establishing and maintaining internal control to ensure that government assets are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow preparation of financial statements in conformity with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that evaluation of costs and benefits requires estimates and judgments by management.

As a recipient of federal financial assistance for federal programs, the State is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these federal programs. The internal control structure is subject to periodic evaluation by management and by the State Department of Audit as part of the annual single audit.

Budgetary Control

The Governor presents a biennial budget for the General Fund and the Special Revenue Funds to the Legislature for enactment or revision. The State Constitution provides the Governor a "line item" veto, which allows an Executive dollar substitution for those amounts disapproved, as long as an appropriation or allocation is not increased (or a deappropriation or deallocation decreased) either in the specified line or in any other line in the legislative document.

Once passed and signed, the budget becomes the financial plan for the State for the next biennium. It includes proposed expenditures for all departments and agencies, interest and debt redemption charges, and expenditures for capital projects to be undertaken and executed during each fiscal year. The budget also includes anticipated revenues and any other means of financing expenditures. In accordance with statute, the State Budget Officer must use the projections of the Revenue Forecasting Committee to prepare the General Fund and Highway Fund budgets.

The State maintains budgetary control at the account and line category levels. The head of each department and agency of State government must submit a work program to the Bureau of the Budget for the ensuing fiscal year. The work program is classified to show allotments requested for specific amounts for personal services, capital expenditures, and all other departmental expenses. These are the levels at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Controller authorizes all expenditures to be made from the amounts available on the basis of these allotments and not otherwise.

Budget revisions during the year, reflecting program changes or intradepartmental administrative transfers, require the approval of the State Budget Officer and the Governor. Except in specific instances, only the Legislature may transfer appropriations between departments. Agency requests for increases in appropriations, allocations, or funding for new programs are presented to the Legislature as a supplemental budget.

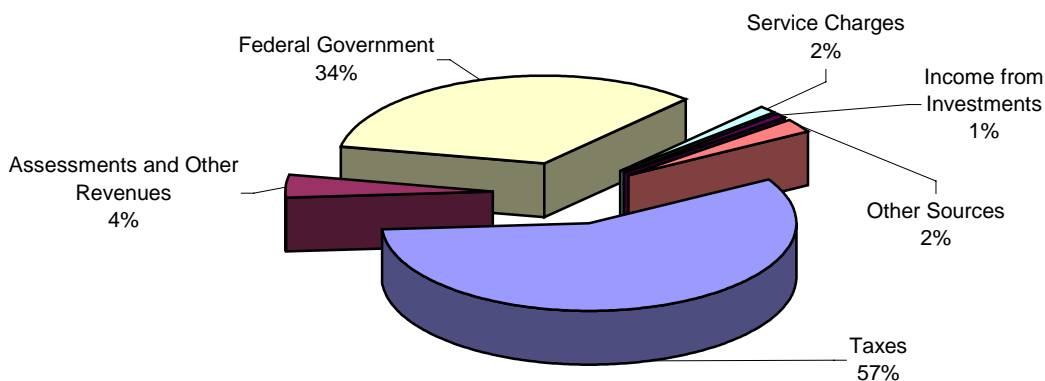
The State uses encumbrance accounting as an extension of formal budgetary control. This requires that purchase orders, contracts, and other commitments be recorded to reserve a portion of an appropriation or allocation for expenditure. Appropriated and allocated balances are available for subsequent expenditure to the extent that there are approved encumbrances at the end of a fiscal year. The State reports encumbrances outstanding at year-end as reservations of fund balances to identify those portions of fund balances that are not available for allocation or expenditure, or that are legally segregated for specific future uses. Unencumbered appropriations in the General Fund and in the Highway Fund are carried forward to a subsequent year only when authorized by law, otherwise the balances lapse at year-end.

General Government Functions

Financial resources for the principal operations of State government and jointly financed State-federal programs are accounted for in the general and special revenue funds. Revenues from various sources for fiscal years 2000 and 1999, which are used to finance general government functions, are compared in the following table (**dollars expressed in thousands**):

Revenues By Source			As Percent of Total		\$	%
	2000	1999	2000	1999	Incr (Decr) from 1999	Incr (Decr)
Total Taxes	\$2,632,465	\$2,350,495	57.2 %	56.4 %	\$281,970	12.0 %
Assessments and Other Rev.	189,213	178,997	4.1	4.3	10,216	5.7
Federal Government	1,555,970	1,470,231	33.8	35.3	85,739	5.8
Service Charges	71,398	83,639	1.6	2.0	(12,241)	(14.6)
Income from Investments	37,094	28,898	0.8	0.7	8,196	28.4
Other Sources	113,705	53,842	2.5	1.3	59,863	111.2
Total Revenues	\$4,599,845	\$4,166,102	100.0 %	100.0 %	\$433,743	10.4 %

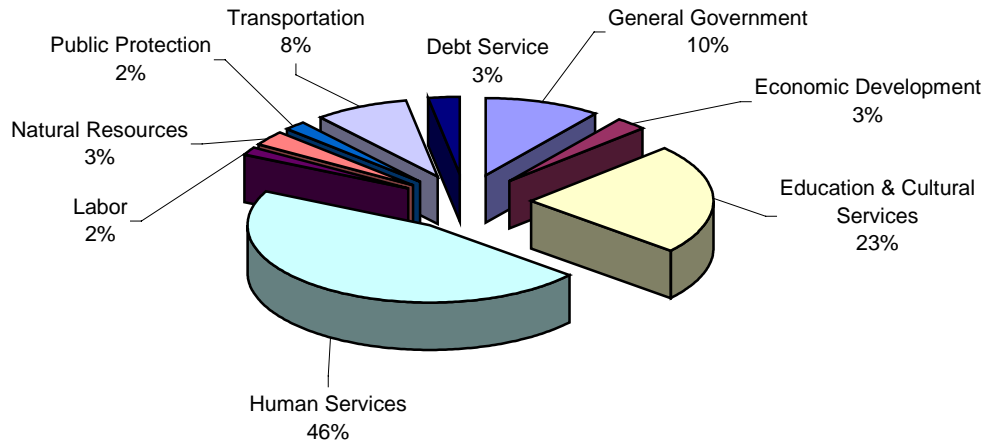
The following chart depicts the composition of general government revenue sources for fiscal year 2000:



The State provides a full range of services, including: economic development, education, health and social services, recreation and natural resource management, public safety, transportation, public improvement and financial assistance. The costs of providing these services are also accounted for in the general and special revenue funds. Expenditures for general government functions for fiscal years 2000 and 1999 are compared in the following table (**dollars expressed in thousands**):

Expenditures By Policy Area			As Percent of Total		\$	%
	2000	1999	2000	1999	Incr (Decr) from 1999	Incr (Decr)
General Governmnt	\$431,959	\$407,423	10.3 %	10.3 %	\$24,536	6.0 %
Economic Development	112,079	88,315	2.7	2.2	23,764	26.9
Education & Cultural Services	966,947	910,540	23.0	23.1	56,407	6.2
Human Services	1,934,243	1,816,359	46.1	46.0	117,884	6.5
Labor	79,690	82,012	1.9	2.1	(2,322)	(2.8)
Natural Resources	119,783	111,800	2.9	2.8	7,983	7.1
Public Protection	82,641	82,093	2.0	2.1	548	0.7
Transportation	355,801	339,572	8.5	8.6	16,229	4.8
Debt Service	112,980	107,587	2.7	2.7	5,393	5.0
Total Expenditures	<u>\$4,196,123</u>	<u>\$3,945,701</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>\$250,422</u>	<u>6.3 %</u>

The following chart depicts the composition of general government expenditures for fiscal year 2000:

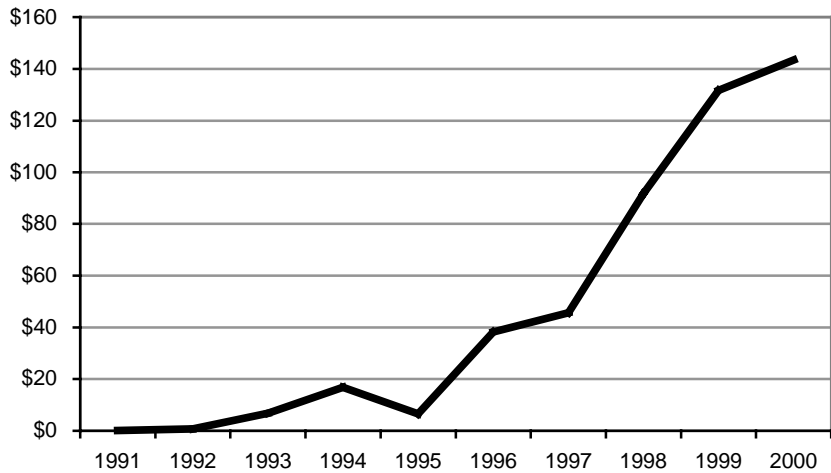


General Fund Balance

The General Fund GAAP fund balance of \$522,913,000 at June 30, 2000 demonstrates fiscal strength resulting from prudent fiscal practices. The unreserved and undesignated portion of the fund balance increased from \$75,007,000 to \$250,276,000. The total June 30, 2000 fund balance represents a 53 percent increase from June 30, 1999.

Included in the General Fund's fund balance is the *Rainy Day Fund*. This reserve was created to fund potential operating deficits or other emergencies. Each year, the State transfers fifty percent of the excess of total General Fund revenues received, over accepted estimates, from the unappropriated surplus of the General Fund to the Rainy Day Fund. Upon recommendation by the Governor, and a 2/3 vote of the Legislature, appropriations from the fund may be made for prepayment of outstanding General Fund bonds or for major construction projects exceeding \$500,000. The maximum amount that this fund may carry, by law, is six percent of the total General Fund revenues received in the immediately preceding fiscal year.

The chart to the right depicts the balance in the Rainy Day Fund, in millions of dollars, at the close of each of the last ten fiscal years.



Debt Administration

When issuing General Obligation Bonds, the State of Maine pledges its full faith and credit to repay the financial obligation. Unless certain tax revenue streams are specifically restricted, states typically pledge all of their tax-raising powers to secure the obligations. The major bond rating agencies regularly assess the capacity and willingness of the State to repay its general obligation debt. Moody’s Investors Service, Standard & Poor’s, and Fitch IBCA, Inc., make their assessments, in large part, by examining four basic analytical areas:

- Economy
- Financial Performance and Flexibility
- Debt Burden, and
- Administration

The economic base is the most critical element in determining the rating. Growth and diversity in the demographics, tax base, and employment base of the State over the last decade are indicators of future growth prospects and debt repayment capabilities. Generally, states with higher income levels and diverse economic bases have superior debt repayment capabilities and are better protected from sudden shocks or unexpected volatility in the economy. Because a strong economy does not always ensure a state’s ability to meet debt payments, the state’s financial management and performance are also key factors.

Financial analysis involves several factors, including: accounting and reporting methods; revenue and expenditure patterns; annual operating and budgetary performance; leverage and equity positions; budget and financial planning; and contingency obligations. These factors present a clear indication of the financial strengths and weaknesses of the State. The rating agencies’ analyses of these factors provide the framework for judging Maine’s capacity to manage economic, political, and financial uncertainties. Following is a history of Maine’s credit ratings from three of the major rating agencies, and a brief explanation of their meanings:

Standard & Poor’s

“AAA” is the highest Issuer Credit Rating assigned by Standard & Poor’s. An obligor rated “AAA” has EXTREMELY strong capacity to meet its financial commitments. An obligor rated “AA” has VERY strong capacity to meet its financial commitments. It differs from the highest rated obligors only in small degree. Ratings from “AA” to “CCC” may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

<u>Year</u>	<u>Rating</u>
1991	AA+
1992	AA+
1993	AA+
1994	AA+
1995	AA+
1996	AA+
1997	AA+
1998	AA+
1999	AA+
2000	AA+

Moody's Investors Service

Moody's is one of the few major rating agencies that measures total expected credit loss over the life of the security, assessing both the likelihood that the issuer will default and the amount of loss after a default occurs. "Aaa"rated bonds are judged to be of the best quality. Generally referred to as "gilt edge," they carry the smallest degree of risk. "Aa"rated bonds are judged to be of high quality by all standards and together with the "Aaa" group they comprise what is generally known as high grade bonds. Moody's applies one of three numerical modifiers to each generic rating classification from "Aa" to "Caa." The modifier 1 indicates that the issue ranks at the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks at the lower end of its generic category.

<u>Year</u>	<u>Rating</u>
1991	Aa1
1992	Aa1
1993	Aa
1994	Aa
1995	Aa
1996	Aa
1997	Aa3*
1998	Aa2
1999	Aa2
2000	Aa2

* Refinement of Aa rating, not a downgrade

Fitch IBCA, Inc.

"AAA" indicates obligations that have the highest rating assigned by Fitch, IBCA on its national rating scale. The capacity for timely repayment of principal and interest is considered extremely strong. "AA" indicates obligations for which capacity for timely repayment of principal and interest is very strong. Obligations rated "A" indicate that the capacity for timely repayment of principal and interest is strong relative to other obligors. However, adverse changes in business, economic or financial conditions are more likely to affect the capacity for timely repayment than for obligations in higher rated categories.

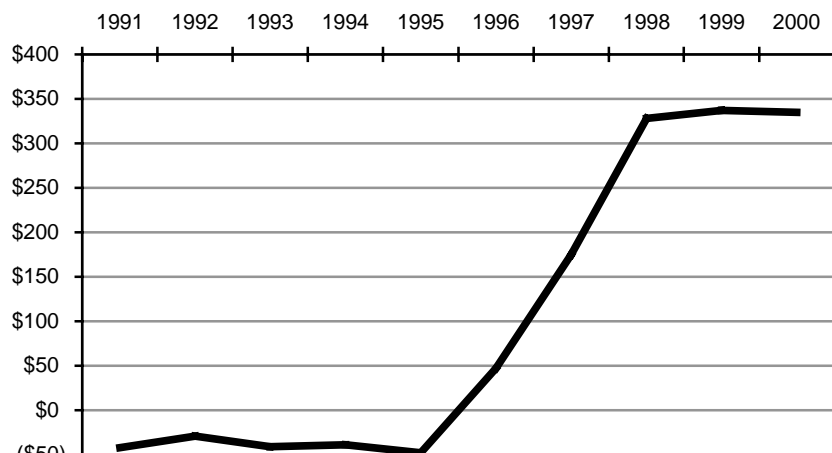
<u>Year</u>	<u>Rating</u>
1996	AA**
1997	AA
1998	AA
1999	AA
2000	AA+

** Initial rating in 1996, not previously rated

Cash Management

The State pools cash for a variety of State agencies and public sector entities. Interest earned on pooled cash is allocated to the various funds, generally based on their average equity balances. In accordance with statute, the Treasurer of State may deposit State funds in any of the banking institutions organized under the laws of this State, and any national bank or federal savings and loan association located in the State. The Treasurer of State may invest funds that exceed current obligations, with the concurrence of the State Controller or the Commissioner of Administrative and Financial Services, and the consent of the Governor. The list of approved pool investments includes: U.S. Treasury Bills, Notes, Bonds and Agency Securities, certain secured repurchase agreements, prime commercial paper, tax-exempt obligations, banker's acceptances, and certain secured shares of an investment company registered under the federal Investment Company Act of 1940.

The chart to the right depicts the General Fund's share of the Treasurer's pooled cash and investment fund, in millions of dollars, at the close of each of the last ten fiscal years.



OTHER INFORMATION

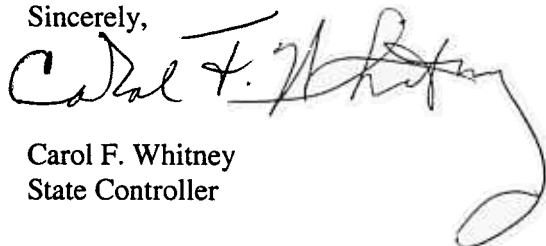
Independent Audit

Pursuant to 5 M.R.S.A. § 243, the State Auditor has performed an examination of the State's general purpose financial statements in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The auditor's opinion is presented in the financial section of this report. Also, pursuant to § 243, the State Auditor has undertaken a single audit of the State as a whole, as required by federal law, which will include internal control and legal compliance reports on all federal funds received and expended by State government. This statewide federal single audit report is published separately.

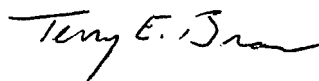
Acknowledgements

Preparation of this CAFR was made possible by the dedicated staffs within the Office of the State Controller and the Department of Audit, with the assistance of fiscal staff from all agencies, including component units.

Sincerely,



Carol F. Whitney
State Controller



Terry E. Brann, CPA
Deputy State Controller

STATE OF MAINE

OFFICIALS OF STATE GOVERNMENT

AS OF JUNE 30, 2000

EXECUTIVE

Angus S. King, Jr., *Governor*

LEGISLATIVE

Mark W. Lawrence, *President of the Senate*

G. Steven Rowe, *Speaker of the House*

Constitutional Officers

Andrew J. Ketterer, *Attorney General*

Gail M. Chase, *State Auditor*

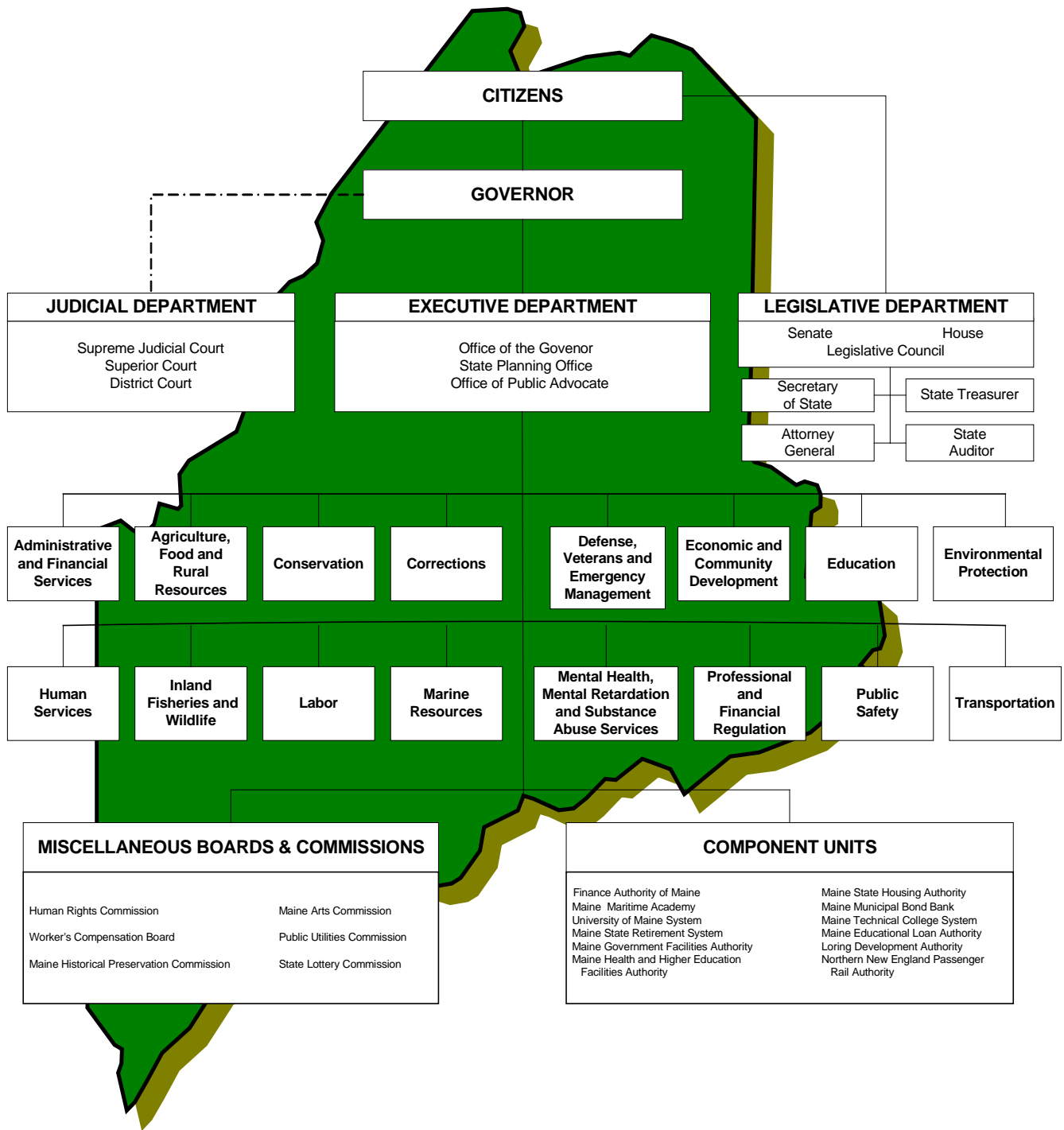
Dan A. Gwadowsky, *Secretary of State*

Dale McCormick, *State Treasurer*

JUDICIAL

Daniel E. Wathen, *Chief Justice of the State Supreme Court*

ORGANIZATION CHART OF MAINE STATE GOVERNMENT AS OF JUNE 30, 2000



FINANCIAL SECTION



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GAIL M. CHASE, CIA
STATE AUDITOR

STATE OF MAINE DEPARTMENT OF AUDIT

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RICHARD H. FOOTE, CPA
DEPUTY STATE AUDITOR
CAROL A. LEHTO CPA, CIA
DIRECTOR OF AUDITS
MICHAEL J. POULIN, CIA
DIRECTOR OF AUDITS

Independent Auditor's Report

To the President of the Senate and the
Speaker of the House of Representatives

We have audited the accompanying general purpose financial statements of the State of Maine, as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the State of Maine's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the discretely presented component units listed in Note 1, which represent 100 percent of the total assets and 100 percent of the total revenues of the component unit column, 100 percent of the changes in pension plan net assets and 100 percent of the assets and 100 percent of the revenues of the college and university component unit funds. We did not audit the financial statements of the Maine Governmental Facilities Authority, which represents 6.35 percent of the assets and .16 percent of the total revenues of the Special Revenue Fund Type. Those financial statements were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to the amounts included for the discretely presented component units and for the Maine Governmental Facilities Authority, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

Because the State of Maine does not maintain adequate systems to identify, classify and report capital leases in conformity with generally accepted accounting principles, we were unable to satisfy ourselves regarding the amounts at which fixed assets (stated at \$84.8 million), and obligations under capital leases (stated at \$39.4 million) are recorded in the Internal Service Fund.

The general purpose financial statements referred to above do not include the General Fixed Assets Account Group, which should be included in order to conform with generally accepted accounting principles. The amount that should be recorded in the General Fixed Assets Account Group is not known.

The State's financial statements include pension information as audited by other auditors. The Statement of Changes in Pension Plan Net Assets is presented as if the Maine State Retirement System were the administrator of a single plan. Also, Notes 1 and 9 to the financial statements state that the System is the administrator of an agent, multiple-employer system. Further, Note 9 states that Maine State Retirement System management's interpretation of the State of Maine statutes is that all assets accumulated for the payment of benefits may legally be used to pay benefits, including refunds of member contributions, to any plan members or beneficiaries, and that the System is therefore regarded as administering a single plan for reporting purposes. The State's legal counsel does not agree with the accumulated assets representation. In our opinion, there is more than one pension plan and additional disclosure is required to conform with generally accepted accounting principles.

In our opinion, based on our audit and the reports of other auditors, except for the effect on the financial statements of the omission and representation described in the first preceding paragraph, the omissions described in the second preceding paragraph, and the effect of such adjustments, if any, as might have been determined to be necessary had records concerning capital leases been adequate (discussed in the third preceding paragraph), the general purpose financial statements referred to in the first paragraph (as included in the table of contents) present fairly, in all material respects, the financial position of the State of Maine, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types, nonexpendable trust funds and discretely presented component units, the changes in pension plan net assets, and the changes in fund balances and current funds revenues, expenditures, and other changes of the college and university funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 1 and 3 to the financial statements, the State of Maine reporting entity changed to include the Northern New England Passenger Rail Authority.



Gail M. Chase, CIA
State Auditor

February 28, 2001

GENERAL PURPOSE FINANCIAL STATEMENTS

STATE OF MAINE
COMBINED BALANCE SHEET
ALL FUND TYPES, ACCOUNT GROUP AND DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2000
(Expressed in Thousands)

Governmental Fund Types			
	General	Special Revenue	Capital Projects
Assets and Other Debits			
Cash and Short-Term Investments	\$ 151,490	\$ 139,148	\$ 77,955
Cash with Fiscal Agent	16,006	3,579	-
Investments	204,005	250,287	9,034
Restricted Deposits and Investments	8,016	44,552	-
Investments of Deferred Compensation Plan	-	-	-
Assets Held in Trust	-	-	-
Unemployment Deposits with US Treasury	-	-	-
Receivables, Net of Allowance for Uncollectibles:			
Taxes Receivable	348,061	36,992	-
Due from Other Governments	-	175,206	-
Loans Receivable	1	2,979	-
Notes Receivable	-	-	-
Other Receivable	36,713	41,501	-
Due from Other Funds	14,054	5,006	-
Due from Primary Government	-	-	-
Inventories	445	21,470	-
Fixed Assets - Net of Depreciation Where Applicable	-	-	-
Working Capital Advances Receivable	1,336	69	-
Other Assets	8,992	1,254	-
Amount to be Provided for Retirement of General Long-Term Obligations	-	-	-
Total Assets and Other Debits	<u>\$ 789,119</u>	<u>\$ 722,043</u>	<u>\$ 86,989</u>
Liabilities, Fund Equity and Other Credits			
Liabilities:			
Accounts Payable	\$ 74,061	\$ 164,224	\$ 3,662
Accrued Payroll	14,548	17,428	-
Compensated Absences	1,495	1,754	-
Tax Refunds Payable	102,209	-	-
Due to Other Governments	-	51,510	-
Due to Other Funds	5,840	22,434	267
Due to Component Units	6,659	4,881	8,552
Agency Liabilities	-	-	-
Claims Payable	-	-	-
Interest Payable	-	-	-
Other Accrued Liabilities	24,947	1,272	196
Certificates of Participation and Other Financing Arrangements	-	-	-
Obligations under Capital Leases	-	-	-
Pension Obligation	-	-	-
Amounts Held under State Loan Programs	-	-	-
Deferred Revenue	35,999	25,867	-
Undisbursed Grant and Administrative Funds	-	-	-
Bonds and Notes Payable	448	11	-
Working Capital Advances Payable	-	225	-
Total Liabilities	<u>266,206</u>	<u>289,606</u>	<u>12,677</u>
Fund Equity and Other Credits:			
Contributed Capital	-	-	-
Retained Earnings:			
Reserved	-	-	-
Unreserved	-	-	-
Fund Balances (Deficits):			
Reserved for Continuing Appropriations	77,288	385,147	-
Reserved for Unemployment Benefits	-	-	-
Reserved for Nonexpendable Trusts	-	-	-
Reserved for Rainy Day Fund	143,479	-	-
Reserved for Pension Benefits	-	-	-
Reserved for Debt Service	15,630	8,124	-
Reserved for Capital Projects	-	39,644	74,312
Other Reservations	36,240	943	-
Net Investment in Plant	-	-	-
Unreserved	250,276	(1,421)	-
Total Fund Equity and Other Credits	<u>522,913</u>	<u>432,437</u>	<u>74,312</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 789,119</u>	<u>\$ 722,043</u>	<u>\$ 86,989</u>

The accompanying notes are an integral part of the financial statements.

Primary Government						
Proprietary Fund Types		Fiduciary Fund Types	Account Group	Total (Memorandum Only)	Total (Memorandum Only)	
Enterprise	Internal Service	Trust and Agency	General Long-Term Obligations	Primary Government	Component Units	Reporting Entity
\$ 2,056	\$ 19,804	\$ 11,866	\$ -	\$ 402,319	\$ 307,754	\$ 710,073
-	2,579	2	-	22,166	12,151	34,317
2,625	33,160	82,038	-	581,149	8,498,863	9,080,012
-	-	-	-	52,568	5,222	57,790
-	-	207,316	-	207,316	-	207,316
-	-	318,506	-	318,506	-	318,506
-	-	286,199	-	286,199	-	286,199
-	-	41,634	-	426,687	-	426,687
-	-	-	-	175,206	979,403	1,154,609
7,479	-	-	-	10,459	2,182,083	2,192,542
-	-	-	-	-	68,919	68,919
10,674	205	-	-	89,093	289,588	378,681
17	10,780	395	-	30,252	-	30,252
-	-	-	-	-	20,737	20,737
3,337	5,506	-	-	30,758	5,913	36,671
41,122	84,783	-	-	125,905	386,968	512,873
-	-	-	-	1,405	-	1,405
194	933	23	-	11,396	50,255	61,651
-	-	-	661,789	661,789	-	661,789
<u>\$ 67,504</u>	<u>\$ 157,750</u>	<u>\$ 947,979</u>	<u>\$ 661,789</u>	<u>\$ 3,433,173</u>	<u>\$ 12,807,856</u>	<u>\$ 16,241,029</u>
\$ 5,375	\$ 7,965	\$ 10,089	\$ -	\$ 265,376	\$ 40,933	\$ 306,309
477	1,185	-	-	33,638	282	33,920
333	1,122	-	28,600	33,304	-	33,304
-	-	-	-	102,209	-	102,209
-	-	-	-	51,510	19,788	71,298
1,478	233	-	-	30,252	-	30,252
645	-	-	-	20,737	-	20,737
-	-	321,686	-	321,686	-	321,686
-	83,591	-	-	83,591	-	83,591
-	148	-	-	148	43,872	44,020
6,346	-	6,059	-	38,820	330,468	369,288
-	19,297	-	105,971	125,268	-	125,268
-	39,393	-	-	39,393	5,292	44,685
-	-	-	74,243	74,243	-	74,243
-	-	-	-	-	90,396	90,396
352	4,785	1,536	-	68,539	42,770	111,309
-	-	-	-	-	8,195	8,195
-	-	-	452,975	453,434	3,396,988	3,850,422
1,000	180	-	-	1,405	-	1,405
<u>16,006</u>	<u>157,899</u>	<u>339,370</u>	<u>661,789</u>	<u>1,743,553</u>	<u>3,978,984</u>	<u>5,722,537</u>
56,606	27,393	-	-	83,999	-	83,999
-	-	-	-	-	242,250	242,250
(5,108)	(27,542)	-	-	(32,650)	256,334	223,684
-	-	-	-	462,435	-	462,435
-	-	322,973	-	322,973	-	322,973
-	-	21,013	-	21,013	-	21,013
-	-	-	-	143,479	-	143,479
-	-	-	-	-	7,618,480	7,618,480
-	-	-	-	23,754	48,688	72,442
-	-	-	-	113,956	102,318	216,274
-	-	-	-	37,183	224,657	261,840
-	-	-	-	-	315,447	315,447
-	-	264,623	-	513,478	20,698	534,176
<u>51,498</u>	<u>(149)</u>	<u>608,609</u>	<u>-</u>	<u>1,689,620</u>	<u>8,828,872</u>	<u>10,518,492</u>
<u>\$ 67,504</u>	<u>\$ 157,750</u>	<u>\$ 947,979</u>	<u>\$ 661,789</u>	<u>\$ 3,433,173</u>	<u>\$ 12,807,856</u>	<u>\$ 16,241,029</u>

STATE OF MAINE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES, EXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Primary Government						
	Governmental Fund Types				Fiduciary Fund Type		
	General	Special Revenue	Capital Projects	Expendable Trust	Total (Memorandum Only) Primary Government	Component Unit	Total (Memorandum Only) Reporting Entity
Revenues:							
Taxes	\$ 2,384,032	\$ 248,433	\$ -	\$ 135,855	\$ 2,768,320	\$ -	2,768,320
Assessments and Other Revenues	60,447	128,766	-	-	189,213	-	189,213
Federal Grants and Reimbursements	1,896	1,554,074	-	-	1,555,970	30,440	1,586,410
Service Charges	27,652	43,746	-	-	71,398	6,431	77,829
Received and Receivable from Institutions	-	-	-	-	-	81,633	81,633
Income from Investments	18,920	15,662	2,512	38,127	75,221	13,610	88,831
Net Increase in the Fair Value of Investments	-	-	-	4,026	4,026	(55)	3,971
Miscellaneous Revenues	2,950	110,755	-	23,445	137,150	1,282	138,432
Total Revenues	2,495,897	2,101,436	2,512	201,453	4,801,298	133,341	4,934,639
Expenditures:							
General Government	228,388	198,322	5,249	10,003	441,962	190,306	632,268
Economic Development	28,883	83,196	-	-	112,079	-	112,079
Education and Culture	841,818	115,474	9,655	-	966,947	-	966,947
Human Services	769,158	1,163,479	1,606	-	1,934,243	-	1,934,243
Labor	12,430	67,260	-	78,340	158,030	-	158,030
Natural Resources	52,113	64,458	3,212	-	119,783	-	119,783
Public Protection	22,657	59,538	446	-	82,641	-	82,641
Transportation	7,112	334,589	14,100	-	355,801	-	355,801
Debt Service:							
Principal Payments	59,810	23,570	-	-	83,380	32,205	115,585
Interest Payments	17,497	12,103	-	-	29,600	50,790	80,390
Total Expenditures	2,039,866	2,121,989	34,268	88,343	4,284,466	273,301	4,557,767
Revenues over (under) Expenditures	456,031	(20,553)	(31,756)	113,110	516,832	(139,960)	376,872
Other Financing Sources (Uses):							
Operating Transfers In	86,441	125,146	-	1,362	212,949	-	212,949
Operating Transfers Out	(120,687)	(16,659)	(3,157)	(13,068)	(153,571)	(3,409)	(156,980)
Bond Proceeds	-	76,595	66,991	-	143,586	112,345	255,931
Operating Transfers from Component Units	-	1,000	-	-	1,000	-	1,000
Operating Transfers to Component Units	(239,404)	(33,544)	(14,669)	-	(287,617)	-	(287,617)
Operating Transfers from Primary Government	-	-	-	-	-	7,005	7,005
Net Other Financing Sources (Uses)	(273,650)	152,538	49,165	(11,706)	(83,653)	115,941	32,288
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	182,381	131,985	17,409	101,404	433,179	(24,019)	409,160
Fund Balances at Beginning of Year (As Restated)	340,532	300,452	56,903	486,192	1,184,079	183,071	1,367,150
Fund Balances at End of Year	\$ 522,913	\$ 432,437	\$ 74,312	\$ 587,596	\$ 1,617,258	\$ 159,052	\$ 1,776,310

The accompanying notes are an integral part of the financial statements.

STATE OF MAINE
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	General Fund			Special Revenue Fund		
	Actual	Budget	Variance Favorable/ (Unfavorable)	Actual	Budget	Variance Favorable/ (Unfavorable)
Revenues:						
Taxes	\$ 2,296,644	\$ 2,288,583	\$ 8,061	\$ 226,535	\$ 222,844	\$ 3,691
Assessments and Other Revenues	60,447	55,117	5,330	130,560	141,845	(11,285)
Federal Grants and Reimbursements	11,260	10,287	973	1,466,680	1,680,893	(214,213)
Service Charges	30,132	26,738	3,394	70,906	92,357	(21,451)
Miscellaneous Revenues	19,704	24,173	(4,469)	205,544	125,366	80,178
Total Revenues	2,418,187	2,404,898	13,289	2,100,225	2,263,305	(163,080)
Expenditures:						
General Government	347,128	342,835	(4,293)	177,173	237,910	60,737
Economic Development	42,327	44,670	2,343	87,306	115,935	28,629
Education and Culture	1,060,906	1,065,719	4,813	116,362	130,809	14,447
Human Services	790,257	821,298	31,041	1,215,335	1,320,207	104,872
Labor	12,659	16,551	3,892	70,836	93,924	23,088
Natural Resources	51,140	53,897	2,757	63,105	100,580	37,475
Public Protection	22,512	23,828	1,316	58,038	76,628	18,590
Transportation	7,160	10,289	3,129	365,460	470,299	104,839
Total Expenditures	2,334,089	2,379,087	44,998	2,153,615	2,546,292	392,677
Excess Revenues over (under) Expenditures	84,098	25,811	58,287	(53,390)	(282,987)	229,597
Other Financing Sources (Uses):						
Operating Transfers In	90,835	67,257	23,578	126,835	114,343	12,492
Operating Transfers Out	(118,630)	(108,749)	(9,881)	(14,659)	(7,998)	(6,661)
Net Other Financing Sources (Uses)	(27,795)	(41,492)	13,697	112,176	106,345	5,831
Excess Revenues and Other Sources over (under) Expenditures and Other Uses	56,303	(15,681)	71,984	58,786	(176,642)	235,428
Beginning Fund Balances	502,294			366,400		
Ending Fund Balances	\$ 558,597			\$ 425,186		

The accompanying notes are an integral part of the financial statements.

STATE OF MAINE
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS/FUND
BALANCES AND CONTRIBUTED CAPITAL
ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Primary Government					
	Proprietary Fund Types		Fiduciary Fund Types		Total (Memorandum Only)	Component Units
	Enterprise	Internal Service	Nonexpendable Trusts			
	Enterprise	Internal Service	Nonexpendable Trusts	Nonexpendable Trusts	Total (Memorandum Only)	Component Units
Operating Revenues:						
Charges for Services	\$ 230,869	\$ 148,460	\$ -	\$ -	\$ 379,329	-
Interest on Loans Receivable from Governmental Units	-	-	-	-	-	47,244
Income from Investments	-	-	602	602	-	37,162
Fair Value Increases (Decreases)	-	-	(203)	(203)	-	(5,939)
Interest Income from Mortgages and Notes	-	-	-	-	-	84,347
Grant Revenue from Other Governments	-	-	-	-	-	44,428
Federal Rent Subsidy Income	-	-	-	-	-	51,303
Miscellaneous Revenues	(80)	140	-	60	-	19,171
Total Operating Revenues	230,789	148,600	399	399	379,788	277,716
Operating Expenses:						
General Operations	173,686	108,042	-	-	281,728	23,638
Depreciation	16,357	12,314	-	-	28,671	43
Interest Expense	35	9,981	-	-	10,016	139,228
Grant Related Expenses	-	-	-	-	-	37,317
Federal Rent Subsidy Expense	-	-	-	-	-	51,303
Claims / Fees Expense	-	11,571	-	-	11,571	-
Miscellaneous Expenses	-	-	-	-	-	17,159
Total Operating Expenses	190,078	141,908	-	-	331,986	268,688
Operating Income (Loss)	40,711	6,692	399	399	47,802	9,028
Nonoperating Revenue (Expenses):	1,109	3,062	-	-	4,171	(121)
Income (Loss) before Operating Transfers	41,820	9,754	399	399	51,973	8,907
Transfers In (Out):						
Operating Transfers In	2,704	-	-	-	2,704	-
Operating Transfers Out	(60,629)	(1,453)	-	-	(62,082)	-
Operating Transfers from Primary Government	-	-	-	-	-	50,361
Operating Transfers to Primary Government	-	-	-	-	-	(1,000)
Total Operating Transfers	(57,925)	(1,453)	-	-	(59,378)	49,361
Income (Loss) before Extraordinary Item	(16,105)	8,301	399	399	(7,405)	58,268
Income (Loss) from Extraordinary Item:						
Loss on Bond Redemption	-	-	-	-	-	(1,164)
Net Income	(16,105)	8,301	399	399	(7,405)	57,104
Add: Depreciation of Fixed Assets Acquired from Contributed Capital	2,662	180	-	-	2,842	-
Increase (Decrease) in Retained Earnings/Fund Balances	(13,443)	8,481	399	399	(4,563)	57,104
Retained Earnings/Fund Balances at July 1, 1999 (As Restated)	8,335	(36,023)	20,614	20,614	(7,074)	429,269
Retained Earnings/Fund Balances at June 30, 2000	\$ (5,108)	\$ (27,542)	\$ 21,013	\$ 21,013	\$ (11,637)	\$ 486,373
Contributed Capital at July 1, 1999 (As Restated)	56,586	27,307	-	-	83,893	-
Add: Capital Contributions	2,682	266	-	-	2,948	-
Less: Depreciation of Fixed Assets Acquired from Contributed Capital	(2,662)	(180)	-	-	(2,842)	-
Contributed Capital at June 30, 2000	\$ 56,606	\$ 27,393	-	-	\$ 83,999	-

The accompanying notes are an integral part of the financial statements.

STATE OF MAINE
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Primary Government					
	Proprietary Fund Types		Fiduciary Fund Type		Total (Memorandum Only)	Component Units
	Enterprise	Internal Service	Nonexpend-able Trusts			
Cash Flows from Operating Activities:						
Net Income	\$ (16,105)	\$ 8,301	\$ 399	\$ (7,405)	\$	57,104
Adjustments to Reconcile Net Income to						
Net Cash Provided by Operating Activities:						
Investments and Other Income	-	-	602	602	-	(9,910)
Depreciation/Amortization	16,357	12,314	-	28,671	-	2,255
Amortization	-	-	-	-	-	336
Accretion on Capital Appreciation of Bonds	-	-	-	-	-	1,254
Net Increase in Fair Value of Investments	-	-	(1,204)	(1,204)	-	9,122
Interest on Bonds and Other Investments	-	-	-	-	-	113,237
Interest Income on Mortgages, Notes and Loans	-	-	-	-	-	(87,101)
Grants from Federal Government and Primary Government	-	-	-	-	-	(219,444)
Provision for Losses on Insured Commercial and Student Loans	-	-	-	-	-	2,678
Extraordinary Loss on Early Extinguishment of Bonds	-	-	-	-	-	27
Changes in Assets and Liabilities:						
Accounts Receivable	-	-	-	-	-	1,078
Other Receivable	(2,096)	762	-	(1,334)	-	(263)
Loans Receivable	(688)	-	-	(688)	-	(59,738)
Receivable Reserves	(198)	-	-	(198)	-	-
Due from Other Funds	(9)	(1,004)	-	(1,013)	-	-
Inventories	(353)	(465)	-	(818)	-	-
Accrued Interest Receivable from Governmental Units	-	-	-	-	-	-
Other Assets	115	(477)	-	(362)	-	(1,637)
Accounts Payable	(1,802)	3,292	-	1,490	-	(520)
Accrued Payroll	136	302	-	438	-	-
Compensated Absences	(96)	50	-	(46)	-	-
Due to Other Funds	(1,802)	(115)	-	(1,917)	-	-
Due to Component Unit	(292)	-	-	(292)	-	-
Deferred Revenue	18	(1,052)	-	(1,034)	-	4,172
Claims and Judgments	-	(2,523)	-	(2,523)	-	-
Other Accrued Liabilities	923	(52)	1	872	-	(3,054)
Default Payments (Net of Recoveries) on Commercial and Student Loans	-	-	-	-	-	(329)
Investment in Mortgage and Other Notes	-	-	-	-	-	98,759
Principal Payments Received on Notes Receivable	-	-	-	-	-	5,629
Interest Received on Educational Loans	-	-	-	-	-	87,278
Disbursements for New Notes Receivable	-	-	-	-	-	(10,810)
Educational Loans Originated	-	-	-	-	-	(9,438)
Educational Loans Originated for Sale to Related Party	-	-	-	-	-	(8,786)
Sale of Educational Loans to Related Party	-	-	-	-	-	8,786
Increase in Amounts Held in State Revolving Loan Programs	-	-	-	-	-	7,527
Grant Program Funds Received (Disbursed)	-	-	-	-	-	634
Net Cash Provided by Operating Activities	\$ (5,892)	\$ 19,333	\$ (202)	\$ 13,239	\$	(11,154)

The accompanying notes are an integral part of the financial statements.

STATE OF MAINE
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES, NONEXPENDABLE TRUST FUNDS AND DISCRETELY PRESENTED COMPONENT UNITS

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)
(continued)

	Primary Government					
	Proprietary Fund Types		Fiduciary Fund Type		Total (Memorandum Only)	Component Units
	Enterprise	Internal Service	Nonexpendable Trusts	Nonexpendable Trusts		
Cash Flows from Noncapital Financing Activities:						
Proceeds from Bonds & Notes Payable	\$ -	\$ -	\$ -	\$ -	\$ -	337,441
Principal Paid on Bonds & Notes Payable	-	-	-	-	-	(241,509)
Interest Paid on Bonds & Notes Payable	-	-	-	-	-	(131,503)
Grant Receipts from Other Governments	-	-	-	-	-	47,447
Capital Contributions	-	266	-	266	266	-
Change in Retained Earnings	132	(2,742)	-	(2,610)	(2,610)	-
Net Cash Provided by Noncapital Financing Activities	132	(2,476)	-	(2,344)	(2,344)	11,876
Cash Flows from Capital and Related Financing Activities:						
Proceeds from Bonds & Notes Payable	-	8,384	-	8,384	8,384	-
Additions to Land, Buildings and Equipment	(2,672)	(52,183)	-	(54,855)	(54,855)	(2,329)
Principal Payments on Bonds and Notes	-	(8,369)	-	(8,369)	(8,369)	-
Obligations under Capital Leases	-	37,915	-	37,915	37,915	-
Capital Contributions	2,682	-	-	2,682	2,682	-
Net Cash Provided by Capital and Related Financing Activities	10	(14,253)	-	(14,243)	(14,243)	(2,329)
Cash Flows from Investing Activities:						
Proceeds from Sales and Maturities of Investments	-	-	497	497	497	460,630
Purchase of Investments	-	-	(896)	(896)	(896)	(502,918)
Income Received from Investments	-	-	602	602	602	38,193
Miscellaneous Activities	-	-	-	-	-	4,194
Net Cash Provided by Investing Activities	-	-	203	203	203	99
Increase (Decrease) in Cash and Cash Equivalents	(5,750)	2,604	1	(3,145)	(3,145)	(1,508)
Cash and Cash Equivalents at Beginning of Year (as restated)	7,806	19,779	95	27,680	27,680	43,623
Cash and Cash Equivalents at End of Year	2,056	22,383	96	24,535	24,535	42,115
Reconciliation to the Combined Balance Sheet:						
Add: Agency Funds	-	-	9,934	9,934	9,934	-
Expendable Trust Funds	-	-	1,838	1,838	1,838	-
Component Unit Amounts Other Than Proprietary Funds	-	-	-	-	-	277,790
Cash and Cash Equivalents at End of Year	\$ 2,056	\$ 22,383	\$ 11,868	\$ 36,307	\$ 36,307	\$ 319,905
Supplemental disclosure of non-cash information						
Real estate acquired through foreclosure						4,597

STATE OF MAINE
STATEMENT OF CHANGES IN PLAN NET ASSETS
DISCRETELY PRESENTED COMPONENT UNIT - PENSION PLAN

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

Additions:	
Investment Income:	
Interest	\$ 109,587
Dividends	18,325
Net Appreciation in the Fair Value of Investments	562,502
Less: Investment Expenses	<u>(12,174)</u>
Net Investment Income	<u>678,240</u>
Contributions:	
Members	117,883
State and Local Agencies	<u>258,261</u>
Total Contributions	<u>376,144</u>
Total Additions	<u>1,054,384</u>
Deductions:	
Benefits Paid	343,316
Refunds and Withdrawals	17,729
Administrative Expenses	<u>7,949</u>
Total Deductions	<u>368,994</u>
Net Increase	685,390
Net Assets Held in Trust for Pension Benefits:	
Beginning of Year	<u>6,933,090</u>
End of Year	<u>\$ 7,618,480</u>

The accompanying notes are an integral part of the financial statements.

STATE OF MAINE
COMBINED STATEMENT OF CHANGES IN FUND BALANCES
DISCRETELY PRESENTED COMPONENT UNITS - COLLEGE AND UNIVERSITY FUNDS

For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	<u>Current Funds</u>		<u>Loan Funds</u>	<u>Endowment and Similar Funds</u>	<u>Plant Funds</u>	<u>Total (Memorandum Only)</u>
	<u>Unrestricted</u>	<u>Restricted</u>				
Revenues and Other Additions:						
Unrestricted Current Fund Revenues	\$ 201,739	\$ -	\$ -	\$ -	\$ -	201,739
Education and General	21,236	9,987	-	-	430	31,653
Government Grants and Contracts - Restricted	-	62,979	680	-	6	63,665
Private Gifts, Grants and Contracts - Restricted	-	23,967	225	5,364	4,655	34,211
Endowment Income - Restricted	-	4,472	15	347	-	4,834
Investment Income - Restricted	-	1,246	1,134	-	852	3,232
Interest Income on Loans Receivable	-	-	73	-	-	73
Unrealized Gains on Investments	-	7	38	556	-	601
Expended for Plant Facilities	13	-	-	-	11,363	11,376
Other Additions	4,826	286	2	4,470	6,359	15,943
Total Revenues and Other Additions	227,814	102,944	2,167	10,737	23,665	367,327
Expenditures and Other Deductions:						
Educational and General Expenditures	352,323	116,362	1,646	2,849	15,788	488,968
Auxiliary Enterprise Expenditures	56,098	6	-	-	-	56,104
Administrative and Collection Costs	-	-	22	-	4	26
Interest on Indebtedness	-	-	-	-	487	487
Disposal of Plant Assets	-	-	-	-	59	59
Expended for Plant Facilities	-	-	-	-	1,537	1,537
Write Down of Asset Values	-	-	1	1	22,341	22,343
Total Expenditures and Other Deductions	408,421	116,368	1,669	2,850	40,216	569,524
Transfers Among Funds - Additions (Deductions):						
Mandatory:						
Principal and Interest	(786)	-	-	-	786	-
Loan Fund Transfers	(20)	-	20	-	-	-
Restricted Resources Allocated	11	(11)	-	-	-	-
Nonmandatory Transfers from Plant	(801)	(263)	-	(361)	1,425	-
Nonmandatory Transfers to Endowment	507	-	-	(507)	-	-
Transfers from Primary Government	204,141	19,731	-	-	6,379	230,251
Other Deductions	(10,116)	(4,024)	301	105	13,734	-
Total Transfers	192,936	15,433	321	(763)	22,324	230,251
Net Increase (Decrease) for the Year	12,329	2,009	819	7,124	5,773	28,054
Fund Balance June 30, 1999 (as restated)	41,580	24,814	39,471	106,489	324,559	536,913
Fund Balance June 30, 2000	<u>\$ 53,909</u>	<u>\$ 26,823</u>	<u>\$ 40,290</u>	<u>\$ 113,613</u>	<u>\$ 330,332</u>	<u>\$ 564,967</u>

The accompanying notes are an integral part of the financial statements.

STATE OF MAINE
COMBINED STATEMENT OF CURRENT FUNDS
REVENUES, EXPENDITURES AND OTHER CHANGES
DISCRETELY PRESENTED COMPONENT UNITS
COLLEGE AND UNIVERSITY FUNDS

For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues:			
Tuition and Fees	\$ 123,672	\$ 190	\$ 123,862
Federal Appropriations	1,237	15,852	17,089
State Appropriations and Grants	-	5,293	5,293
Federal Grants and Contracts	58	51,577	51,635
Private Gifts, Grants and Contracts	3,261	23,176	26,437
Endowment Income	473	4,480	4,953
Sales and Services of Auxiliary Enterprise	60,288	-	60,288
Other Income	38,814	1,381	40,195
	<u>227,803</u>	<u>101,949</u>	<u>329,752</u>
Total Current Fund Revenues			
Expenditures and Mandatory Transfers:			
Educational and General:			
Instruction	140,017	12,401	152,418
Research	16,427	30,544	46,971
Public Service	17,536	20,084	37,620
Academic Support	49,048	4,729	53,777
Student Services	37,055	2,548	39,603
Institutional Support	47,202	372	47,574
Operational and Maintenance of Plant	34,703	178	34,881
Scholarships and Fellowships	10,321	45,453	55,774
	<u>352,309</u>	<u>116,309</u>	<u>468,618</u>
Total Expenditures			
Mandatory Transfers:			
Principal and Interest	786	-	786
Loan Fund	20	-	20
	<u>806</u>	<u>-</u>	<u>806</u>
Total Mandatory Transfers			
	<u>353,115</u>	<u>116,309</u>	<u>469,424</u>
Total Educational and General			
Auxiliary Enterprises:			
Expenditures	56,098	6	56,104
	<u>56,098</u>	<u>6</u>	<u>56,104</u>
Total Auxiliary Enterprises			
	<u>409,213</u>	<u>116,315</u>	<u>525,528</u>
Total Expenditures and Mandatory Transfers			
Other Transfers and Additions (Deductions):			
Excess of Restricted Receipts over Transfers to Revenues	-	995	995
Net Allocation of Resources (to) from Other Funds	(9,551)	(4,689)	(14,240)
Transfer from Primary Government	204,141	19,731	223,872
Other Deductions	(813)	294	(519)
	<u>193,777</u>	<u>16,331</u>	<u>210,108</u>
Total Transfers and Additions			
Net Increase (Decrease) in Fund Balance	<u>\$ 12,367</u>	<u>\$ 1,965</u>	<u>\$ 14,332</u>

The accompanying notes are an integral part of the financial statements.

Notes to the General Purpose Financial Statements

For The Fiscal Year Ended June 30, 2000

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Maine have been prepared under guidelines established by generally accepted accounting principles (GAAP) as mandated by the Governmental Accounting Standards Board (GASB), with two exceptions. The financial statements do not include the General Fixed Assets Account Group or the complete presentation of capital leases and related capital and operating lease disclosures.

Preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements.

A. REPORTING ENTITY

For financial reporting purposes, the State includes all funds, account groups, organizations, agencies, boards, commissions and authorities that make up the State's legal entity. It includes as component units those legally separate organizations for which the State is financially accountable or for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

GASB Statement No. 14, *The Financial Reporting Entity*, defines financial accountability. The State is financially accountable for those entities for which it appoints a voting majority of the governing board and either is able to impose its will on that entity or the entity may provide specific financial benefits to, or impose specific financial burdens on, the primary government. Entities for which the State does not appoint a voting majority of the governing board may be included if the organization is fiscally dependent on the primary government or if the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The State has included twelve entities as component units in the reporting entity due to the significance of their operational and/or financial relationships with the State. Those agencies that meet the criteria for component units and have been included are: the Maine State Retirement System (MSRS), the Maine Technical College System (MTCS), the University of Maine System (UM), the Maine Maritime Academy (MMA), the Finance Authority of Maine (FAME), the Maine State Housing Authority (MSHA), the Maine Educational Loan Authority (MELA), the Loring Development Authority (LDA), the Maine Governmental Facilities Authority (MGFA), the Maine Health and Higher Education Facilities Authority (MHHEFA), the Maine Municipal Bond Bank (MMBB), and the Northern New England Passenger Rail Authority (NNEPRA). The financial information for these entities is either blended within the State's financial statements or discretely presented in a separate column or in separate statements.

Blended Component Units - Blended component units are entities that are legally separate organizations that provide services entirely, or almost entirely, to the State or otherwise exclusively, or almost exclusively, benefit the State. Therefore, the State reports these organizations' balances and transactions as though they were part of the primary government. The Maine Governmental Facilities Authority (MGFA) has been blended within the financial statements of the primary government.

The MGFA was created in 1997, as a successor to the Maine Court Facilities Authority, for the purpose of assisting in the financing, acquisition, construction, improvement, reconstruction, and equipping of additions to structures designed for use as a court facility, State office or State activity space. The MGFA is included in the Special Revenue Fund type.

Discrete Component Units - Discrete component units are entities that are legally separate from the State but are either accountable to the State or related so closely to the State that exclusion would cause the State's financial statements to be misleading or incomplete. The column labeled "Component Units" emphasizes these organizations' separateness from the State's primary government. It includes the financial data of the following entities:

Governmental Types

The Maine Health and Higher Education Facilities Authority assists Maine health care institutions and institutions of higher education in undertaking projects involving the acquisition, construction, improvement, reconstruction, and equipping of health care and educational facilities and the refinancing of existing indebtedness. The Authority consists of 12 members, one of whom must be the Superintendent of Banking, *ex officio*; one of whom must be the Commissioner of Human Services, *ex officio*; one of whom must be the Commissioner of Education, *ex officio*; one of whom must be the Treasurer of State, *ex officio*; and eight of whom must be residents of the State appointed by the Governor. The Authority, pursuant to the Student Loan Corporations Act of 1983, also has the power to finance student loan programs of institutions of higher education.

The Northern New England Passenger Rail Authority, established on June 29, 1995 by the State of Maine Legislature, initiates, establishes and maintains regularly scheduled passenger rail service between points within Maine to points within and outside of Maine. The Governor appoints the five voting members of the Authority.

Proprietary Types

The Finance Authority of Maine, created in 1983, provides commercial financing and loan guarantees to Maine businesses and educational financing to Maine students and their parents. The Authority also provides financial and other services for the Adaptive Equipment Loan Program Fund Board, the Fund Insurance Review Board, the Agricultural Marketing Loan Fund Board, the Occupational Safety Program Fund Board, and the Small Business Enterprise Growth Fund Board. Additionally, the Authority administers the Maine College Savings Program Fund. The NextGen College Investing Plan is the primary program of the Maine College Savings Program Fund. The Governor appoints the 15 voting members of the Authority.

The Maine State Housing Authority is authorized to issue bonds for the purchase of notes and mortgages on single-family and multifamily residential units for the purpose of providing housing for persons and families of low income in the State. The Authority also acts as agent for the State in administering federal weatherization, energy conservation, fuel assistance and homeless grant programs and collecting and disbursing federal rent subsidies for low income housing. The Governor appoints five of the Authority's seven commissioners. The Authority's fiscal year ends on December 31.

The Maine Educational Loan Authority was created in 1988 to grant educational loans primarily using funds acquired through issuance of long-term bonds payable. The Governor appoints five of the Authority's seven commissioners. The Authority's fiscal year ends on December 31.

The Loring Development Authority, created in 1993 after the President of the United States accepted the recommendation of the Base Closure and Realignment Commission to close Loring Air Force Base, is entrusted with investigating the acquisition, development and management of the properties within the geographical boundaries of the old Loring Air Force Base. The Governor nominates the 13 members of the Board of Trustees of which the Maine Senate confirms 12.

The Maine Municipal Bond Bank is authorized to issue bonds providing funds to counties, cities, towns, school administrative districts, community school districts, or other quasi-municipal corporations within the State. The Governor appoints three residents of the State to the five-member Board of Commissioners.

The Maine State Retirement System is the administrator of an agent multiple-employer public employee retirement system. It provides pension, death, and disability benefits to its members, including State employees, some public school employees, and employees of approximately 250 local municipalities and other public entities in Maine. The Governor appoints four of the Board's seven voting members.

Colleges and Universities

The Maine Technical College System is Maine's primary provider of post-secondary technical education leading to a certificate, diploma, or associate degree. The combined financial statements of the system include the activity of seven colleges, the central administrative office, and the Maine Career Advantage.

The University of Maine System is the State University. In 1968 all existing units of the State college system (Orono, Portland, Augusta, and the Law School) were merged by the 103rd Legislature. The result was the creation of the consolidated University of Maine System with a single Board of Trustees. The System now consists of seven campuses, the Maine Public Broadcasting Network, and a central administrative office.

Maine Maritime Academy is a college specializing in ocean and marine programs at the undergraduate and graduate levels. The operation of the Academy is subject to review by the federal government. State appropriations, student fees, and a subsidy from the Maritime Administration support the Academy.

The State of Maine provides significant financial resources to these educational institutions.

The component unit financial information included in the reporting entity has been reformatted to conform to the accounting classifications used by the State. Condensed financial statement information for each component unit included in the component units column in the general purpose financial statements is presented in Note 13, Segment Information.

Complete financial statements of the individual component units can be obtained directly from their respective administrative offices by writing to:

Loring Development Authority of Maine
154 Development Drive Suite F
Limestone, ME 04750

Maine Health and Higher Education Facilities Authority
PO Box 2268
Augusta, ME 04338-2268

Finance Authority of Maine
5 Community Dr., PO Box 949
Augusta, ME 04332-0949

Maine Governmental Facilities Authority
PO Box 2268
Augusta, ME 04338-2268

Maine Educational Loan Authority
One City Center 11th Floor
Portland, ME 04101

Maine Maritime Academy
Castine, ME 04420

Maine State Retirement System
46 State House Station
Augusta, ME 04333-0046

Maine State Housing Authority
89 State House Station, 353 Water Street
Augusta, ME 04330-4633

Maine Municipal Bond Bank
PO Box 2268
Augusta, ME 04338-2268

Maine Technical College System
131 State House Station, 323 State Street
Augusta, ME 04333-0131

University of Maine System
107 Maine Avenue
Bangor, ME 04401

Northern New England Passenger Rail Authority
5 Industry Road
South Portland, ME 04106-6154

Related Organizations

Officials of the State's primary government appoint a voting majority of the governing boards of the Maine Turnpike Authority, the Maine Science and Technology Foundation, the Maine School of Science and Mathematics, the Maine Port Authority, the Maine Veterans' Home, the Maine Sludge and Residuals Utilization Research Foundation, and the Maine Public Utilities Financing Bank. However, the primary government has no material accountability for these organizations beyond making the board appointments.

B. FUND ACCOUNTING

The State reports its financial position and results of operations in funds and account groups. A fund is a separate accounting entity with a self-balancing set of accounts. Cash and other financial resources, all related liabilities and residual equities or balances, and changes therein, are recorded and segregated. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. Transactions between funds, if any, have not been eliminated.

The presentation of component units is not meant to be a consolidation, since transactions within the State entity have not been eliminated. However, appropriations and most grants to the component units are recorded as operating transfers to component units out of the applicable fund and as operating transfers from primary government into the component unit organization.

An account group is used to provide accounting control and accountability for the State's general long-term obligations. It is not considered a fund because it does not report expendable, available financial resources and related liabilities.

The financial activities of the State of Maine are classified in three fund categories, one account group, and component units, as described below. The fund categories include Governmental Funds, Proprietary Funds, and Fiduciary Funds. The account group is the General Long-Term Obligations Account Group. The General Fixed Assets Account Group is not reported as required by generally accepted accounting principles.

Fund Types

Governmental Funds are used to account for the State's general activities.

The General Fund is the primary operating fund of the State. It is used to account for all governmental transactions that are not accounted for in other funds.

Special Revenue Funds account for specific revenue sources and the related current liabilities, other than Expendable Trusts, and include major capital projects that are legally restricted to expenditures for specified purposes.

Capital Projects Funds account for financial resources used to acquire or construct major capital assets other than those financed by Proprietary Funds or Special Revenue Funds. These resources are derived primarily from proceeds of general obligation bonds. The State also includes in this fund type proceeds from bond issues for uses other than construction of major capital facilities.

Proprietary Funds are used to account for ongoing activities similar to those in the private sector.

Enterprise Funds account for transactions related to resources received and used to finance self-supporting activities of the State. These activities offer products and services on a user-charge basis to the general public.

Internal Service Funds account for transactions related to the financing and sale of goods or services between State agencies. The costs associated with these goods or services are billed to the recipient agency as user charges.

Fiduciary Funds are used to account for assets held by the State, acting as either a trustee or an agent for individuals, organizations, or other funds.

Expendable Trust Funds account for those assets held in a trustee capacity where the principal and income may be expended in the course of the funds' designated operations.

Nonexpendable Trust Funds account for those assets held in a trustee capacity by the State for which only income derived from the trust principal may be expended for designated operations. The principal must be preserved intact.

Agency Funds account for assets the State holds on behalf of others. Agency Funds are custodial in nature and do not involve measurement of operations.

Account Group

General Long-Term Obligations Account Group is used to establish control and accountability for long-term obligations of the State not accounted for in Proprietary Funds or Nonexpendable Trust Funds. This includes outstanding, long-term obligations related to general obligation bonds; Certificates of Participation and other financing arrangements; compensated employee absences; net pension obligation and other long-term obligations.

Component Units

Component units include three College and University Funds and other organizations that are legally separate from the State but are considered part of the reporting entity.

Current Funds account for unrestricted funds, over which the governing Boards retain full control in achieving the Institutions' purposes, and for restricted funds, which may be used only in accordance with externally restricted purposes. The funds do not show the results of operations or the net income or loss for the period.

Loan Funds, Endowment and Similar Funds account for assets for which the Institutions act in a fiduciary capacity.

Plant Funds account for institutional property acquisition, renewal, replacement, and debt service.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Governmental Funds and Expendable Trust Funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Available" means earned and collected or expected to be collected within the current period or soon enough thereafter (within 12 months for individual income taxes or within 60 days for all other revenues) to be used to pay liabilities of the current period. Property taxes are recognized as revenue in the year for which they are levied, provided the "available" criterion is met.

The State Tax Assessor levies taxes on properties located in the Unorganized Territories of Maine and on telecommunications personal properties statewide by April 1 of each year. Property taxes levied during the current fiscal year for the subsequent period are recorded as deferred revenue during the current year. Telecommunications taxes are due on August 15, and all other property taxes are due on October 1. Formal collection procedures begin on November 1. Unpaid property taxes become a lien on March 15 of the fiscal year for which they are levied.

Significant revenues susceptible to accrual include: income, sales and use, unemployment compensation, and other taxes; federal grants; federal reimbursements; and other reimbursements for use of materials and services. Revenues from other sources are recognized when received. Expenditures are recorded at the time fund liabilities are incurred. Principal and interest on long-term obligations are recorded as fund liabilities when due.

Proprietary Fund Types and Nonexpendable Trust Funds are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. With this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This measurement focus emphasizes the determination of net income. For Proprietary Funds, the State follows all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Agency Fund assets and liabilities are reported using the modified accrual basis of accounting. They are custodial in nature and neither measure results of operations nor have a measurement focus.

The component units' College and University Funds aggregate the Institutions' separate financial statements and are accounted for on the accrual basis of accounting, with one exception. The Maine Maritime Academy does not record depreciation expense on physical plant and equipment, which is allowed by governmental accounting standards.

The Maine State Retirement System's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan. Investment purchases and sales are recorded as of their trade date.

D. CASH AND CASH EQUIVALENTS, AND INVESTMENTS

The State follows the practice of pooling cash and cash equivalents for a variety of State agencies and public sector entities. Cash equivalents consist of short-term, highly liquid investments that are both readily convertible to known amounts of cash and are near maturity. The balances pooled are reported at cost, which approximates fair value. Interest earned on pooled cash is allocated to the various funds, generally based on their average equity balances. Cash with Fiscal Agent in Governmental Funds represents cash that will be used for debt service on bonds. Cash with Fiscal Agent in Proprietary Funds represents proceeds of Certificates of Participation and other financing arrangements that have not been spent.

Short-term investments reported as Cash and Cash Equivalents on the balance sheet are comprised primarily of prime commercial paper, repurchase agreements, U.S. Treasury Bills, U.S. Treasury Notes, and other U.S. Agency Obligations with maturities of three months or less when purchased. Other investments of the State are carried at fair value. Donated investments are stated at fair value at the date of donation.

Certain component units participate in the cash pool and record their balances as cash and investments. Component units' funds have been removed from cash and investments of the primary government and shown as component unit cash and investments for purposes of note disclosure. Component units' investments are shown at fair value.

E. UNEMPLOYMENT DEPOSITS WITH UNITED STATES TREASURY

These deposits represent unemployment tax receipts deposited with the United States Treasury that are drawn down to pay unemployment benefits.

F. RESTRICTED DEPOSITS AND INVESTMENTS

Restricted deposits and investments represent funds that have been invested in Certificates of Deposit and other investments at various financial institutions within the State. The financial institutions lend these deposits and investments to local commercial and agricultural enterprises to foster economic growth in Maine.

G. INVESTMENTS OF DEFERRED COMPENSATION PLAN

These investments represent annuity contracts, guaranteed investment contracts, and open-end mutual funds of the Deferred Compensation Plan, accounted for in an Expendable Trust Fund in accordance with GASB Statement 32.

H. RECEIVABLES

Receivables consist primarily of amounts due to the State from taxpayers and service providers. Also included in receivables are amounts due but not yet remitted to the State from lottery sales by agents. Loans receivable for the primary government represent low interest financing arrangements for the construction and modernization of agricultural storage facilities and local commercial enterprises, as well as Department of Transportation loans to local governments. The receivables in the component units column are amounts that have arisen in the normal course of business. Receivables are stated net of estimated allowances for uncollectible amounts that are determined based upon past collection experience and aging of the accounts.

I. INTERFUND TRANSACTIONS

Numerous transactions are made between funds to finance operations, provide services, and acquire or construct assets. To the extent that certain transactions between funds were not completed as of June 30, 2000, interfund receivables or payables have been recorded. Receivables and payables resulting from transactions between funds are classified as "Due from Other Funds" or "Due to Other Funds" on the balance sheet.

The Bureau of Alcoholic Beverages and Lottery Operations is statutorily required to transfer all net earnings to the General Fund. For fiscal year 2000, these transfers totaled \$60.6 million.

Advances to and from other funds are long-term loans made by one fund to another. Receivables and payables resulting from these transactions between funds are classified as "Working Capital Advances Receivable" or "Working Capital Advances Payable" on the balance sheet. The advances are offset by reservations of fund balance indicating that the reserves do not constitute expendable financial resources.

Receivables and payables between the component units and the primary government are classified as "Due to/from Primary Government" or "Due to/from Component Units."

J. INVENTORIES

The costs of materials and supplies of the Governmental Funds are reported as expenditures when purchased. Unexpended balances of food stamps (stated at coupon value) and vaccines at fiscal year end are reported as inventory and deferred revenue in the Special Revenue Fund. Revenues and corresponding expenditures are recognized when the food stamps and vaccines are issued.

Inventories of materials and supplies in the Proprietary Funds are determined by physical counts and by perpetual inventory systems. Proprietary Fund inventories are stated at cost or average cost, except for those of the Bureau of Alcoholic Beverages, which are maintained on a current replacement cost basis. Although this basis is not in conformity with GAAP, it does not result in a material misstatement.

Inventories included in the component unit column are stated at the lower of cost (using the first-in, first-out method) or market.

K. FIXED ASSETS

For Governmental Funds, fixed asset acquisitions are recorded as expenditures in the acquiring fund. Infrastructure assets, such as highway curbs, bridges, and lighting systems, are not capitalized. Fixed asset acquisitions of Proprietary Funds are accounted for in the acquiring fund and stated net of accumulated depreciation. Depreciation is recorded on a straight-line basis over the assets' estimated useful lives, which are

10-40 years for buildings and improvements, including the Portland dry-dock and 2-25 years for equipment. No interest has been capitalized on self-constructed assets, since non-capitalization of interest does not materially affect the financial statements.

Fixed assets of component units are capitalized upon purchase and depreciated over the estimated useful lives of the assets. Interest incurred during construction is capitalized. The estimated useful lives of fixed assets are 5–60 years for structures and improvements and 3–15 years for equipment, furniture, fixtures and vehicles. The Maine Maritime Academy does not record depreciation, which is allowed by governmental accounting standards.

L. TAX REFUNDS PAYABLE

Tax refunds payable primarily represent amounts owed to taxpayers because of overpayments of their 1999 calendar year tax liabilities. Tax refunds are accrued based on payments and estimates.

M. CLAIMS PAYABLE

Claims payable represent workers' compensation and other claims payable at June 30, 2000. These include actual claims submitted, as well as actuarially determined claims incurred but not reported. The actuarially determined claims liability is discounted and presented at net present value.

N. DEFERRED REVENUE

Amounts recorded as receivable that do not meet the "availability" criterion for recognition as revenue in the current period are classified as deferred revenue. Resources received by the government before it has a legal claim to them are also included as deferred revenue. In subsequent periods, when the revenue recognition criterion is met or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized. Deferred revenue reported in the General Fund is comprised of sales and income taxes. Deferred revenue in the Special Revenue Fund is primarily for food stamps and vaccines not yet issued.

O. DUE FROM/TO OTHER GOVERNMENTS

At June 30, 2000, amounts Due from/to Other Governments represent amounts receivable from or payable to municipalities or the federal government. Due to Other Governments are primarily amounts owed to municipalities for Municipal Revenue Sharing and the federal government for Medicaid cost recoveries from providers. Municipal Revenue Sharing and Medicaid cost recoveries are recorded in the Special Revenue Fund. Due from Other Governments represents primarily federal grants receivable for Medicaid claims, other Human Services Programs, and federal grants receivable for transportation-related expenditures. Due from Other Governments in the component units column represents money due from other governments for grants, bond repayment and retirement benefits.

P. COMPENSATED EMPLOYEE ABSENCES

Under the terms of collective bargaining agreements and personnel administrative policies, employees are granted limited amounts of vacation, sick, and personal days, as well as compensatory time. Upon separation from State service, employees are eligible for compensation for accrued vacation, personal days, compensatory time, and (in some cases) sick leave. For Governmental Funds, vested or accumulated leave expected to be liquidated with current available financial resources is reported as an expenditure and fund liability. Other leave is reported in the General Long-Term Obligations Account Group. Compensated employee absence benefits in the Proprietary Funds are recorded as expenses and liabilities as they accrue.

In the discretely presented component units, employees' accumulated compensated absences are recorded as an expense and liability as the benefits accrue.

Q. OTHER ACCRUED LIABILITIES

Other liabilities of the Governmental Funds consist primarily of \$15.7 million of reimbursements for exemptions granted under the provisions of the Business Equipment Tax Reimbursement Program and \$7.8 million in credit balances carried in the General Fund's taxes receivable subsidiary ledger.

Other liabilities in the Enterprise Fund consist primarily of lottery prizes payable.

R. LONG-TERM OBLIGATIONS

Primary Government

The State records Governmental Fund long-term obligations in the General Long-Term Obligations Account Group. This includes the State's general obligation bonds, Certificates of Participation and other financing arrangements, long-term liabilities for compensated employee absences, and the net pension obligation. Also included in the General Long-Term Obligations Account Group are bonds and notes issued by the Maine Governmental Facilities Authority, a blended component unit.

Long-term debt and other obligations of the Proprietary Funds, as well as the related interest payments, are recorded as liabilities in the appropriate funds.

Component Units

Loans, notes, and bonds payable for component units are for commercial financing, educational loans, and loans to counties, cities, towns, school administrative districts, other quasi-municipal corporations, multifamily low income residential units, and the construction or capital improvement of school facilities and health care facilities.

S. FUND BALANCES

The State reports fund balances as reserved where legally restricted for a specific future use. Otherwise, these balances are considered unreserved. The State has the following reservations:

Reserved for Continuing Appropriations - identifies appropriations and encumbrances that the Legislature has specifically authorized to be carried into the next fiscal year if unexpended. The State's use of encumbrance accounting is more fully described in Note 2 – Budgetary Process.

Reserved for Unemployment Benefits - identifies amounts reserved for payment of unemployment compensation.

Reserved for Nonexpendable Trusts - identifies the nonexpendable amount of the trust principal.

Reserved for Rainy Day Fund – identifies amounts reserved for potential operating deficits or other emergencies. The maximum amount this fund may carry, by law, is six percent of the total General Fund revenues received in the immediately preceding year.

Reserved for Pension Benefits – identifies amounts reserved by the Maine State Retirement System for the payment of pension benefits.

Reserved for Debt Service - identifies amounts held by fiscal agents to fund future debt service obligations.

Reserved for Capital Projects - identifies a legally segregated portion of funds available to finance the construction of major capital facilities.

Other Reservations - identifies fund balance reserved for other specified purposes including amounts for working capital needs, long-term loans to other funds, transfers to other funds, and contingency funds from which the Governor may allocate sums for various purposes.

Contributed Capital - identifies equity acquired through contributions from other funds.

T. TOTAL COLUMN - MEMORANDUM ONLY

Total columns included in certain statements are captioned “Memorandum Only” because they do not represent consolidated financial information and are presented for information only.

U. FUTURE ADOPTION OF ACCOUNTING PRONOUNCEMENTS

In December 1998, GASB issued Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. This statement establishes accounting and financial reporting standards for nonexchange transactions involving financial or capital resources, such as most taxes, grants and private donations. In a nonexchange transaction, a government gives or receives value without directly receiving or giving equal value in return. This is different from an exchange transaction, in which each party receives and gives up essentially equal values. The principal issue addressed in this Statement is the timing of recognition of nonexchange transactions. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2000. The State will implement this Statement for the year ending June 30, 2001.

In June 1999, GASB issued Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*. This statement establishes new financial reporting requirements for State and local governments. It mandates that the basic financial statements and required supplementary information (RSI) for general purpose financial statements consist of Management’s Discussion and Analysis, Basic Financial Statements and Required Supplementary Information. The provisions are effective for financial statements for periods beginning after June 15, 2001. The State will implement GASB 34 for the year ending June 30, 2002.

In November 1999, GASB issued Statement No. 35, *Basic Financial Statements and Management’s Discussion and Analysis for Public Colleges and Universities*. An amendment to GASB Statement No. 34, this statement establishes new financial reporting requirements for public colleges and universities that are consistent with the requirements of GASB Statement No. 34. Because the University of Maine System is a component unit of the State of Maine, the provisions of this statement are effective no later than the year in which the State implements GASB Statement No. 34.

NOTE 2 - BUDGETARY PROCESS

In accordance with statute, the Governor presents a biennial budget for the General Fund and the Special Revenue Funds to the Legislature for enactment or revision. Effective November 27, 1995, a State Constitutional Amendment provided the Governor a “line item” veto of dollar amounts, allowing a dollar substitution for those amounts disapproved, as long as an appropriation or allocation is not increased (or a deappropriation or deallotment decreased) either in the specified line or in any other line in the legislative document. Another Constitutional Amendment requires the State to fund at least 90 percent of the annual cost of future mandates imposed on local governments; any exception requires a two-thirds vote of the elected members of the House and Senate.

Once passed and signed, the budget becomes the financial plan for the next biennium. It includes proposed expenditures for all departments and agencies, interest and debt redemption charges, and expenditures for capital projects to be undertaken and executed during each fiscal year. The budget also includes anticipated revenues and any other means of financing expenditures. In 1995, the Revenue Forecasting Committee was established.

In fiscal year 1998, a law was passed that requires the State Budget Officer to use the revenue projections of the Revenue Forecasting Committee in preparing the General Fund and Highway Fund budgets.

Budgetary control is maintained at the program and line category level at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers. Except in specific instances, only the Legislature may transfer appropriations between departments. Increases in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget. In order to provide sufficient funding for several programs during the year ended June 30, 2000, supplemental appropriations of \$156.7 million were required for the General Fund.

Encumbrance accounting, which requires that purchase orders, contracts, and other commitments be recorded to reserve a portion of an appropriation or allocation for expenditure, is employed as an extension of formal budgetary control. Appropriated and allocated balances are available for subsequent expenditure to the extent that encumbrances have been approved by the end of a fiscal year. Encumbrances outstanding at year end are reported as reservations of fund balances representing those portions of fund balances that are not available for allocation or expenditure or that are legally segregated for specific future uses. Unencumbered appropriations in the General Fund and in the Highway Fund lapse at year end unless, by law, they are carried forward to a subsequent year.

The State's budget is prepared primarily on a cash basis. Significant exceptions include sales, income, corporate and fuel taxes for which 60-day accruals are recorded at year end. A reconciliation of the General Fund and the Special Revenue Fund to the GAAP basis is presented in the following table.

Budget to GAAP Reconciliation

June 30, 2000

(Dollars in Thousands)

	<u>General Fund</u>	<u>Special Revenue Fund</u>
Fund Balances - Non-GAAP Budgetary Basis	\$ 558,597	\$ 425,186
Basis Differences		
Revenue Accruals/Adjustments:		
Taxes Receivable	178,650	19,453
Intergovernmental Receivables	-	15,204
Other Receivables	18,450	396
Due from Other Funds	9,183	28,865
Other Assets	6,256	(25,364)
Deferred Revenues	<u>(35,999)</u>	<u>(1,794)</u>
Total Revenue Accruals/Adjustments	<u>176,540</u>	<u>36,760</u>
Expenditure Accruals/Adjustments:		
Accounts Payable	(72,862)	(52,611)
Due to Other Governments	-	-
Accrued Liabilities	(102,218)	(17,649)
Due to Other Funds	(6,170)	(3,698)
Tax Refunds Payable	<u>(30,974)</u>	<u>-</u>
Total Expenditure Accruals/Adjustments	<u>(212,224)</u>	<u>(73,958)</u>
Entity Differences		
Blended Component Unit included in the Special Revenue		
Fund on the GAAP basis but not on the budgetary basis	-	44,449
Fund Balances - GAAP Basis	<u>\$ 522,913</u>	<u>\$ 432,437</u>

NOTE 3 - FUND BALANCE AND RETAINED EARNINGS RESTATEMENTS

Fund balances/retained earnings as of June 30, 1999, have been restated:

Restatement of Fund Balances/Retained Earnings
(Dollars in Thousands)

<u>Fund</u>	<u>Fund Balance/Retained Earnings as Previously Reported, June 30, 1999</u>	<u>Increase (Decrease) for Restatement</u>	<u>Fund Balance/Retained Earnings as Restated, July 1, 1999</u>
General Fund	\$344,020	(\$3,488)	\$340,532
Special Revenue Fund	302,296	(1,844)	300,452
Capital Projects Fund	57,680	(777)	56,903
Expendable Trust Funds	480,700	5,492	486,192
Component Unit – Gov’tal	177,799	5,272	183,071
Enterprise Funds	8,203	132	8,335
Internal Service Funds	(33,350)	(2,673)	(36,023)

The General Fund has been restated primarily to recognize prior period changes in fair value of pooled investments. The Special Revenue Fund has been restated to recognize prior period changes in fair value of pooled investments, (\$4,278); to adjust prior period interfund receivables \$622; and to adjust prior period accrued receivables \$1,812. The Capital Projects Fund has been restated primarily to adjust prior period interfund payables. The Component Unit (governmental type) fund balance has been restated to include the Northern New England Passenger Rail Authority as a discretely presented component unit. The Expendable Trust Funds have been restated to correct prior period adjustments. The Enterprise Funds have been restated to correct prior period accrued lottery ticket sales. The Internal Service Funds have been restated primarily to correct prior period capital lease activity (\$2,174) and to recognize prior period changes in fair value of investments (\$567). Contributed Capital for the Internal Service Funds has been reduced by \$69 thousand to record prior year depreciation on contributed assets.

NOTE 4 - DEFICIT FUND BALANCES/RETAINED EARNINGS

Two Internal Service Funds showed deficit Retained Earnings for the fiscal year ended June 30, 2000. The Workers’ Compensation Fund was at a deficit of \$75.9 million, which reflects accruals for actuarially determined claims payable. The Property Lease Fund was at a deficit of \$2.3 million, which reflects the recording of capital lease depreciation.

The Marine Ports Fund, an Enterprise Fund, was at a deficit balance of \$12.3 million for the fiscal year ended June 30, 2000. The deficit balance resulted from the recording of additional depreciation to reflect a correction of the estimated useful life of the Portland dry dock.

NOTE 5 - DEPOSITS AND INVESTMENTS

The deposit and investment policies of the State of Maine Office of the Treasurer are governed by Title 5 of the Maine Revised Statutes Annotated (M.R.S.A.). Per 5 M.R.S.A. § 135, the Treasurer of State may deposit State funds, including trust funds of the State, in any of the banking institutions (including trust companies,

State or federal savings and loan associations, and mutual savings banks) organized under the laws of this State and any national bank or federal savings and loan association located in the State.

The Treasurer of State may invest funds that exceed current obligations, with the concurrence of the State Controller or the Commissioner of Administrative and Financial Services and the consent of the Governor. Approved investments include bonds, notes, other obligations of the United States that mature not more than 24 months from the date of investment; repurchase agreements secured by obligations of the United States that mature within the succeeding 24 months; prime commercial paper; tax-exempt obligations; banker's acceptances; and shares of an investment company registered under the Federal Investment Company Act of 1940 if the investments of the company are limited to obligations of the United States or repurchase agreements secured by obligations of the United States. The State's investment types are more fully described in Notes 1D, E, F and G.

Investment policies of the permanent trust funds are governed by 5 M.R.S.A. § 138. The Treasurer of State, with the approval of the Commissioner of Administrative and Financial Services, the Superintendent of Banking and the Attorney General, shall invest the funds in securities that are legal investments in accordance with Title 9-B, M.R.S.A. The investments need not be segregated to the separate trust funds, but the identity of each separate trust fund must be maintained. The State may enter into custodial contracts or agreements negotiated in accordance with the laws of this State for the handling of funds held in trust.

With assistance from the Finance Authority of Maine, the State Treasurer participates in a restricted deposit program to encourage banks to provide loans at two percent below market rates. The Treasurer may invest up to eight million dollars in lending institutions at a two percent lower-than-market rate provided the lenders pass the rate reduction on to the borrowers. Four million dollars of this program are earmarked for loans to agricultural enterprises, and the other four million dollars are designated for commercial entities.

No amounts exceeding 25% of the capital, surplus, and undivided profits of any trust company or national bank, or 25% of the reserve fund and undivided profits of a mutual savings bank or State or federal savings and loan association, shall be on deposit in any one institution at any one time. This restriction does not apply to deposits subject to immediate withdrawal to meet the payment of any bonded debt or interest or to pay current bills or expenses of the State. Also exempt are deposits secured by the pledge of certain securities as collateral or fully covered by insurance.

DEPOSITS

Deposits with financial institutions are classified by collateral risk into three categories. Category 1 is the amount of State deposits that are fully insured or collateralized with securities held by the State or its agent in the State's name. Category 2 is the amount of deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the State's name. Category 3 is the amount of deposits that neither collateralized nor insured. Deposits of the Reporting Entity at June 30, 2000 are:

Primary Government - Deposits

June 30, 2000

(Dollars in Thousands)

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and Cash Equivalents	\$ 8,385	\$ 3,047	\$ 17,704	\$ 29,136	\$(17,569)
Cash with Fiscal Agent	-	-	22,166	22,166	22,166
Restricted Deposits	<u>628</u>	<u>-</u>	<u>3,938</u>	<u>4,566</u>	<u>4,566</u>
Total	<u>\$ 9,013</u>	<u>\$ 3,047</u>	<u>\$ 43,808</u>	<u>\$ 55,868</u>	<u>\$ 9,163</u>

Deposits of the discretely presented component units are:

Component Unit - Deposits
(Dollars in Thousands)

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash and Cash Equivalents	\$133,356	\$2,809	\$21,348	\$157,513	\$148,992
Cash with Fiscal Agent	-	-	12,151	12,151	12,151
Restricted Deposits	<u>5,222</u>	-	-	<u>5,222</u>	<u>5,222</u>
Total	<u>\$138,578</u>	<u>\$2,809</u>	<u>\$33,499</u>	<u>\$174,886</u>	<u>\$ 166,365</u>

INVESTMENTS

Investments are classified to indicate the level of risk assumed by the State. Category 1 consists of investments that are insured or registered or for which the securities are held by the State or its agent in the State's name. Category 2 are those investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or its trust department or agent, but not in the State's name.

Investments of the Primary Government at June 30, 2000 are:

Primary Government - Investments
June 30, 2000
(Dollars in Thousands)

	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
U.S. Government and Agency Obligations	\$ 513,683	\$ 2,803	\$ 9,956	\$ 526,442
Repurchase Agreements	73,552	-	-	73,552
Commercial Paper	337,366	-	-	337,366
Corporate Bonds and Notes	-	3,680	5,972	9,652
Equity Securities	-	13,713	39,590	53,303
Other Restricted Investments	-	<u>722</u>	<u>48,002</u>	<u>48,724</u>
Totals	<u>\$ 924,601</u>	<u>\$ 20,918</u>	<u>\$ 103,520</u>	1,049,039
Deposits with U.S. Treasury				286,199
Deferred Compensation Plan Assets				207,316
Assets Held in Trust				<u>318,506</u>
Total Investments – Primary Government				<u>\$ 1,861,060</u>

COMPONENT UNITS

Generally, component unit investment policies authorize investments in obligations of U.S. Treasury and Agency Securities, repurchase agreements, corporate bonds, certificates of deposit and money market funds. Some component units may invest in stocks, bonds, fixed income securities, mutual funds, commingled mutual funds and index funds, guaranteed investment contracts, real estate and other investment securities.

Maine State Retirement System (The System) makes investments in a combination of stocks, bonds, fixed income securities, mutual funds, commingled mutual and index funds, collateralized mortgage obligations, derivative financial instruments, and other investment securities established by the Trustee's investment policy. The System prohibits its investment managers from using leverage in its derivative financial instruments or from investing in speculative positions. The System has also entered into agreements for securities lending transactions, which are collateralized in an amount at least equal to 102 percent (105 percent for international securities) of the market value of the securities loaned.

Investments of the discretely presented component units are:

Component Units - Investments

(Dollars in thousands)

	Category <u>1</u>	Category <u>2</u>	Category <u>3</u>	Fair Value
Cash and Cash Equivalents	\$ 1,403	\$ 134,243	\$ -	\$ 135,646
U.S. Government and Agency Obligations	653,257	192,211	-	845,468
Repurchase Agreements	206,198	20,554	5,584	232,336
Commercial Paper	38,974	-	-	38,974
Corporate Bonds and Notes	394,865	-	21,799	416,664
Equity Securities	1,590,852	-	75,172	1,666,024
Common and Collective Trusts	5,131,529	-	-	5,131,529
Other	<u>7,783</u>	<u>178,863</u>	<u>4,338</u>	<u>190,984</u>
Totals	<u>\$ 8,024,861</u>	<u>\$ 525,871</u>	<u>\$ 106,893</u>	<u>\$8,657,625</u>

The State's internal investment pool consists primarily of commercial paper with maturities of up to 90 days and U.S. Government and Agency obligations with maturities of up to two years. Certain component units also invest in the pool; their participation comprises approximately ten percent of pool assets. The component units reported their participation as Cash and Cash Equivalents on their financial statements. The State has reclassified \$58 million of the component units' participation as investments on the State's financials.

In fiscal year 2000, the primary government experienced aggregate unrealized losses of \$3.4 million on pool investments.

NOTE 6 - RECEIVABLES

Taxes, federal reimbursements, loans and other receivables are presented in the various funds as:

Primary Government - Receivables

June 30, 2000

(Dollars in Thousands)

	<u>Taxes</u>	<u>Due from Other Governments</u>	<u>Loans</u>	<u>Other Receivables</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivables</u>
General Fund	\$ 467,470	\$ -	\$ 1	\$ 40,308	\$ (123,004)	\$ 384,775
Special Revenue Funds	43,003	175,206	2,979	44,623	(9,133)	256,678
Trust and Agency Funds	50,024	-	-	-	(8,390)	41,634
Internal Service Funds	-	-	-	205	-	205
Enterprise Funds	-	-	<u>8,679</u>	<u>10,783</u>	<u>(1,309)</u>	<u>18,153</u>
Subtotal	560,497	175,206	11,659	95,919	(141,836)	701,445
Less: Allowance for uncollectibles	<u>(133,810)</u>	<u>-</u>	<u>(1,200)</u>	<u>(6,826)</u>	<u>(141,836)</u>	
Net Receivables	<u>\$ 426,687</u>	<u>\$ 175,206</u>	<u>\$ 10,459</u>	<u>\$ 89,093</u>		<u>\$ 701,445</u>

Component Units - Receivables
(Dollars in Thousands)

	<u>Other</u> <u>Governments</u>	<u>Loans</u> <u>and</u> <u>Notes</u>	<u>Other</u> <u>Types</u>	<u>Allowance</u> <u>for</u> <u>Uncollectibles</u>	<u>Net</u> <u>Receivables</u>
No. NE Passenger Rail Authority	\$ 1,305	\$ -	\$ 8	\$ -	\$ 1,313
Maine Health & Higher Education Facilities Authority	-	902,355	9,879	(1,373)	910,861
Maine Municipal Bond Bank	966,859	-	1,829	-	968,688
Maine State Housing Authority	922	1,243,376	20,932	(11,743)	1,253,487
Maine Education Loan Authority	-	45,646	468	(524)	45,590
Loring Development Authority	363	-	393	(15)	741
University of Maine System	-	36,032	24,311	(5,141)	55,202
Maine State Retirement System	9,954	-	230,391	-	240,345
Finance Authority of Maine	-	36,823	1,994	(49)	38,768
Maine Maritime Academy	-	3,167	291	(194)	3,264
Maine Technical College System	-	-	<u>2,033</u>	<u>(299)</u>	<u>1,734</u>
Subtotal	<u>979,403</u>	<u>2,267,399</u>	<u>292,529</u>	<u>(19,338)</u>	<u>3,519,993</u>
Less: Allowance for Uncollectibles	-	<u>(16,397)</u>	<u>(2,941)</u>	-	-
Net Receivables	<u>\$ 979,403</u>	<u>\$ 2,251,002</u>	<u>\$ 289,588</u>	<u>\$ (19,338)</u>	<u>\$ 3,519,993</u>

NOTE 7 - INTERFUND TRANSACTIONS

Due from/Due to Other Funds and Component Units

Due from Other Funds are amounts owed to one State fund by another for goods sold or services received. Similarly, Due from Component Units are amounts owed to the State by a component unit.

A summary of amounts due from and due to other funds and component units is presented as:

Primary Government - Due to/Due from Other Funds

June 30, 2000

(Dollars in Thousands)

<u>Fund Type</u>	<u>Due From</u>	<u>Due To</u>	<u>Working Capital</u> <u>Receivable</u>	<u>Working</u> <u>Capital Payable</u>
General Fund	\$ 14,054	\$ 5,840	\$ 1,336	\$ -
Special Revenue Fund	5,006	22,434	69	225
Capital Projects Fund	-	267	-	-
Enterprise Fund	17	1,478	-	1,000
Internal Service Fund	10,780	233	-	180
Trust and Agency Funds	<u>395</u>	-	-	-
Total	<u>\$ 30,252</u>	<u>\$ 30,252</u>	<u>\$ 1,405</u>	<u>\$ 1,405</u>

Component Units - Due From/Due To

June 30, 2000

(Dollars in Thousands)

	<u>Due From Primary Government</u>	<u>Due To Component Units</u>
<u>Primary Government</u>		
General Fund		
University of Maine System	\$ -	\$ 1,714
Maine State Retirement System	-	4,626
Maine Technical College System	-	319
Special Revenue Funds		
University of Maine System	-	4,804
Maine Technical College System	-	24
Maine Municipal Bond Bank	-	53
Capital Project Funds		
University of Maine System	-	6,552
Maine Municipal Bond Bank	-	2,000
Enterprise Funds		
Finance Authority of Maine	-	645
 <u>Component Units</u>		
Maine Municipal Bond Bank		
Capital Projects Fund	2,000	-
Special Revenue Fund	53	-
Finance Authority of Maine		
Enterprise Funds	645	-
Maine Technical College System		
General Fund	319	-
Special Revenue Funds	24	-
University of Maine System		
General Fund	1,714	-
Special Revenue Funds	4,804	-
Capital Projects Funds	6,552	-
Maine State Retirement System		
General Fund	<u>4,626</u>	<u>-</u>
Total	<u>\$20,737</u>	<u>\$20,737</u>

NOTE 8 - FIXED ASSETS

The following schedules detail fixed assets that are recorded in the Proprietary Funds and discretely presented component units as:

Proprietary Funds - Fixed Assets

June 30, 2000

(Dollars in Thousands)

	<u>Enterprise Funds</u>	<u>Internal Service Funds</u>
Land	\$ 5,532	\$ 243
Buildings	34,195	52,273
Equipment	41,098	127,633
Improvement other than buildings	-	13
Construction in progress	3,794	-
Less: Accumulated depreciation	<u>(43,497)</u>	<u>(95,379)</u>
Total fixed assets	<u>\$ 41,122</u>	<u>\$ 84,783</u>

Component Units - Fixed Assets
(Dollars in Thousands)

	<u>Totals</u>
Land and Buildings	\$ 421,031
Equipment	151,626
Improvements Other Than Buildings	39,433
Assets Under Capital Leases	196
Library Books	3,880
Construction in Process	13,016
Less: Accumulated Depreciation	<u>(242,214)</u>
Total Fixed Assets	<u>\$ 386,968</u>

NOTE 9 - MAINE STATE RETIREMENT SYSTEM

PLAN DESCRIPTION

The Maine State Retirement System is the administrator of an agent, multiple-employer, defined benefit public employee retirement system established and administered under the Maine State Retirement System Laws, Title 5 M.R.S.A., C. 421, 423, and 425. The System is a component unit of the State. Financial information for the System is included in the discretely presented component unit column on the Combined Balance Sheet and in the Statement of Changes in Net Assets Available for Pension Benefits. Condensed financial statement information is presented in Note 13 Segment Information for Enterprise Funds and Component Units. The Maine State Retirement System issues a stand-alone financial report.

The System provides pension, death, and disability benefits to its members, which include employees of the State, public school employees who are defined by Maine law as teachers for whom the State is the employer for retirement contribution purposes, and employees of approximately 250 local municipalities and other public entities in Maine, each of which contracts for participation in the System under provisions of relevant statutes.

At June 30, 2000, the membership consisted of:

Active vested and nonvested members	51,003
Terminated vested participants	2,019
Retirees and benefit recipients	<u>29,033</u>
Total	<u>82,055</u>

The System's retirement programs provide retirement benefits based on members' average final compensation and creditable service. Vesting occurs upon the earning of ten years of service credit or the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age is age 60 or 62, determined by whether the member had at least 10 years of creditable service on June 30, 1993 (effective October 1, 1999, the ten-year requirement was reduced to five years by legislative action). The monthly benefit 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 system also provides death and disability benefits, which are established by statute for State and public school employees, 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. The annual rate of interest credited to terminated members' accounts is set by the System's Board of Trustees and is currently 6.0 percent.

In the event that a participating entity withdraws from the System, its individual employee-members can terminate membership or remain contributing members. The participating entity remains liable for contributions sufficient to fund benefits for its already retired former employee-members; for its terminated vested members; and for those active employees, whether or not vested, who remain contributing System members.

Contributions from members and employers and earnings from investments fund retirement benefits. Employer contributions and investment earnings fund disability and death benefits. Member and employer contributions are a percentage of applicable member compensation. Member contribution rates are defined by law and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined by annual actuarial valuations.

The total funds managed by the System are constitutionally restricted as held in trust for the payment of pension and related benefits to its members. The System's Board of Trustees, in its fiduciary capacity, establishes the System's investment policies and their overall implementation. The System maintains separate reserves and accounts for each participating entity and performs separate actuarial valuations for each participating entity's respective plan. The Maine State Retirement System management's interpretation of the State of Maine statutes is that all assets accumulated for the payment of benefits may legally be used to pay benefits, including refunds of member contributions, to any plan members or beneficiaries. The System is therefore regarded as administering a single plan for reporting purposes. The State's legal counsel does not concur with the accumulated assets representation. Additional disclosures would be necessary to report this as more than one plan in conformity with generally accepted accounting principles.

The System also provides group life insurance under a plan that is administered by a third party insurance company. Premiums paid by or on behalf of those covered are set and collected by the System. The insurance company makes benefit payments. The System remits payments to the insurance company in the amount of benefits paid out and additional payments representing administrative fees.

FUNDING POLICY

The Maine Constitution, Maine Statutes and the System's funding policy provide for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when due. Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method. The System also uses the level percentage of payroll method to amortize the unfunded liability of the State and teacher plan over a closed 25-year period from June 30, 1998. For participating local districts, either the level percentage of payroll method or the level dollar method is used, depending on plan structure, status of the participating local district, nature of the unfunded liability (i.e., separate or pooled) and the amount of the unfunded liability. Amortization periods range from 2 years to 28 years.

The State of Maine is required to remit 25% of its budgetary surplus at the end of its fiscal year to the System, in order to reduce any unfunded pension liability for State employees and teachers. Accordingly, for the year ended June 30, 2000 the System recorded \$4.0 million in additional contributions from the State of Maine as due from primary government at June 30, 2000.

Significant actuarial assumptions used to compute the contribution requirements are the same as those used to compute the standardized measure of the pension obligation.

The actuarially determined contribution rates in effect for 2000 for participating entities are:

<u>State:</u>	
Employees ¹	7.65-8.65%
Employer	14.47-42.89%
<u>Teachers:</u>	
Employees	7.65%
Employer	18.34%
<u>Participating Local Entities:</u>	
Employees	6.5-8.0%
Employer ¹	1.8-7.7%

¹ Contribution rates vary depending on specific terms of plan benefits for certain classes of employees or benefit plan options selected by a particular participating local entity. Withdrawn entities' contributions are set in dollar amounts, not as rates.

ANNUAL PENSION COST AND NET PENSION OBLIGATION

The employer's annual pension cost and net pension obligation to the System for the current year were:

Net Pension Obligation (Dollars in thousands)	
Annual required contribution	\$239,241
Interest on net pension obligation	6,104
Adjustment to annual required contribution	<u>(4,156)</u>
Annual pension cost	241,189
Contributions made	<u>243,241</u>
Increase (decrease) in net pension obligation	(2,052)
Net pension obligation beginning of year	<u>76,295</u>
Net pension obligation end of year	<u>\$ 74,243</u>

Analysis of Funding Progress
(Dollars in thousands)

<u>Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Covered</u>	<u>Net Pension Obligation</u>
2000	\$ 241,189	100.85%	\$ 74,243
1999	255,451	107.54%	76,295
1998	241,008	101.96%	95,546

The annual required contribution for the current year was determined as part of the June 30, 2000 actuarial valuation using the entry age normal cost method based on a level percentage of covered payrolls. The actuarial assumptions included (a) 8% return on investments and (b) projected salary increases of 5.5% to 9.5% per year, including inflation of 5.5%. The assumptions include post retirement benefit increases of 4% per annum. The System also uses the level percentage of payroll method to amortize the unfunded liability of the State and teacher plan over a closed 25-year period from June 30, 1998. For participating local districts, either the level percentage of payroll method or the level dollar method is used, depending on plan structure, status of the participating local district, nature of the unfunded liability (i.e., separate or pooled) and the amount of the unfunded liability. Amortization periods range from 2 years to 28 years.

COMPONENT UNIT PENSION DESCRIPTION

The Maine Municipal Bond Bank, Maine Maritime Academy, Maine State Retirement System, University of Maine, and Northern New England Passenger Rail Authority have defined benefit pension plans. All except the University of Maine System are participants in plans administered by the Maine State Retirement System. Employees of the Maine Technical College System are considered to be State employees for retirement benefit purposes and are included in the pension disclosures of the State.

Employer contributions met actuarially determined contribution requirements.

OTHER PLANS

MTCS also has an optional program with the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF), which is a defined contribution plan, to which the MTCS contributes 12.88 percent of total salaries for participating employees or 6.04 percent for MEA employees.

UM also has a defined contribution program with TIAA-CREF. The University contributes approximately 10 percent of base salary of participants. All full time employees are eligible, and part-time employees are eligible once they have achieved the equivalent of five years of continuous, full-time service. All eligible employees are required to participate in this Plan when they reach thirty years of age.

LDA and FAME have Simplified Employee Pension Plans. MSHA has a defined contribution plan created under the provisions of the Internal Revenue Code Section 401(a). MHHEFA has a discretionary contributory profit sharing plan and a defined contribution plan created under the provisions of the Internal Revenue Code Section 401(k).

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

POST RETIREMENT HEALTH CARE BENEFITS

The State of Maine funds postretirement health care benefits for most retired State employees and legislators, as authorized by 5 M.R.S.A. § 285, and for a portion of the premiums for teachers, as authorized by 20-A M.R.S.A. § 13451. Pursuant to 5 M.R.S.A., § 285, most retired employees of the Maine Turnpike Authority, the Maine Technical College System, the Maine Maritime Academy, and the Maine State Retirement System are eligible to participate in the health plan but are not funded by the State. Specifically excluded (5 M.R.S.A., § 285 1-B) are members of the Maine Municipal Association, the Maine Teachers Association and employees of counties and municipalities and their instrumentalities.

The State pays 100 percent of post retirement health insurance premiums for retirees who were first employed before July 1, 1991. A pro rata portion, ranging from zero percent for retirees with less than five years participation to 100 percent for retirees with ten or more years of participation, is paid for eligible individuals first employed after July 1, 1991. Retirees eligible for Medicare are covered under supplemental insurance policies. The retiree must pay for Medicare Part B coverage to be eligible to participate in the State-funded Companion Plan. Coverage for retirees who are not eligible for Medicare includes basic hospitalization; supplemental major medical and prescription drugs; and costs for treatment of mental health, alcoholism, and substance abuse.

Retiree health care benefits have been funded on a pay-as-you go basis. For retired State employees, the State estimated the total amount necessary to pay health insurance premiums. This amount is generated using a contribution rate (4.76 percent for July 1, 1999, through March 31, 2000, and 5.47 percent for April 1, 2000, through June 30, 2000), authorized by 5 MRSA § 286-A, multiplied by the value of the current employee payroll. The amounts contributed were reported as expenditures/expense in each of the various funds. For retired teachers, the State estimates the total annual amount necessary to pay its 30 percent share of health insurance premiums. This amount, less any accumulated funds remaining from prior years' estimates, is appropriated and reported as expenditures in the General Fund. Contributions resulting from both sources are accumulated in and reported as revenue of the Retiree Health Insurance Internal Service Fund. The State's share of the premium expense is paid from that fund when retiree payrolls are processed. The State's management proposed funding retiree healthcare benefits using rates, which have been developed actuarially, beginning in fiscal year 2001.

As of July 1, 2000, there were 6,723 retired eligible State employees and 5,662 retired teachers. In the 2000 fiscal year, the State paid into the Retiree Health Insurance Fund \$21.6 million for retired employees and \$3.8 million for retired teachers. Premium charges paid were \$17.2 million and \$4.2 million, respectively. Overall fund equity increased by \$5.9 million to \$24.5 million at June 30, 2000. In fiscal year 2000, a State sponsored actuarial study estimated the amount of the liability for current and future retirees, as of July 1, 2000, was \$725.3 million. This includes benefits for 13,424 current retirees as well as 41,601 currently active employees expected to retire in the future. It does not consider employees not yet hired as of July 1, 2000.

POST RETIREMENT LIFE INSURANCE BENEFITS

The Maine State Retirement System (MSRS) provides certain life insurance benefits for retirees who, as active employees, participated in the Group Life Insurance Program for a minimum of ten years. Payments of claims are made by the MSRS from a fund containing the life insurance premiums of active State employees and teachers, plus earnings on the investments of the fund. In addition to the cost of claims, the State pays a monthly retention fee to a life insurance company. For the fiscal year ended June 30, 2000, claims totaled \$2 million for retired State employees and \$1.2 million for retired teachers. The number of participants eligible to receive benefits at fiscal year end was 5,132 retired State employees and 3,982 retired teachers.

NOTE 11 - LONG-TERM OBLIGATIONS

Primary Government

The State records its liability for bonds in the General Long-Term Obligations Account Group (GLTOAG). The State has also included in the GLTOAG \$103.5 million in other financing arrangements to reflect revenue bonds issued by the Maine Governmental Facilities Authority, a blended component unit. Payment of the bonds is subject to, and dependent upon, biennial appropriations being made by the State Legislature. Debt issued by the Authority is not debt of the State or any political subdivision within the State; and the State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. Other general long-term obligations recognized by the State are its compensated employee absences and its obligations under Certificates of Participation and other financing arrangements. Payments for these liabilities will be made from the Governmental Funds.

GENERAL OBLIGATION BONDS

Programs for which the State issues general obligation bonds include: adaptive equipment loan programs; environmental cleanup and protection; highway and transportation related projects; agricultural and small business job creation; and acquisition, construction, and renovation of major capital facilities including State parks and historic sites. General obligation bonds are secured by the full faith and credit of the State. Debt service requirements are provided by legislative appropriation from the State’s general tax revenues and are repaid in annual installments beginning not more than one year after issuance.

Changes in general obligation bonds during the fiscal year are:

Primary Government - Changes in General Obligation Bonds

June 30, 2000

(Dollars in Thousands)

	Balance <u>July 1, 1999</u>	<u>Additions</u>	<u>Retirements</u>	Balance <u>June 30, 2000</u>
General Obligation Debt:				
General Fund	\$ 334,725	\$ 66,991	\$ 60,561	\$ 341,155
Special Revenue Fund	133,700	-	22,470	111,230
Self Liquidating	<u>630</u>	<u>-</u>	<u>40</u>	<u>590</u>
Total	<u>\$ 469,055</u>	<u>\$ 66,991</u>	<u>\$ 83,071</u>	<u>\$ 452,975</u>

The future debt service requirements for the bonds are as follows:

Future Debt Service on General Obligation Bonds

June 30, 2000

(Dollars in Thousands)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 87,760	\$23,740	\$ 111,500
2002	83,375	18,870	102,245
2003	78,170	14,258	92,428
2004	55,615	10,525	66,140
2005	42,860	7,626	50,486
Thereafter	<u>105,195</u>	<u>11,788</u>	<u>116,983</u>
Total	<u>\$ 452,975</u>	<u>\$ 86,807</u>	<u>\$ 539,782</u>

AUTHORIZED UNISSUED BONDS

Any bonds not issued within five years of the date of ratification may not be issued after that date. Within two years after expiration of the five-year period, the Legislature may extend, by a majority vote, the five-year period for an additional five years or may deauthorize the bonds. If the Legislature fails to take action within those two years, the bond issue shall be considered to be deauthorized and no further bonds may be issued. At June 30, 2000, general obligations bonds authorized and unissued totaled \$134.6 million. The Maine Governmental Facilities Authority, a blended component unit, may not issue securities in excess of \$168 million outstanding at any one time except for the issuance of certain revenue refunding securities. The Legislature may increase this limit as necessary to meet the Authority's needs.

CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS

The State uses financing companies, Certificates of Participation (COP's), and lease/purchase agreements to finance the construction of certain State buildings and to purchase equipment and vehicles. Certificates of Participation are issued through a trustee, and the State is responsible for payments to the trustee that approximate the interest and principal payments made to the certificate holders. The State maintains custody and use of the assets; however, the trustee holds a lien as security until such time as the certificates are fully paid. Neither Certificates of Participation nor the other financing arrangements constitute a legal debt, liability, or contractual obligation in excess of amounts appropriated. The State's obligation to make minimum payments or any other obligation under agreements is subject to, and dependent upon, appropriations being made by the Legislature. The Legislature has no obligation to appropriate the money for future minimum payments or other obligations under any agreement.

Changes in liabilities reported in the General Long-Term Obligations Account Group are:

Changes in General Long-Term Obligations

June 30, 2000

(Dollars in Thousands)

	<u>Bonds</u>	<u>COP's and other Financing Arrangements</u>	<u>GFA Revenue Bonds</u>	<u>Compensated Absences</u>	<u>Net Pension Obligation</u>	<u>Total</u>
Balance, July 1, 1999	\$469,055*	\$4,281	\$27,915*	\$28,987	\$76,295	\$ 606,533
Issuances	66,991	-	76,595	-	-	143,586
Payments	(83,071)	(1,873)	(947)	-	-	(85,891)
Other Increase (Decrease)	-	-	-	(387)	(2,052)	(2,439)
Balance, June 30, 2000	<u>\$452,975</u>	<u>\$ 2,408</u>	<u>\$103,563</u>	<u>\$28,600</u>	<u>\$ 74,243</u>	<u>\$661,789</u>

* These amounts have been restated to reclassify the debt of the Maine Government Facilities Authority, a blended component unit.

Changes in COP's and Other Financing Arrangements reported in Proprietary Fund Types are:

Certificates of Participation and Other Financing Arrangements
June 30, 2000
(Dollars in Thousands)

<u>Outstanding July 1, 1999</u>	<u>Additions</u>	<u>Retirements</u>	<u>Outstanding June 30, 2000</u>
\$19,281	\$8,384	\$8,368	\$19,297

Debt service on COP's and other financing arrangements are presented as:

Debt Service on Certificates of Participation and Other Financing Arrangements
June 30, 2000
(Dollars in Thousands)

Fiscal Year Ending June 30,	Governmental <u>Funds</u>	<u>Minimum Payments</u>	
		Government Facilities <u>Authority</u>	Internal Service Funds <u></u>
2001	\$ 1,940	\$ 8,665	\$ 6,898
2002	216	8,533	5,581
2003	182	8,461	3,904
2004	181	10,969	2,114
2005	22	10,731	1,336
Thereafter	<u>-</u>	<u>114,772</u>	<u>1,696</u>
Total Minimum Payments	2,541	162,131	21,529
Less: Amount Representing Interest	<u>133</u>	<u>58,568</u>	<u>2,232</u>
Present Value of Future Minimum Payments	<u>\$ 2,408</u>	<u>\$ 103,563</u>	<u>\$ 19,297</u>

OBLIGATIONS UNDER CAPITAL LEASES

At June 30, 2000, the State was not able to identify, classify and report capital leases in conformity with generally accepted accounting principles. As a result, the required financial statement reporting and the related disclosures applicable to capital and operating leases are not presented.

Component Units - Bonds outstanding for the component units are:

Component Unit Bonds Outstanding
(Dollars in Thousands)

<u>Component Unit</u>	<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Maturity Dates</u>
Maine Municipal Bond Bank	General Tax-Exempt Fund Group	3.00 - 9.75%	\$ 877,538	1990- 2028
	Sewer and Water Fund Group	2.75 - 7.20%	71,232	1991 - 2028
	Special Obligation Taxable Fund Group	6.10 - 10.25%	<u>2,535</u>	1991 - 2009
Subtotal			951,305	
University of Maine System	1993 Series A Revenue Bonds	2.30 - 5.20%	9,430	1994 - 2008
	1993 Series B Refunding Bonds	3.15 - 5.50%	13,530	1995 - 2020
	1998 Series A Revenue Bonds	3.95 - 5.00%	<u>27,923</u>	2000 - 2024
Subtotal			50,883	
Maine State Housing Authority	Mortgage Purchase Program	2.75 - 9.25%	1,302,888	2000 - 2038
	Mortgage Acquisition Program	6.30 - 6.90%	1,249	2000 - 2007
	Housing Finance Revenue Program	4.25 - 6.30%	<u>40,945</u>	2000 - 2030
Subtotal			1,345,082	
Maine Health and Higher Education Facilities Authority	General Bond Resolution	3.90 - 9.95%	85,037	1986 - 2029
	Reserve Fund Resolution	2.5 - 6.50%	798,900	1992 - 2030
	Medium Term Financing Reserve Fund Resolution	4.0 - 8.25%	4,535	1993 - 2003
	Taxable Reserve Fund Resolution	7.03 - 9.35%	<u>97,420</u>	1993 - 2016
Subtotal			985,892	
Finance Authority of Maine	Construction Bonds	1.0 %	1,174	1999 - 2025
Maine Educational Loan Authority	Educational Loan Revenue Bonds	3.60 - 7.75%	59,329	1997 - 2029
Other	Revenue and Building Construction Bonds	2.60 - 10.00%	<u>3,323</u>	2000 - 2023
Total			<u>\$3,396,988</u>	

Maturities of principal for component units are:

Component Units Principal Maturities
(Dollars in Thousands)

<u>Fiscal Year Ending</u>	<u>FAME</u>	<u>MELA</u>	<u>MMA</u>	<u>MTCS</u>	<u>MMBB</u>	<u>UM</u>	<u>MSHA</u>	<u>MHHEFA</u>	<u>Totals</u>
2000	\$ -	\$ 1,895	\$ -	\$ -	\$ 76,456	\$ -	\$ 16,740	\$ 12	\$ 95,103
2001	52	1,745	81	85	83,241	2,135	18,545	30,830	136,714
2002	52	1,920	80	85	75,901	2,210	23,070	33,190	136,508
2003	53	1,855	79	85	72,471	2,200	29,715	35,215	141,673
2004	54	2,030	84	85	70,051	2,205	34,130	34,735	143,374
2005	54	-	85	60	67,565	2,195	-	35,140	105,099
Thereafter	909	50,310	2,659	-	526,791	40,895	1,222,882	816,770	2,661,216
Less amounts deferred or unamortized	-	(426)	(145)	-	(21,171)	(957)	-	-	(22,699)
Total Principal Payments	<u>\$1,174</u>	<u>\$59,329</u>	<u>\$2,923</u>	<u>\$400</u>	<u>\$951,305</u>	<u>\$50,883</u>	<u>\$1,345,082</u>	<u>\$985,892</u>	<u>\$3,396,988</u>

NOTE 12 - SELF-INSURANCE

A. RISK MANAGEMENT

The State maintains several types of insurance plans and accounts for them in two funds. The Self-Insurance Internal Service Fund provides insurance advice and services to State governmental agencies, and the State-Administered Fund offers similar services to quasi-governmental entities. Statute requires the Self-Insurance Fund to be replenished by appropriation if the fund balance drops below \$1 million. The State-Administered Fund balance has no similar provision; however, statutes prevent it from being used for any purpose other than providing insurance services.

Insurance plans offered include property, vehicle, boat and aircraft, tort, civil rights, employee bonds, police professional, and a variety of other insurance products. Not all departments elect to insure through the Risk Management Division. Specifically, the Department of Human Services and the Department of Transportation have elected not to purchase general liability insurance.

In many cases the State purchases excess insurance to limit the State's liability for insured events. For example, coverage for property damage is \$2.5 billion per occurrence. The State retains \$1 million of this risk per occurrence, with the remainder being covered by a private insurance carrier (excess insurance). Coverage, risk retention, and excess insurance amounts for major types of insurance are listed below:

<u>Type of Insurance</u>	<u>Coverage Per Occurrence</u>	<u>Risk Retention Per Occurrence</u>	<u>Excess Insurance Per Occurrence</u>
Property	\$2.5 billion	\$1 million	\$2.5 billion
Employee Bond - Food Stamps	16.5 million	.5 million	16 million
Ocean Marine Boat Liability	10 million	10,000	10 million
Loss of Software and Data	8 million	25,000	8 million
Boiler and Machinery	2 million	5,000	2 million
General Liability including			
Employment Practices	400,000	400,000	none
Police Professionals	400,000	400,000	none

The plan funds the cost of providing claims servicing and claims payment by charging a premium to each agency based on a review of past losses and estimated losses for the current period.

All risk-financing liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities are actuarially determined and represent the estimated cost of claims as of June 30, 2000. This cost of claims includes case reserves, the development of known claims and incurred-but-not-reported claims, and the direct administrative expenses for settling specific claims.

Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount.

At June 30, 2000, \$3.2 million was reported as the present value of the estimated claims payable for the State's self-insurance plan. This was calculated based on a 5.5 percent yield on investments. The non-discounted amount was \$3.6 million.

Risk Management Fund Changes in Claims Payable

June 30, 2000

(Dollars in Thousands)

	<u>2000</u>	<u>1999</u>
Liability at beginning of year	\$3,519	\$3,135
Current year claims and changes in estimate	1,019	2,673
Claims payments	<u>1,319</u>	<u>2,289</u>
Liability at end of year	<u>\$3,219</u>	<u>\$3,519</u>

As of June 30, 2000, fund assets of \$14.4 million exceeded fund liabilities of \$3.8 million by \$10.6 million. The portion of this amount that may be reserved for catastrophic losses has not determined.

In the past, general liability insurance coverage excluded lawsuits brought by employees. Therefore, the loss history used by the actuary to project claims did not include the effects of any such lawsuits. Effective July 1, 1999, the State added \$50,000 coverage per occurrence for the cost of defending the State in any such lawsuits. Effective July 1, 2000, the State increased coverage to include both defense and indemnification costs up to \$400,000. An estimated effect of this change has not been incorporated into the actuarial study used to determine claims payable as of June 30, 2000.

For the first time, the State, through the Risk Management Division, purchased insurance for four State Correctional facilities in an Owner Controlled Insurance Program (OCIP). The State, as owner, gets favorable premium rates compared with the contractors who typically purchase the coverage and include associated costs in their contract prices. Workers' compensation, tort, and property coverage for the projects will cost approximately \$1.6 million, which represents \$600,000 in savings over the lives of the projects. The entire premiums billed by OCIP insurers are paid by the State Risk Management Fund and billed to Maine's Department of Corrections.

B. UNEMPLOYMENT INSURANCE

The State is self-insured for unemployment compensation. As a direct reimbursement employer, the State recognizes all costs for unemployment compensation as claims are paid. These costs totaled \$608,000 for the fiscal year ended June 30, 2000.

C. WORKERS' COMPENSATION

Workers' compensation is accounted for in an Internal Service Fund. Interfund premiums are treated as quasi-external transactions. Each State agency is charged a premium based on the number of employees to be covered plus an added amount to reduce the unfunded liability. The Legislature, Legislative Council, and Law Library employees are self-insured for workers' compensation purposes. The State assumes the full risk of all claims filed for workers' compensation. Claims liabilities are actuarially determined based on estimates of the ultimate cost of claims, including future claim adjustment expenses that have been incurred but not reported and claims reported but not settled. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

Changes in the balance of claims and judgments liabilities during fiscal 2000 were:

Workers' Compensation Fund Changes in Claims Payable

June 30, 2000

(Dollars in Thousands)

	<u>2000</u>	<u>1999</u>
Liability at Beginning of Year	\$ 82,668	\$ 89,445
Current Year Claims and Changes in Estimates	10,252	5,357
Claims Payments	<u>12,549</u>	<u>12,134</u>
Liability at End of Year	<u>\$ 80,371</u>	<u>\$ 82,668</u>

Based on actuarial calculations as of June 30, 2000, the State is liable for unfunded claims, and incurred but not reported claims, of approximately \$93.4 million. The discounted amount is \$80.4 million and was calculated based on a 4.25 percent yield on investments.

D. DISABILITY

State law allows confidential employees who become temporarily disabled to receive 66.67 percent of their salary for up to 335 calendar days. There were a total of 1,019 confidential employees at June 30, 2000. The expenditure amount for this benefit cannot be determined.

NOTE 13 - SEGMENT INFORMATION-ENTERPRISE FUNDS AND COMPONENT UNITS

PRIMARY GOVERNMENT

The State has nine enterprise funds that have been created to provide various services to the general public. The purpose of each enterprise fund is described below:

The *Alcoholic Beverages Fund* was established to license and regulate the sale of alcoholic beverages. The net profit from the fund is transferred to the State's General Fund and is used for general government purposes.

The *Lottery Fund* was established to account for all operations of the Maine State Lottery. This includes the Tri-State Lotto Commission, established in 1985, and is a joint venture between the States of Maine, New Hampshire, and Vermont. The Commission is authorized and empowered to promulgate rules and regulations regarding the conduct of lottery games, including the price or prices of tickets, the number and size of prizes for winning tickets, and the licensing of agents.

The *Potato Marketing Improvement Fund* provides low interest loans to potato growers for the modernization of storage facilities and improvements in the handling of the product.

The *Seed Potato Board Fund* accounts for the growing of nuclear seed for sale to potato growers, for research in disease control, and for the development of new product varieties.

The *State Ferry Service Fund* accounts for the operation of ferry services between the mainland and various islands for the purpose of transporting vehicles, freight, and passengers to and from those islands.

The *State Airport Fund* accounts for all operations and maintenance of the Maine State Airport. The State, through the Department of Transportation, entered into a lease/purchase agreement with the City of Augusta to operate and eventually own the airport.

The *Marine Ports Fund* is used to account for the operation and maintenance of port facilities within the jurisdiction of the Department of Transportation.

The *Prison Industries Fund* accounts for a self-supporting program of job training through the employment of inmates in manufacturing and selling products.

The *Community Industrial Building Fund* is used to assist a local development corporation to construct a community industrial building by lending money when the project can reasonably be expected to create new employment. Preference is given to projects in economically deprived areas.

Segment Information

June 30, 2000

(Dollars in Thousands)

	State Lottery Bureau	Bureau of Alcoholic Beverages	Transportation Related	Agriculture Related	Other Enterprise Funds	Total Enterprise Funds
Operating Revenues	\$149,915	\$76,837	\$2,676	\$225	\$1,136	\$230,789
Depreciation Expense	7	496	15,818	27	9	16,357
Operating Income (Loss)	36,893	23,151	(19,011)	(439)	117	40,711
Net Nonoperating Revenues	455	-	154	483	17	1,109
Net Income (Loss)	(134)	4	(16,395)	286	134	(16,105)
Operating Transfers in (out)	(37,482)	(23,147)	2,462	242	-	(57,925)
Additions (Deletions) to Property, Plant and Equipment	(46)	(146)	2,910	(89)	43	2,672
Total Assets	8,739	6,262	41,742	10,197	564	67,504
Total Long-Term Liabilities	-	1,000	-	-	-	1,000
Total Liabilities	8,755	6,251	198	735	67	16,006
Total Equity	(16)	11	41,543	9,460	500	51,498
Net Working Capital	(16)	532	818	(541)	479	1,272
Current Capital Contributions	-	-	2,682	-	-	2,682

COMPONENT UNITS

The following tables present condensed financial statements for each of the discretely presented component units. Complete financial statements of the individual component units can be obtained from their respective administrative offices as described in Note 1.

Component Units Condensed Balance Sheet
(Dollars in Thousands)

	<u>LDA</u>	<u>MELA</u>	<u>FAME</u>	<u>MHHEFA</u>	<u>NEPRA</u>	<u>MSHA</u>	<u>MABB</u>	<u>MSRS</u>	<u>MMA</u>	<u>MTCS</u>	<u>U of ME</u>	<u>Total</u>
Assets:												
Cash	\$ 2,399	\$ 2,425	\$ 21,973	\$ 76,956	\$ 2,809	\$ 15,323	\$ -	\$ 127,141	\$ 204	\$ 2,644	\$ 68,031	\$ 319,905
Investments	-	14,268	58,973	174,314	9,481	334,327	254,047	7,503,405	16,187	15,443	123,640	8,504,085
Due from primary government	-	-	645	-	-	-	2,053	4,626	-	343	13,070	20,737
Due from other governments	363	-	-	-	1,305	922	966,859	9,954	-	-	-	979,403
Loans and notes receivable	-	45,122	36,774	902,355	-	1,231,633	-	-	2,973	-	32,145	2,251,002
Other receivables	378	468	1,994	8,506	8	20,932	1,829	230,391	290	1,734	23,058	289,588
Fixed assets	67	-	2,275	4,866	-	548	1,054	365	39,839	60,150	277,804	386,968
Other assets	-	366	1,043	834	1,096	4,357	38,628	-	4,787	1,045	4,012	56,168
Total assets	<u>\$ 3,207</u>	<u>\$ 62,649</u>	<u>\$ 123,677</u>	<u>\$ 1,167,831</u>	<u>\$ 14,699</u>	<u>\$ 1,608,042</u>	<u>\$ 1,264,470</u>	<u>\$ 7,875,882</u>	<u>\$ 64,280</u>	<u>\$ 81,359</u>	<u>\$ 541,760</u>	<u>\$ 12,807,856</u>
Liabilities:												
Accounts payable	\$ 145	\$ 87	\$ 2,283	\$ 426	\$ 2,489	\$ 21,092	\$ 778	\$ 5,755	\$ 648	\$ 976	\$ 6,256	\$ 40,935
Due to other governments	1,485	-	6,340	-	-	8,546	3,390	-	0	0	27	19,788
Deferred revenues	188	-	-	517	-	31,935	-	-	138	619	8,399	41,796
Amounts held under state loan programs	-	-	68,802	-	-	-	-	-	-	-	-	68,802
Bonds and notes payable	-	59,329	1,174	985,892	-	1,345,082	951,305	-	2,923	400	50,883	3,396,988
Other accrued liabilities	189	2,358	24,486	34,154	-	16,246	30,431	251,647	1,909	11,459	37,796	410,675
Total Liabilities	<u>2,007</u>	<u>61,774</u>	<u>103,085</u>	<u>1,020,989</u>	<u>2,489</u>	<u>1,422,901</u>	<u>985,904</u>	<u>257,402</u>	<u>5,618</u>	<u>13,454</u>	<u>103,361</u>	<u>3,978,984</u>
Equity:												
Retained Earnings:												
Reserved	-	-	-	-	-	-	242,250	-	-	-	-	242,250
Unreserved	1,200	875	20,592	-	12,210	185,141	36,316	-	-	-	-	256,334
Reserved for debt service	-	-	-	48,188	-	-	-	-	-	-	500	48,688
Net investment in plant	-	-	-	-	-	-	-	-	36,801	55,441	223,205	315,447
Reserved for pension benefits	-	-	-	-	-	-	-	7,618,480	-	-	-	7,618,480
Other reservations	-	-	-	90,681	-	-	-	-	14,203	8,107	213,984	326,975
Unrestricted/unreserved	-	-	-	7,973	-	-	-	-	7,658	4,357	710	20,698
Total Equity	<u>1,200</u>	<u>875</u>	<u>20,592</u>	<u>146,842</u>	<u>12,210</u>	<u>185,141</u>	<u>278,566</u>	<u>7,618,480</u>	<u>58,662</u>	<u>67,905</u>	<u>438,399</u>	<u>8,828,872</u>
Total Liabilities and Equity	<u>\$ 3,207</u>	<u>\$ 62,649</u>	<u>\$ 123,677</u>	<u>\$ 1,167,831</u>	<u>\$ 14,699</u>	<u>\$ 1,608,042</u>	<u>\$ 1,264,470</u>	<u>\$ 7,875,882</u>	<u>\$ 64,280</u>	<u>\$ 81,359</u>	<u>\$ 541,760</u>	<u>\$ 12,807,856</u>

**Component Unit Condensed Statement of Revenues, Expenses and
Changes in Retained Earnings/Fund Balances**

(Dollars in Thousands)

	<u>LDA</u>	<u>MELA</u>	<u>FAME</u>	<u>MSHA</u>	<u>MMBB</u>	<u>Total</u>
Operating revenues	\$ 5,129	\$ 4,699	\$ 12,543	\$ 176,405	\$ 78,940	\$ 277,716
Operating expenses	<u>5,622</u>	<u>4,428</u>	<u>24,237</u>	<u>174,747</u>	<u>59,654</u>	<u>268,688</u>
Operating income (loss)	(493)	271	(11,694)	1,658	19,286	9,028
Non-operating revenues (expenses)	-	-	(121)	-	-	(121)
Extraordinary Loss		(27)		(1,137)		(1,164)
Transfers from primary government	467	-	14,751	7,515	27,628	50,361
Transfers to primary government	-		<u>(1,000)</u>	-	-	<u>(1,000)</u>
Net income (loss)	(26)	244	1,936	8,036	46,914	57,104
Retained Earnings, July 1, 1999 (as restated)	<u>1,226</u>	<u>631</u>	<u>18,657</u>	<u>177,105</u>	<u>231,650</u>	<u>429,269</u>
Retained Earnings, June 30, 2000	<u>\$ 1,200</u>	<u>\$ 875</u>	<u>\$ 20,593</u>	<u>\$ 185,141</u>	<u>\$ 278,564</u>	<u>\$ 486,373</u>

**Component Unit Condensed Statement of Revenues,
Expenditures and Changes in Fund Balances**

(Dollars in Thousands)

	<u>MHHEFA</u>	<u>NNEPRA</u>	<u>Total</u>
Revenues	\$ 102,557	\$ 30,784	\$ 133,341
Current Expenditures	25,734	30,852	56,586
Capital Outlay Expenditures	133,720	-	133,720
Debt Service Expenditures	82,995	-	82,995
Transfers from primary government	-	7,005	7,005
Excess (Deficiency) of Revenues over (under) Expenditures	(139,892)	(68)	(139,960)

NOTE 14 - JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose. The only material joint venture in which the State participates is the Tri-State Lotto Commission (Commission).

The Commission was established in 1985 pursuant to passage into law of the Tri-State Lotto Compact by the States of Maine, New Hampshire, and Vermont. The Commission is authorized and empowered to promulgate rules and regulations regarding the conduct of lottery games, including ticket prices, prizes, and the licensing of agents.

The Commission is composed of one member from each of the participating states. Each member State's commission appoints one of its members to serve on the Commission and each member holds office at the pleasure of his or her appointing authority. The Commission annually elects a chairman from among its members.

The Commission has designated that 50 percent of its operating revenue be aggregated in a common prize pool. A prize award liability is established when the winning ticket number is selected. If no winning ticket is selected, the available jackpot is carried over to the following drawing. The Tri-State Lotto Compact requires that prizes not claimed within one year from the date of the drawing be forfeited. All expired unclaimed prizes are credited

to future prize pools. The Commission funds its jackpots through annuity contracts purchased from insurance companies and zero-coupon U.S. Government Treasury Strips.

A proportional share of revenues and expenses are allocated to each State based on the amount of ticket sales made by each State. Exceptions are the facility's management fee, which is based on a contracted percentage of operating revenue that varies from State to State; Daily Number expenses that are allocated to each State based on Daily Number ticket sales; and certain other miscellaneous costs that are based on actual charges generated by each State.

The financial statements of the Tri-State Lotto Commission may be obtained from the Bureau of Alcoholic Beverages and Lottery Operations, 8 State House Station, Augusta, ME 04333-0008.

As of and for the fiscal year ended June 30, 2000, selected financial information was reported in the audited financial statements of the Tri-State Lotto Commission:

Tri-State Lotto Commission
June 30, 2000
(Dollars in Thousands)

Current Assets	\$ 41,101
Noncurrent Assets	<u>206,637</u>
Total Assets	<u>\$247,738</u>
Current Liabilities	\$ 35,081
Long-term Liabilities	<u>196,830</u>
Total Liabilities	<u>231,911</u>
Designated Prize Reserves	4,996
Unrealized Gain on Investments Held for Installment	
Prize Obligations	<u>10,831</u>
Total Retained Earnings	15,827
Total Liabilities and Retained Earnings	<u>\$247,738</u>
Total Revenue	\$ 82,690
Total Expenses	\$ 54,100
Allocation of Funds to Member States	\$ 29,268
Increase in Retained Earnings	\$ (4,457)

NOTE 15 - RELATED PARTY TRANSACTIONS

PRIMARY GOVERNMENT

Title 20 M.R.S.A. §11473 establishes the Maine College Savings Program Fund (the Fund), administered by the Finance Authority of Maine (FAME). The Fund holds all monies associated with the Maine College Savings Program doing business as the NextGen College Investing Plan (NextGen). NextGen is the primary program of the Fund and was established to encourage the investment of funds to be used for qualified higher education expenses at institutions of higher education. The program has been designed to comply with the requirements for treatment as a "Qualified State Tuition Program" under Section 529 of the Internal Revenue Code. By statute, the program assets and liabilities are held by the Treasurer of the State of Maine. FAME and the Treasurer of the State of Maine have entered into a management agreement for the Treasurer to act as a fiduciary of the Fund. The Treasurer is responsible for investment of the Fund and determining, with the advice of the Advisory Committee on College Savings, the proper allocation of the investments of the Fund. The NextGen College Investing Plan had approximately \$264 million in net assets at June 30, 2000, which have been recorded in an Agency Fund on the financial statements of the State.

General Obligation Bonds of the State include \$540,000 of self-liquidating bonds of the Maine Veterans' Home. The State issues the bonds, and the Maine Veterans' Home remits to the State the debt service as it comes due.

The State of Maine has entered into memoranda of understanding with the Wells National Estuarine Research Reserve Management Authority, a jointly governed organization, through the Bureau of Public Lands and the Bureau of Parks and Recreation. These agreements outline each entity's responsibilities in relation to the operation of the Reserve and the management of the property included within the boundaries of the reserve. The Authority's responsibilities are generally to manage the Reserve consistent with the Wells National Estuarine Research Reserve Management Plan dated May, 1991.

RELATED ORGANIZATIONS

The State provided appropriations to two related organizations. The Maine Science and Technology Foundation received an appropriation of \$1.6 million, and the Maine School of Science and Mathematics received an appropriation of \$1.8 million.

The State receives transfers in the amount of the annual operating surplus from the Maine Turnpike Authority under the Sensible Transportation Act of 1991. The Legislature has defined operating surplus within the Maine Turnpike Authority statute to be the total operating revenues of the Authority after money has been set aside to pay reasonable operating expenses and to meet the requirements of any resolution authorizing bonds. The Authority, with the concurrence of the Maine Department of Transportation, has established the operating surplus at \$4.7 million annually. The payment of debt service costs in connection with the issuance of the Series 1996 Special Obligation Bonds is considered to constitute payment of the operating surplus for the year 2000.

COMPONENT UNITS

The University of Maine Foundation (Foundation) is an independent non-profit organization and, accordingly, its financial statements are not consolidated with those of the University. Total gifts and income received by the University from the Foundation during fiscal years ending June 30, 2000 and 1999 were approximately \$4.2 million and \$3.1 million, respectively. The reported fair market value of the Foundation's assets at June 30, 2000 and 1999 were approximately \$117.1 million and \$106.6 million, respectively.

The Maine Educational Loan Authority (Authority) acts as an originating lender for a federal loan program for loans ultimately sold to the Maine Educational Loan Marketing Corporation (MELMAC), a related party. The funds necessary to originate the loans are made available to the Authority by Maine Educational Services (a party related to MELA due to common management and one board member), through advances under a revolving credit agreement. The funds are advanced normally for a one-day period. The educational loans are sold at face value plus a fifty basis point premium. In 1999 and 1998, approximately \$8.8 million and \$53.7 million, respectively, of educational loans were originated by the Authority and purchased by MELMAC as described above. The Authority received approximately \$44 thousand and \$269 thousand in loan premiums from MELMAC in 1999 and 1998, respectively. This agreement ended on April 15, 1999.

The advances provided to the Authority by Maine Educational Services are subject to a revolving credit agreement between these two parties. The maximum amount that the Authority can borrow from Maine Educational Services at any given time is \$2 million.

NOTE 16 - COMMITMENTS AND CONTINGENCIES

FEDERAL GRANTS

The State receives significant financial assistance from the federal government. The receipt of grants is generally dependent upon compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Grants are subject to the Federal Single Audit Act. Disallowances by federal officials as a result of these audits may become liabilities of the State. The amount of expenditures that may be disallowed by the grantor agencies cannot be determined at this time.

MUNICIPAL SOLID WASTE LANDFILLS

Title 38 M.R.S.A., §1310-F, establishes within the Department of Environmental Protection (DEP) a cost-sharing program for the closure and remediation of municipal solid waste landfills that pose an actual or potential hazard to the environment and public health. The State's obligation to provide cost sharing to municipalities is subject to the availability of funds approved for that purpose. During the 2000 fiscal year, \$3 million of general obligation bond funds were expended for solid waste landfill closure projects.

After January 1, 2000, the State is no longer liable for the costs relating to the closure of municipal solid waste landfills. The Commissioner may make grants or payments up to 30% if they are incurred pursuant to an alternative closure schedule approved by DEP prior to January 1, 2000, and if they are specifically identified in a department order or license, schedule of compliance or consent agreement. No reimbursement applications for past closure costs are on file. No additional cost share eligible closures have been approved by DEP.

Remediation funding, subject to the availability of funds, will continue for 90% of the cost of remediation for threats posed by a municipal landfill to wells or other structures constructed on or before December 31, 1999. The maximum reimbursement for remediation funding is 50% for structures constructed after that date. The DEP recognizes that, in the future, post closure investigation and remediation activities may be necessary at landfills that will require State funds. The DEP has estimated the amount of these potential costs to be approximately \$1.6 million, based on current site knowledge.

SAND AND SALT STORAGE PROGRAM

The State estimates the potential aggregate cost to comply with the environmental requirements associated with the sand and salt storage program to be \$16-18 million through the year 2005. This consists of approximately \$9-11 million for State-owned facilities and approximately \$7 million for the State's share, under a cost sharing arrangement, for municipal facilities.

POLLUTION ABATEMENT PROGRAM

Title 38 M.R.S.A. §411 establishes within DEP a cost-sharing program for pollution abatement projects. Subject to funding by the Legislature and the approval of the Commissioner, the State may contribute to the design, engineering and construction of municipal pollution abatement facilities. During the 2000 fiscal year, \$5.4 million of general obligation bond funds were expended for pollution abatement projects. As of June 30, 2000, amounts encumbered for pollution abatement projects totaled \$2.3 million; and general obligation bonds authorized for these projects, but not yet encumbered or expended, totaled \$13.9 million. At June 30, 2000, DEP estimated the total cost (federal, State, and local) of future projects to be \$280 million, which increased to \$317.3 million by November 2000.

DESIGNATION AS A POTENTIALLY RESPONSIBLE PARTY BY THE ENVIRONMENTAL PROTECTION AGENCY

The State has been identified as a potentially responsible party at two hazardous waste clean-up sites in Maine. These sites are located in Plymouth and Gray. The amount or range of potential liability has not been determined.

GROUND WATER OIL CLEAN-UP FUND

The Ground Water Oil Clean-up Fund is established in Title 38 MRSA §569-A. Fund activities include, but are not limited to, providing insurance to public and private entities for clean up of oil spills. The program is funded by a per barrel assessment on petroleum products imported into the State. Coverage is up to \$1 million per occurrence for both aboveground and underground storage tanks. Third party injury coverage may not exceed \$200,000 per claimant.

A report to the legislature dated December 15, 2000, submitted by the Maine Department of Environmental Protection (DEP), identified 356 long-term remediation sites as of August 2000 that are covered by the insurance program. Since it is not possible for the DEP to estimate the cost of remediation, the State has not accrued a liability in the financial statements.

NURSING HOME LOANS

The Maine Health and Higher Education Facilities Authority (MHHEFA) has advanced approximately \$3 million from the operating fund as of June 30, 2000, to certain financially troubled institutions. The outstanding loans owed to the Authority total approximately \$43.5 million. These advances were made to assist these institutions in meeting debt service requirements. The Authority established a \$1 million reserve in its operating fund related to amounts that have been advanced or are expected to require an advance to troubled institutions.

TREATMENT OF WASTEWATER FROM THE STATE’S CORRECTIONAL FACILITIES

At June 30, 2000, the Department of Corrections (DOC) had a contractual commitment with the Warren Sanitary District to provide treatment of wastewater from the State's correctional facilities located in Warren, Maine. Under the terms of the agreement, the DOC is required to make annual payments to the District for the DOC's prorated share of capital costs, debt service, and operation and maintenance costs. Fiscal year 2000 expenditures totaled \$397 thousand. The agreement with the District shall be in effect for as long as the DOC uses the wastewater treatment facility. If the DOC ceases its use, the agreement is in effect until (a) the DOC has paid off its share of the local capital costs of the project and (b) another user acceptable to the Warren Sanitary District assumes the DOC's share of the operations and maintenance costs.

CONSTRUCTION COMMITMENTS

A portion of the payment that is made to municipalities for General Purpose Aid to Local Schools is allocated for debt service. This portion represents the subsidy for debt service resulting from local outstanding indebtedness for school construction and renovation projects. As of June 30, 2000, outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled \$728.5 million.

At June 30, 2000, the Department of Transportation had contractual commitments of approximately \$105.7 million for construction of various highway projects. The State’s share of that amount is expected to be approximately \$19.5 million. Of these amounts, \$18.6 million has already been reported as accruals, with the State’s share at \$5.4 million. Federal and State funds plus bond proceeds are expected to provide funding for these future expenditures.

At June 30, 2000, the State of Maine had contractual commitments for construction projects of:

Maine Criminal Justice Academy	\$6.9 million
Maine State Prisons	\$104.6 million
Burton Cross State Office Building	\$6.9 million

The State has no contractual obligation for the cost of completing the State Capitol and Connector projects under construction at June 30, 2000. Each of the projects is being done in phases; as it did in the first phase, the State will be entering into “guaranteed maximum price” agreements with the 2000 and 2001 phases of work. The State has designated \$10.7 million from the Maine Government Facilities Authority and appropriated \$7 million from the General Fund in fiscal year 2001 for use in completing those projects.

TOBACCO SETTLEMENTS

On November 23, 1998, Maine along with 45 other states and five jurisdictions agreed to an out-of-court settlement with certain Participating Tobacco Manufacturers (PM's) to recover smoking-related Medicaid costs. The PM's agreed to pay \$206 billion to the states and jurisdictions. In return, the states have agreed to relinquish claims to further damages resulting from Medicaid costs. Maine's percentage of the total settlement payment is 0.7693505%, which equals \$1.58 billion. Annual payments (2000 and thereafter) will fluctuate subject to various adjustments and litigation offsets and are contingent on the passage and enforcement of a State statute imposing economic conditions on the PM's. This settlement will result in an ongoing revenue stream to the State, which will continue into perpetuity.

As compensation, the PM's have also agreed to pay \$8.6 billion to certain states and jurisdictions for their contribution to the overall settlement. These payments are subject to the adjustments referred to above. Maine's share equals approximately \$114 million and will be received in ten annual payments beginning in 2008.

The State received \$64.8 million dollars from PM's during fiscal year 2000.

CONSTITUTIONAL OBLIGATIONS

Article 9, § 14-A, C, and D of the Maine State Constitution provides that the State may insure the payment of mortgage loans for industrial, manufacturing, fishing, agricultural and recreational enterprises; mortgage loans for the acquisition, construction, repair and remodeling of houses owned or to be owned by members of two tribes on several Indian reservations; and mortgage loans to resident Maine veterans of the Armed Forces of the United States, including loans to a business organization owned in whole or in part by a resident Maine veteran. The aggregate of these obligations, at any one time, may not exceed \$90 million, \$1 million, and \$4 million, respectively. At June 30, 2000, loans outstanding pursuant to these authorizations are \$30 million, less than \$1 million, and \$1.5 million, respectively. The State has not paid, nor does it expect to pay, any amounts as a result of these authorizations as of June 30, 2000.

Article 8, § 2, of the Maine State Constitution provides that the State may secure funds, through the issuance of bonds authorized by the Governor, for loans to Maine students attending institutions of higher education. The amount of bonds issued and outstanding shall not at any one time exceed \$4 million in the aggregate. The State has not paid, nor does it expect to pay, any amount as a result of this authorization as of June 30, 2000.

MORAL OBLIGATIONS

The State of Maine, through statute, enables certain Authorities to establish capital reserve funds. These funds may be used to secure a variety of financial undertakings including the issuance of bonds. The minimum amount of the capital reserve fund may be determined by statute or set by the Authority. The statutes may also limit the amount of debt that may be secured by the capital reserve funds, and allow the Authority to issue debt that is not secured by these funds. On or before December first of each year, the Authority is required to certify to the Governor the amount, if any, necessary to restore any capital reserve fund to its required minimum. If there is a shortfall, the Governor is required to pay first from the "Contingent Account" the amounts necessary for restoration. The Governor shall certify any remaining unpaid amounts to the Legislature, which is then required to appropriate and pay the remaining amounts to the Authority during the then current State fiscal year. These moral obligations are not considered to be "full faith and credit" obligations of the State, and voter approval of the underlying bonds is not required. No capital reserve fund restorations have been made in the current or previous years.

The following summarizes information regarding outstanding Moral Obligations.

Moral Obligation Bonds
(Dollars in Thousands)

<u>Issuer</u>	<u>Bonds Outstanding</u>	<u>Required Debt Reserve</u>	<u>Obligation Debt Limit</u>	<u>Legal Citation</u>
Finance Authority of Maine	\$231,017	\$ 36,441	\$777,000	10 MRSA § 1032, 1053
Maine Educational Loan Authority	47,685	2,350	50,000	20-A MRSA § 11424
Maine Municipal Bond Bank	972,476	113,850	No Limit	30-A MRSA § 6006
Maine Health and Higher Education Facilities Authority	900,855	82,207	No Limit	22 MRSA § 2075
Loring Development Authority	-	-	100,000	5 MRSA § 13080-N
Maine State Housing Authority	<u>1,358,635</u>	<u>110,233</u>	1,650,000	30-A MRSA § 4906
Total	<u>\$3,510,668</u>	<u>\$345,081</u>		

COMPONENT UNITS

The Maine Educational Loan Authority (the Authority) had entered into an interest rate exchange agreement to manage its interest rate exposure on its variable rate education loans. The agreement calls for the Authority to receive fixed rate interest payments in exchange for variable market-indexed interest payments. The amounts potentially subject to credit risk are the streams of payments under the agreement and not the notional amount of the contracts. This agreement involves not only the risk of default by the other party, but also the interest rate risk if positions are not matched. The Authority does not obtain collateral from the counterparty to secure the amounts subject to credit risks. The notional principal amount of the interest rate swap agreement outstanding at December 31, 1999 was \$5.5 million. The termination date of the agreement is December 1, 2006.

NOTE 17 - LITIGATION

The State of Maine, its units and employees are parties to numerous legal proceedings, many of which normally occur in governmental operations. In the opinion of the Attorney General and other legal counsel representing the State, in all of the cases listed, the State or its agencies or employees have valid defenses. The Attorney General is unaware of any case in which it is both probable that the State will incur liability and that the amount of such liability can be reasonably estimated to exceed \$1 million. The Attorney General cannot predict in which of the cases there is a higher or lower probability of paying out the full amounts sought. Even if liability is found, the State should not expect to pay out the full amounts being sought against it in all of the cases. In any given case, however, the State could incur a large judgment.

Central Maine Medical Center v. DHS. Central Maine Medical Center has appealed its audit decisions for FY 1993 through 1998. Exposure is as much as \$4 million.

New Hampshire v. Maine. The State of New Hampshire filed suit in the United States Supreme Court contending that the Kittery Shipyard is actually located in New Hampshire. If New Hampshire prevails, Maine may be subject to \$5.7 million of income tax abatements to New Hampshire residents working at the shipyard. Maine's motion to dismiss New Hampshire's complaint was argued on April 16, 2001.

Kvorjak v. State of Maine Department of Labor. This is a suit brought under the Americans with Disabilities Act by a former employee who sought the accommodation of being allowed to work at home. The Plaintiff seeks damages of almost \$2 million, which includes economic damages, punitive damages, and compensatory damages. The State's motion for summary judgment was granted, and the matter is on appeal to the First Circuit.

Jacobouis v. Department of Corrections. The Plaintiff, who is legally blind, has brought suit in state court under the Maine Human Rights Act and the Americans with Disabilities Act, claiming the Department wrongfully refused to allow him to work as a classroom teacher at the Maine Youth Center. The Plaintiff seeks over \$200,000 in economic damages, as well as attorney's fees and unspecified non-economic compensatory damages. An administrative arbitrator recently ordered the Plaintiff to be reinstated as a teacher. A motion for summary judgment is pending.

System Automation v. State of Maine is a potential breach of contract action involving the preparation of a database system to keep track of licensing data for boards. The Plaintiff seeks over \$2 million in damages. A motion for summary judgment is pending.

Nancy Blanchard v. State of Maine Department of Transportation and John Melrose. The Plaintiff seeks to have the court declare unconstitutional the Department's taking of her property by eminent domain. The Department awarded \$600 thousand to the Plaintiff at the time of the taking. If the court upholds the taking, the Plaintiff has indicated that she will contest this award and seek at least an additional \$600 thousand as just compensation. There is a medium probability that the Plaintiff will prevail and damages may total up to \$1.5 million.

In various lawsuits, Plaintiffs seek damages in excess of \$1 million against the State or against State officials, and various notices of claim also specify damages in excess of \$1 million where no lawsuit has been filed. In none of these lawsuits, in the view of the Attorney General, is there any reasonable possibility that the State's liability could reach or exceed \$1 million.

Numerous workers' compensation claims are now pending against various State agencies. Since most claims involve the possibility for significant long-term damages and since the test for demonstrating a causal relationship between the employment and the illness or injury is not as rigorous as in ordinary civil cases, these cases involve the possibility of significant liability for the State. Since possible damages include future medical costs and wage replacements for the employee (and in some cases spouse), it is difficult to estimate the total potential liability to the State.

In addition to the foregoing, various other suits are pending against the State, State agencies and State officials involving damages or other potential costs. Since the amounts sought are less than \$1 million, these suits have not been individually identified.

All other legal proceedings are not, in the opinion of management after consultation with the Attorney General, likely to have a material adverse effect on the financial position of the State.

NOTE 18 - SUBSEQUENT EVENTS

PRIMARY GOVERNMENT

On July 12, 2000, the State, through its blended component unit, Maine Governmental Facilities Authority, issued \$51.8 million Bonds for the purpose of improvements to State facilities. The bonds mature from 2000 – 2019 and carry interest rates ranging from 4.50% to 5.50%.

On December 26, 2000, the State issued \$5 million of Bond Anticipation Notes, with an interest rate of 4.5 percent. The BAN's will mature on June 26, 2001.

Effective August 11, 2000, Chapter 731, Public Laws 1999 requires that the unfunded liability for State employees and teachers be retired in no more than 19 years from June 30, 2000.

On February 8, 2001, the State issued \$4 million of Certificates of Participation to purchase vehicles through its Central Fleet Management Internal Service Fund.

The fair market value of investments of the State of Maine Deferred Compensation Plan was \$184.6 million as of February 28, 2001. This represents a decline in value of \$22.6 million since fiscal year end.

COMPONENT UNITS

In August 2000, the University of Maine System sold \$41.7 million of tax-exempt Series A Bonds, proceeds of which will be used for additions and improvements to University Plant for projects totaling \$38.6 million.

In July of 2000, the Loring Development Authority (LDA) was awarded a \$1.87 million grant from the Economic Development Administration (EDA) of which \$525,000 is a LDA cash match.

On July 15, 2000, the Maine Health and Higher Education Facilities Authority (MHHEFA) issued \$51.5 million of 2000C Series Revenue Bonds. The bonds mature in 2002 – 2031 and carry interest rates ranging from 4.375% to 5.75%.

On February 16, 2000, the Maine State Housing Authority issued \$35 million in bonds, with interest rates ranging between 4.85% and 6.40%, maturing from 2012 - 2032. On January 18, 2000, they redeemed, at a premium, \$17.4 million of bonds with interest rates between 7.30% and 7.80%, maturing between 2000 and 2022.

As a result of legislation, MELA members are conducting a study and will make recommendations to the issue of whether MELA should be moved under the auspices of FAME or whether other changes to the structure and governance of MELA should be made.

Required Supplementary Information – State Retirement Plan

Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c
Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
June 30, 2000	5,528,795,711	7,491,075,545	1,962,279,834	73.8%	1,271,009,158	154.4%
June 30, 1999	4,881,389,092	7,053,934,465	2,172,545,373	69.2%	1,209,804,594	179.6%
June 30, 1998	4,325,864,097	6,706,620,152	2,380,756,055	64.5%	1,165,614,285	204.2%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Annual Contribution	Percentage Contributed
2000	239,240,887	243,240,887	101.7%
1999	252,856,506	274,702,404	108.6%
1998	237,246,612	245,734,184	103.6%

Required Supplementary Information – Participating Local District Plan

Schedule of Funding Progress

Actuarial Valuation Date	(a) Actuarial Value Of Assets	(b) Actuarial Accrued liability (AAL) – Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c UAAL (as a percentage of covered payroll)
June 30, 2000	1,498,729,722	1,351,640,782	(147,088,940)	110.9%	244,163,272	-60.2%
June 30, 1999	1,354,840,239	1,278,819,201	(76,021,038)	105.9%	233,507,942	-32.6%
June 30, 1998	1,066,810,947	1,147,652,930	80,841,983	93.0%	223,525,533	36.2%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Annual Contribution	Percentage Contributed
2000	15,020,203	15,020,203	100.0%
1999	24,991,863	24,991,863	100.0%
1998	29,053,376	29,053,376	100.0%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Basis of Presentation

For financial statement reporting purposes, the information provided on the required supplementary information schedules includes amounts for employees of participating local districts as well as combined amounts for state employees, teachers, judicial and legislative employees.

Actuarial Assumptions and Methods:

The information in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, June 30, 2000, is as follows:

Funding Method

Costs are developed using the entry age normal cost method (based on a level percentage of covered payroll). Under this method the accrued liability and the present value of future normal costs are determined by summing the individual entry age results for each participant. The normal cost is then determined in aggregate by spreading the present value of future normal costs as a level percentage of expected future covered payroll. Entry age is defined as the first day service is credited under the plan.

Experience gains and losses, i.e., decreases or increases in liabilities when actual experience differs from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

Asset Valuation Method

For actuarial purposes, assets are valued by determining the total yield on the investments of the System using the full investment return (including capital gains), which is measured by the difference in the actuarial value of the assets at the beginning of the fiscal year and the market value of the assets at the end of the fiscal year. Prior year's unrecognized gains and losses are added to this amount to develop expected actuarial value. One third of the excess of the yield (using the full investment return) is added to the expected actuarial value to determine the actuarial valuation of assets.

Amortization

The unfunded actuarial liability is amortized on a level percentage of payroll over a legislatively-enacted 25 year closed period from June 30, 1998. In 2000, the amortization period was further reduced to 19 years.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2000 are as follows:

Investment Return – 8% per annum, compounded annually

Salary Increases – 5.5% to 9.5% per year (included inflation of 5.5%)

Mortality Rates – Active State employee members and active participating local entity members – UP 1994 Tables; Active teacher members – 85% of UP 1994 Tables; Non-disabled State employee retirees and non-disabled participating local entity retirees – GAM 1971 Tables; Non-disabled teacher retirees – GAM 1971 Tables set back two years; All current recipients of disability benefits – 1964 Commissioners Disability Table; All disability benefit recipients who begin to receive benefits in 2000 and thereafter – RPA 1994 Table for pre-1995 Disabilities.

Post Retirement Benefit Increases – 4% per annum

Group Life Plan:

The Group Life Insurance Program administered by the System provides for a life insurance benefit for active members equal to a member's annual base compensation as defined by statute. Upon retirement, life insurance coverage in the amount of the member's average final compensation is provided with a reduction of 15% per year until the greater of 40% of the average final compensation or \$2,500 is reached. To be covered in retirement, retirees must have participated in the Group Life Program for a minimum of ten years. Premiums are remitted to the System by the employer. The State pays a premium rate of \$0.30 per \$1,000 of coverage per month for state employees. Teachers and employees of participating local districts pay a premium rate of \$0.22 and \$0.46 per \$1,000 of coverage per month, respectively, some or all of which may be deducted from employees' compensation as per individual agreements with employees. Assumptions used to determine the actuarial liability are the same as for the pension plan. At June 30, 2000 and 1999, the plan had the following actuarially determined liabilities:

	(In millions)	
	<u>2000</u>	<u>1999</u>
Actuarial Liabilities:		
Active Members	\$ 52.7	\$ 47.4
Retired Members	30.5	33.5
	<u> </u>	<u> </u>
Total	<u>\$ 83.2</u>	<u>\$ 80.9</u>

GENERAL FUND

The General Fund is the State's primary operating fund. Its purpose is to account for all financial resources obtained and used for general government operations, which are not required to be accounted for in another fund.

**STATE OF MAINE
BALANCE SHEET
GENERAL FUND**

June 30, 2000
(Expressed in Thousands)

Assets and Other Debits

Cash and Short-Term Investments	\$ 151,490
Cash with Fiscal Agent	16,006
Investments	204,005
Restricted Deposits and Investments	8,016
Taxes Receivable	348,061
Loans Receivable	1
Other Receivable	36,713
Due from Other Funds	14,054
Inventories	445
Working Capital Advances Receivable	1,336
Other Assets	<u>8,992</u>
 Total Assets and Other Debits	 \$ <u><u>789,119</u></u>

Liabilities, Fund Equity and Other Credits

Liabilities:	
Accounts Payable	\$ 74,061
Accrued Payroll	14,548
Compensated Absences	1,495
Tax Refunds Payable	102,209
Due to Other Funds	5,840
Due to Component Units	6,659
Other Accrued Liabilities	24,947
Deferred Revenue	35,999
Bonds and Notes Payable	<u>448</u>
 Total Liabilities	 <u>266,206</u>
Fund Equity and Other Credits:	
Fund Balances (Deficits):	
Reserved for Continuing Appropriations	77,288
Reserved for Rainy Day Fund	143,479
Reserved for Debt Service	15,630
Other Reservations	36,240
Unreserved	<u>250,276</u>
 Total Fund Equity and Other Credits	 <u>522,913</u>
 Total Liabilities, Fund Equity and Other Credits	 \$ <u><u>789,119</u></u>

STATE OF MAINE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GENERAL FUND

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

Revenues:	
Taxes	\$ 2,384,032
Assessments and Other Revenues	60,447
Federal Grants and Reimbursements	1,896
Service Charges	27,652
Income from Investments	18,920
Miscellaneous Revenues	<u>2,950</u>
Total Revenues	<u>2,495,897</u>
Expenditures:	
General Government	228,388
Economic Development	28,883
Education and Culture	841,818
Human Services	769,158
Labor	12,430
Natural Resources	52,113
Public Protection	22,657
Transportation	7,112
Principal Payments	59,810
Interest Payments	<u>17,497</u>
Total Expenditures	<u>2,039,866</u>
Revenues over (under) Expenditures	<u>456,031</u>
Other Financing Sources (Uses):	
Operating Transfers In	86,441
Operating Transfers Out	(120,687)
Operating Transfers to Component Units	<u>(239,404)</u>
Net Other Financing Sources (Uses)	<u>(273,650)</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	182,381
Fund Balances at Beginning of Year (As Restated)	<u>340,532</u>
Fund Balances at End of Year	<u>\$ 522,913</u>

STATE OF MAINE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGETARY BASIS - BUDGET AND ACTUAL - GENERAL FUND

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	<u>Actual</u>	<u>Budget</u>	<u>Variance Favorable/ (Unfavorable)</u>
Revenues:			
Taxes	\$ 2,296,644	2,288,583	\$ 8,061
Assessments and Other Revenues	60,447	55,117	5,330
Federal Grants and Reimbursements	11,260	10,287	973
Service Charges	30,132	26,738	3,394
Miscellaneous Revenues	19,704	24,173	(4,469)
Total Revenues	<u>2,418,187</u>	<u>2,404,898</u>	<u>13,289</u>
Expenditures:			
General Government	347,128	342,835	(4,293)
Economic Development	42,327	44,670	2,343
Education and Culture	1,060,906	1,065,719	4,813
Human Services	790,257	821,298	31,041
Labor	12,659	16,551	3,892
Natural Resources	51,140	53,897	2,757
Public Protection	22,512	23,828	1,316
Transportation	7,160	10,289	3,129
Total Expenditures	<u>2,334,089</u>	<u>2,379,087</u>	<u>44,998</u>
Excess Revenues over (under) Expenditures	<u>84,098</u>	<u>25,811</u>	<u>58,287</u>
Other Financing Sources (Uses):			
Operating Transfers In	90,835	67,257	23,578
Operating Transfers Out	(118,630)	(108,749)	(9,881)
Net Other Financing Sources (Uses)	<u>(27,795)</u>	<u>(41,492)</u>	<u>13,697</u>
Excess Revenues and Other Sources over (under) Expenditures and Other Uses	<u>56,303</u>	<u>(15,681)</u>	<u>\$ 71,984</u>
Beginning Fund Balances	<u>502,294</u>		
Ending Fund Balances	<u>\$ 558,597</u>		

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for revenue sources that are legally restricted to expenditures for specified purposes, including some major capital projects. These do not include expendable trusts or major capital projects financed by Proprietary Funds or proceeds from general obligation bonds.

Highway Fund – This fund is used primarily to account for motor fuel tax revenues, motor vehicle license and registration fees, and special State appropriations that are legally restricted to the construction and maintenance of State highways and bridges.

Federal Expenditures Fund – This fund is used to account for grants and other financial assistance received from the federal government, except for federal block grants, that are legally restricted to expenditures for purposes specified in the grant awards or agreements.

Other Special Revenue Fund – This fund is used to account for revenue sources that are legally restricted to expenditures for specified purposes, including some major capital projects that are not accounted for in the Highway, Federal Expenditures and Federal Block Grants funds.

Federal Block Grants Fund – This fund is used to account for grants and other financial assistance received from the federal government in the form of block grants, that are legally restricted to expenditures for purposes specified in the grant awards or agreements.

Government Facilities Authority Fund – This fund includes the operations of the Maine Government Facilities Authority, a blended component unit. The Authority was created to assist in the financing, acquisition, construction, improvement, reconstruction, and equipping of additions to structures designed for use as a court facility, State office or State activity space.

**STATE OF MAINE
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS**

June 30, 2000
(Expressed in Thousands)

	Highway	Federal Expenditures	Other Special Revenue	Federal Block Grants	Government Facilities Authority	Total
Assets and Other Debits						
Cash and Short-Term Investments	\$ 22,910	\$ -	\$ 108,038	\$ 8,069	\$ 131	\$ 139,148
Cash with Fiscal Agent	3,579	-	-	-	-	3,579
Investments	45,424	-	204,863	-	-	250,287
Restricted Deposits and Investments	-	-	-	-	44,552	44,552
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	35,589	-	1,403	-	-	36,992
Due from Other Governments	-	169,939	1	5,266	-	175,206
Loans Receivable	276	-	2,703	-	-	2,979
Other Receivable	417	36,938	4,121	-	25	41,501
Due from Other Funds	3,777	75	1,154	-	-	5,006
Inventories	2	21,468	-	-	-	21,470
Working Capital Advances Receivable	69	-	-	-	-	69
Other Assets	24	79	29	3	1,119	1,254
	<u>\$ 112,067</u>	<u>\$ 228,499</u>	<u>\$ 322,312</u>	<u>\$ 13,338</u>	<u>\$ 45,827</u>	<u>\$ 722,043</u>
Liabilities, Fund Equity and Other Credits						
Liabilities:						
Accounts Payable	\$ 15,751	\$ 132,820	\$ 11,478	\$ 3,772	\$ 403	\$ 164,224
Accrued Payroll	6,300	5,591	5,108	429	-	17,428
Compensated Absences	786	465	464	39	-	1,754
Due to Other Governments	-	36,034	15,476	-	-	51,510
Due to Other Funds	2,029	17,565	1,666	1,174	-	22,434
Due to Component Units	54	4,010	222	542	53	4,881
Other Accrued Liabilities	131	2	217	-	922	1,272
Deferred Revenue	1,794	21,493	2,580	-	-	25,867
Bonds and Notes Payable	11	-	-	-	-	11
Working Capital Advances Payable	-	-	225	-	-	225
	<u>26,856</u>	<u>217,980</u>	<u>37,436</u>	<u>5,956</u>	<u>1,378</u>	<u>289,606</u>
Fund Equity and Other Credits:						
Fund Balances (Deficits):						
Reserved for Continuing Appropriations	65,441	-	312,266	7,440	-	385,147
Reserved for Debt Service	3,472	-	-	-	4,652	8,124
Reserved for Capital Projects	-	-	-	-	39,644	39,644
Other Reservations	893	-	-	-	50	943
Unreserved	15,405	10,519	(27,390)	(58)	103	(1,421)
	<u>85,211</u>	<u>10,519</u>	<u>284,876</u>	<u>7,382</u>	<u>44,449</u>	<u>432,437</u>
	<u>\$ 112,067</u>	<u>\$ 228,499</u>	<u>\$ 322,312</u>	<u>\$ 13,338</u>	<u>\$ 45,827</u>	<u>\$ 722,043</u>

STATE OF MAINE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Highway	Federal Expenditures	Other Special Revenue	Federal Block Grants	Government Facilities Authority	Total
Revenues:						
Taxes	\$ 193,370	\$ 38	\$ 55,025	\$ -	\$ -	\$ 248,433
Assessments and Other Revenues	77,053	-	51,713	-	-	128,766
Federal Grants and Reimbursements	-	1,387,672	12,692	153,710	-	1,554,074
Service Charges	5,271	1,852	36,406	2	215	43,746
Income from Investments	3,688	-	9,115	142	2,717	15,662
Miscellaneous Revenues	-	14,632	95,669	-	454	110,755
Total Revenues	279,382	1,404,194	260,620	153,854	3,386	2,101,436
Expenditures:						
General Government	25,550	-	138,953	-	33,819	198,322
Economic Development	-	-	43,095	40,101	-	83,196
Education and Culture	-	114,151	1,323	-	-	115,474
Human Services	-	1,025,780	28,221	109,478	-	1,163,479
Labor	-	63,712	3,548	-	-	67,260
Natural Resources	34	22,748	41,676	-	-	64,458
Public Protection	21,021	25,560	12,803	154	-	59,538
Transportation	176,623	144,503	13,463	-	-	334,589
Debt Service:						
Principal Payments	22,470	-	-	-	1,100	23,570
Interest Payments	6,862	-	-	-	5,241	12,103
Total Expenditures	252,560	1,396,454	283,082	149,733	40,160	2,121,989
Revenues over (under) Expenditures	26,822	7,740	(22,462)	4,121	(36,774)	(20,553)
Other Financing Sources (Uses):						
Operating Transfers In	-	1,269	119,491	-	4,386	125,146
Operating Transfers Out	-	(127)	(14,532)	(2,000)	-	(16,659)
Bond Proceeds	-	-	-	-	76,595	76,595
Operating Transfers from Component Units	-	-	1,000	-	-	1,000
Operating Transfers to Component Units	(399)	(12,627)	(18,550)	(1,968)	-	(33,544)
Net Other Financing Sources (Uses)	(399)	(11,485)	87,409	(3,968)	80,981	152,538
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	26,423	(3,745)	64,947	153	44,207	131,985
Fund Balances at Beginning of Year (As Restated)	58,788	14,264	219,929	7,229	242	300,452
Fund Balances at End of Year	\$ 85,211	\$ 10,519	\$ 284,876	\$ 7,382	\$ 44,449	\$ 432,437

STATE OF MAINE
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGETARY BASIS - BUDGET AND ACTUAL - SPECIAL REVENUE FUNDS

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Highway			Federal Expenditures		
	Actual	Budget	Variance Favorable/ (Unfavorable)	Actual	Budget	Variance Favorable/ (Unfavorable)
Revenues:						
Taxes	\$ 173,193	\$ 171,240	\$ 1,953	\$ 1,492	\$ -	\$ 1,492
Assessments and Other Revenues	78,847	70,724	8,123	-	-	-
Federal Grants and Reimbursements	-	-	-	1,301,054	1,462,819	(161,765)
Service Charges	5,271	5,659	(388)	2,141	1,182	959
Miscellaneous Revenues	-	1,574	(1,574)	3,640	3,596	44
Total Revenues	257,311	249,197	8,114	1,308,327	1,467,597	(159,270)
Expenditures:						
General Government	25,009	30,639	5,630	8,133	11,784	3,651
Economic Development	-	-	-	3,493	5,593	2,100
Education and Culture	-	-	-	112,480	124,782	12,302
Human Services	-	-	-	953,758	1,007,995	54,237
Labor	-	-	-	67,034	88,126	21,092
Natural Resources	47	56	9	22,685	38,872	16,187
Public Protection	20,695	21,832	1,137	24,840	37,001	12,161
Transportation	200,191	251,345	51,154	145,823	184,161	38,338
Total Expenditures	245,942	303,872	57,930	1,338,246	1,498,314	160,068
Excess Revenues over (under) Expenditures	11,369	(54,675)	66,044	(29,919)	(30,717)	798
Other Financing Sources (Uses):						
Operating Transfers In	6,000	-	6,000	1,269	-	1,269
Operating Transfers Out	-	-	-	(127)	-	(127)
Net Other Financing Sources (Uses)	6,000	-	6,000	1,142	-	1,142
Excess Revenues and Other Sources over (under) Expenditures and Other Uses	17,369	\$ (54,675)	\$ 72,044	(28,777)	\$ (30,717)	\$ 1,940
Beginning Fund Balances	85,130			20,243		
Ending Fund Balances	\$ 102,499			\$ (8,534)		

Other Special Revenue			Federal Block Grants			Total		
Actual	Budget	Variance Favorable/ (Unfavorable)	Actual	Budget	Variance Favorable/ (Unfavorable)	Actual	Budget	Variance Favorable/ (Unfavorable)
\$ 51,850	\$ 51,604	\$ 246	\$ -	\$ -	\$ -	\$ 226,535	\$ 222,844	\$ 3,691
51,713	71,121	(19,408)	-	-	-	130,560	141,845	(11,285)
6,818	36,015	(29,197)	158,808	182,059	(23,251)	1,466,680	1,680,893	(214,213)
63,492	85,516	(22,024)	2	-	2	70,906	92,357	(21,451)
201,904	120,109	81,795	-	87	(87)	205,544	125,366	80,178
<u>375,777</u>	<u>364,365</u>	<u>11,412</u>	<u>158,810</u>	<u>182,146</u>	<u>(23,336)</u>	<u>2,100,225</u>	<u>2,263,305</u>	<u>(163,080)</u>
143,509	194,964	51,455	522	523	1	177,173	237,910	60,737
46,636	58,449	11,813	37,177	51,893	14,716	87,306	115,935	28,629
1,891	2,799	908	1,991	3,228	1,237	116,362	130,809	14,447
145,214	166,783	21,569	116,363	145,429	29,066	1,215,335	1,320,207	104,872
3,802	5,798	1,996	-	-	-	70,836	93,924	23,088
40,373	61,652	21,279	-	-	-	63,105	100,580	37,475
12,335	17,608	5,273	168	187	19	58,038	76,628	18,590
19,446	34,793	15,347	-	-	-	365,460	470,299	104,839
<u>413,206</u>	<u>542,846</u>	<u>129,640</u>	<u>156,221</u>	<u>201,260</u>	<u>45,039</u>	<u>2,153,615</u>	<u>2,546,292</u>	<u>392,677</u>
<u>(37,429)</u>	<u>(178,481)</u>	<u>141,052</u>	<u>2,589</u>	<u>(19,114)</u>	<u>21,703</u>	<u>(53,390)</u>	<u>(282,987)</u>	<u>229,597</u>
117,973	114,343	3,630	1,593	-	1,593	126,835	114,343	12,492
(14,532)	(7,998)	(6,534)	-	-	-	(14,659)	(7,998)	(6,661)
<u>103,441</u>	<u>106,345</u>	<u>(2,904)</u>	<u>1,593</u>	<u>-</u>	<u>1,593</u>	<u>112,176</u>	<u>106,345</u>	<u>5,831</u>
\$ 66,012	\$ (72,136)	\$ 138,148	\$ 4,182	\$ (19,114)	\$ 23,296	\$ 58,786	\$ (176,642)	\$ 235,428
<u>257,776</u>			<u>3,251</u>			<u>366,400</u>		
<u>323,788</u>			<u>7,433</u>			<u>425,186</u>		



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CAPITAL PROJECTS FUNDS

Capital Projects Funds are used to account for financial resources used to acquire fixed assets or construct major capital projects that are not financed by Proprietary Funds or Special Revenue Funds.

General Bond Fund – This fund accounts for the acquisition or construction of major capital facilities, other than highways and bridges that are financed primarily from proceeds of general obligation bonds. The State also includes proceeds from bond issues for purposes other than construction of major capital facilities in this fund.

Highway Bond Fund – This fund accounts for major highway and bridge construction projects that are financed primarily from proceeds of general obligation highway bonds.

**STATE OF MAINE
COMBINING BALANCE SHEET
CAPITAL PROJECTS FUND**

June 30, 2000
(Expressed in Thousands)

	General Bond Fund	Highway Bond Fund	Total
Assets and Other Debits			
Cash and Short-Term Investments	\$ 76,833	\$ 1,122	\$ 77,955
Investments	9,034	-	9,034
Total Assets and Other Debits	\$ 85,867	\$ 1,122	\$ 86,989
Liabilities, Fund Equity and Other Credits			
Liabilities:			
Accounts Payable	\$ 3,662	\$ -	\$ 3,662
Due to Other Funds	267	-	267
Due to Component Units	8,552	-	8,552
Other Accrued Liabilities	196	-	196
Total Liabilities	12,677	-	12,677
Fund Equity and Other Credits:			
Fund Balances (Deficits):			
Reserved for Capital Projects	73,190	1,122	74,312
Total Fund Equity and Other Credits	73,190	1,122	74,312
Total Liabilities, Fund Equity and Other Credits	\$ 85,867	\$ 1,122	\$ 86,989

STATE OF MAINE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
CAPITAL PROJECTS FUND

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	<u>General Bond Fund</u>	<u>Highway Bond Fund</u>	<u>Total</u>
Revenues:			
Income from Investments	\$ 2,512	\$ -	\$ 2,512
Total Revenues	<u>2,512</u>	<u>-</u>	<u>2,512</u>
Expenditures:			
General Government	5,249	-	5,249
Education and Culture	9,655	-	9,655
Human Services	1,606	-	1,606
Natural Resources	3,212	-	3,212
Public Protection	446	-	446
Transportation	<u>11,218</u>	<u>2,882</u>	<u>14,100</u>
Total Expenditures	<u>31,386</u>	<u>2,882</u>	<u>34,268</u>
Revenues over (under) Expenditures	<u>(28,874)</u>	<u>(2,882)</u>	<u>(31,756)</u>
Other Financing Sources (Uses):			
Operating Transfers Out	(3,157)	-	(3,157)
Bond Proceeds	66,991	-	66,991
Operating Transfers to Component Units	<u>(14,669)</u>	<u>-</u>	<u>(14,669)</u>
Net Other Financing Sources (Uses)	<u>49,165</u>	<u>-</u>	<u>49,165</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	20,291	(2,882)	17,409
Fund Balances at Beginning of Year (As Restated)	<u>52,899</u>	<u>4,004</u>	<u>56,903</u>
Fund Balances at End of Year	<u>\$ 73,190</u>	<u>\$ 1,122</u>	<u>\$ 74,312</u>



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ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business, where the State intends to finance or recover the costs of providing goods or services to the General Public on a continuing basis primarily through user charges. The State also uses these funds where periodic determination of net income is appropriate for accountability purposes.

Alcoholic Beverages Fund – This fund was established to license and regulate the sale of alcoholic beverages. The net profit from the fund is transferred to the State’s General Fund and is used for general government purposes.

Lottery Fund – This fund was established to account for all operations of the Maine State Lottery. This includes the Tri-State Lotto Commission, which was established in 1985 and is a joint venture between the States of Maine, New Hampshire, and Vermont. The Commission is authorized and empowered to promulgate rules and regulations regarding the conduct of lottery games, including the prices of tickets, the number and size of prizes for winning tickets, and the licensing of agents.

Potato Marketing Improvement Fund – This fund provides low interest loans to potato growers for the modernization of storage facilities and improvements in the handling of the product.

Seed Potato Board Fund – This fund accounts for the growing of nuclear seed for sale to potato growers, for research in disease control, and the development of new product varieties.

State Airport Fund – This fund accounts for all operations and maintenance of the Maine State Airport. The State, through the Department of Transportation, entered into a lease/purchase agreement with the City of Augusta to operate and eventually own the airport.

Marine Ports Fund – This fund is used to account for the operation and maintenance of port facilities within the jurisdiction of the Department of Transportation.

State Ferry Service Fund – This fund accounts for the operation of ferry services between the mainland and various islands for the purpose of transporting vehicles, freight, and passengers to and from those islands.

Prison Industries Fund – This fund accounts for a self-supporting program of job training through the employment of inmates in manufacturing and selling products.

Community Industrial Building Fund – This fund is used to assist a local development corporation to construct a community industrial building by lending money when the project can reasonably be expected to create new employment. Preference is given to projects in economically deprived areas.

**STATE OF MAINE
COMBINING BALANCE SHEET
ENTERPRISE FUNDS**

June 30, 2000
(Expressed in Thousands)

	Alcoholic Beverages	Lottery	Potato Marketing & Improvement	Seed Potato
Assets and Other Debits				
Cash and Short-Term Investments	\$ 775	\$ 367	\$ 42	\$ 8
Investments	-	-	1,732	-
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	-	-	7,479	-
Other Receivable	2,217	8,179	100	43
Due from Other Funds	13	-	-	-
Inventories	2,777	-	-	1
Fixed Assets - Net of Depreciation Where Applicable	478	-	-	792
Other Assets	2	192	-	-
Total Assets and Other Debits	\$ 6,262	\$ 8,738	\$ 9,353	\$ 844
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$ 4,437	\$ 856	-	-
Accrued Payroll	236	68	-	28
Compensated Absences	243	90	-	-
Due to Other Funds	18	1,460	-	-
Due to Component Units	-	-	645	-
Other Accrued Liabilities	317	6,003	26	-
Deferred Revenue	-	277	-	36
Working Capital Advances Payable	1,000	-	-	-
Total Liabilities	6,251	8,754	671	64
Fund Equity and Other Credits:				
Contributed Capital	-	-	5,000	-
Retained Earnings:				
Unreserved	11	(16)	3,682	780
Total Fund Equity and Other Credits	11	(16)	8,682	780
Total Liabilities, Fund Equity and Other Credits	\$ 6,262	\$ 8,738	\$ 9,353	\$ 844

	<u>Airport</u>	<u>Marine Ports</u>	<u>Ferry Service</u>	<u>Prison</u>	<u>Community Industrial Building</u>	<u>Total</u>
\$	195	\$ 422	\$ 57	\$ 190	\$ -	\$ 2,056
	-	-	893	-	-	2,625
	-	-	-	-	-	7,479
	-	-	108	27	-	10,674
	-	-	2	2	-	17
	-	-	233	326	-	3,337
	5,962	13,382	20,488	20	-	41,122
	-	-	-	-	-	194
	<u>6,157</u>	<u>13,804</u>	<u>21,781</u>	<u>565</u>	<u>-</u>	<u>67,504</u>
\$	-	\$ 37	\$ 33	\$ 12	\$ -	\$ 5,375
	-	-	129	16	-	477
	-	-	-	-	-	333
	-	-	-	-	-	1,478
	-	-	-	-	-	645
	-	-	-	-	-	6,346
	-	-	-	-	39	352
	-	-	-	-	-	1,000
	-	<u>37</u>	<u>162</u>	<u>28</u>	<u>39</u>	<u>16,006</u>
	5,739	26,017	19,646	204	-	56,606
	<u>418</u>	<u>(12,250)</u>	<u>1,973</u>	<u>333</u>	<u>(39)</u>	<u>(5,108)</u>
	<u>6,157</u>	<u>13,767</u>	<u>21,619</u>	<u>537</u>	<u>(39)</u>	<u>51,498</u>
\$	<u>6,157</u>	<u>13,804</u>	<u>21,781</u>	<u>565</u>	<u>-</u>	<u>67,504</u>

STATE OF MAINE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS/FUND BALANCES AND CONTRIBUTED CAPITAL

Enterprise Funds

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	<u>Alcoholic Beverages</u>	<u>Lottery</u>	<u>Potato Marketing & Improvement</u>	<u>Seed Potato</u>
Operating Revenues:				
Charges for Services	\$ 76,837	\$ 149,915	\$ 24	\$ 305
Miscellaneous Revenues	-	-	(1)	(104)
Total Operating Revenues	<u>76,837</u>	<u>149,915</u>	<u>23</u>	<u>201</u>
Operating Expenses:				
General Operations	53,190	113,015	48	553
Depreciation	496	7	-	27
Interest Expense	-	-	35	-
Total Operating Expenses	<u>53,686</u>	<u>113,022</u>	<u>83</u>	<u>580</u>
Operating Income (Loss)	<u>23,151</u>	<u>36,893</u>	<u>(60)</u>	<u>(378)</u>
Nonoperating Revenue (Expenses):	-	455	476	7
Income (Loss) before Operating Transfers	<u>23,151</u>	<u>37,348</u>	<u>416</u>	<u>(371)</u>
Transfers In (Out):				
Operating Transfers In	-	-	-	242
Operating Transfers Out	(23,147)	(37,482)	-	-
Total Operating Transfers	<u>(23,147)</u>	<u>(37,482)</u>	<u>-</u>	<u>242</u>
Income (Loss) before Extraordinary Item	<u>4</u>	<u>(134)</u>	<u>416</u>	<u>(129)</u>
Net Income	<u>4</u>	<u>(134)</u>	<u>416</u>	<u>(129)</u>
Add: Depreciation of Fixed Assets Acquired from Contributed Capital	-	-	-	-
Increase (Decrease) in Retained Earnings/Fund Balances	<u>4</u>	<u>(134)</u>	<u>416</u>	<u>(129)</u>
Retained Earnings/Fund Balances at July 1, 1999 (As Restated)	<u>8</u>	<u>118</u>	<u>3,267</u>	<u>909</u>
Retained Earnings/Fund Balances at June 30, 2000	<u>\$ 12</u>	<u>\$ (16)</u>	<u>\$ 3,683</u>	<u>\$ 780</u>
Contributed Capital at July 1, 1999 (As Restated)			5,000	
Add: Capital Contributions			-	
Less: Depreciation of Fixed Assets Acquired from Contributed Capital			<u>-</u>	
Contributed Capital at June 30, 2000			<u>\$ 5,000</u>	

	<u>Airport</u>	<u>Marine Ports</u>	<u>Ferry Service</u>	<u>Prison</u>	<u>Community Industrial Building</u>	<u>Total</u>
\$	125	\$ 10	\$ 2,517	\$ 1,136	\$ -	\$ 230,869
	-	25	-	-	-	(80)
	<u>125</u>	<u>35</u>	<u>2,517</u>	<u>1,136</u>	<u>-</u>	<u>230,789</u>
	333	614	4,923	1,010	-	173,686
	556	14,062	1,200	9	-	16,357
	-	-	-	-	-	35
	<u>889</u>	<u>14,676</u>	<u>6,123</u>	<u>1,019</u>	<u>-</u>	<u>190,078</u>
	(764)	(14,641)	(3,607)	117	-	40,711
	<u>13</u>	<u>44</u>	<u>97</u>	<u>17</u>	<u>-</u>	<u>1,109</u>
	(751)	(14,597)	(3,510)	134	-	41,820
	217	92	2,153	-	-	2,704
	-	-	-	-	-	(60,629)
	<u>217</u>	<u>92</u>	<u>2,153</u>	<u>-</u>	<u>-</u>	<u>(57,925)</u>
	(534)	(14,505)	(1,357)	134	-	(16,105)
	<u>(534)</u>	<u>(14,505)</u>	<u>(1,357)</u>	<u>134</u>	<u>-</u>	<u>(16,105)</u>
	549	953	1,160	-	-	2,662
	15	(13,552)	(197)	134	-	(13,443)
	<u>402</u>	<u>1,301</u>	<u>2,170</u>	<u>199</u>	<u>(39)</u>	<u>8,335</u>
\$	<u>417</u>	\$ <u>(12,251)</u>	\$ <u>1,973</u>	\$ <u>333</u>	\$ <u>(39)</u>	\$ <u>(5,108)</u>
	6,265	26,130	18,987	204	-	56,586
	23	841	1,818	-	-	2,682
	<u>(549)</u>	<u>(954)</u>	<u>(1,159)</u>	<u>-</u>	<u>-</u>	<u>(2,662)</u>
\$	<u>5,739</u>	\$ <u>26,017</u>	\$ <u>19,646</u>	\$ <u>204</u>	\$ <u>(39)</u>	\$ <u>56,606</u>

STATE OF MAINE
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	<u>Alcoholic Beverages</u>	<u>Lottery</u>	<u>Potato Marketing & Improvement</u>	<u>Seed Potato</u>
Cash Flows from Operating Activities:				
Net Income	\$ 4	(134)	416	\$ (130)
Adjustments to Reconcile Net Income to				
Net Cash Provided by Operating Activities:				
Depreciation/Amortization	496	7	-	27
Changes in Assets and Liabilities:				
Other Receivable	(1,654)	(473)	39	5
Loans Receivable	-	-	(688)	-
Receivable Reserves	24	(23)	(173)	(25)
Due from Other Funds	(13)	-	-	-
Inventories	(285)	-	-	-
Other Assets	(1)	117	-	-
Accounts Payable	(1,637)	(165)	-	-
Accrued Payroll	45	10	-	28
Compensated Absences	2	18	-	-
Due to Other Funds	(1,286)	(425)	-	-
Due to Component Unit	-	-	(292)	-
Deferred Revenue	-	(18)	-	36
Other Accrued Liabilities	136	827	(12)	(27)
Net Cash Provided by Operating Activities	<u>\$ (4,169)</u>	<u>(259)</u>	<u>\$ (710)</u>	<u>\$ (86)</u>
Cash Flows from Noncapital Financing Activities:				
Change in Retained Earnings	\$ -	\$ 177	\$ (45)	\$ -
Net Cash Provided by Noncapital Financing Activities	<u> </u>	<u>177</u>	<u>(45)</u>	<u> </u>
Cash Flows from Capital and Related Financing Activities:				
Additions to Land, Buildings and Equipment	146	46	-	89
Capital Contributions	-	-	-	-
Net Cash Provided by Capital and Related Financing Activities	<u>146</u>	<u>46</u>	<u>-</u>	<u>89</u>
Increase (Decrease) in Cash and Cash Equivalents	(4,025)	(37)	(758)	3
Cash and Cash Equivalents at Beginning of Year (as restated)	<u>4,801</u>	<u>403</u>	<u>799</u>	<u>5</u>
Cash and Cash Equivalents at End of Year	<u>\$ 776</u>	<u>\$ 366</u>	<u>\$ 41</u>	<u>\$ 8</u>

	<u>Airport</u>	<u>Marine Ports</u>	<u>Ferry Service</u>	<u>Prison</u>	<u>Community Industrial Building</u>	<u>Total</u>
\$	(533)	\$ (14,505)	\$ (1,357)	134	\$ -	(16,105)
	556	14,062	1,200	9	-	16,357
	-	-	(3)	(9)	-	(2,096)
	-	-	-	-	-	(688)
	-	-	(1)	-	-	(198)
	1	-	2	1	-	(9)
	-	-	(22)	(46)	-	(353)
	-	-	-	-	-	115
	-	33	(20)	(12)	-	(1,802)
	-	-	37	16	-	136
	-	-	(115)	-	-	(96)
	-	-	-	(91)	-	(1,802)
	-	-	-	-	-	(292)
	-	-	-	-	-	18
	-	-	-	-	-	923
\$	<u>24</u>	<u>(410)</u>	<u>(279)</u>	<u>2</u>	<u>-</u>	<u>(5,892)</u>
\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>132</u>
	-	-	-	-	-	132
	(23)	(841)	(2,046)	(43)	-	(2,672)
	<u>23</u>	<u>841</u>	<u>1,818</u>	<u>-</u>	<u>-</u>	<u>2,682</u>
	-	-	(228)	(43)	-	10
	24	(410)	(507)	(40)	-	(5,750)
	<u>171</u>	<u>833</u>	<u>563</u>	<u>231</u>	<u>-</u>	<u>7,806</u>
\$	<u>195</u>	<u>423</u>	<u>57</u>	<u>190</u>	<u>-</u>	<u>2,056</u>



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INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Motor Transport Service Fund – This fund accounts for all the equipment and vehicle operations of the Department of Transportation.

Postal, Printing and Supply Fund – This fund accounts for the purchase of general office supplies, materials and photocopiers required by any State department or agency, the purchase of and contract for all postal and mailing services, duplicating needs, and the acquisition and disposition of State and federal surplus property. This fund is also used to administer the State’s Procurement Card Program.

Information Services Fund – This fund accounts for the costs of providing information services in data processing and telecommunications and for coordinating data processing services including computer operations, programming and applications systems development, technical support and networking services.

Risk Management Fund – This fund accounts for resources generated and used to provide insurance advice and services for all forms of insurance except health and workers’ compensation. This includes insurance for automobile, fire, liability and any other type of coverage that may be necessary to protect the State against financial loss.

Workers’ Compensation Fund – This fund accounts for resources generated and used to provide workers’ compensation advice and insurance services.

Central Fleet Management Fund – This fund accounts for the cost of administering a uniform program for the operation and maintenance of all State vehicles except those of the Department of Transportation and Public Safety.

Leased Space Fund – This fund accounts for State facilities leasing activities and maintains records of State agency property, leasing needs and all available space owned, leased and potentially available for lease.

Revenue Services Fund – This fund accounts for the resources generated and used to provide up-to-date information to facilitate compliance with Maine tax law and to help reduce common mistakes in filing tax forms.

Retiree Health Insurance Fund – This fund accounts for post retirement health care premiums and benefits for most retired state employees and Legislators, and for a portion of the premiums for teachers.

**STATE OF MAINE
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS**

June 30, 2000
(Expressed in Thousands)

	Motor Transport Service	Postal, Printing & Supply	Information Services	Risk Management
Assets and Other Debits				
Cash and Short-Term Investments	\$ 50	\$ 918	\$ 833	\$ 3,487
Cash with Fiscal Agent	2,399	-	-	-
Investments	5,047	-	2,877	10,095
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	1	40	153	5
Due from Other Funds	1,112	1,680	5,504	267
Inventories	4,397	1,082	-	-
Fixed Assets - Net of Depreciation Where Applicable	30,369	226	4,447	5
Other Assets	-	9	25	556
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets and Other Debits	<u>\$ 43,375</u>	<u>\$ 3,955</u>	<u>\$ 13,839</u>	<u>\$ 14,415</u>
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$ 1,604	\$ 2,607	\$ 3,303	\$ 60
Accrued Payroll	404	126	556	16
Compensated Absences	392	128	531	14
Due to Other Funds	-	54	61	-
Claims Payable	-	-	-	3,220
Interest Payable	-	-	43	-
Certificates of Participation and Other Financing Arrangements	7,712	-	877	-
Obligations under Capital Leases	-	-	-	-
Deferred Revenue	-	10	4,192	507
Working Capital Advances Payable	69	111	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>10,181</u>	<u>3,036</u>	<u>9,563</u>	<u>3,817</u>
Fund Equity and Other Credits:				
Contributed Capital	16,171	-	122	227
Retained Earnings:				
Unreserved	17,023	919	4,154	10,371
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Equity and Other Credits	<u>33,194</u>	<u>919</u>	<u>4,276</u>	<u>10,598</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 43,375</u>	<u>\$ 3,955</u>	<u>\$ 13,839</u>	<u>\$ 14,415</u>

<u>Workers' Compensation</u>	<u>Central Fleet Management</u>	<u>Leased Space</u>	<u>Revenue Services</u>	<u>Retiree Health Insurance</u>	<u>Total</u>
\$ 3,668	\$ 1,185	\$ 59	\$ 704	\$ 8,900	\$ 19,804
-	180	-	-	-	2,579
-	-	-	-	15,141	33,160
-	6	-	-	-	205
751	503	348	132	483	10,780
-	27	-	-	-	5,506
-	12,969	36,767	-	-	84,783
343	-	-	-	-	933
<u>\$ 4,762</u>	<u>\$ 14,870</u>	<u>\$ 37,174</u>	<u>\$ 836</u>	<u>\$ 24,524</u>	<u>\$ 157,750</u>
\$ 267	\$ 84	\$ 40	\$ -	\$ -	\$ 7,965
48	30	5	-	-	1,185
26	29	2	-	-	1,122
-	105	13	-	-	233
80,371	-	-	-	-	83,591
-	105	-	-	-	148
-	10,708	-	-	-	19,297
-	-	39,393	-	-	39,393
-	12	64	-	-	4,785
-	-	-	-	-	180
<u>80,712</u>	<u>11,073</u>	<u>39,517</u>	<u>-</u>	<u>-</u>	<u>157,899</u>
-	-	-	204	10,669	27,393
<u>(75,950)</u>	<u>3,797</u>	<u>(2,343)</u>	<u>632</u>	<u>13,855</u>	<u>(27,542)</u>
<u>(75,950)</u>	<u>3,797</u>	<u>(2,343)</u>	<u>836</u>	<u>24,524</u>	<u>(149)</u>
<u>\$ 4,762</u>	<u>\$ 14,870</u>	<u>\$ 37,174</u>	<u>\$ 836</u>	<u>\$ 24,524</u>	<u>\$ 157,750</u>

STATE OF MAINE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS/FUND BALANCES AND CONTRIBUTED CAPITAL
INTERNAL SERVICE FUNDS

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	<u>Motor Transport Service</u>	<u>Postal, Printing & Supply</u>	<u>Information Services</u>	<u>Risk Management</u>
Operating Revenues:				
Charges for Services	\$ 26,655	\$ 21,418	\$ 33,938	\$ 4,327
Miscellaneous Revenues	-	-	-	71
Total Operating Revenues	<u>26,655</u>	<u>21,418</u>	<u>33,938</u>	<u>4,398</u>
Operating Expenses:				
General Operations	19,544	22,079	31,828	1,404
Depreciation	4,796	-	2,403	5
Interest Expense	349	-	98	-
Claims / Fees Expense	-	-	-	1,319
Total Operating Expenses	<u>24,689</u>	<u>22,079</u>	<u>34,329</u>	<u>2,728</u>
Operating Income (Loss)	<u>1,966</u>	<u>(661)</u>	<u>(391)</u>	<u>1,670</u>
Nonoperating Revenue (Expenses):	<u>400</u>	<u>(7)</u>	<u>249</u>	<u>729</u>
Income (Loss) before Operating Transfers	<u>2,366</u>	<u>(668)</u>	<u>(142)</u>	<u>2,399</u>
Transfers In (Out):				
Operating Transfers Out	-	-	(1,453)	-
Total Operating Transfers	<u>-</u>	<u>-</u>	<u>(1,453)</u>	<u>-</u>
Income (Loss) before Extraordinary Item	<u>2,366</u>	<u>(668)</u>	<u>(1,595)</u>	<u>2,399</u>
Net Income	<u>2,366</u>	<u>(668)</u>	<u>(1,595)</u>	<u>2,399</u>
Add: Depreciation of Fixed Assets Acquired from Contributed Capital	<u>-</u>	<u>-</u>	<u>180</u>	<u>-</u>
Increase (Decrease) in Retained Earnings/Fund Balances	2,366	(668)	(1,415)	2,399
Retained Earnings/Fund Balances at July 1, 1999 (As Restated)	<u>14,658</u>	<u>1,585</u>	<u>5,568</u>	<u>7,971</u>
Retained Earnings/Fund Balances at June 30, 2000	<u>\$ 17,024</u>	<u>\$ 917</u>	<u>\$ 4,153</u>	<u>\$ 10,370</u>
Contributed Capital at July 1, 1999 (As Restated)	15,905	-	302	227
Add: Capital Contributions	266	-	-	-
Less: Depreciation of Fixed Assets Acquired from Contributed Capital	<u>-</u>	<u>-</u>	<u>(180)</u>	<u>-</u>
Contributed Capital at June 30, 2000	<u>\$ 16,171</u>	<u>\$ -</u>	<u>\$ 122</u>	<u>\$ 227</u>

	<u>Workers' Compensation</u>	<u>Central Fleet Management</u>	<u>Leased Space</u>	<u>Revenue Services</u>	<u>Retiree Health Insurance</u>	<u>Total</u>
\$	12,490	\$ 6,022	\$ 16,543	\$ 447	\$ 26,620	\$ 148,460
	11	-	58	-	-	140
	<u>12,501</u>	<u>6,022</u>	<u>16,601</u>	<u>447</u>	<u>26,620</u>	<u>148,600</u>
	3,007	3,448	5,101	-	21,631	108,042
	2	2,286	2,822	-	-	12,314
	57	418	9,059	-	-	9,981
	10,252	-	-	-	-	11,571
	<u>13,318</u>	<u>6,152</u>	<u>16,982</u>	<u>-</u>	<u>21,631</u>	<u>141,908</u>
	(817)	(130)	(381)	447	4,989	6,692
	<u>267</u>	<u>227</u>	<u>(23)</u>	<u>23</u>	<u>1,197</u>	<u>3,062</u>
	<u>(550)</u>	<u>97</u>	<u>(404)</u>	<u>470</u>	<u>6,186</u>	<u>9,754</u>
	-	-	-	-	-	(1,453)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,453)</u>
	<u>(550)</u>	<u>97</u>	<u>(404)</u>	<u>470</u>	<u>6,186</u>	<u>8,301</u>
	<u>(550)</u>	<u>97</u>	<u>(404)</u>	<u>470</u>	<u>6,186</u>	<u>8,301</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>180</u>
	(550)	97	(404)	470	6,186	8,481
	<u>(75,399)</u>	<u>3,701</u>	<u>(1,938)</u>	<u>162</u>	<u>7,669</u>	<u>(36,023)</u>
\$	<u>(75,949)</u>	<u>3,798</u>	<u>(2,342)</u>	<u>632</u>	<u>13,855</u>	<u>(27,542)</u>
	-	-	-	204	10,669	27,307
	-	-	-	-	-	266
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(180)</u>
\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>204</u>	<u>10,669</u>	<u>27,393</u>

STATE OF MAINE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Motor Transport Service	Postal, Printing & Supply	Information Services	Risk Management
Cash Flows from Operating Activities:				
Net Income	\$ 2,366	\$ (667)	\$ (1,595)	\$ 2,400
Adjustments to Reconcile Net Income to				
Net Cash Provided by Operating Activities:				
Depreciation/Amortization	4,796	-	2,403	5
Changes in Assets and Liabilities:				
Other Receivable	-	19	727	10
Due from Other Funds	(341)	(150)	(926)	131
Inventories	(649)	190	-	-
Other Assets	15	(1)	(25)	(450)
Accounts Payable	1,034	1,654	1,137	(37)
Accrued Payroll	109	29	139	8
Compensated Absences	(8)	4	41	-
Due to Other Funds	-	(170)	6	-
Deferred Revenue	-	10	(1,084)	12
Claims and Judgments	-	-	-	(226)
Other Accrued Liabilities	-	-	(8)	-
Net Cash Provided by Operating Activities	\$ 7,322	\$ 918	\$ 815	\$ 1,853
Cash Flows from Noncapital Financing Activities:				
Capital Contributions	\$ 266	\$ -	\$ -	\$ -
Change in Retained Earnings	(86)	-	(49)	(173)
Net Cash Provided by Noncapital Financing Activities	180	-	(49)	(173)
Cash Flows from Capital and Related Financing Activities:				
Proceeds from Bonds & Notes Payable	4,337	-	-	-
Additions to Land, Buildings and Equipment	(6,708)	(98)	(1,717)	-
Principal Payments on Bonds and Notes	(4,595)	-	(965)	-
Obligations under Capital Leases	-	-	(1,475)	-
Net Cash Provided by Capital and Related Financing Activities	(6,966)	(98)	(4,157)	-
Increase (Decrease) in Cash and Cash Equivalents	536	820	(3,391)	1,680
Cash and Cash Equivalents at Beginning of Year (as restated)	1,914	100	4,224	1,806
Cash and Cash Equivalents at End of Year	\$ 2,450	\$ 920	\$ 833	\$ 3,486

	<u>Workers' Compensation</u>	<u>Central Fleet Management</u>	<u>Leased Space</u>	<u>Revenue Services</u>	<u>Retiree Health Insurance</u>	<u>Total</u>
\$	(551)	\$ 97	\$ (405)	\$ 469	\$ 6,187	\$ 8,301
	2	2,286	2,822	-	-	12,314
	-	(4)	10	-	-	762
	(143)	87	366	(28)	-	(1,004)
	-	(6)	-	-	-	(465)
	(16)	-	-	-	-	(477)
	136	(375)	(252)	-	(5)	3,292
	13	6	(2)	-	-	302
	12	(1)	2	-	-	50
	(68)	104	13	-	-	(115)
	-	(54)	64	-	-	(1,052)
	(2,297)	-	-	-	-	(2,523)
	-	(44)	-	-	-	(52)
<u>\$</u>	<u>(2,912)</u>	<u>\$ 2,096</u>	<u>\$ 2,618</u>	<u>\$ 441</u>	<u>\$ 6,182</u>	<u>\$ 19,333</u>
\$	-	\$ -	\$ -	\$ -	\$ -	\$ 266
	-	-	(2,175)	-	(259)	(2,742)
	-	-	(2,175)	-	(259)	(2,476)
	-	4,047	-	-	-	8,384
	-	(4,074)	(39,586)	-	-	(52,183)
	-	(2,809)	-	-	-	(8,369)
	(3)	-	39,393	-	-	37,915
	(3)	(2,836)	(193)	-	-	(14,253)
	(2,915)	(740)	250	441	5,923	2,604
	6,582	2,104	(192)	263	2,978	19,779
<u>\$</u>	<u>3,667</u>	<u>\$ 1,364</u>	<u>\$ 58</u>	<u>\$ 704</u>	<u>\$ 8,901</u>	<u>\$ 22,383</u>



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TRUST & AGENCY FUNDS

Trust and Agency Funds are used to account assets held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds.

Expendable Trust Funds account for assets held by the State in a trustee capacity where the principal and income may be expended in the course of the funds' designated operations.

Employment Security Fund - This fund accounts for unemployment insurance taxes from employers and the payment of unemployment benefits to eligible claimants.

Abandoned Property Fund - This fund accounts for unclaimed property receipts. All holders of property presumed abandoned must report these properties to the Treasurer annually. The Treasurer will honor claims indefinitely.

Deferred Compensation Fund – This fund is used to account for the State's Deferred Compensation Fund, established in accordance with Internal Revenue Code, Section 457, which consists of before tax employee contributions and earnings on investments.

Baxter Park Trust Fund – This fund accounts for a gift to the State of Maine by former Governor Baxter, which allows for the principal and interest to be used to purchase public reserved lands. Interest income may also be used for operations of the Baxter State Park.

Other Expendable Trusts - The State accounts for other small Expendable Trust Funds, including a fund used to account for expendable earnings on nonexpendable trust balances.

Nonexpendable Trust Funds account for assets held by the State in a trustee capacity where income derived from the trust principal may be expended. The principal must be preserved intact.

Baxter Park Trust Fund – This fund accounts for a gift to the State of Maine by former Governor Baxter, calls for principal to be maintained intact and income to be used for operations.

Lands Reserved Trust Funds – These funds were established to account for revenue derived from the sale of timber from public lands and from appreciation on investments. The income is to be used for school purposes by townships when they become organized towns or plantations.

Other Trust Funds – These funds are comprised of numerous small Nonexpendable Trust Funds, the income from which may be used for specified purposes.

Agency Funds account for assets held by the State as agent for other funds, governmental units, organizations, or individuals.

Payroll Tax and Deductions Fund – This fund accounts for all payroll taxes and deductions withheld to pay the federal government, other State agencies, and payroll vendors.

Custodial Accounts Fund – This fund is used to account for assets held by the State acting as an agent for patients of State Mental Health facilities, inmates at State Correctional Institutions, recipients of State-supported elder and adult services, and child support enforcement services. Also included in this fund are insurance company and unemployment guaranty deposits, and assets held in Courts and Corrections restitution escrow accounts.

Treasurer's Agency Fund – This fund accounts for deposits of quasi-governmental units placed in the Treasurer's Cash Pool for investment purposes.

Other Agency Funds – These funds account for numerous small agency funds which have been combined for financial reporting purposes.

STATE OF MAINE
COMBINING BALANCE SHEET
TRUST AND AGENCY FUNDS

June 30, 2000
(Expressed in Thousands)

	<u>Expendable</u>	<u>Nonexpendable</u>	<u>Agency</u>	<u>Total</u>
Assets and Other Debits				
Cash and Short-Term Investments	\$ 1,838	\$ 96	\$ 9,932	\$ 11,866
Cash with Fiscal Agent	-	-	2	2
Investments	55,518	20,918	5,602	82,038
Investments of Deferred Compensation Plan	207,316	-	-	207,316
Assets Held in Trust	4,728	-	313,778	318,506
Unemployment Deposits with US Treasury	286,199	-	-	286,199
Receivables, Net of Allowance for Uncollectibles:				
Taxes Receivable	41,634	-	-	41,634
Due from Other Funds	395	-	-	395
Other Assets	-	22	1	23
	<u>597,628</u>	<u>21,036</u>	<u>329,315</u>	<u>947,979</u>
Total Assets and Other Debits	\$ 597,628	\$ 21,036	\$ 329,315	\$ 947,979
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Accounts Payable	\$ 2,466	\$ -	\$ 7,623	\$ 10,089
Agency Liabilities	-	-	321,686	321,686
Other Accrued Liabilities	6,030	23	6	6,059
Deferred Revenue	1,536	-	-	1,536
	<u>10,032</u>	<u>23</u>	<u>329,315</u>	<u>339,370</u>
Total Liabilities	10,032	23	329,315	339,370
Fund Equity and Other Credits:				
Fund Balances (Deficits):				
Reserved for Unemployment Benefits	322,973	-	-	322,973
Reserved for Nonexpendable Trusts	-	21,013	-	21,013
Unreserved	264,623	-	-	264,623
	<u>587,596</u>	<u>21,013</u>	<u>-</u>	<u>608,609</u>
Total Fund Equity and Other Credits	587,596	21,013	-	608,609
Total Liabilities, Fund Equity and Other Credits	\$ 597,628	\$ 21,036	\$ 329,315	\$ 947,979

STATE OF MAINE
COMBINING BALANCE SHEET
EXPENDABLE TRUST FUNDS

June 30, 2000
(Expressed in Thousands)

	<u>Employment Security</u>	<u>Abandoned Property</u>	<u>Deferred Compensation</u>	<u>Baxter Park</u>	<u>Other</u>	<u>Total</u>
Assets and Other Debits						
Cash and Short-Term Investments	\$ (129)	\$ 63	\$ -	\$ 1,348	\$ 556	\$ 1,838
Investments	-	-	-	55,518	-	55,518
Investments of Deferred Compensation Plan	-	-	207,316	-	-	207,316
Assets Held in Trust	-	4,728	-	-	-	4,728
Unemployment Deposits with US Treasury	286,199	-	-	-	-	286,199
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	41,634	-	-	-	-	41,634
Due from Other Funds	5	390	-	-	-	395
	<u>327,709</u>	<u>5,181</u>	<u>207,316</u>	<u>56,866</u>	<u>556</u>	<u>597,628</u>
Liabilities, Fund Equity and Other Credits						
Liabilities:						
Accounts Payable	\$ 2,459	\$ 7	\$ -	\$ -	\$ -	\$ 2,466
Other Accrued Liabilities	741	5,178	-	-	111	6,030
Deferred Revenue	1,536	-	-	-	-	1,536
	<u>4,736</u>	<u>5,185</u>	<u>-</u>	<u>-</u>	<u>111</u>	<u>10,032</u>
Fund Equity and Other Credits:						
Fund Balances (Deficits):						
Reserved for Unemployment Benefits	322,973	-	-	-	-	322,973
Unreserved	-	(4)	207,316	56,866	445	264,623
	<u>322,973</u>	<u>(4)</u>	<u>207,316</u>	<u>56,866</u>	<u>445</u>	<u>587,596</u>
Total Fund Equity and Other Credits	<u>322,973</u>	<u>(4)</u>	<u>207,316</u>	<u>56,866</u>	<u>445</u>	<u>587,596</u>
Total Liabilities, Fund Equity and Other Credits	<u>\$ 327,709</u>	<u>\$ 5,181</u>	<u>\$ 207,316</u>	<u>\$ 56,866</u>	<u>\$ 556</u>	<u>\$ 597,628</u>

STATE OF MAINE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
EXPENDABLE TRUST FUNDS

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	<u>Employment Security</u>	<u>Abandoned Property</u>	<u>Deferred Compensation</u>	<u>Baxter Park</u>	<u>Other</u>	<u>Total</u>
Revenues:						
Taxes	\$ 135,855	\$ -	\$ -	\$ -	\$ -	\$ 135,855
Income from Investments	16,429	471	18,868	1,509	850	38,127
Net Increase in the Fair Value of Investments	-	-	-	4,026	-	4,026
Miscellaneous Revenues	517	8,171	14,757	-	-	23,445
Total Revenues	<u>152,801</u>	<u>8,642</u>	<u>33,625</u>	<u>5,535</u>	<u>850</u>	<u>201,453</u>
Expenditures:						
General Government	-	282	9,672	-	49	10,003
Labor	78,340	-	-	-	-	78,340
Total Expenditures	<u>78,340</u>	<u>282</u>	<u>9,672</u>	<u>-</u>	<u>49</u>	<u>88,343</u>
Revenues over (under) Expenditures	<u>74,461</u>	<u>8,360</u>	<u>23,953</u>	<u>5,535</u>	<u>801</u>	<u>113,110</u>
Other Financing Sources (Uses):						
Operating Transfers In	-	-	-	-	1,362	1,362
Operating Transfers Out	-	(9,810)	-	(1,362)	(1,896)	(13,068)
Net Other Financing Sources (Uses)	<u>-</u>	<u>(9,810)</u>	<u>-</u>	<u>(1,362)</u>	<u>(534)</u>	<u>(11,706)</u>
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	74,461	(1,450)	23,953	4,173	267	101,404
Fund Balances at Beginning of Year (As Restated)	<u>248,512</u>	<u>1,446</u>	<u>183,363</u>	<u>52,693</u>	<u>178</u>	<u>486,192</u>
Fund Balances at End of Year	<u>\$ 322,973</u>	<u>\$ (4)</u>	<u>\$ 207,316</u>	<u>\$ 56,866</u>	<u>\$ 445</u>	<u>\$ 587,596</u>

**STATE OF MAINE
COMBINING BALANCE SHEET
NONEXPENDABLE TRUST FUNDS**

June 30, 2000
(Expressed in Thousands)

	Baxter Park	Lands Reserved	Other	Total
Assets and Other Debits				
Cash and Short-Term Investments	\$ -	\$ 94	\$ 2	\$ 96
Investments	4,228	8,887	7,803	20,918
Other Assets	-	22	-	22
	-	22	-	22
Total Assets and Other Debits	\$ 4,228	\$ 9,003	\$ 7,805	\$ 21,036
Liabilities, Fund Equity and Other Credits				
Liabilities:				
Other Accrued Liabilities	\$ -	\$ 23	\$ -	\$ 23
Total Liabilities	-	23	-	23
Fund Equity and Other Credits:				
Fund Balances (Deficits):				
Reserved for Nonexpendable Trusts	4,228	8,980	7,805	21,013
Total Fund Equity and Other Credits	4,228	8,980	7,805	21,013
Total Liabilities, Fund Equity and Other Credits	\$ 4,228	\$ 9,003	\$ 7,805	\$ 21,036

STATE OF MAINE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS/FUND BALANCES AND CONTRIBUTED CAPITAL
NONEXPENDABLE TRUST FUNDS

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	<u>Baxter Park</u>	<u>Lands Reserved</u>	<u>Other</u>	<u>Total</u>
Operating Revenues:				
Income from Investments	\$ (83)	\$ 337	\$ 348	\$ 602
Fair Value Increases (Decreases)	<u>(414)</u>	<u>46</u>	<u>165</u>	<u>(203)</u>
Total Operating Revenues	<u>(497)</u>	<u>383</u>	<u>513</u>	<u>399</u>
Operating Expenses:				
Total Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Income (Loss)	<u>(497)</u>	<u>383</u>	<u>513</u>	<u>399</u>
Nonoperating Revenue (Expenses):				
Income (Loss) before Operating Transfers	<u>(497)</u>	<u>383</u>	<u>513</u>	<u>399</u>
Transfers In (Out):				
Total Operating Transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Income	<u>(497)</u>	<u>383</u>	<u>513</u>	<u>399</u>
Increase (Decrease) in Retained Earnings/Fund Balances	(497)	383	513	399
Retained Earnings/Fund Balances at July 1, 1999 (As Restated)	<u>4,724</u>	<u>8,598</u>	<u>7,292</u>	<u>20,614</u>
Retained Earnings/Fund Balances at June 30, 2000	<u>\$ 4,227</u>	<u>\$ 8,981</u>	<u>\$ 7,805</u>	<u>\$ 21,013</u>

STATE OF MAINE
COMBINING STATEMENT OF CASH FLOWS
NONEXPENDABLE TRUST FUNDS

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	<u>Baxter Park</u>	<u>Lands Reserved</u>	<u>Other</u>	<u>Total</u>
Cash Flows from Operating Activities:				
Net Income	\$ (497)	\$ 383	\$ 513	\$ 399
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Investments and Other Income	(83)	337	348	602
Net Increase in Fair Value of Investments	165	(675)	(694)	(1,204)
Changes in Assets and Liabilities:				
Other Accrued Liabilities	-	1	-	1
Net Cash Provided by Operating Activities	<u>\$ (415)</u>	<u>\$ 46</u>	<u>\$ 167</u>	<u>\$ (202)</u>
Cash Flows from Investing Activities:				
Proceeds from Sales and Maturities of Investments	\$ 497	\$ -	\$ -	\$ 497
Purchase of Investments	-	(383)	(513)	(896)
Income Received from Investments	(83)	337	348	602
Net Cash Provided by Investing Activities	<u>414</u>	<u>(46)</u>	<u>(165)</u>	<u>203</u>
Increase (Decrease) in Cash and Cash Equivalents	(1)	-	2	1
Cash and Cash Equivalents at Beginning of Year (as restated)	-	93	2	95
Cash and Cash Equivalents at End of Year	<u>\$ (1)</u>	<u>\$ 93</u>	<u>\$ 4</u>	<u>\$ 96</u>

STATE OF MAINE
COMBINING BALANCE SHEET
AGENCY FUNDS

June 30, 2000
(Expressed in Thousands)

	Payroll Tax and Deductions	Custodial Accounts	Treasurer's Agency	Other	Total
Assets and Other Debits					
Cash and Short-Term Investments	\$ 7,616	\$ 1,694	\$ 11	\$ 611	\$ 9,932
Cash with Fiscal Agent	-	2	-	-	2
Investments	-	5,602	-	-	5,602
Assets Held in Trust	-	313,778	-	-	313,778
Other Assets	-	1	-	-	1
	<u>\$ 7,616</u>	<u>\$ 321,077</u>	<u>\$ 11</u>	<u>\$ 611</u>	<u>\$ 329,315</u>
Liabilities, Fund Equity and Other Credits					
Liabilities:					
Accounts Payable	\$ 7,611	\$ (1)	\$ -	\$ 13	\$ 7,623
Agency Liabilities	-	321,077	11	598	321,686
Other Accrued Liabilities	5	1	-	-	6
	<u>\$ 7,616</u>	<u>\$ 321,077</u>	<u>\$ 11</u>	<u>\$ 611</u>	<u>\$ 329,315</u>

STATE OF MAINE
COMBINING STATEMENT OF CHANGES IN
ASSETS AND LIABILITIES
AGENCY FUNDS

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Balance July 1, 1999	Additions	Deletions	Balance July 1, 2000
Payroll Tax and Deductions				
Assets				
Cash	\$ 433	\$ 292,713	\$ 285,530	\$ 7,616
Total Assets	<u>\$ 433</u>	<u>\$ 292,713</u>	<u>\$ 285,530</u>	<u>\$ 7,616</u>
Liabilities				
Accounts Payable	\$ 433	\$ 489,009	\$ 481,826	\$ 7,616
Total Liabilities	<u>\$ 433</u>	<u>\$ 489,009</u>	<u>\$ 481,826</u>	<u>\$ 7,616</u>
Custodial Accounts				
Assets				
Assets Held In Trust	\$ 48,686	\$ 277,713	\$ 5,322	\$ 321,077
Total Assets	<u>\$ 48,686</u>	<u>\$ 277,713</u>	<u>\$ 5,322</u>	<u>\$ 321,077</u>
Liabilities				
Agency Liability	\$ 48,686	\$ 278,109	\$ 5,718	\$ 321,077
Total Liabilities	<u>\$ 48,686</u>	<u>\$ 278,109</u>	<u>\$ 5,718</u>	<u>\$ 321,077</u>
Treasurer's Agency				
Assets				
Cash	\$ 11	\$ 256,880	\$ 256,880	\$ 11
Total Assets	<u>\$ 11</u>	<u>\$ 256,880</u>	<u>\$ 256,880</u>	<u>\$ 11</u>
Liabilities				
Agency Liability	\$ 11	\$ 256,111	\$ 256,111	\$ 11
Total Liabilities	<u>\$ 11</u>	<u>\$ 256,111</u>	<u>\$ 256,111</u>	<u>\$ 11</u>
Other				
Assets				
Cash	\$ 689	\$ 6,048	\$ 6,126	\$ 611
Total Assets	<u>\$ 689</u>	<u>\$ 6,048</u>	<u>\$ 6,126</u>	<u>\$ 611</u>
Liabilities				
Agency Liability	\$ 688	\$ 12,035	\$ 12,112	\$ 611
Total Liabilities	<u>\$ 688</u>	<u>\$ 12,035</u>	<u>\$ 12,112</u>	<u>\$ 611</u>
Total - All Agency Funds				
Assets				
Cash	\$ 1,133	\$ 555,641	\$ 548,536	\$ 8,238
Assets Held In Trust	\$ 48,686	\$ 277,713	\$ 5,322	\$ 321,077
Total Assets	<u>\$ 49,819</u>	<u>\$ 833,354</u>	<u>\$ 553,858</u>	<u>\$ 329,315</u>
Liabilities				
Accounts Payable	\$ 433	\$ 489,009	\$ 481,826	\$ 7,616
Agency Liability	\$ 49,385	\$ 546,255	\$ 273,941	\$ 321,699
Total Liabilities	<u>\$ 49,818</u>	<u>\$ 1,035,264</u>	<u>\$ 755,767</u>	<u>\$ 329,315</u>

COMPONENT UNITS

Component Units are legally separate organizations for which the State is financially accountable or for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. They are presented here in three separate reporting groups: Governmental, Proprietary and College and University Fund Types.

Governmental Fund Types

Maine Health and Higher Education Facilities Authority (MHHEFA) – The Authority assists Maine health care institutions and institutions of higher education in undertaking projects involving the acquisition, construction, improvement, reconstruction, and equipping of health care and educational facilities and the refinancing of existing indebtedness. The Authority, pursuant to the Student Loan Corporations Act of 1983, also has the power to finance student loan programs of institutions of higher education.

Northern New England Passenger Rail Authority (NNEPRA) – The Authority initiates, establishes and maintains regularly scheduled passenger rail service between points within Maine to points within and outside of Maine.

Proprietary Fund Types

Finance Authority of Maine (FAME) – The Authority provides commercial financing and loan guarantees to Maine businesses and educational financing to Maine students and their parents. The Authority also provides financial and other services for the Adaptive Equipment Loan Program Fund Board, the Fund Insurance Review Board, the Agricultural Marketing Loan Fund Board, the Occupational Safety Program Fund Board, and the Small Business Enterprise Growth Fund Board. Additionally, the Authority administers the Maine College Savings Program Fund. The NextGen College Investing Plan is the primary program of the Maine College Savings Program Fund.

Loring Development Authority (LDA) – The Authority is entrusted with investigating the acquisition, development and management of the properties within the geographical boundaries of the old Loring Air Force Base.

Maine Municipal Bond Bank (MMBB) – The Bond Bank is authorized to issue bonds providing funds to counties, cities, towns, school administrative districts, community school districts, or other quasi-municipal corporations within the State.

Maine Educational Loan Authority (MELA) – The Authority was created to grant educational loans primarily using funds acquired through issuance of long-term bonds payable. The Authority's fiscal year ends on December 31.

Maine State Housing Authority (MSHA) – The Authority is authorized to issue bonds for the purchase of notes and mortgages on single-family and multifamily residential units for the purpose of providing housing for persons and families of low income in the State. The Authority also acts as agent for the State in administering federal weatherization, energy conservation, fuel assistance and homeless grant programs, and collecting and disbursing federal rent subsidies for low income housing. The Authority’s fiscal year ends on December 31.

Maine State Retirement System (MSRS) – The System provides pension, death, and disability benefits to its members, including State employees, some public school employees, and employees of approximately 250 local municipalities and other public entities in Maine.

College and University Fund Types

Maine Maritime Academy (MMA) – The Academy is a college specializing in ocean and marine programs at the undergraduate and graduate levels. The operation of the Academy is subject to review by the federal government. State appropriations, student fees, and a subsidy from the Maritime Administration support the Academy.

Maine Technical College System (MTCS) – The System is Maine’s primary provider of post-secondary technical education leading to a certificate, diploma, or associate degree. The financial statements of the system include the activity of seven colleges, the central administrative office, and the Maine Career Advantage.

University of Maine System (UMS) – The State University consists of seven campuses, the Maine Public Broadcasting Network, and a central administrative office.

There are three College and University Funds.

Current Funds account for Unrestricted Funds, over which the governing Boards retain full control in achieving the Institutions’ purposes, and for Restricted Funds, which may be used only in accordance with externally restricted purposes. The funds do not show the results of operations or the net income or loss for the period.

Loan, Endowment and Similar Funds account for assets for which the Institutions act in a fiduciary capacity.

Plant Funds account for institutional property acquisition, renewal, replacement, and debt service.



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STATE OF MAINE
COMBINING BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2000
(Expressed in Thousands)

	Governmental Fund Types			Proprietary Fund	
	Maine Health and Higher Education Facilities Authority	Northern New England Passenger Rail Authority	Finance Authority of Maine	Loring Development Authority	Maine Municipal Bond Bank
Assets and Other Debits					
Cash and Short-Term Investments	\$ 76,956	\$ 2,809	\$ 21,973	\$ 2,399	\$ -
Cash with Fiscal Agent	-	-	-	-	-
Investments	174,314	9,481	53,751	-	254,047
Restricted Deposits and Investments	-	-	5,222	-	-
Receivables, Net of Allowance for Uncollectibles:					
Due from Other Governments	-	1,305	-	363	966,859
Loans Receivable	902,355	-	-	-	-
Notes Receivable	-	-	36,774	-	-
Other Receivable	8,506	8	1,994	378	1,829
Due from Primary Government	-	-	645	-	2,053
Inventories	-	1,096	-	-	-
Fixed Assets - Net of Depreciation Where Applicable	4,866	-	2,275	67	1,054
Other Assets	835	-	1,043	-	38,628
Total Assets and Other Debits	\$ 1,167,832	\$ 14,699	\$ 123,677	\$ 3,207	\$ 1,264,470
Liabilities, Fund Equity and Other Credits					
Liabilities:					
Accounts Payable	\$ 426	\$ 2,489	\$ 2,283	\$ 145	\$ 778
Accrued Payroll	282	-	-	-	-
Due to Other Governments	-	-	6,340	1,485	3,390
Interest Payable	24,104	-	-	-	8,587
Other Accrued Liabilities	9,769	-	16,291	189	250
Obligations under Capital Leases	-	-	-	-	-
Amounts Held under State Loan Programs	-	-	68,802	-	21,594
Deferred Revenue	517	-	-	188	-
Undisbursed Grant and Administrative Funds	-	-	8,195	-	-
Bonds and Notes Payable	985,892	-	1,174	-	951,305
Total Liabilities	1,020,990	2,489	103,085	2,007	985,904
Fund Equity and Other Credits:					
Retained Earnings:					
Reserved	-	-	-	-	242,250
Unreserved	-	12,210	20,592	1,200	36,316
Fund Balances (Deficits):					
Reserved for Pension Benefits	-	-	-	-	-
Reserved for Debt Service	48,188	-	-	-	-
Reserved for Capital Projects	90,517	-	-	-	-
Other Reservations	164	-	-	-	-
Net Investment in Plant	-	-	-	-	-
Unreserved	7,973	-	-	-	-
Total Fund Equity and Other Credits	146,842	12,210	20,592	1,200	278,566
Total Liabilities, Fund Equity and Other Credits	\$ 1,167,832	\$ 14,699	\$ 123,677	\$ 3,207	\$ 1,264,470

Types	Pension Trust Fund			Colleges and Universities			Total
	Maine Educational Loan Authority	Maine State Housing Authority	Maine State Retirement System	Maine Maritime Academy	Maine Technical College System	University of Maine System	
\$	2,425	\$ 15,323	\$ 127,141	\$ 204	\$ 2,025	\$ 56,499	\$ 307,754
	-	-	-	-	619	11,532	12,151
	14,268	334,327	7,503,405	16,187	15,443	123,640	8,498,863
	-	-	-	-	-	-	5,222
	-	922	9,954	-	-	-	979,403
	45,122	1,231,633	-	2,973	-	-	2,182,083
	-	-	-	-	-	32,145	68,919
	468	20,932	230,391	291	1,734	23,057	289,588
	-	-	4,626	-	343	13,070	20,737
	-	-	-	144	661	4,012	5,913
	-	548	365	39,839	60,150	277,804	386,968
	366	4,357	-	4,642	384	-	50,255
\$	62,649	\$ 1,608,042	\$ 7,875,882	\$ 64,280	\$ 81,359	\$ 541,759	\$ 12,807,856
\$	87	\$ 21,092	\$ 5,755	\$ 648	\$ 976	\$ 6,254	\$ 40,933
	-	-	-	-	-	-	282
	-	8,546	-	-	-	27	19,788
	-	11,181	-	-	-	-	43,872
	1,384	5,065	251,647	1,909	6,167	37,797	330,468
	-	-	-	-	5,292	-	5,292
	-	-	-	-	-	-	90,396
	974	31,935	-	138	619	8,399	42,770
	-	-	-	-	-	-	8,195
	59,329	1,345,082	-	2,923	400	50,883	3,396,988
	61,774	1,422,901	257,402	5,618	13,454	103,360	3,978,984
	-	-	-	-	-	-	242,250
	875	185,141	-	-	-	-	256,334
	-	-	7,618,480	-	-	-	7,618,480
	-	-	-	-	-	500	48,688
	-	-	-	-	-	11,801	102,318
	-	-	-	14,203	8,107	202,183	224,657
	-	-	-	36,801	55,441	223,205	315,447
	-	-	-	7,658	4,357	710	20,698
	875	185,141	7,618,480	58,662	67,905	438,399	8,828,872
\$	62,649	\$ 1,608,042	\$ 7,875,882	\$ 64,280	\$ 81,359	\$ 541,759	\$ 12,807,856

STATE OF MAINE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
DISCRETELY PRESENTED GOVERNMENTAL COMPONENT UNITS

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Maine Health and Higher Education Facilities Authority	Northern New England Passenger Rail Authority	Total
Revenues:			
Federal Grants and Reimbursements	\$ -	\$ 30,440	\$ 30,440
Service Charges	6,431	-	6,431
Received and Receivable from Institutions	81,633	-	81,633
Income from Investments	13,610	-	13,610
Net Increase in the Fair Value of Investments	(55)	-	(55)
Miscellaneous Revenues	938	344	1,282
Total Revenues	102,557	30,784	133,341
Expenditures:			
General Government	159,454	30,852	190,306
Principal Payments	32,205	-	32,205
Interest Payments	50,790	-	50,790
Total Expenditures	242,449	30,852	273,301
Revenues over (under) Expenditures	(139,892)	(68)	(139,960)
Other Financing Sources (Uses):			
Operating Transfers Out	(3,409)	-	(3,409)
Bond Proceeds	112,345	-	112,345
Operating Transfers from Primary Government	-	7,005	7,005
Net Other Financing Sources (Uses)	108,936	7,005	115,941
Excess (Deficiency) of Revenues and Other Financing Sources over (under) Expenditures and Other Financing Uses	(30,956)	6,937	(24,019)
Fund Balances at Beginning of Year (As Restated)	177,798	5,273	183,071
Fund Balances at End of Year	\$ 146,842	\$ 12,210	\$ 159,052

STATE OF MAINE
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS/FUND BALANCES AND CONTRIBUTED CAPITAL
DISCRETELY PRESENTED PROPRIETARY COMPONENT UNITS

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Finance Authority of Maine	Loring Development Authority	Maine Municipal Bond Bank	Maine Educational Loan Authority	Maine State Housing Authority	Total
Operating Revenues:						
Interest on Loans Receivable from Governmental Units	\$ -	\$ -	\$ 47,244	\$ -	\$ -	\$ 47,244
Income from Investments	1,931	-	11,723	1,227	22,281	37,162
Fair Value Increases (Decreases)	-	-	(368)	3,183	(8,754)	(5,939)
Interest Income from Mortgages and Notes	398	-	-	-	83,949	84,347
Grant Revenue from Other Governments	-	3,949	17,888	-	22,591	44,428
Federal Rent Subsidy Income	-	-	-	-	51,303	51,303
Miscellaneous Revenues	10,214	1,180	2,453	289	5,035	19,171
Total Operating Revenues	12,543	5,129	78,940	4,699	176,405	277,716
Operating Expenses:						
General Operations	3,953	5,579	3,067	928	10,111	23,638
Depreciation	-	43	-	-	-	43
Interest Expense	12	-	52,493	3,204	83,519	139,228
Grant Related Expenses	13,173	-	-	-	24,144	37,317
Federal Rent Subsidy Expense	-	-	-	-	51,303	51,303
Miscellaneous Expenses	7,099	-	4,094	296	5,670	17,159
Total Operating Expenses	24,237	5,622	59,654	4,428	174,747	268,688
Operating Income (Loss)	(11,694)	(493)	19,286	271	1,658	9,028
Nonoperating Revenue (Expenses):	(121)	-	-	-	-	(121)
Income (Loss) before Operating Transfers	(11,815)	(493)	19,286	271	1,658	8,907
Transfers In (Out):						
Operating Transfers from Primary Government	14,751	467	27,628	-	7,515	50,361
Operating Transfers to Primary Government	(1,000)	-	-	-	-	(1,000)
Total Operating Transfers	13,751	467	27,628	-	7,515	49,361
Income (Loss) before Extraordinary Item	1,936	(26)	46,914	271	9,173	58,268
Income (Loss) from Extraordinary Item:						
Loss on Bond Redemption	-	-	-	(27)	(1,137)	(1,164)
Net Income	1,936	(26)	46,914	244	8,036	57,104
Increase (Decrease) in Retained Earnings/Fund Balances	1,936	(26)	46,914	244	8,036	57,104
Retained Earnings/Fund Balances at July 1, 1999 (As Restated)	18,656	1,226	231,651	631	177,105	429,269
Retained Earnings/Fund Balances at June 30, 2000	\$ 20,592	\$ 1,200	\$ 278,565	\$ 875	\$ 185,141	\$ 486,373

STATE OF MAINE
COMBINING STATEMENT OF CASH FLOWS
DISCRETELY PRESENTED PROPRIETARY COMPONENT UNITS

Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	<u>Finance Authority of Maine</u>	<u>Loring Development Authority</u>	<u>Maine Municipal Bond Bank</u>	<u>Maine Educational Loan Authority</u>	<u>Maine State Housing Authority</u>	<u>Total</u>
Cash Flows from Operating Activities:						
Net Income	\$ 1,938	\$ (26)	\$ 46,913	\$ 244	\$ 8,035	\$ 57,104
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:						
Investments and Other Income	(1,931)	-	(7,979)	-	-	(9,910)
Depreciation/Amortization	207	43	45	-	1,960	2,255
Amortization	-	-	350	(14)	-	336
Accretion on Capital Appreciation of Bonds	-	-	-	-	1,254	1,254
Net Increase in Fair Value of Investments	-	-	368	-	8,754	9,122
Interest on Bonds and Other Investments	-	-	52,493	1,977	58,767	113,237
Interest Income on Mortgages, Notes and Loans	31	-	-	(3,183)	(83,949)	(87,101)
Grants from Federal Government and Primary Government	-	-	(45,516)	-	(173,928)	(219,444)
Provision for Losses on Insured Commercial and Student Loans	121	-	-	114	2,443	2,678
Extraordinary Loss on Early Extinguishment of Bonds	-	-	-	27	-	27
Changes in Assets and Liabilities:						
Accounts Receivable	175	(148)	-	70	981	1,078
Other Receivable	(278)	345	(330)	-	-	(263)
Loans Receivable	-	-	(59,738)	-	-	(59,738)
Other Assets	(927)	9	258	(25)	(952)	(1,637)
Accounts Payable	(279)	81	(660)	338	-	(520)
Deferred Revenue	617	-	-	260	3,295	4,172
Claims and Judgments	(307)	(7)	(88)	-	(2,652)	(3,054)
Default Payments (Net of Recoveries) on Commercial and Student Loans						
	(329)	-	-	-	-	(329)
Investment in Mortgage and Other Notes	-	-	-	5,322	93,437	98,759
Principal Payments Received on Notes Receivable	5,629	-	-	-	-	5,629
Interest Received on Educational Loans	-	-	-	3,163	84,115	87,278
Disbursements for New Notes Receivable	(10,810)	-	-	-	-	(10,810)
Educational Loans Originated	-	-	-	(9,438)	-	(9,438)
Educational Loans Originated for Sale to Related Party	-	-	-	(8,786)	-	(8,786)
Sale of Educational Loans to Related Party	-	-	-	8,786	-	8,786
Increase in Amounts Held in State Revolving Loan Programs	7,527	-	-	-	-	7,527
Grant Program Funds Received (Disbursed)	634	-	-	-	-	634
Net Cash Provided by Operating Activities	\$ 2,018	\$ 297	\$ (13,884)	\$ (1,145)	\$ 1,560	\$ (11,154)
Cash Flows from Noncapital Financing Activities:						
Proceeds from Bonds & Notes Payable	-	-	116,586	13,792	207,063	337,441
Principal Paid on Bonds & Notes Payable	(52)	-	(73,324)	(4,895)	(163,238)	(241,509)
Interest Paid on Bonds & Notes Payable	(12)	-	(48,190)	(3,139)	(80,162)	(131,503)
Grant Receipts from Other Governments	-	-	47,447	-	-	47,447
Net Cash Provided by Noncapital Financing Activities	(64)	-	42,519	5,758	(36,337)	11,876
Cash Flows from Capital and Related Financing Activities:						
Proceeds from Bonds & Notes Payable	-	-	-	-	-	-
Additions to Land, Buildings and Equipment	(2,231)	(55)	(43)	-	-	(2,329)
Net Cash Provided by Capital and Related Financing Activities	(2,231)	(55)	(43)	-	-	(2,329)
Cash Flows from Investing Activities:						
Proceeds from Sales and Maturities of Investments	6,650	-	387,745	17,661	48,574	460,630
Purchase of Investments	(17,461)	-	(428,192)	(23,295)	(33,970)	(502,918)
Income Received from Investments	2,046	-	12,706	1,202	22,239	38,193
Miscellaneous Activities	-	-	(884)	-	5,078	4,194
Net Cash Provided by Investing Activities	(8,765)	-	(28,625)	(4,432)	41,921	99
Increase (Decrease) in Cash and Cash Equivalents	(9,042)	242	(33)	181	7,144	(1,508)
Cash and Cash Equivalents at Beginning of Year (as restated)	31,010	2,157	31	2,245	8,180	43,623
Cash and Cash Equivalents at End of Year	\$ 21,968	\$ 2,399	\$ (2)	\$ 2,426	\$ 15,324	\$ 42,115
Reconciliation to the Combined Balance Sheet:						
Component Unit Amounts Other Than Proprietary Funds	-	-	-	-	-	277,790
Cash and Cash Equivalents at End of Year	-	-	-	-	-	319,905
Supplemental disclosure of non-cash information						
Real estate acquired through foreclosure	-	-	-	-	-	4,597

STATE OF MAINE
STATEMENT OF CHANGES IN FUND BALANCES
MAINE MARITIME ACADEMY - COLLEGE AND UNIVERSITY FUNDS

For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	<u>Current Funds</u>		Loan Funds	Endowment and Similar Funds	Plant Funds	Total
	<u>Unrestricted</u>	<u>Restricted</u>				
Revenues and Other Additions:						
Unrestricted Current Fund Revenues	\$ 9,519	\$ -	\$ -	\$ -	\$ -	\$ 9,519
Government Grants and Contracts - Restricted	-	616	60	-	6	682
Private Gifts, Grants and Contracts - Restricted	-	1,179	-	149	1,042	2,370
Endowment Income - Restricted	-	336	-	-	-	336
Investment Income - Restricted	-	-	33	-	7	40
Interest Income on Loans Receivable	-	-	73	-	-	73
Unrealized Gains on Investments	-	14	38	499	-	551
Expended for Plant Facilities	-	-	-	-	192	192
Other Additions	-	155	2	-	22	179
	<u>9,519</u>	<u>2,300</u>	<u>206</u>	<u>648</u>	<u>1,269</u>	<u>13,942</u>
Total Revenues and Other Additions						
Expenditures and Other Deductions:						
Educational and General Expenditures	13,571	1,212	-	268	-	15,051
Auxiliary Enterprise Expenditures	2,568	6	-	-	-	2,574
Administrative and Collection Costs	-	-	22	-	4	26
Interest on Indebtedness	-	-	-	-	177	177
Disposal of Plant Assets	-	-	-	-	59	59
Expended for Plant Facilities	-	-	-	-	201	201
Write Down of Asset Values	-	-	1	-	4	5
	<u>16,139</u>	<u>1,218</u>	<u>23</u>	<u>268</u>	<u>445</u>	<u>18,093</u>
Total Expenditures and Other Deductions						
Transfers Among Funds - Additions (Deductions):						
Mandatory:						
Principal and Interest	(217)	-	-	-	217	-
Loan Fund Transfers	(20)	-	20	-	-	-
Restricted Resources Allocated	11	(11)	-	-	-	-
Nonmandatory Transfers from Plant	(280)	(263)	-	(361)	904	-
Nonmandatory Transfers to Endowment	507	-	-	(507)	-	-
Transfers from Primary Government	7,174	-	-	-	-	7,174
	<u>7,175</u>	<u>(274)</u>	<u>20</u>	<u>(868)</u>	<u>1,121</u>	<u>7,174</u>
Total Transfers						
Net Increase (Decrease) for the Year	555	808	203	(488)	1,945	3,023
Fund Balance June 30, 1999 (as restated)	4,679	429	3,666	12,010	34,855	55,639
Fund Balance June 30, 2000	<u>\$ 5,234</u>	<u>\$ 1,237</u>	<u>\$ 3,869</u>	<u>\$ 11,522</u>	<u>\$ 36,800</u>	<u>\$ 58,662</u>

STATE OF MAINE
STATEMENT OF CHANGES IN FUND BALANCES
MAINE TECHNICAL COLLEGE SYSTEM - COLLEGE AND UNIVERSITY FUNDS

For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	Current Funds		Loan Funds	Endowment and Similar Funds	Plant Funds	Total
	Unrestricted	Restricted				
Revenues and Other Additions:						
Education and General	\$ 21,236	\$ 9,987	\$ -	\$ -	\$ 430	\$ 31,653
Private Gifts, Grants and Contracts - Restricted	-	-	-	3,036	639	3,675
Investment Income - Restricted	-	135	-	-	1	136
Unrealized Gains on Investments	-	(7)	-	57	-	50
Expended for Plant Facilities	13	-	-	-	4,155	4,168
Other Additions	4,826	29	-	183	358	5,396
	26,075	10,144	-	3,276	5,583	45,078
Total Revenues and Other Additions						
Expenditures and Other Deductions:						
Educational and General Expenditures	55,772	10,676	-	-	6,012	72,460
Auxiliary Enterprise Expenditures	4,492	-	-	-	-	4,492
Interest on Indebtedness	-	-	-	-	310	310
Expended for Plant Facilities	-	-	-	-	1,336	1,336
Write Down of Asset Values	-	-	-	-	118	118
	60,264	10,676	-	-	7,776	78,716
Total Expenditures and Other Deductions						
Transfers Among Funds - Additions (Deductions):						
Mandatory:						
Principal and Interest	(569)	-	-	-	569	-
Nonmandatory Transfers from Plant	(521)	-	-	-	521	-
Transfers from Primary Government	34,576	-	-	-	177	34,753
Other Deductions	(326)	392	-	(56)	(10)	-
	33,160	392	-	(56)	1,257	34,753
Total Transfers						
Net Increase (Decrease) for the Year	(1,029)	(140)	-	3,220	(936)	1,115
Fund Balance June 30, 1999 (as restated)	4,280	851	-	2,698	58,962	66,791
Fund Balance June 30, 2000	\$ 3,251	\$ 711	\$ -	\$ 5,918	\$ 58,026	\$ 67,906

STATE OF MAINE
STATEMENT OF CHANGES IN FUND BALANCES
UNIVERSITY OF MAINE SYSTEM - COLLEGE AND UNIVERSITY FUNDS

For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	<u>Current Funds</u>		Loan Funds	Endowment and Similar Funds	Plant Funds	Total
	<u>Unrestricted</u>	<u>Restricted</u>				
Revenues and Other Additions:						
Unrestricted Current Fund Revenues	\$ 192,220	\$ -	\$ -	\$ -	\$ -	\$ 192,220
Government Grants and Contracts - Restricted	-	62,363	620	-	-	62,983
Private Gifts, Grants and Contracts - Restricted	-	22,788	225	2,179	2,974	28,166
Endowment Income - Restricted	-	4,136	15	347	-	4,498
Investment Income - Restricted	-	1,111	1,101	-	844	3,056
Expended for Plant Facilities	-	-	-	-	7,016	7,016
Other Additions	-	102	-	4,287	5,979	10,368
	<u>192,220</u>	<u>90,500</u>	<u>1,961</u>	<u>6,813</u>	<u>16,813</u>	<u>308,307</u>
Total Revenues and Other Additions						
Expenditures and Other Deductions:						
Educational and General Expenditures	282,980	104,474	1,646	2,581	9,776	401,457
Auxiliary Enterprise Expenditures	49,038	-	-	-	-	49,038
Write Down of Asset Values	-	-	-	-	22,219	22,219
	<u>332,018</u>	<u>104,474</u>	<u>1,646</u>	<u>2,581</u>	<u>31,995</u>	<u>472,714</u>
Total Expenditures and Other Deductions						
Transfers Among Funds - Additions (Deductions):						
Mandatory:						
Transfers from Primary Government	162,391	19,731	-	-	6,202	188,324
Other Deductions	(9,790)	(4,416)	301	161	13,744	-
	<u>152,601</u>	<u>15,315</u>	<u>301</u>	<u>161</u>	<u>19,946</u>	<u>188,324</u>
Total Transfers						
Net Increase (Decrease) for the Year	12,803	1,341	616	4,393	4,764	23,917
Fund Balance June 30, 1999 (as restated)	<u>32,621</u>	<u>23,534</u>	<u>35,805</u>	<u>91,781</u>	<u>230,742</u>	<u>414,483</u>
Fund Balance June 30, 2000	<u>\$ 45,424</u>	<u>\$ 24,875</u>	<u>\$ 36,421</u>	<u>\$ 96,174</u>	<u>\$ 235,506</u>	<u>\$ 438,400</u>

STATE OF MAINE
COMBINING STATEMENT OF CURRENT FUNDS
REVENUES, EXPENDITURES AND OTHER CHANGES
DISCRETELY PRESENTED COMPONENT UNITS - COLLEGE AND UNIVERSITY FUNDS

For the Fiscal Year Ended June 30, 2000
(Expressed in Thousands)

	<u>Maine Maritime Academy</u>			<u>Maine Technical College System</u>		
	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Revenues:						
Tuition and Fees	\$ 5,157	\$ 81	\$ 5,238	\$ 14,847	\$ 109	\$ 14,956
Federal Appropriations	200	-	200	1,037	9,752	10,789
State Appropriations and Grants	-	-	-	-	-	-
Federal Grants and Contracts	58	607	665	-	-	-
Private Gifts, Grants and Contracts	96	170	266	2,867	218	3,085
Endowment Income	55	344	399	-	-	-
Sales and Services of Auxiliary Enterprise	3,371	-	3,371	4,825	-	4,825
Other Income	581	17	598	2,489	151	2,640
Total Current Fund Revenues	9,518	1,219	10,737	26,065	10,230	36,295
Expenditures and Mandatory Transfers:						
Educational and General:						
Instruction	4,052	13	4,065	26,297	1,454	27,751
Research	-	-	-	-	-	-
Public Service	779	4	783	245	192	437
Academic Support	878	130	1,008	6,483	1,462	7,945
Student Services	1,935	163	2,098	4,609	1,459	6,068
Institutional Support	3,601	40	3,641	10,934	128	11,062
Operational and Maintenance of Plant	2,130	66	2,196	6,294	16	6,310
Scholarships and Fellowships	197	795	992	895	5,912	6,807
Total Expenditures	13,572	1,211	14,783	55,757	10,623	66,380
Mandatory Transfers:						
Principal and Interest	217	-	217	569	-	569
Loan Fund	20	-	20	-	-	-
Total Mandatory Transfers	237	-	237	569	-	569
Total Educational and General	13,809	1,211	15,020	56,326	10,623	66,949
Auxiliary Enterprises:						
Expenditures	2,568	6	2,574	4,492	-	4,492
Total Auxiliary Enterprises	2,568	6	2,574	4,492	-	4,492
Total Expenditures and Mandatory Transfers	16,377	1,217	17,594	60,818	10,623	71,441
Other Transfers and Additions (Deductions):						
Excess of Restricted Receipts over Transfers to Revenues	-	1,082	1,082	-	(87)	(87)
Net Allocation of Resources (to) from Other Funds	238	(273)	(35)	-	-	-
Transfer from Primary Government	7,174	-	7,174	34,576	-	34,576
Other Deductions	-	-	-	(813)	294	(519)
Total Transfers and Additions	7,412	809	8,221	33,763	207	33,970
Net Increase (Decrease) in Fund Balance	\$ 553	\$ 811	\$ 1,364	\$ (990)	\$ (186)	\$ (1,176)

University of Maine System			Total		
Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
\$ 103,668	\$ -	\$ 103,668	\$ 123,672	\$ 190	\$ 123,862
-	6,100	6,100	1,237	15,852	17,089
-	5,293	5,293	-	5,293	5,293
-	50,970	50,970	58	51,577	51,635
298	22,788	23,086	3,261	23,176	26,437
418	4,136	4,554	473	4,480	4,953
52,092	-	52,092	60,288	-	60,288
35,744	1,213	36,957	38,814	1,381	40,195
<u>192,220</u>	<u>90,500</u>	<u>282,720</u>	<u>227,803</u>	<u>101,949</u>	<u>329,752</u>
109,668	10,934	120,602	140,017	12,401	152,418
16,427	30,544	46,971	16,427	30,544	46,971
16,512	19,888	36,400	17,536	20,084	37,620
41,687	3,137	44,824	49,048	4,729	53,777
30,511	926	31,437	37,055	2,548	39,603
32,667	204	32,871	47,202	372	47,574
26,279	96	26,375	34,703	178	34,881
9,229	38,746	47,975	10,321	45,453	55,774
<u>282,980</u>	<u>104,475</u>	<u>387,455</u>	<u>352,309</u>	<u>116,309</u>	<u>468,618</u>
-	-	-	786	-	786
-	-	-	20	-	20
-	-	-	806	-	806
<u>282,980</u>	<u>104,475</u>	<u>387,455</u>	<u>353,115</u>	<u>116,309</u>	<u>469,424</u>
49,038	-	49,038	56,098	6	56,104
49,038	-	49,038	56,098	6	56,104
<u>332,018</u>	<u>104,475</u>	<u>436,493</u>	<u>409,213</u>	<u>116,315</u>	<u>525,528</u>
-	-	-	-	995	995
(9,789)	(4,416)	(14,205)	(9,551)	(4,689)	(14,240)
162,391	19,731	182,122	204,141	19,731	223,872
-	-	-	(813)	294	(519)
<u>152,602</u>	<u>15,315</u>	<u>167,917</u>	<u>193,777</u>	<u>16,331</u>	<u>210,108</u>
<u>\$ 12,804</u>	<u>\$ 1,340</u>	<u>\$ 14,144</u>	<u>\$ 12,367</u>	<u>\$ 1,965</u>	<u>\$ 14,332</u>



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STATISTICAL & ECONOMIC DATA

The accompanying statistical tables of the State of Maine reflect social and economic data to allow a broader understanding of the environment in which the State operates, as well as historical perspectives and financial trends to assess the fiscal capacity of State government. Statistical tables differ from financial statements because they usually cover more than two fiscal years and present certain non-accounting data.

TABLE I

**STATE OF MAINE
EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUND TYPES**

LAST TEN FISCAL YEARS
(EXPRESSED IN THOUSANDS)

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
General Government	\$ 263,274	\$ 218,430	\$ 239,204	\$ 312,767	\$ 273,228	\$ 257,228	\$ 259,715	\$ 313,648	\$ 407,423	\$ 431,959
Economic Development	70,234	76,464	101,195	81,407	92,381	93,329	96,141	92,173	88,315	112,079
Education & Cultural Services	840,212	887,070	961,949	901,229	957,003	979,323	817,559	845,751	910,540	966,947
Human Services	1,041,277	1,382,146	1,340,335	1,445,823	1,527,840	1,700,472	1,697,053	1,712,124	1,816,359	1,934,243
Labor	48,632	116,659	152,423	103,161	62,389	54,651	77,793	83,613	82,012	79,690
Natural Resources	96,923	80,280	98,513	84,912	115,805	110,166	104,575	103,738	111,800	119,783
Public Protection	50,944	56,815	53,627	56,597	56,454	57,291	63,872	87,009	82,093	82,641
Transportation	258,471	257,458	291,516	291,631	283,171	342,133	364,978	319,123	339,572	355,801
Debt Service	66,936	73,336	79,822	-	113,063	111,825	122,275	104,220	107,587	112,980
Total Expenditures	<u>\$ 2,736,903</u>	<u>\$ 3,148,658</u>	<u>\$ 3,318,584</u>	<u>\$ 3,277,527</u>	<u>\$ 3,481,334</u>	<u>\$ 3,706,418</u>	<u>\$ 3,603,961</u>	<u>\$ 3,661,399</u>	<u>\$ 3,945,701</u>	<u>\$ 4,196,123</u>

Notes: Governmental Fund Types of the primary government are described in Note 1B of the Notes to the Financial Statements Fiscal Year 1994 data on budgetary basis - GAAP financial information unavailable for that year.

TABLE II

**STATE OF MAINE
REVENUES BY SOURCE
ALL GOVERNMENTAL FUND TYPES**

LAST TEN FISCAL YEARS
(EXPRESSED IN THOUSANDS)

	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>
Taxes	\$ 1,497,893	\$ 1,625,533	\$ 1,798,315	\$ 1,934,966	\$ 1,733,996	\$ 1,975,208	\$ 2,113,711	\$ 2,326,004	\$ 2,350,495	\$ 2,632,465
Assessments & Other Revenues	46,959	166,188	47,185	134,640	223,903	147,770	150,213	175,502	178,997	189,213
Federal Grants & Reimbursements	731,950	969,525	1,084,124	1,064,397	1,103,981	1,404,181	1,324,706	1,337,685	1,470,231	1,555,970
Service Charges	83,042	116,881	133,483	105,504	104,125	113,477	133,886	113,442	83,639	71,398
Income from Investments	7,362	6,628	6,427	4,932	13,821	-	-	161	28,898	37,094
Miscellaneous Revenues	196	10,455	564	67,371	94,268	51,326	35,160	51,649	53,842	113,705
Total Revenues	<u>\$ 2,367,402</u>	<u>\$ 2,895,210</u>	<u>\$ 3,070,098</u>	<u>\$ 3,311,810</u>	<u>\$ 3,274,094</u>	<u>\$ 3,691,962</u>	<u>\$ 3,757,676</u>	<u>\$ 4,004,443</u>	<u>\$ 4,166,102</u>	<u>\$ 4,599,845</u>

Notes: Governmental Fund Types of the primary government are described in Note 1B of the Notes to the Financial Statements Fiscal Year 1994 data on budgetary basis - GAAP financial information unavailable for that year.

TABLE III

STATE OF MAINE
NET GENERAL LONG-TERM BONDED DEBT
AND OTHER FINANCING PER CAPITA

LAST TEN FISCAL YEARS
(EXPRESSED IN THOUSANDS)

Fiscal Year	Population (1)	Bonded Debt	Notes and Other Financing (2)	Total Debt	Bonded Debt Per Capita
2000	1,275	\$452,975	\$105,971	\$558,946	\$438
1999	1,244	486,620	14,631	501,251	403
1998	1,244	497,050	6,137	503,187	404
1997	1,244	490,086	6,894	496,980 (3)	399
1996	1,244	515,690	8,045	523,735	421
1995	1,244	516,060	9,870	525,930	423
1994	1,244	529,060	11,680	540,740	435
1993	1,244	544,705	13,815	558,520	449
1992	1,244	429,680	15,670	445,350	358
1991	1,244	395,420	-	395,420	318

Notes: (1) Population figures obtained from US Census population estimates released July 1999.

(2) Includes Other Debt of the General and Highway Fund expected to be repaid through general governmental resources. Includes revenue bonds of the Maine Government Facilities Authority.

(3) In fiscal year 1997, the State adopted GASB Statement No.14. This resulted in \$719,000 of Maine Technical College System bonds being reported with discrete component units and \$15,400,000 of Maine Governmental Facilities Authority bonds (then the Maine Court Facilities Authority) being blended in the Special Revenue Fund.

TABLE IV

STATE OF MAINE
RATIO OF NET GENERAL LONG-TERM BONDED DEBT
AND OTHER FINANCING TO ASSESSED VALUE

LAST TEN FISCAL YEARS
(EXPRESSED IN THOUSANDS)

Fiscal Year	Assessed Value (1)	Bonded Debt	Notes and Other Financing (2)	Total Debt	Ratio to Assessed Value
2000	\$74,260,000	\$452,975	\$105,971	\$558,946	0.75%
1999	71,779,350	486,620	14,631	501,251	0.70%
1998	69,691,900	497,050	6,137	503,187	0.72%
1997	68,286,600	490,086	6,894	496,980 (3)	0.73%
1996	67,102,926	515,690	8,045	523,735	0.78%
1995	66,425,500	516,060	9,870	525,930	0.79%
1994	66,565,500	529,060	11,680	540,740	0.81%
1993	67,751,400	544,705	13,815	558,520	0.82%
1992	68,471,100	429,680	15,670	445,350	0.65%
1991	64,905,350	395,420	-	395,420	0.61%

Notes: (1) The Maine Revenue Service valuation of taxable property is filed in January of each year, based on the value of property as of April 1, 21 months prior to the filing date.

(2) Includes Other Debt of the General and Highway Fund expected to be repaid through general governmental resources. Includes revenue bonds of the Maine Government Facilities Authority.

(3) In fiscal year 1997, the State adopted GASB Statement No.14. This resulted in \$719,000 of Maine Technical College System bonds being reported with discrete component units and \$15,400,000 of Maine Governmental Facilities Authority bonds (then the Maine Court Facilities Authority) being blended in the Special Revenue Fund.

TABLE V

STATE OF MAINE
RATIO OF ANNUAL DEBT SERVICE FOR GENERAL
LONG-TERM BONDED DEBT AND OTHER FINANCING
TO TOTAL GENERAL GOVERNMENT EXPENDITURES

LAST TEN FISCAL YEARS
(EXPRESSED IN THOUSANDS)

Fiscal Year	Principal	Interest	Total Debt Service	Total General Government Expenditures (1)	Ratio of Debt Service to General Government Expenditures
2000	\$82,280	\$24,359	\$106,639	\$4,196,123	2.5%
1999	79,615	25,022	104,637	3,945,701	2.7%
1998	76,426	25,111	101,537	3,661,399	2.8%
1997	87,917	27,486	115,403	3,603,961	3.2%
1996	76,807	26,828	103,635	3,706,418	2.8%
1995	74,318	29,567	103,885	3,481,334	3.0%
1994	61,964	31,528	93,492	3,277,527	2.9%
1993	46,190	28,485	74,675	3,318,584	2.3%
1992	45,710	25,454	71,164	3,148,658	2.3%
1991	45,560	19,304	64,864	2,736,903	2.4%

Notes: (1) Includes Other Debt of the General and Highway Fund expected to be repaid through general governmental resources. Does not include debt of the Maine Government Facilities Authority.

TABLE VI

STATE OF MAINE
COMPUTATION OF LEGAL DEBT MARGIN

JUNE 30, 2000

Pursuant to Article IX, Section 14 of the Maine Constitution, the Legislature shall not create any debt or debts on behalf of the State, which shall exceed \$2,000,000 in the aggregate, except to suppress insurrection, to repel invasion, or for purposes of war, and except for temporary loans to be paid out of money raised by taxation during the fiscal year in which they are made. Whenever 2/3 of both Houses shall deem it necessary, by proper enactment ratified by a majority of the electors voting thereon at a general or special election, the Legislature may authorize the issuance of bonds on behalf of the State as approved by such action. Temporary loans to be paid out of moneys raised by taxation during any fiscal year shall not exceed in the aggregate during the fiscal year in question an amount greater than 10% of all the moneys appropriated, authorized and allocated by the Legislature from undedicated revenues to the General Fund and dedicated revenues to the Highway Fund for that fiscal year, exclusive of proceeds or expenditures from the sale of bonds, or greater than 1% of the total valuation of the State of Maine, whichever is the lesser.

There were no temporary loans outstanding at June 30, 2000, which were subject to the Constitutional limitations.

All other general long-term bonds outstanding at June 30, 2000 were issued pursuant to properly ratified legislation.

**STATE OF MAINE
REVENUE BOND COVERAGE
DISCRETELY PRESENTED COMPONENT UNITS**

LAST TEN FISCAL YEARS
(EXPRESSED IN THOUSANDS)

	Fiscal Year (1)	Gross Revenues (2)	Operating Expenses	Net Revenue Available for Debt Service	Debt Service Requirements (3)	Coverage
<u>Loring Development Authority</u>	2000	\$5,596	\$5,622	(\$26)	\$0	n/a
	1999	4,774	4,419	355	0	n/a
	1998	4,908	4,652	256	0	n/a
	1997	4,660	4,277	383	0	n/a
<u>Maine Educational Loan Authority</u>	2000	\$4,699	\$4,428	\$271	\$59,329	0.00
	1999	4,636	4,067	569	50,273	0.01
	1998	4,510	4,103	407	55,912	0.01
	1997	4,247	3,770	477	50,456	0.01
<u>Finance Authority of Maine</u>	2000	\$26,294	\$24,237	\$2,057	\$1,174	1.75
	1999	30,279	27,896	2,383	1,226	1.94
	1998	37,135	33,523	3,612	10,098	0.36
	1997	37,427	33,070	4,357	1,797	2.42
<u>Maine State Housing Authority</u>	2000	\$183,920	\$174,747	\$9,173	\$1,345,082	0.01
	1999	186,827	171,640	15,187	1,298,493	0.01
	1998	179,489	165,138	14,351	1,197,338	0.01
	1997	171,365	156,912	14,453	1,057,879	0.01
<u>Maine Municipal Bond Bank</u>	2000	\$106,568	\$59,654	\$46,914	\$951,305	0.05
	1999	98,414	56,233	42,181	904,049	0.05
	1998	88,830	52,826	36,004	891,770	0.04
	1997	78,111	54,859	23,252	811,712	0.03
<u>Maine Maritime Academy</u>	2000	\$21,116	\$18,093	\$3,023	\$2,923	1.03
	1999	19,922	17,379	2,543	2,994	0.85
	1998	19,120	18,045	1,075	3,087	0.35
	1997	21,757	16,999	4,758	3,175	1.50
<u>Maine Technical College System</u>	2000	\$79,831	\$78,716	\$1,115	\$5,692	0.20
	1999	77,321	76,621	700	5,796	0.12
	1998	70,001	69,801	200	5,898	0.03
	1997	69,397	70,170	(773)	7,064	(0.11)
<u>University of Maine System</u>	2000	\$496,631	\$472,714	\$23,917	\$50,883	0.47
	1999	463,090	441,219	21,871	53,020	0.41
	1998	501,516	406,335	95,181	26,000	3.66
	1997	418,900	399,076	19,824	27,830	0.71

Notes: (1) Data unavailable prior to fiscal year 1997.

(2) Total revenues (including transfers from primary government).

(3) Includes principal and interest.

TABLE VIII

**STATE OF MAINE
FINANCIAL INSTITUTION DEPOSITS**

LAST TEN FISCAL YEARS
(EXPRESSED IN THOUSANDS)

	<u>2000</u>		<u>1999</u>		<u>1998</u>		<u>1997</u>	
	<u>No.</u>	<u>Bank Deposits</u>	<u>No.</u>	<u>Bank Deposits</u>	<u>No.</u>	<u>Bank Deposits</u>	<u>No.</u>	<u>Bank Deposits</u>
Trust Companies	10	\$2,488,507	11	\$2,958,142	12	\$2,660,193	13	\$2,790,194
Limited Purpose Banks	5	0	5	772				
National Banks	6	6,035,433	5	2,920,566	5	2,915,927	6	3,433,699
State Savings Banks	16	4,269,611	17	6,909,744	17	6,497,694	17	5,307,205
Federal Savings Banks	4	750,020	4	661,957	4	613,691	4	556,835
State Savings & Loans	3	94,665	3	95,868	3	91,170	3	88,399
Federal Savings & Loans	4	179,365	4	178,385	4	173,879	4	168,591
State Credit Unions	13	502,274	13	501,390	12	422,829	11	380,613
Federal Credit Unions	72	1,841,490	75	1,816,004	77	1,721,696	80	1,650,747
Total Institutions	133	\$16,161,365	137	\$16,042,828	134	\$15,097,079	138	\$14,376,283
State Chartered	47	7,355,057	49	10,465,916	44	9,671,886	44	8,566,411
Federally Chartered	86	8,806,308	88	5,576,912	90	5,425,193	94	5,809,872
Total Chartered	133	\$16,161,365	137	\$16,042,828	134	\$15,097,079	138	\$14,376,283

Source: Bureau of Banking, Maine Department of Professional and Financial Regulation.

<u>1996</u>		<u>1995</u>		<u>1994</u>		<u>1993</u>		<u>1992</u>		<u>1991</u>	
<u>No.</u>	<u>Bank Deposits</u>	<u>No.</u>	<u>Bank Deposits</u>	<u>No.</u>	<u>Bank Deposits</u>	<u>No.</u>	<u>Bank Deposits</u>	<u>No.</u>	<u>Bank Deposits</u>	<u>No.</u>	<u>Bank Deposits</u>
14	\$5,396,641	14	\$5,484,431	14	\$4,909,550	14	\$4,874,189	14	\$5,255,394	14	\$5,435,976
5	1,032,321	5	1,051,103	6	1,744,084	6	1,806,263	6	1,847,158	6	2,149,872
17	5,062,377	17	4,856,487	17	4,523,302	17	4,439,902	17	4,460,283	17	4,429,054
4	428,519	4	405,567	5	473,484	6	528,011	6	483,457	7	518,590
3	83,630	3	76,042	4	101,595	4	101,817	4	95,653	4	89,057
5	243,010	5	233,024	5	216,956	5	216,717	5	214,737	5	207,561
12	368,532	13	352,500	13	341,875	10	331,753	10	248,776	12	233,018
82	1,579,902	83	1,463,185	84	1,404,583	91	1,349,553	96	1,365,598	99	1,272,663
142	\$14,194,932	144	\$13,922,339	148	\$13,715,429	153	\$13,648,205	158	\$13,971,056	164	\$14,335,791
46	10,911,180	47	10,769,460	48	9,876,322	45	9,747,661	45	10,060,106	47	10,187,105
96	3,283,752	97	3,152,879	100	3,839,107	108	3,900,544	113	3,910,950	117	4,148,686
142	\$14,194,932	144	\$13,922,339	148	\$13,715,429	153	\$13,648,205	158	\$13,971,056	164	\$14,335,791

STATE OF MAINE
PRINCIPAL INDUSTRIAL EMPLOYERS
 NOT SEASONALLY ADJUSTED
 RANKED BY NUMBER OF EMPLOYEES IN MAINE

JUNE 2000

Company	Number of Employees (1)
1 Hannaford Brothers Company	7,400
2 Bath Iron Works Corporation	7,000
3 L.L. Bean, Inc.	5,600
4 Wal Mart Associates, Inc.	4,800
5 Maine Medical Center Foundation	4,800
6 MBNA Marketing Systems, Inc.	3,600
7 Shaw's Supermarkets	3,400
8 UNUM Life Insurance Co. of America	3,200
9 Eastern Maine Medical Center	2,400
10 MaineGeneral Medical Center - Augusta	2,000
11 Central Maine Power Company	1,400
12 Champion International Corporation	1,400
13 Fairchild Semiconductor Corporation	1,400
14 International Paper Company	1,400
15 Pratt & Whitney Aircraft Group	1,400
16 Rite Aid of Maine, Inc.	1,400
17 S. D. Warren	1,400
18 Verizon New England, Inc.	1,400
19 Ames Department Stores	1,200
20 Anthem Blue Cross & Blue Shield	1,200
21 Central Maine Medical Center	1,200
22 Cianbro Corporation	1,200
23 Envisionet Computer Services, Inc.	1,200
24 Great Northern Paper, Inc.	1,200
25 Mead Oxford Corporation	1,200
26 Fraser Papers, LTD	1,000
27 Irving Oil Corporation	1,000
28 Jackson Laboratory	1,000
29 Manpower	1,000
30 Mercy Hospital	1,000
31 Sears Roebuck and Co.	1,000
32 Attendant Services, Inc.	800
33 Bates College	800
34 Blethen Maine Newspapers, Inc.	800
35 Bowdoin College	800
36 C.N. Brown Co.	800
37 Community Health and Counseling Svc.	800
38 Dead River Company	800
39 Dexter Shoe Company	800
40 Goodwill Industries of Northern N.E.	800
41 Home Depot	800
42 ICT Group, Inc.	800
43 New Balance Athletic Shoe, Inc.	800
44 Peoples Heritage Financial Group	800
45 Peoples Heritage Savings Bank	800
46 S C I Systems ALA, Inc.	800
47 Southern Maine Medical Center	800
48 Sweetser Children's Services	800
49 United Parcel Service	800
50 Vishay-Sprague	800

Note: (1) Approximate number of employees

Source: Maine State Department of Labor

TABLE X

**STATE OF MAINE
EXPORTS BY INDUSTRY**

JUNE 2000 and 1999
(EXPRESSED IN THOUSANDS)

<u>SIC</u>	<u>Description</u>	<u>2000</u>	<u>1999</u>	<u>Percentage Change</u>
1	Agricultural Production, Crops	\$24,699	\$16,887	46.3 %
2	Agricultural Production, Livestock	42,106	38,134	10.4
8	Forestry	96	129	(25.4)
9	Fishing, Hunting, and Trapping	160,764	148,036	8.6
10	Metal Mining	1,062	983	8.1
13	Oil and Gas Extraction	36,427	0	100.0
14	Nonmetallic Minerals	232	737	(68.6)
20	Food & Kindred Products	87,239	64,075	36.2
21	Tobacco Manufacturers	0	25	(100.0)
22	Textile Mill Products	11,663	10,158	14.8
23	Apparel & Other Fabric Products	14,459	15,516	(6.8)
24	Lumber & Wood Products	278,316	245,671	13.3
25	Furniture & Fixtures	3,888	4,822	(19.4)
26	Paper & Allied Products	397,450	360,221	10.3
27	Printing & Publishing	6,866	2,540	170.3
28	Chemicals & Allied Products	40,246	36,604	10.0
29	Petroleum & Coal Products	6,188	2,419	155.8
30	Rubber & Miscellaneous Plastic Products	33,234	25,633	29.7
31	Leather & Leather Products	75,794	92,811	(18.3)
32	Stone, Clay, & Glass Products	4,110	6,168	(33.4)
33	Primary Metal Industries	16,845	15,724	7.1
34	Fabricated Metal Products	23,754	40,579	(41.5)
35	Industrial Machinery & Computer Equipment	106,284	104,567	1.6
36	Electronics & Electrical Equipment	368,091	710,678	(48.2)
37	Transportation Equipment	60,714	127,310	(52.3)
38	Instruments & Optical Goods	29,490	14,180	108.0
39	Miscellaneous Manufacturing	6,419	6,120	4.9
91	Scrap & Waste	21,772	17,905	21.6
92	Used or Second Hand Merchandise	1,052	1,914	(45.0)
95	Charity, Military NIK	4,712	4,494	4.9
98	Canadian/Non-Canadian Goods Returned to Canada	22,990	33,658	(31.7)
99	Special Classification Provisions	17,105	18,902	(9.5)
	Maine Export Totals	\$1,904,069	\$2,167,598	(12.2) %

TABLE XI

**STATE OF MAINE
TOP TEN MARKETS**

JUNE 2000 and 1999
(EXPRESSED IN THOUSANDS)

<u>Country</u>	<u>2000</u>	<u>1999</u>	<u>Percentage Change</u>
Canada	\$895,922	\$769,574	16.4 %
Malaysia	137,635	168,625	(18.4)
Japan	79,440	86,126	(7.8)
South Korea	76,453	59,170	29.2
Belgium	60,067	53,295	12.7
Hong Kong	55,508	57,288	(3.1)
United Kingdom	50,275	75,696	(33.6)
Taiwan ROC	46,894	46,823	0.2
Australia	42,507	19,017	123.5
Mexico	39,669	58,128	(31.8)

Source: Maine International Trade Center

STATE OF MAINE
EMPLOYED AND UNEMPLOYED BY LABOR MARKET
NOT SEASONALLY ADJUSTED

JUNE 2000 and 1999

Labor Market Areas	<u>Civilian Labor Force (1)</u>		<u>Employed (2)</u>		<u>Unemployed (3)</u>		<u>Unemployment Rate (4)</u>	
	<u>June 00</u>	<u>June 99</u>	<u>June 00</u>	<u>June 99</u>	<u>June 00</u>	<u>June 99</u>	<u>June 00</u>	<u>June 99</u>
Augusta	47,720	45,990	45,740	43,920	1,980	2,080	4.1 %	4.5 %
Bangor MSA	52,600	50,300	51,400	49,000	1,300	1,300	2.4	2.6
Bath-Brunswick	36,230	34,890	35,200	33,800	0	1,090	2.8	3.1
Belfast	18,410	16,620	17,780	16,000	630	620	3.4	3.7
Biddeford	45,150	42,920	44,270	41,950	880	960	2.0	2.2
Boothbay Harbor	10,520	10,060	10,340	9,870	190	200	1.8	2.0
Bucksport	5,540	5,010	5,320	4,780	210	230	3.8	4.6
Calais	5,190	5,260	4,570	4,690	620	570	11.9	10.8
Dexter-Pittsfield	12,680	12,400	11,830	11,330	850	1,060	6.7	8.6
Dover-Foxcroft	7,260	7,420	6,840	6,900	420	520	5.8	7.0
Ellsworth-Bar Harbor	23,080	22,180	22,250	21,230	820	950	3.6	4.3
Farmington	17,470	17,650	16,100	16,320	1,360	1,330	7.8	7.5
Fort Kent	3,870	3,850	3,580	3,280	290	570	7.4	14.9
Greenville	1,020	920	960	840	60	90	5.8	9.4
Houlton	6,430	6,510	6,180	6,050	250	470	3.8	7.2
Jonesport-Milbridge	4,330	4,310	4,040	3,920	290	390	6.8	9.1
Kittery-York (5)	21,130	20,340	20,800	20,050	340	290	1.6	1.4
Lewiston-Auburn MSA	55,700	54,200	53,800	51,900	1,900	2,300	3.4	4.2
Lincoln-Howland	6,230	6,300	5,780	5,790	450	510	7.3	8.1
Machias-Eastport	6,750	6,830	6,360	6,250	390	590	5.7	8.6
Madawaska	3,940	4,000	3,810	3,790	130	210	3.3	5.2
Millinocket-East Millinocket	5,220	5,410	4,850	4,960	370	450	7.1	8.3
Norway-Paris	12,050	11,650	11,420	10,920	630	730	5.2	6.2
Outer Bangor	8,900	8,810	8,480	8,320	430	490	4.8	5.6
Patten-Island Falls	1,830	2,060	1,720	1,780	110	280	6.2	13.5
Portland	140,000	136,300	137,100	133,200	2,900	3,100	2.1	2.3
Presque Isle-Caribou	21,420	21,070	20,630	20,030	790	1,040	3.7	4.9
Rockland	24,860	23,860	24,270	23,150	600	710	2.4	3.0
Rumford	10,090	10,030	9,150	9,120	940	910	9.3	9.1
Sanford	23,770	23,040	22,790	21,950	980	1,090	4.1	4.7
Sebago Lakes Region	14,680	14,150	14,180	13,460	500	690	3.4	4.9
Skowhegan	17,470	17,400	16,390	16,090	1,080	1,300	6.2	7.5
Stonington	5,990	5,820	5,800	5,650	190	170	3.2	2.8
Van Buren	1,500	1,550	1,430	1,440	70	120	4.9	7.5
Waterville	25,230	24,540	24,110	23,220	1,130	1,320	4.5	5.4
MAINE	704,300	683,700	679,200	655,000	25,100	28,700	3.6	4.2
UNITED STATES (000)	142,132	140,666	136,192	134,395	5,940	6,271	4.2	4.5

Notes: (1) Civilian labor force, employed, and unemployed estimates are by place of residence. Items may not add due to rounding. All data exclude members of the Armed Forces. MSA stands for Metropolitan Statistical Area.

(2) Total employment includes nonfarm wage and salary workers, agricultural workers, unpaid family workers, domestics, the self employed, and workers involved in labor disputes.

(3) People are classified as unemployed, regardless of their eligibility for unemployment benefits or public assistance, if they meet all of the following: they were not employed during the survey week; they were available for work at that time; and they made specific efforts to find employment some time during the prior four weeks. Persons laid off from their former jobs and awaiting recall and those expecting to report to a job within 30 days need not be looking for work to be former jobs and awaiting recall and those expecting to report to a job within 30 days need not be looking for work to be counted as unemployed.

(4) The unemployment rate is calculated by dividing the total number of unemployed by the total civilian labor force, and is expressed as a percent.

(5) Kittery-York is the five-town Maine portion of the Portsmouth-Rochester PMSA which includes towns in both Maine and New Hampshire.

Source: Maine Department of Labor, Labor Market Information Services, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.