

MAINE



*Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2011*

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

STATE OF MAINE



FOR THE FISCAL YEAR ENDED JUNE 30, 2011

PAUL R. LEPAGE
Governor

H. SAWIN MILLETT, JR.
Commissioner
Department of Administrative & Financial Services

TERRY E. BRANN, CPA
State Controller

Prepared by the Office of the State Controller

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

<http://www.maine.gov>

STATE OF MAINE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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INTRODUCTORY SECTION

STATE OF MAINE
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES
OFFICE OF THE STATE CONTROLLER
14 STATE HOUSE STATION AUGUSTA, ME 04333-0014

H. SAWIN MILLETT, JR.
COMMISSIONER



TERRY BRANN, CPA
STATE CONTROLLER

December 29, 2011

**To the Honorable Paul R. LePage, Governor,
The Honorable Members of the Legislature, and
Citizens of the State of Maine**

We are pleased to present the State of Maine's Fiscal Year 2011 (FY2011) Comprehensive Annual Financial Report (CAFR) prepared in accordance with Generally Accepted Accounting Principles (GAAP). The annual CAFR, required by Title 5 MRSA § 1547, is compiled and published by the Office of the State Controller (OSC). The report is the primary means of reporting the State's financial activities. The objective of this report is to provide a clear picture of our government as a single, unified entity, as well as providing traditional fund based financial statements.

INTRODUCTION TO THE REPORT

Responsibility

The OSC is responsible for the accuracy, fairness and completeness of the financial statements presented in this report. The statements have been prepared in accordance with GAAP. To the best of our knowledge and belief, the information presented is accurate in all material respects and includes all disclosures necessary to enable the reader to gain a reasonable understanding of Maine's financial position and activities.

Adherence to Generally Accepted Accounting Principles

As required by State statute, we have prepared the CAFR in accordance with GAAP applicable to State and local governments, as promulgated by the Governmental Accounting Standards Board (GASB). The State also voluntarily follows the recommendations of the Government Finance Officers Association of the United States and Canada (GFOA) for the contents of government financial reports.

Format of Report

This CAFR is presented in three sections: Introductory, Financial and Statistical. The Introductory Section contains this letter including an overview of current initiatives, the list of principal elected and appointed officials, and the State government organization chart. The Financial Section contains: the Independent Auditor's Report on the Basic Financial Statements; Management's Discussion and Analysis (MD&A), which provides an introduction, overview and analysis of the Basic Financial Statements; the Basic Financial Statements, which present the government-wide financial statements and fund financial statements for governmental funds, proprietary funds, fiduciary funds and similar component units, and component units, together with notes to the financial statements; Required Supplementary Information other than MD&A, which presents budgetary comparison schedules, schedules of pension funding progress, other post-employment benefit plans funding progress, and information about infrastructure assets; and the supplemental financial data, which includes the combining financial statements and schedules.

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This letter of transmittal is designed to complement MD&A where the financial analysis is now presented. The State's MD&A can be found immediately following the Independent Auditor's Report from the State Auditor. The Statistical Section contains selected trend information, and statistical data on financial, economic and demographic measures.

Internal Control Structure

The OSC prepared these financial statements and assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, the OSC has established a comprehensive internal control framework that is designed to protect the State's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the State of Maine's financial statements in conformity with GAAP.

Because the cost of internal controls should not outweigh their benefits, the State's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

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.

Independent Auditors

Pursuant to Title 5 MRSA § 243, the State Auditor has performed an examination of the Basic Financial Statements in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards. The auditor's opinion is presented in the financial section of this report. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the Basic Financial Statements; assessing the accounting principles used and significant estimates made by management; and, evaluating the overall financial statement presentation. The State Auditor rendered an unqualified opinion on the Basic Financial Statements for this fiscal year.

Also, pursuant to § 243 the State Auditor has undertaken a Single Audit of the State as a whole, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, as required by federal law. The standards governing Single Audit engagements require the auditor to report not only on the fair presentation of the financial statements, but also on the government's internal controls and compliance with legal requirements involving the administration of federal awards. This statewide federal Single Audit Report, including the auditor's opinion in accordance with generally accepted government auditing standards, is published separately.

The State Auditor is statutorily mandated to audit all accounts and other financial records of State Government or any department or agency of State Government, including the judiciary and the Executive Department of the Governor, except the Governor's Expense Account, and to report annually, and at such other times as the Legislature may require.

Management's Discussion and Analysis (MD&A)

GASB Statement No. 34 requires that management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The State of Maine was the twenty-third state admitted to the Union on March 15, 1820 under the Missouri Compromise. By this time the population of Maine had reached nearly 300,000. The newly admitted state had nine counties and 236 towns. The city of Portland was the original site of the capital of Maine upon its admission to the Union. The Capital moved to Augusta in 1832 as a more central location from which to govern. The State has an area of 33,215 square miles and 3,500 miles of continuous coastline. Maine boasts 6,000 lakes and approximately 17 million acres of forest land. Geographically, the State includes 16 counties. The most populous county is Cumberland which includes Maine's largest city, Portland.

Reporting Entity

The Governor and Legislature govern all funds and accounts for every executive agency, board, commission, public trust, authority and component unit. The State of Maine financial reporting entity reflected in the CAFR, which is more fully described in Note 1 to the Basic Financial Statements, includes these funds, agencies, organizations, boards, commissions, Authorities and major component units in accordance with GASB Statement No. 14 as amended by GASB Statement No. 39. There are 6 major component units, 12 non-major component units, one blended component unit, and one fiduciary component unit included in the CAFR. The major component units are discretely presented in the financial statements, and the blended component unit is included as a separate fund in the fund financial statements. The fiduciary component unit is presented in the fiduciary fund and similar component unit financial statements, along with the other fiduciary activities of the State. The fiduciary activities are not included in the government-wide financial statements because the resources of these funds are not available to support the State's own programs.

The departments of the primary government record their daily financial operations in the State accounting system called AdvantageME operated by the OSC.

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 total General Fund appropriation for each fiscal year of the biennium in the Governor's budget submission to the Legislature may not exceed the General Fund appropriation of the previous fiscal year multiplied by one plus the average real personal income growth rate, as defined in Title 5 MRSA § 1665, subsection 1, plus the average forecasted inflation rate. "Average forecasted inflation rate" means the average forecasted change in the Consumer Price Index underlying the revenue projections developed by the Revenue Forecasting Committee. This appropriation limitation may be exceeded only by the amount of the additional costs or the lost federal revenue from the following exceptional circumstances: unfunded or under-funded new federal mandates; losses in federal revenues or other revenue sources; citizens' initiatives or referenda that require increased State spending; court orders or decrees that require additional State resources to comply with the orders or decrees; and sudden or significant increases in demand for existing State services that are not the result of legislative changes that increased eligibility or increased benefits. The Governor may designate exceptional circumstances that are not explicitly defined, but meet the intent of this statute. "Exceptional circumstances" means an unforeseen condition

or conditions over which the Governor and the Legislature have little or no control. Exceptional circumstances do not apply to new programs or program expansions that go beyond existing program criteria and operation.

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. In the State's accounting system, amounts carried forward are shown as reservations of fund balance. For financial statement purposes unless amounts would create deficits, encumbrances outstanding at June 30 are shown as restrictions, commitments or assignments of fund balance. 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.

Maine Budget Stabilization Fund

The Maine Budget Stabilization Fund, established in Title 5 § 1532, to replace the Maine Rainy Day Fund, is a designation of the unassigned General Fund fund balance intended to be used when revenues are under budget and critical services must be preserved. The Governor may also allocate funds from the Budget Stabilization Fund for payment of death benefits for law enforcement officers, firefighters and emergency medical services persons.

Balances in the fund do not lapse; but carry forward each year. The money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. In addition to interest earnings, the fund is capitalized at the close of each fiscal year. In fiscal year 2011, \$46.1 million was transferred into the fund.

ECONOMIC CONDITIONS AND OUTLOOK

The November 2011 economic forecast continues to see little progress in the national and state economic recovery through 2012, partly due to the European debt crisis and the expected recession in the euro zone. The revised forecast lowers the expectations for wage and salary employment growth through 2014. Personal income growth was generally revised downward for the near term. After an upward revision in growth in the Consumer Price Index (CPI) for 2011, the November forecast made a large downward revision for 2012, a slight downward revision in 2013 and no changes for 2014-2015. The downward revision for CPI growth in 2012 and 2013 are due to reduced expectations for global economic demand growth and the relatively high prices for food and energy seen in 2010 and 2011.

As part of the December 2011 revenue forecast, General Fund revenue estimates are being revised upward by \$10.6 million in FY12 and then downward by \$9.6 million in FY13, resulting in a net increase of budgeted revenue for the 2012-2013 biennium of \$1.0 million. The effects of the technical changes as part of targeting the tax models to updated tax data and the better short-term corporate profit growth in the economic forecast offset the slower Personal Income growth assumptions in FY12.

Sales and Use Tax is forecast upward for three of the four years of the forecast period. The revisions are the result of the net effect of the changes in several economic assumptions used in the sales and excise tax model, primarily the declines in the savings rate, energy price index changes and aggregate Personal Income growth. The tax model was also targeted to account for growth in taxable sales in the Business Operating sector. The combined net changes for the forecast of these 2 major tax lines are an increase of \$3.3 million in FY12, a decrease of \$2.8 million in FY13.

Individual Income Tax estimates are projected upward in FY12 (\$5.4 million) and downward by a similar amount in FY13 (\$5.4 million) before the slower jobs and income growth projections of the economic forecast turn the revisions significantly negative.

Corporate Income Tax revenue is the largest positive influence on the forecast. With many businesses having worked hard to find ways to cut costs, any improvements in income can flow directly through to the bottom line. The significant improvement in the corporate profit growth assumptions in calendar years 2011 and 2012 raised projections by \$20.2 million in FY12 and \$18.7 million in FY13.

For the other revenue categories, the adjustments were much more consistently negative and virtually eliminated the net increase from the sales and income taxes in the 2012-2013 biennium.

FINANCIAL INFORMATION

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. All State money in any depository of State Government shall be to the credit of the State but the Treasurer of State shall not withdraw any of the funds except upon the authority of the State Controller.

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.

Debt Management

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 and Standard & Poor's make their assessments, in large part, by examining four basic analytical areas:

- Economy
- Financial Performance and Flexibility
- Debt Burden
- 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.

The ratings on Maine's June 2011 bond issue were AA with a negative outlook from Standard & Poor's and Aa2 with a stable outlook from Moody's.

Risk Management

In general, the State is "self-insured" for health and dental insurance, worker's compensation, tort liability, vehicle liability, marine and aircraft, property losses, and retiree health insurance for State employees and teachers. The Risk Management Division's activities include analysis of and control over insurance coverage and risk exposure. Risk Management funds the cost of providing claims servicing and claims payment by charging premiums to agencies based on a review of past losses and estimated losses for the current period.

Fund Balance

The State's Fiscal Year 2011 General Fund Unassigned Fund Balance negative position significantly improved from Fiscal Year 2010 to Fiscal Year 2011 ending at negative \$243.6 million. The Fiscal Year 2010 General Fund Unassigned Fund Balance was negative \$312.7 million when restated using the GASB #54 standard. As part of the budget balancing in Fiscal Year 2010, the State relied on a one-day borrowing from the Special Revenue Fund. This one-day borrowing was eliminated in Fiscal Year 2011 and is one of the more significant factors related to the improvement in General Fund equity position.

The State continues to improve the budgetary reserves during these difficult economic times. As a part of the final budget adjustment for Fiscal Year 2011, the Legislature approved direct transfers to the State's Budget Stabilization Fund in the amount of \$35.8 million. In addition, the year-end cascade transferred another \$10.3 million to the State's Budget Stabilization Fund. The additional transfer and interest earnings increased the balance in the Fund to \$71.4 million as of June 30, 2011. The year-end cascade also transferred \$5.9 million to the Operating Capital Fund, increasing the balance in that fund to \$17.1 million as of June 30, 2011.

There are several factors that adversely affect our General Fund Balance Sheet that we should strive to resolve over the next several years. The paramount cause for the current condition is the Medicaid liabilities that accrue at the end of each fiscal year. Another factor that has a significant impact on the State's Financial Statements compiled and issued in accordance with Generally Accepted Accounting Principles as applicable to governments includes accruing tax revenues for budgetary purposes and for financial statement purposes without accruing the offsetting liabilities for budgetary purposes.

OTHER INFORMATION

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the State of Maine for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This is the fourth time that Maine has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we will be submitting it to the GFOA to determine its eligibility for another certificate.

The Certificate of Achievement is the highest recognition a government may receive for excellence in financial reporting, we thank the finance community and our auditors for their contributions in achieving this award.

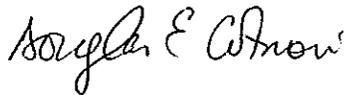
State government continues to have many accomplishments of which it can be proud. Consistent with the vision of Governor LePage to improve and enhance the fiscal administration of governmental operations, the Office of the State Controller continues to improve and refine its skills to meet the challenges of financial management in the 21st century. The Office provides assistance to many State agencies to help insure the integrity and accountability of the programs they deliver to Maine's citizens. We strive to find solutions to the State's financial challenges by partnering with financial and program managers ensuring that the best solutions are found to our many challenges. In an environment where economic resources are limited and agencies are coping with budget constraints, the challenge of maintaining effective controls is greater than ever. We will continue to partner with each department, at its highest levels, to ensure that the tools are available to help each agency assess its risks and target controls to manage those risks effectively and within its budgetary constraints whenever possible.

Each year the preparation of the CAFR requires the efforts of the finance people throughout the State from virtually all agencies, departments and component units. We sincerely appreciate the dedicated efforts of all of these individuals. I am especially proud of the dedication and contributions of the staff of the Office of the State Controller, who strive to maintain the public's trust in our financial operations. Their efforts culminate in the CAFR each year.

Sincerely,



Terry E. Brann, CPA
State Controller



Douglas E. Cotnoir, CPA, CIA
Deputy State Controller



Heidi C. McDonald, CPA
Manager, Financial Reporting





STATE OF MAINE

OFFICIALS OF STATE GOVERNMENT

AS OF JUNE 30, 2011

EXECUTIVE

Paul R. LePage, *Governor*

LEGISLATIVE

Kevin L. Raye, *President of the Senate*

Robert W. Nutting, *Speaker of the House*

Constitutional/Statutory Officers

William J. Schneider, *Attorney General*

Neria R. Douglass, *State Auditor*

Charles E. Summers, Jr., *Secretary of State*

Bruce L. Poliquin, *State Treasurer*

JUDICIAL

Leigh Ingalls Saufley, *Chief Justice of the State Supreme Court*



STATE OF MAINE ORGANIZATION CHART AS OF JUNE 30, 2011

MAINE VOTERS

LEGISLATIVE BRANCH

Senate
House of Representatives
Legislative Council
Office of Fiscal and Program Review
Office of Legislative Information Services
Office of Policy and Legal Analysis
Office of the Revisor of Statutes
Maine-Canadian Legislative Advisory Commission
State House and Capitol Park Commission
Office of Executive Director of the Legislative Council
Commission on Interstate Cooperation
Commission on Uniform State Laws
Office of Program Evaluation and Gov't Accountability

EXECUTIVE BRANCH

Governor
Office of the Governor
Governor's Board on Executive Clemency
State Planning Office
Governor's Select Committee on Judicial Appointments
Office of Public Advocate
Land for Maine's Future Board
Maine Land and Water Resources Council

The Governor
appoints all
Judicial Officers

JUDICIAL BRANCH

Supreme Judicial Court
Superior Court
District Court
Court Alternative Dispute Resolution Service
Administrative Office of the Courts
Committee on Judicial Responsibility and Disability
Board of Bar Examiners
Board of Overseers of the Bar
State Court Library Committee

CONSTITUTIONAL OFFICERS

Secretary of State
State Treasurer
State Attorney General

STATUTORY OFFICER

State Auditor

CABINET LEVEL DEPARTMENTS

Administrative and Financial Services
Agriculture, Food and Rural Resources
Conservation
Corrections
Defense, Veterans and Emergency Management
Economic and Community Development
Education
Environmental Protection
Health and Human Services
Inland Fisheries and Wildlife
Labor
Marine Resources
Professional and Financial Regulation
Public Safety
Transportation

MISCELLANEOUS BOARDS & COMMISSIONS

Human Rights Commission
Maine Arts Commission
Maine Historic Preservation Commission
Public Utilities Commission
State Lottery Commission
Workers' Compensation Board

MAJOR COMPONENT UNITS

Finance Authority of Maine
Maine Community College System
Maine Health and Higher Education Facilities Authority
Maine Municipal Bond Bank
Maine Public Employees Retirement System
Maine State Housing Authority
University of Maine System

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Maine

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



FINANCIAL SECTION
INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS



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DEPUTY STATE AUDITOR

MARY GINGROW-SHAW, CPA
SINGLE AUDIT COORDINATOR

MICHAEL J. POULIN, CIA
DIRECTOR OF AUDIT and ADMINISTRATION

NERIA R. DOUGLASS, JD, CIA
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2011, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Maine's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following component units: Child Development Services, ConnectME Authority, Efficiency Maine Trust, Finance Authority of Maine, Loring Development Authority, Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, Maine Educational Loan Authority, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Port Authority, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Technology Institute, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, Small Enterprise Growth Fund, and University of Maine System. We also did not audit the financial statements of the NextGen College Investing Plan. These financial statements reflect the following percentages of total assets and net assets or fund balance of the indicated opinion unit:

<u>Opinion Unit</u>	<u>Percent of Opinion Unit's Total Assets</u>	<u>Percent of Opinion Unit's Net Assets/Fund Balance</u>
Aggregate Discretely Presented Component Units	100%	100%
Aggregate Remaining Fund Information	94%	96%

Those financial statements were audited by other auditors whose reports thereon have been furnished to us and our opinions, insofar as they relate to the amounts included for these entities, are based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Maine Educational Loan Authority, Maine Technology Institute, Northern New England Passenger Rail Authority and the Small Enterprise Growth Fund were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as

well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

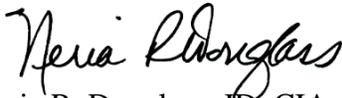
In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of June 30, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, a report on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters will be issued under separate cover. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

As discussed in Note 3, the State has adopted the provisions of Government Accounting Standards Board (GASB) *Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions*.

The Management's Discussion and Analysis on pages 4 through 15, and budgetary comparison schedules and related notes, State Retirement Plan and Other Post-Employment Benefits Plans, Information About Infrastructure Assets Reported Using the Modified Approach, included on pages 106 through 117, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Maine's basic financial statements. The introductory section, the supplementary information – combining statements and individual fund statements and schedules, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information - combining statements and individual fund statements and schedules on pages 120 through 173 has been subjected to the auditing procedures applied by us and other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section on pages ii through xiii and the statistical section on pages 178 through 209 have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.



Neria R. Douglass, JD, CIA
State Auditor
December 29, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State of Maine's annual financial report presents the State's discussion and analysis of financial performance during the year ended June 30, 2011. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- The State's net assets increased by 6.7 percent from the previous fiscal year. Net assets of Governmental Activities increased by \$235.5 million, while net assets of Business-type Activities increased by \$56.7 million. The State's assets exceeded its liabilities by \$4.7 billion at the close of fiscal year 2011. Component units reported net assets of \$2.3 billion, an increase of \$206.6 million (9.7 percent) from the previous year.

Fund level:

- At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of \$328.8 million, an increase of \$17.0 million from the previous year. The General Fund's total fund balance was a negative \$236.4 million, an improvement of \$71.9 million from the previous year. The Highway Fund total fund balance was \$31.8 million, a decline of \$24.6 million from the prior year.
- The proprietary funds reported net assets at year end of \$634.6 million, an increase of \$72.6 million from the previous year. This increase is due to several factors: an increase in the Dirigo Health Fund of \$19.5 million, an increase in the Transit, Aviation & Rail Transportation Fund of \$49.7 million, an increase in the Alcoholic Beverages Fund of \$12.5 million, and an increase in the Information Services Fund of \$11.1 million, offset by a decrease in the Employment Security Fund of \$20.4 million.

Long-term Debt:

- The State's liability for general obligation bonds increased by \$20.1 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State issued \$108.1 million in bonds and made principal payments of \$88.0 million.

Additional information regarding the government-wide, fund level, and long-term debt activities can be found beginning on page 7.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State of Maine's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Change in Accounting Principles

The State implemented Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fiscal year 2010 Condensed Statement of Net Assets has been restated to reflect related changes for comparison purposes.

Government-wide Statements

The government-wide statements report information about the State as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets presents all of the State's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in net assets are an indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused leave).

Both government-wide statements report three activities:

Governmental activities - Most basic services, such as health & human services, education, governmental support & operations, justice & protection, and transportation are included in this category. The Legislature, Judiciary and the general operations of the Executive departments fall within the Governmental Activities. Income taxes, sales and use taxes, and State and federal grants finance most of these activities.

Business-type activities - The State charges fees to customers to help cover all or most of the costs of certain services it provides. Operating costs not covered by customer fees are subsidized by the General Fund. Lottery tickets, transportation services, and the State's unemployment compensation services are examples of business-type activities.

Component units - Although legally separate, component units are important because the State is financially accountable for these entities. The State has "blended" one component unit, the Maine Governmental Facilities Authority (MGFA) with Governmental Activities as described above. Maine reports 18 other component units (6 major and 12 non-major) as discretely presented component units of the State, and one component unit is reported with the State's fiduciary funds. Complete financial statements of the individual component units may be obtained directly from their respective administrative offices as shown in Note 1 A to the financial statements.

Government-wide statements are reported utilizing an economic resources measurement focus and full accrual basis of accounting. The following summarizes the impact of the transition from modified accrual to full accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements but are included on government-wide statements
- Certain tax revenues that are earned, but not available, are reported as revenues in the Governmental Activities, but are reported as deferred revenue on the governmental fund statements
- Other long-term assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but not deferred on the government-wide statements
- Internal service funds are reported as Governmental Activities, but reported as proprietary funds in the fund financial statements
- Governmental fund long-term liabilities, such as certificates of participation, pension obligations, compensated absences, bonds and notes payable, and others appear as liabilities only in the government-wide statements

- Capital outlay spending results in capital assets on the government-wide statements, but is recorded as expenditures on the governmental fund statements
- Proceeds from bonds, notes and other long-term financing arrangements result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements
- Net asset balances are allocated as follows:

Net Assets Invested in Capital Assets, Net of Related Debt; are capital assets, net of accumulated depreciation, and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction or improvement of those assets.

Restricted Net Assets are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation; and

Unrestricted Net Assets are net assets that do not meet any of the above restrictions.

Fund Financial Statements

The fund financial statements provide more detailed information about the State's most significant funds. Funds are fiscal and accounting entities with self-balancing sets of accounts that the State uses to keep track of specific revenue sources and spending for particular purposes. The State's funds are divided into three categories – governmental, proprietary, and fiduciary – and use different measurement focuses and bases of accounting.

Governmental funds: Most of the basic services are included in governmental funds, which generally focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs of the State. The governmental fund statements focus primarily on the sources, uses, and balance of current financial resources and often have a budgetary orientation. These funds are reported using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Because this information does not encompass the additional long-term focus of the government-wide statements, a separate reconciliation provides additional information that explains the relationship (or differences) between them. The governmental funds consist of the General Fund, special revenue, capital projects, and permanent funds.

Proprietary funds: When the State charges customers for the services it provides, whether to outside customers or to other agencies within the State, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) apply the accrual basis of accounting utilized by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. An example is the State Lottery Fund. Internal service funds report activities that provide supplies and services to the State's other programs and activities – such as the State's Postal, Printing & Supply Fund. Internal service funds are reported as Governmental Activities on the government-wide statements.

Fiduciary funds: The State is the trustee or fiduciary for assets that belong to others. The State is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. These funds include pension and other employee benefit trusts administered by the Maine Public Employees Retirement System, a component unit, private-purpose trusts, and agency funds. Fiduciary funds are reported using the accrual basis of accounting. The State excludes these activities from the government-wide financial statements because these assets are restricted in purpose and do not represent discretionary assets of the State to finance its operations.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in both the government-wide and fund financial statements.

Required Supplementary Information

The required supplementary information includes budgetary comparison schedules for the General Fund and major special revenue funds. Also included are notes and a reconciliation of fund balance from the budgetary basis to fund balance determined according to generally accepted accounting principles. This section also includes schedules of funding progress for certain pension and other post-employment benefit trust funds and condition and maintenance data regarding certain portions of the State's infrastructure.

Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements. Budgetary comparison schedules by agency are also included for the general fund, the highway fund, federal funds, and other special revenue fund.

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

The State's net assets increased by 6.7 percent to \$4.7 billion at June 30, 2011, as detailed in Tables A-1 and A-2.

Table A- 1: Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and other noncurrent assets	\$ 1,910,362	\$ 1,891,198	\$ 353,854	\$ 361,077	\$ 2,264,216	\$ 2,252,275
Capital assets	4,861,678	4,618,143	146,357	97,635	5,008,035	4,715,778
Total Assets	<u>6,772,040</u>	<u>6,509,341</u>	<u>500,211</u>	<u>458,712</u>	<u>7,272,251</u>	<u>6,968,053</u>
Current liabilities	1,303,421	1,348,020	32,967	37,184	1,336,388	1,385,204
Long-term liabilities	1,240,167	1,168,334	27,223	38,255	1,267,390	1,206,589
Total Liabilities	<u>2,543,588</u>	<u>2,516,354</u>	<u>60,190</u>	<u>75,439</u>	<u>2,603,778</u>	<u>2,591,793</u>
Net assets (deficit):						
Investment in capital net of related debt	4,165,151	3,945,220	146,357	97,635	4,311,508	4,042,855
Restricted	496,215	535,173 *	300,287	320,648	796,502	855,821 *
Unrestricted (deficit)	<u>(432,914)</u>	<u>(487,406) *</u>	<u>(6,623)</u>	<u>(35,010)</u>	<u>(439,537)</u>	<u>(522,416) *</u>
Total Net Assets	<u>\$ 4,228,452</u>	<u>\$3,992,987</u>	<u>\$ 440,021</u>	<u>\$ 383,273</u>	<u>\$ 4,668,473</u>	<u>\$4,376,260</u>
* As Restated						

Changes in Net Assets

The State's fiscal year 2011 revenues totaled \$8.0 billion. (See Table A-2) Taxes and operating grants and contributions accounted for most of the State's revenue by contributing 43.0 percent and 42.1 percent,

respectively, of every dollar raised. The remainder came from charges for services and other miscellaneous sources.

The total cost of all programs and services totaled \$7.7 billion for the year 2011. (See Table A-2) These expenses are predominantly (68.2 percent) related to health & human services and education activities. The State's governmental support & operations activities accounted for 5.9 percent of total costs. Total net assets increased by \$292.2 million.

Table A-2 - Changes in Net Assets
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 488,644	\$ 492,251	\$ 535,349	\$ 489,034	\$ 1,023,993	\$ 981,285
Operating Grants/Contributions	3,355,823	3,525,858	11,253	44,629	3,367,076	3,570,487
General Revenues:						
Taxes	3,435,859	3,193,659	-	-	3,435,859	3,193,659
Other	172,622	156,515	-	-	172,622	156,515
Total Revenues	7,452,948	7,368,283	546,602	533,663	7,999,550	7,901,946
Expenses						
Governmental Activities:						
Governmental Support	448,917	445,972 *			448,917	445,972
Education	1,706,305	1,752,041			1,706,305	1,752,041
Health & Human Services	3,522,341	3,511,572			3,522,341	3,511,572
Justice & Protection	415,450	412,263			415,450	412,263
Transportation Safety	371,374	327,536 *			371,374	327,536
Other	659,947	682,950			659,947	682,950
Interest	43,202	48,594			43,202	48,594
Business-Type Activities:						
Employment Security			203,693	235,301	203,693	235,301
Lottery			167,956	166,721	167,956	166,721
Military Equip. Maint.			44,765	45,004	44,765	45,004
Dirigo Health			47,980	50,952	47,980	50,952
Other			31,390	28,740	31,390	28,740
Total Expenses	7,167,536	7,180,928	495,784	526,718	7,663,320	7,707,646
Excess (Deficiency) before Special Items and Transfers	285,412	187,355	50,818	6,945	336,230	194,300
Special Items	(36,931)	(11,728)	(7,086)	-	(44,017)	(11,728)
Transfers	(13,016)	37,279	13,016	(37,279)	-	-
Increase (Decrease) in Net Assets	235,465	212,906	56,748	(30,334)	292,213	182,572
Net Assets, beginning of year	3,992,987	3,780,081	383,273	413,607	4,376,260	4,193,688
Ending Net Assets	\$ 4,228,452	\$ 3,992,987	\$ 440,021	\$ 383,273	\$ 4,668,473	\$ 4,376,260
* As reclassified						

Governmental Activities

Revenues for the State's Governmental Activities totaled \$7.5 billion while total expenses equaled \$7.2 billion. The increase in net assets for Governmental Activities was \$235.5 million in 2011, resulting mainly from an increase in the State's investment in capital assets such as land, buildings, and infrastructure. Additionally, program revenues were insufficient to cover program expenses. Therefore, the net program expenses of these governmental activities were supported by general revenues, mainly taxes. Tax revenue increased by \$242.2 million from the prior year; however, net expenses supported by tax revenue also increased by approximately \$160.3 million. Furthermore, the State's Business-type Activities transferred \$48.5 million (net) to the Governmental Activities, which included statutorily required profit transfers. However, offsetting these profit transfers were contributions totaling \$61.6 million from the Governmental Activities to purchase capital assets that are recorded in the Business-type activities.

The users of the State's programs financed \$488.6 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of \$3.4 billion. \$3.6 billion of the State's net costs were financed by taxes and other miscellaneous revenue.

Table A-3: Total Sources of Revenues for Governmental Activities for Fiscal Year 2011

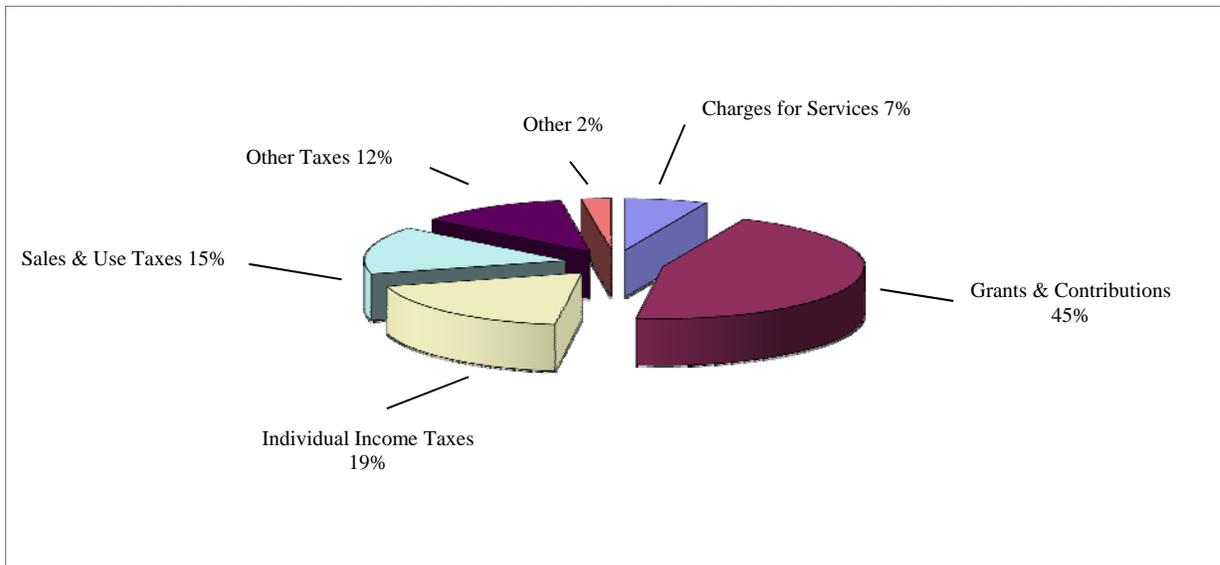
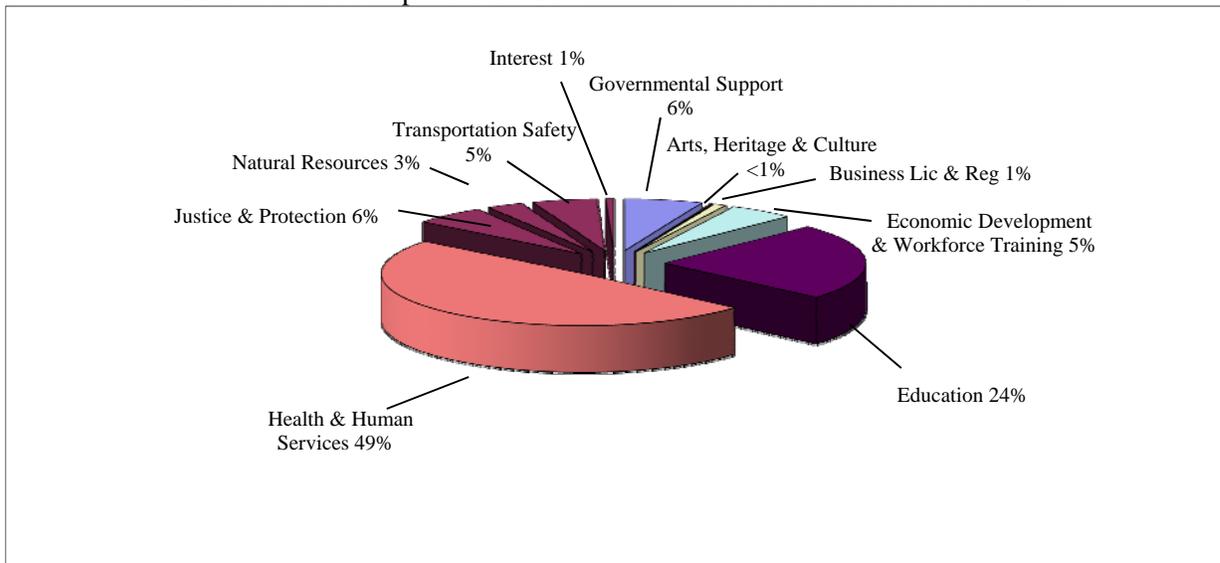


Table A-4: Total Expenses for Governmental Activities for Fiscal Year 2011



Business-type Activities

Revenues for the State's Business-type Activities totaled \$546.6 million while expenses totaled \$495.8 million. The increase in net assets for Business-type Activities was \$56.7 million in 2011, due mainly to the contribution from the State's Governmental Activities to purchase capital assets recorded in the Transit, Aviation and Rail Transportation Fund.

Table A-5 presents the cost of State Business-type Activities: employment security, alcoholic beverages, lottery, military equipment maintenance, Dirigo Health and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the State's taxpayers by each of these functions.

Table A-5: Net Cost of Business-Type Activities
(Expressed in Thousands)

Category	Total Cost		Net (Cost) Revenue	
	2011	2010	2011	2010
Employment Security	\$ 203,693	\$ 235,301	\$ (19,024)	\$ (63,234)
Alcoholic Beverages	-	1	12,533	12,527
Lottery	167,956	166,721	50,125	53,245
Military Equip. Maint.	44,765	45,004	(2,292)	4,483
Dirigo Health	47,980	50,952	23,416	14,657
Other	31,390	28,739	(13,940)	(14,733)
Total	<u>\$ 495,784</u>	<u>\$ 526,718</u>	<u>\$ 50,818</u>	<u>\$ 6,945</u>

The cost of all Business-type Activities this year was \$495.8 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-type Activities was \$50.8 million, with the Lottery making up \$50.1 million of the total. The State's Business-type Activities transferred \$48.5 million (net) to the Governmental Activities, which included statutorily required profit transfers. Additionally, the Governmental Activities contributed \$61.6 million to purchase capital assets that are recorded in the Business-type activities.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

Table A-6: Governmental Fund Balances
(Expressed in Thousands)

Fund	<u>2011</u>	<u>2010</u>	<u>Change</u>
General	\$ (236,369)	\$ (308,248)	\$ 71,879
Highway	31,792	56,403	(24,611)
Federal	24,419	22,082	2,337
Other Special Revenue	399,792	442,482	(42,690)
Other Governmental	109,134	99,052	10,082
Total	<u>\$ 328,768</u>	<u>\$ 311,771</u>	<u>\$ 16,997</u>

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$328.8 million, an increase of \$17.0 million in comparison with the prior year. Of this total amount, \$20.3 million (6.2 percent) is classified as non-spendable, either due to its form or legal constraints, and \$496.4 million (151.0 percent) is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. Unspent bond proceeds, revenue restricted for transportation, natural resources or other programs are included in restricted fund balance. An additional \$38.4 million or 11.7 percent of total fund balance has been committed to specific purposes. Committed amounts cannot be used for any other purpose unless approved by the Legislature. An additional \$17.1 million or 5.2 percent of total fund balance has been assigned to specific purposes, as expressed by government's intent. At the end of the current fiscal year, the unassigned fund balance of the General Fund was a deficit of \$243.6 million, an improvement of \$71.9 million.

General Fund revenues and other sources surpassed General Fund expenditures and other uses resulting in an increase in the fund balance by \$71.9 million. While expenditures and other uses of the General Fund increased by approximately \$79.5 million (2.5 percent) led by an increase in expenditures for health and human service of \$174.2 million, transfers to other funds and expenditures for education decreased by \$38.5 million and \$30.5 million respectively; General Fund revenues and other sources also increased by \$186.2 million (6.0 percent) which is mainly attributed to an increase in tax revenue (\$170.5 million).

The fund balance of the Highway Fund decreased \$24.6 million from fiscal year 2010, due mainly to an increase in the transportation, safety and development expenditures by approximately \$33.4 million (as reclassified) offset by the Highway Fund's reimbursement of approximately \$8.3 million from the Federal Fund for prior period expenditures that were ultimately approved for federal funding.

Budgetary Highlights

For the 2011 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to \$2.9 billion, an increase of about \$191 million from the original legally adopted budget of approximately \$2.7 billion. Actual expenditures on a budgetary basis amounted to approximately \$76.2 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2012, including the budgeted starting balance for Fiscal Year 2011, there were funds remaining of \$82 million to distribute in Fiscal Year 2011. Actual revenues exceeded final budget forecasts by \$17.5 million. As a part of the final budget adjustment for Fiscal Year 2011, the Legislature approved direct transfers to the State's Budget Stabilization Fund in the amount of \$35.8 million. In addition, the year-end cascade transferred another \$10.3 million to the State's Budget Stabilization Fund. The additional transfer and interest earnings increased the

balance in the Fund to \$71.4 million as of June 30, 2011. This item is further explained in Note 2 of Notes to the Financial Statements. The year-end cascade also transferred \$5.9 million to the Operating Capital Fund, increasing the balance in that fund to \$17.1 million as of June 30, 2011.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of fiscal year 2011, the State had roughly \$5.0 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2011, the State acquired or constructed more than \$346.5 million of capital assets. The most significant impact on capital assets during the year resulted from continued construction and rehabilitation of roads and bridges, and major construction and renovation of State-owned facilities. More detailed information about the State's capital assets and significant construction commitments is presented in Notes 8 and 15 to the financial statements.

Table A-7 - Capital Assets
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 488,197	\$ 473,464	\$ 58,888	\$ 43,076	\$ 547,085	\$ 516,540
Buildings	592,943	589,375	9,449	8,465	602,392	597,840
Equipment	254,392	254,744	67,037	49,548	321,429	304,292
Improvements	19,602	19,576	63,342	74,572	82,944	94,148
Infrastructure	3,814,466	3,600,246	-	-	3,814,466	3,600,246
Construction in Progress	<u>119,419</u>	<u>90,974</u>	<u>32,024</u>	<u>8,789</u>	<u>151,443</u>	<u>99,763</u>
Total Capital Assets	5,289,019	5,028,379	230,740	184,450	5,519,759	5,212,829
Accumulated Depreciation	<u>427,341</u>	<u>410,236</u>	<u>84,383</u>	<u>86,815</u>	<u>511,724</u>	<u>497,051</u>
Capital Assets, net	<u>\$ 4,861,678</u>	<u>\$ 4,618,143</u>	<u>\$ 146,357</u>	<u>\$ 97,635</u>	<u>\$ 5,008,035</u>	<u>\$ 4,715,778</u>

Modified Approach for Infrastructure

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets – highways and bridges. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Utilization of this approach requires the State to: 1) maintain an asset management system that includes an up-to-date inventory of infrastructure assets; 2) perform condition assessments that use a measurement scale and document that the infrastructure assets are being preserved at or above the condition level established; and 3) estimate the annual amounts that must be expended to preserve and maintain the infrastructure at the condition level established by the State. As long as the State meets these requirements, any additions or improvements to infrastructure are capitalized and all other maintenance and preservation costs are expensed.

Highways and bridges are included in the State's infrastructure. There are 8,807 highway miles or 17,921 lane miles within the State. Bridges have a deck area of 11.7 million square feet among 2,960 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2011, the actual average condition was 74.8. Its policy for bridges is an average sufficiency rating condition assessment of

60. The actual average condition for bridges was 78 at June 30, 2011. Preservation costs for fiscal year 2011 totaled \$110.7 million compared to estimated preservation costs of \$94.0 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 414, PL 2009, \$25 million in Highway fund bonds and \$5 million in General fund bonds was spent during FY2011. Of the amount authorized by Chapter 645, PL 2009, \$10 million was spent during FY2011.

Additional information on infrastructure assets can be found in Required Supplementary Information (RSI).

Long-Term Debt

The State Constitution authorizes general obligation long-term borrowing, with 2/3 approval of the Legislature and ratification by a majority of the voters, and general obligation short-term notes, of which the principal may not exceed an amount greater than 10 percent of all 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, or greater than 1 percent of the total valuation of the State of Maine, whichever is the lesser.

At year-end, the State had \$1.4 billion in general obligation and other long-term debt outstanding. More detailed information about the State's long-term liabilities is presented in Note 11 to the financial statements.

Table A-8 - Outstanding Long-Term Debt
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General Obligation Bonds	\$ 520,230	\$ 500,100	\$ -	\$ -	\$ 520,230	\$ 500,100
Other Long-Term Obligations	910,156	836,743	2,283	808	912,439	837,551
Total	<u>\$ 1,430,386</u>	<u>\$ 1,336,843</u>	<u>\$ 2,283</u>	<u>\$ 808</u>	<u>\$ 1,432,669</u>	<u>\$ 1,337,651</u>

During the year, the State reduced outstanding long-term obligations by \$88.0 million for outstanding general obligation bonds and \$689.7 million for other long-term debt. Also during fiscal year 2011, the State incurred \$872.7 million of additional long-term obligations.

Credit Ratings

The State's credit was rated during fiscal year 2011 by Moody's Investors Service as Aa2 with a stable outlook and by Standard & Poor's as AA with a negative outlook.

FACTORS BEARING ON THE FUTURE OF STATE AND NEXT YEAR'S BUDGETS

National and state economic conditions have shown little to no improvement over recent months. Maine's economic activity index shows weak growth and remains well below pre-recession levels. Nationwide, consumer sentiment and small business optimism have both declined over the course of the year. According to the U.S. Bureau of Economic Analysis, personal income in Maine was 3.9 percent higher in the second quarter of 2011 than it was in the second quarter of 2010. After rising on a quarter-over-quarter basis for three straight quarters, the price of a barrel of oil fell 12.5 percent in the third quarter of 2011. Since the end of the homebuyer tax credit in May 2010, home sales in Maine and the U.S. have fallen on a year-over-year basis in three of the last four quarters and are just slightly above the bottom reached in early 2009. After hitting bottom in February 2011, housing permits in Maine inched up to about where they were in January 2009. Home prices in the Portland metropolitan area increased 1.0 percent year-over-year in the second quarter of 2011. Foreclosure starts and mortgage delinquencies remain well above pre-recession levels but below peak crisis levels.

The November 2011 economic forecast continues to see little progress in the national and state economic recovery through 2012, partly due to the European debt crisis and the expected recession in the euro zone. The revised forecast lowers the expectations for wage and salary employment growth through 2014. Personal income growth was generally revised downward for the near term. After an upward revision in growth in the Consumer Price Index (CPI) for 2011, the November forecast made a large downward revision for 2012, a slight downward revision in 2013 and no changes for 2014-2015. The downward revision for CPI growth in 2012 and 2013 are due to reduced expectations for global economic demand growth and the relatively high prices for food and energy seen in 2010 and 2011.

The unemployment rate in Maine has been below the national average throughout the recession and during the early stages of the economic recovery. The rate in Maine stood at 7.3 percent in October, which is below both the national and New England averages. Maine is forecasted to return to its pre-recession wage and salary employment level after 2015.

After falling for two straight years, General Fund revenue increased by 6.9 percent in FY11. Growth is projected to be well below that rate in fiscal years 2012-2014 because of significant tax reductions enacted by the Legislature during the last legislative session. Revenue growth is projected to return to a more moderate pace of 4.1 percent in fiscal year 2015 once the tax cuts are fully implemented.

At June 30, 2011, the deficit in the State of Maine's Unassigned Fund Balance Account in the General Fund has decreased to \$243.6 million (from a deficit unassigned balance of \$312.7 for fiscal year 2010). This decrease is primarily due the State not using a one-day borrowing from the Other Special Revenue Fund to balance the budget which totaled \$79 million in fiscal year 2010.

There are several factors that adversely affect our General Fund Balance Sheet that we should strive to improve over the next several years. One cause for the current condition is the Medicaid liabilities that accrue at the end of each fiscal year. Other factors that have a significant impact on the State's Financial Statements compiled and issued in accordance with Generally Accepted Accounting Principles as applicable to governments include such factors as accruing tax revenues for budgetary purposes and for financial statement purposes without accruing the offsetting liabilities for budgetary purposes; the increase in the demand for carrying accounts and a lack of allowing money to accrue to the Unassigned Fund Balance of the General Fund.

These items together, conspire to cause the State of Maine's General Fund to be subjected to lack of liquidity each year and an inability to adequately manage its Balance Sheet within existing resources.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the finances of the State and to demonstrate the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, please contact:

State of Maine
Office of the State Controller
14 State House Station
Augusta, ME 04333-0014
(207)-626-8420
financialreporting@maine.gov



BASIC FINANCIAL STATEMENTS

**STATE OF MAINE
STATEMENT OF NET ASSETS**

June 30, 2011
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 313,188	\$ 18,228	\$ 331,416	\$ 86,244
Cash and Cash Equivalents	282	2,166	2,448	107,457
Cash with Fiscal Agent	144,748	-	144,748	-
Investments	78,256	-	78,256	642,769
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	27,319	-	27,319	-
Restricted Deposits and Investments	3,971	265,354	269,325	21,650
Inventories	5,582	2,387	7,969	2,110
Receivables, Net of Allowance for Uncollectibles:				
Taxes Receivable	371,925	-	371,925	-
Loans Receivable	4,933	-	4,933	94,729
Notes Receivable	-	-	-	960
Other Receivables	211,761	60,906	272,667	79,179
Internal Balances	2,169	(2,169)	-	-
Due from Other Governments	494,762	-	494,762	157,835
Due from Primary Government	-	-	-	16,641
Loans receivable from primary government	-	-	-	21,276
Due from Component Units	40,583	-	40,583	-
Other Current Assets	4,802	2,201	7,003	40,671
Total Current Assets	<u>1,704,281</u>	<u>349,073</u>	<u>2,053,354</u>	<u>1,271,521</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	81,896	4,781	86,677	22,628
Assets Held in Trust	-	-	-	5
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	7,168	-	7,168	-
Restricted Deposits and Investments	-	-	-	520,222
Investments	-	-	-	471,620
Receivables, Net of Current Portion:				
Taxes Receivable	93,067	-	93,067	-
Loans Receivable	-	-	-	2,648,029
Notes Receivable	-	-	-	70,402
Other Receivables	752	-	752	12,964
Due from Other Governments	22,898	-	22,898	1,446,450
Loans receivable from primary government	-	-	-	269,643
Due From Primary Government	-	-	-	1,855
Other Noncurrent Assets	-	-	-	33,281
Post-Employment Benefit Asset	300	-	300	9,326
Capital Assets:				
Land, Infrastructure, and Other Non-Depreciable Assets	4,422,082	90,912	4,512,994	90,234
Buildings, Equipment and Other Depreciable Assets	866,937	139,828	1,006,765	1,289,315
Less: Accumulated Depreciation	(427,341)	(84,383)	(511,724)	(480,168)
Capital Assets, Net of Accumulated Depreciation	<u>4,861,678</u>	<u>146,357</u>	<u>5,008,035</u>	<u>899,381</u>
Total Noncurrent Assets	<u>5,067,759</u>	<u>151,138</u>	<u>5,218,897</u>	<u>6,405,806</u>
Total Assets	<u>\$ 6,772,040</u>	<u>\$ 500,211</u>	<u>\$ 7,272,251</u>	<u>\$ 7,677,327</u>

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

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 766,785	\$ 3,637	\$ 770,422	\$ 92,750
Accrued Payroll	40,616	1,084	41,700	1,016
Tax Refunds Payable	159,964	-	159,964	-
Due to Component Units	22,593	-	22,593	-
Due to Primary Government	-	-	-	40,583
Undistributed Grants and Administrative Funds	-	-	-	13,804
Allowances for Losses on Insured Commercial Loans	-	-	-	14,979
Current Portion of Long-Term Obligations:				
Compensated Absences	4,545	59	4,604	2,514
Due to Other Governments	97,722	-	97,722	2,700
Amounts Held under State & Federal Loan Programs	-	-	-	30,208
Claims Payable	27,006	-	27,006	-
Bonds and Notes Payable	97,440	-	97,440	157,283
Notes Payable	-	-	-	572
Revenue Bonds Payable	17,285	-	17,285	52,442
Obligations under Capital Leases	5,881	-	5,881	1,946
Certificates of Participation and Other Financing Arrangements	25,541	-	25,541	-
Loans Payable to Component Unit	21,276	-	21,276	-
Accrued Interest Payable	7,149	-	7,149	48,562
Deferred Revenue	1,250	12,799	14,049	62,716
Other Current Liabilities	8,368	15,388	23,756	39,008
Total Current Liabilities	1,303,421	32,967	1,336,388	561,083
Long-Term Liabilities:				
Compensated Absences	41,898	823	42,721	-
Due to Component Units	1,742	-	1,742	-
Due to Other Governments	3	-	3	8,904
Amounts Held under State & Federal Loan Programs	-	-	-	48,760
Claims Payable	35,863	-	35,863	-
Bonds and Notes Payable	422,790	-	422,790	3,274,908
Notes Payable	-	-	-	25,783
Revenue Bonds Payable	154,865	-	154,865	1,289,104
Obligations under Capital Leases	27,809	-	27,809	6,224
Certificates of Participation and Other Financing Arrangements	46,289	-	46,289	-
Loans Payable to Component Unit	269,643	-	269,643	-
Deferred Revenue	7,010	25,000	32,010	18,523
Pension Obligation	2,028	-	2,028	-
Other Post-Employment Benefit Obligation	190,622	1,400	192,022	-
Pollution Remediation	39,605	-	39,605	-
Other Noncurrent Liabilities	-	-	-	100,093
Total Long-Term Liabilities	1,240,167	27,223	1,267,390	4,772,299
Total Liabilities	2,543,588	60,190	2,603,778	5,333,382
Net Assets				
Invested in Capital Assets, Net of Related Debt	4,165,151	146,357	4,311,508	675,358
Restricted:				
Transportation Purposes	176,140	-	176,140	-
Business Licensing & Regulation	44,245	-	44,245	-
Justice and Protection	11,416	-	11,416	-
Natural Resources	46,891	-	46,891	-
Health and Human Services	33,828	-	33,828	-
Capital Projects	30,542	-	30,542	-
Government Support & Operations	60,628	-	60,628	-
Unemployment Compensation	-	300,287	300,287	-
Other Purposes	13,933	-	13,933	1,172,379
Funds Held as Permanent Investments:				
Expendable	63,631	-	63,631	-
Nonexpendable	14,961	-	14,961	10,709
Unrestricted	(432,914)	(6,623)	(439,537)	485,499
Total Net Assets	\$ 4,228,452	\$ 440,021	\$ 4,668,473	\$ 2,343,945

STATE OF MAINE STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Governmental Support & Operations	\$ 448,917	\$ 105,851	\$ 29,378	\$ -
Arts, Heritage & Cultural Enrichment	11,807	749	3,386	-
Business Licensing & Regulation	69,288	57,772	2,151	-
Economic Development & Workforce Training	374,473	5,972	281,472	-
Education	1,706,305	4,470	309,555	-
Health & Human Services	3,522,341	18,252	2,393,090	-
Justice & Protection	415,450	83,093	63,254	-
Natural Resources Development & Protection	204,379	102,084	46,652	-
Transportation Safety & Development	371,374	110,401	226,885	-
Interest Expense	43,202	-	-	-
Total Governmental Activities	7,167,536	488,644	3,355,823	-
Business-Type Activities:				
Employment Security	203,693	173,416	11,253	-
Alcoholic Beverages	-	12,533	-	-
Lottery	167,956	218,081	-	-
Transportation	11,082	4,182	-	-
Marine Ports	625	-	-	-
Ferry Services	12,711	4,649	-	-
Military Equipment Maintenance	44,765	42,473	-	-
Dirigo Health	47,980	71,396	-	-
Other	6,972	8,619	-	-
Total Business-Type Activities	495,784	535,349	11,253	-
Total Primary Government	\$ 7,663,320	\$ 1,023,993	\$ 3,367,076	\$ -
Component Units:				
Finance Authority of Maine	38,267	12,661	26,125	-
Maine Community College System	123,620	17,208	66,706	2,214
Maine Health & Higher Educational Facilities Authority	55,628	50,972	5,446	-
Maine Municipal Bond Bank	71,871	59,032	3,774	37,429
Maine State Housing Authority	283,549	81,536	203,344	-
University of Maine System	678,915	298,211	247,045	22,556
All Other Non-Major Component Units	211,022	41,100	158,604	17,557
Total Component Units	\$ 1,462,872	\$ 560,720	\$ 711,044	\$ 79,756
General Revenues:				
Taxes:				
Corporate				
Individual Income				
Fuel				
Property				
Sales & Use				
Other				
Unrestricted Investment Earnings				
Non-Program Specific Grants, Contributions & Appropriations				
Miscellaneous Income				
Loss on Assets Held for Sale				
Tobacco Settlement				
Special Items				
Transfers - Internal Activities				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning				
Net Assets - Ending				

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

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (313,688)	\$ -	\$ (313,688)	\$ -
(7,672)	-	(7,672)	-
(9,365)	-	(9,365)	-
(87,029)	-	(87,029)	-
(1,392,280)	-	(1,392,280)	-
(1,110,999)	-	(1,110,999)	-
(269,103)	-	(269,103)	-
(55,643)	-	(55,643)	-
(34,088)	-	(34,088)	-
(43,202)	-	(43,202)	-
<u>(3,323,069)</u>	<u>-</u>	<u>(3,323,069)</u>	<u>-</u>
-	(19,024)	(19,024)	-
-	12,533	12,533	-
-	50,125	50,125	-
-	(6,900)	(6,900)	-
-	(625)	(625)	-
-	(8,062)	(8,062)	-
-	(2,292)	(2,292)	-
-	23,416	23,416	-
-	1,647	1,647	-
-	50,818	50,818	-
<u>\$ (3,323,069)</u>	<u>\$ 50,818</u>	<u>\$ (3,272,251)</u>	<u>\$ -</u>
-	-	-	519
-	-	-	(37,492)
-	-	-	790
-	-	-	28,364
-	-	-	1,331
-	-	-	(111,103)
-	-	-	6,239
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (111,352)</u>
310,693	-	310,693	-
1,455,959	-	1,455,959	-
241,710	-	241,710	-
45,882	-	45,882	-
1,097,900	-	1,097,900	-
283,715	-	283,715	-
17,051	-	17,051	14,830
-	-	-	278,102
107,017	-	107,017	2,090
-	-	-	(1,314)
48,554	-	48,554	-
(36,931)	(7,086)	(44,017)	24,277
(13,016)	13,016	-	-
<u>3,558,534</u>	<u>5,930</u>	<u>3,564,464</u>	<u>317,985</u>
235,465	56,748	292,213	206,633
3,992,987	383,273	4,376,260	2,137,312
<u>\$ 4,228,452</u>	<u>\$ 440,021</u>	<u>\$ 4,668,473</u>	<u>\$ 2,343,945</u>



GOVERNMENTAL FUND FINANCIAL STATEMENTS

MAJOR FUNDS

General Fund – This 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.

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 Fund – This fund is used to account for grants, block grants and other financial assistance received from the federal government, 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 and Federal Funds.

NON-MAJOR FUNDS

Other Governmental Funds are used to account for revenue sources that are legally restricted to expenditures for specified purposes, including some major capital projects and funds held in trust for public purposes.

Other governmental funds are presented, by fund type, beginning on page 119.

**STATE OF MAINE
BALANCE SHEET
GOVERNMENTAL FUNDS**

June 30, 2011
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Treasurer's Cash Pool	\$ 50,221	\$ 45,150	\$ -	\$ 145,501	\$ 336	\$ 241,208
Cash and Short-Term Investments	119	116	1	43	-	279
Cash with Fiscal Agent	357	713	-	119,147	-	120,217
Investments	-	-	-	-	78,256	78,256
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	-	-	-	-	34,487	34,487
Inventories	1,296	-	831	-	-	2,127
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	430,911	24,823	-	9,258	-	464,992
Loans Receivable	1	35	-	4,897	-	4,933
Other Receivable	72,060	2,442	69,092	67,633	-	211,227
Due from Other Funds	26,059	2	652	80,191	3	106,907
Due from Other Governments	-	-	494,239	-	-	494,239
Due from Component Units	-	-	-	40,467	116	40,583
Other Assets	2,357	-	391	214	13	2,975
Working Capital Advances Receivable	111	-	-	-	-	111
Total Assets	\$ 583,492	\$ 73,281	\$ 565,206	\$ 467,351	\$ 113,211	\$ 1,802,541
Liabilities and Fund Balances						
Accounts Payable	\$ 250,849	\$ 20,426	\$ 435,282	\$ 28,364	\$ 2,083	\$ 737,004
Accrued Payroll	18,574	7,649	4,424	7,201	-	37,848
Tax Refunds Payable	159,958	6	-	-	-	159,964
Due to Other Governments	29,736	-	66,157	-	-	95,893
Due to Other Funds	111,860	4,198	21,215	3,994	40	141,307
Due to Component Units	8,399	85	9,395	893	1,951	20,723
Deferred Revenue	233,491	9,123	2,660	25,747	3	271,024
Other Accrued Liabilities	6,994	2	1,654	1,360	-	10,010
Total Liabilities	819,861	41,489	540,787	67,559	4,077	1,473,773
Fund Balances:						
Non-spendable Legal or Contractual	-	-	-	-	14,961	14,961
Non-spendable in Form	3,846	-	1,222	313	-	5,381
Restricted	3,344	31,792	23,197	343,886	94,173	496,392
Committed	-	-	-	38,444	-	38,444
Assigned	-	-	-	17,149	-	17,149
Unassigned	(243,559)	-	-	-	-	(243,559)
Total Fund Balances	(236,369)	31,792	24,419	399,792	109,134	328,768
Total Liabilities and Fund Balances	\$ 583,492	\$ 73,281	\$ 565,206	\$ 467,351	\$ 113,211	\$ 1,802,541

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

STATE OF MAINE
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS

June 30, 2011
(Expressed in Thousands)

Total fund balances for governmental funds		\$ 328,768
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	4,932,467	
Less: Accumulated depreciation	(226,597)	4,705,870
Other Post-Employment Benefit Assets are not financial resources		300
Pollution Remediation Receivable		18,995
Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental fund statements. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement:		
Bonds Payable	(692,380)	
Interest Payable Related to Long-term Financing	(5,046)	
Certificates of Participation and Other Financing Arrangements	(24,664)	
Due to Federal Government	(1,829)	
Loans Payable to Component Unit	(290,919)	
Compensated Absences	(42,015)	
Pension Obligation	(2,028)	
Other Post-Employment Benefit Obligation	(190,622)	
Pollution Remediation Obligation	(39,605)	(1,289,108)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		269,097
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		194,530
Net assets of governmental activities		\$ 4,228,452

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

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

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 2,926,972	\$ 218,019	\$ -	\$ 253,039	\$ -	\$ 3,398,030
Assessments and Other Revenue	107,878	87,766	3	118,800	-	314,447
Federal Grants and Reimbursements	11,832	-	3,344,827	9,959	-	3,366,618
Service Charges	46,206	5,799	883	102,603	-	155,491
Investment Income	(54)	125	33	653	15,493	16,250
Miscellaneous Revenue	15,805	975	1,180	104,959	9,492	132,411
Total Revenues	<u>3,108,639</u>	<u>312,684</u>	<u>3,346,926</u>	<u>590,013</u>	<u>24,985</u>	<u>7,383,247</u>
Expenditures						
Current:						
Governmental Support & Operations	238,729	3,307	23,878	127,705	6,961	400,580
Economic Development & Workforce Training	34,504	-	287,139	24,282	29,309	375,234
Education	1,389,383	-	309,842	12,526	6,240	1,717,991
Health and Human Services	933,047	-	2,343,477	291,542	3,400	3,571,466
Business Licensing & Regulation	-	-	2,264	65,436	-	67,700
Natural Resources Development & Protection	64,972	33	46,245	91,732	8,186	211,168
Justice and Protection	264,792	31,167	66,765	36,186	1	398,911
Arts, Heritage & Cultural Enrichment	7,081	-	3,396	843	224	11,544
Transportation Safety & Development	7,000	286,732	207,646	87,329	68,821	657,528
Debt Service:						
Principal Payments	89,835	15,100	7,950	9,110	-	121,995
Interest Payments	21,425	5,022	3,922	7,762	-	38,131
Total Expenditures	<u>3,050,768</u>	<u>341,361</u>	<u>3,302,524</u>	<u>754,453</u>	<u>123,142</u>	<u>7,572,248</u>
Revenue over (under) Expenditures	<u>57,871</u>	<u>(28,677)</u>	<u>44,402</u>	<u>(164,440)</u>	<u>(98,157)</u>	<u>(189,001)</u>
Other Financing Sources (Uses):						
Transfer from Other Funds	179,795	12,702	19,691	181,831	1,660	395,679
Transfer to Other Funds	(167,274)	(9,518)	(61,631)	(89,396)	(4,431)	(332,250)
COP's and Other	1,487	882	-	-	2,875	5,244
Loan Proceeds from Component Unit	-	-	-	51,710	-	51,710
Bonds Issued	-	-	-	-	108,135	108,135
Net Other Finance Sources (Uses)	<u>14,008</u>	<u>4,066</u>	<u>(41,940)</u>	<u>144,145</u>	<u>108,239</u>	<u>228,518</u>
Special Item	-	-	(125)	(22,395)	-	(22,520)
Revenues and Other Sources over (under) Expenditures and Other Uses	<u>71,879</u>	<u>(24,611)</u>	<u>2,337</u>	<u>(42,690)</u>	<u>10,082</u>	<u>16,997</u>
Fund Balances at Beginning of Year	<u>(308,248)</u>	<u>56,403</u>	<u>22,082</u>	<u>442,482</u>	<u>99,052</u>	<u>311,771</u>
Fund Balances at End of Year	<u>\$ (236,369)</u>	<u>\$ 31,792</u>	<u>\$ 24,419</u>	<u>\$ 399,792</u>	<u>\$ 109,134</u>	<u>\$ 328,768</u>

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

STATE OF MAINE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

June 30, 2011
(Expressed in Thousands)

Net change in fund balances - total governmental funds	\$	16,997
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, the amounts are:		
Capital outlay	260,083	
Depreciation expense	(17,650)	242,433
The net effect of various transactions involving capital assets (ie. sales, trade ins and contributions) is to increase net assets.		(2,747)
Post-employment benefit asset funding, net		(461)
Pollution Remediation Receivable		5,313
The issuance of long-term debt provides current financial resources to governmental funds which increases long-term debt in the Statement of Net Assets. Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but repayment reduces long-term debt in the Statement of Net Assets. This is the amount that proceeds exceed repayments:		
Bond proceeds	(108,135)	
Proceeds from other financing arrangements	(2,369)	
Loan proceeds from component unit	(51,710)	
Repayment of bond principal	104,935	
Repayment of other financing debt	16,166	
Repayment of pledged revenue principal	19,185	
Accrued interest	712	(21,216)
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported as expenditures on the Statement of Net Assets and have been eliminated from the Statement of Activities as follows:		
Pension obligation	5,817	
Other post-employment benefit obligation	(72,922)	
Pollution remediation obligation	10,423	
Due to Federal Government - Disallowed Costs in Litigation	(1,829)	
Compensated absences	(504)	(59,015)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		38,310
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is included in governmental activities in the Statement of Activities.		15,851
Changes in net assets of governmental activities	\$	235,465

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



PROPRIETARY FUND FINANCIAL STATEMENTS

MAJOR FUND

Unemployment Compensation Fund - This fund from employers and the payment of unemployment accounts for unemployment insurance contributions benefits to eligible claimants.

NON-MAJOR FUNDS

Other *Non-Major 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.

Non-major enterprise funds are presented beginning on page 139.

Combining fund statements for the internal service funds, whose combined totals are presented on these statements, begin on page 147.

**STATE OF MAINE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS**

June 30, 2011
(Expressed in Thousands)

	Business-Type Activities			Governmental Activities Internal Service Funds
	Enterprise Funds			
	Major Employment Security	Non-Major Other Enterprise	Totals	
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ -	\$ 18,228	\$ 18,228	\$ 122,115
Cash and Short-Term Investments	1,410	756	2,166	3
Cash with Fiscal Agent	-	-	-	24,531
Restricted Assets:				
Restricted Deposits and Investments	265,354	-	265,354	3,971
Inventories	-	2,387	2,387	3,455
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	35,273	25,633	60,906	525
Due from Other Funds	13	2,516	2,529	21,009
Other Current Assets	-	2,201	2,201	1,827
Total Current Assets	<u>302,050</u>	<u>51,721</u>	<u>353,771</u>	<u>177,436</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	4,781	4,781	31,761
Receivables, Net of Allowance for Uncollectibles:				
Capital Assets - Net of Depreciation	-	146,357	146,357	155,808
Total Noncurrent Assets	<u>-</u>	<u>151,138</u>	<u>151,138</u>	<u>187,569</u>
Total Assets	<u>302,050</u>	<u>202,859</u>	<u>504,909</u>	<u>365,005</u>
Liabilities				
Current Liabilities:				
Accounts Payable	873	2,764	3,637	8,261
Accrued Payroll	-	1,084	1,084	2,768
Due to Other Governments	-	-	-	3
Due to Other Funds	-	4,372	4,372	6,277
Due to Component Units	-	-	-	3,612
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	12,356
Obligations Under Capital Leases	-	-	-	5,881
Claims Payable	-	-	-	27,006
Compensated Absences	-	59	59	299
Deferred Revenue	-	12,799	12,799	419
Other Accrued Liabilities	890	14,498	15,388	461
Total Current Liabilities	<u>1,763</u>	<u>35,576</u>	<u>37,339</u>	<u>67,343</u>
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Deferred Revenue	-	25,000	25,000	736
Certificates of Participation and Other Financing Arrangements	-	-	-	34,810
Obligations Under Capital Leases	-	-	-	27,809
Claims Payable	-	-	-	35,863
Compensated Absences	-	823	823	4,129
Other Post-Employment Benefit Obligation	-	1,400	1,400	-
Total Long-Term Liabilities	<u>-</u>	<u>27,223</u>	<u>27,223</u>	<u>103,458</u>
Total Liabilities	<u>1,763</u>	<u>62,799</u>	<u>64,562</u>	<u>170,801</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	-	146,357	146,357	99,812
Restricted for:				
Unemployment Compensation	300,287	-	300,287	-
Other Purposes	-	-	-	65
Unrestricted	<u>-</u>	<u>(6,297)</u>	<u>(6,297)</u>	<u>94,327</u>
Total Net Assets	<u>\$ 300,287</u>	<u>\$ 140,060</u>	<u>\$ 440,347</u>	<u>\$ 194,204</u>

Amounts reported for business-type activities in the government-wide Statement of Activities are different due to elimination of the State's internal business-types activities

(326)

Net Assets of Business-Type Activities

\$ 440,021

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

STATE OF MAINE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	Business-Type Activities			Governmental Activities Internal Service Funds
	Enterprise Funds			
	Major Employment Security	Non-Major Other Enterprise	Totals	
Operating Revenues				
Charges for Services	\$ -	\$ 344,959	\$ 344,959	\$ 420,669
Assessments	173,415	1,769	175,184	-
Miscellaneous Revenues	1	2,623	2,624	593
Total Operating Revenues	173,416	349,351	522,767	421,262
Operating Expenses				
General Operations	-	282,287	282,287	371,198
Depreciation	-	7,826	7,826	17,006
Claims/Fees Expense	203,693	-	203,693	8,464
Other Operating Expenses	-	-	-	194
Total Operating Expenses	203,693	290,113	493,806	396,862
Operating Income (Loss)	(30,277)	59,238	28,961	24,400
Nonoperating Revenues (Expenses)				
Investment Revenue (Expense) - net	11,253	-	11,253	801
Interest Expense	-	-	-	(7,813)
Other Nonoperating Revenues (Expenses) - net	-	12,582	12,582	(1,118)
Total Nonoperating Revenues (Expenses)	11,253	12,582	23,835	(8,130)
Income (Loss) Before Capital Contributions, Transfers and Special Items	(19,024)	71,820	52,796	16,270
Capital Contributions, Transfers and Special Items				
Capital Contributions from (to) Other Funds	-	61,559	61,559	2,927
Transfers from Other Funds	-	7,062	7,062	11,565
Transfers to Other Funds	(1,337)	(54,268)	(55,605)	(2,478)
Special Items	-	(7,086)	(7,086)	(14,411)
Total Capital Contributions, Transfers In (Out) and Special Items	(1,337)	7,267	5,930	(2,397)
Change in Net Assets	(20,361)	79,087	58,726	13,873
Total Net Assets - Beginning of Year	320,648	60,973	381,621	180,331
Total Net Assets - End of Year	\$ 300,287	\$ 140,060		\$ 194,204
Amounts reported for business-type activities in the government-wide Statement of Activities are different due to elimination of the State's internal business-types activities			(1,978)	
Changes in Business-Types Net Assets			\$ 56,748	

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

STATE OF MAINE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

June 30, 2011
(Expressed in Thousands)

	Business-Type Activities			Governmental Activities Internal Service Funds
	Enterprise Funds			
	Major Employment Security	Non-Major Other Enterprise	Totals	
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 168,589	\$ 351,283	\$ 519,872	\$ 423,684
Payments of Benefits	(204,095)	-	(204,095)	-
Payments to Prize Winners	-	(135,587)	(135,587)	-
Payments to Suppliers	-	(120,987)	(120,987)	(328,909)
Payments to Employees	-	(33,727)	(33,727)	(73,204)
Net Cash Provided (Used) by Operating Activities	<u>(35,506)</u>	<u>60,982</u>	<u>25,476</u>	<u>21,571</u>
Cash Flows from Noncapital Financing Activities				
Operating Transfers In	-	7,062	7,062	11,565
Operating Transfers Out	(1,337)	(54,268)	(55,605)	(2,478)
Special Items - OPEB Trust Contribution	-	-	-	(14,411)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,337)</u>	<u>(47,206)</u>	<u>(48,543)</u>	<u>(5,324)</u>
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	-	(2,088)	(2,088)	(14,243)
Proceeds from Financing Arrangements	-	-	-	24,186
Principal and Interest Paid on Financing Arrangements	-	-	-	(27,125)
Proceeds from Sale of Capital Assets	-	13	13	19
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>(2,075)</u>	<u>(2,075)</u>	<u>(17,163)</u>
Cash Flows from Investing Activities				
Interest Revenue	11,253	82	11,335	801
Net Cash Provided (Used) by Investing Activities	<u>11,253</u>	<u>82</u>	<u>11,335</u>	<u>801</u>
Net Increase (Decrease) in Cash/Cash Equivalents	(25,590)	11,783	(13,807)	(115)
Cash/Cash Equivalents - Beginning of Year	292,354	11,982	304,336	182,495
Cash/Cash Equivalents - End of Year	<u>\$ 266,764</u>	<u>\$ 23,765</u>	<u>\$ 290,529</u>	<u>\$ 182,380</u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities				
Operating Income (Loss)	\$ (30,277)	\$ 59,238	\$ 28,961	\$ 24,400
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	-	7,826	7,826	17,006
Decrease (Increase) in Assets				
Accounts Receivable	(4,931)	1,931	(3,000)	1,793
Interfund Balances	(65)	(5,866)	(5,931)	555
Inventories	-	74	74	163
Other Assets	-	-	-	(920)
Increase (Decrease) in Liabilities				
Accounts Payable	(357)	(2,798)	(3,155)	(14,491)
Accrued Payroll Expenses	-	(523)	(523)	319
Due to Other Governments	-	-	-	(11,938)
Change in Compensated Absences	-	74	74	151
Other Accruals	124	1,026	1,150	4,533
Total Adjustments	<u>(5,229)</u>	<u>1,744</u>	<u>(3,485)</u>	<u>(2,829)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (35,506)</u>	<u>\$ 60,982</u>	<u>\$ 25,476</u>	<u>\$ 21,571</u>
Non Cash Investing, Capital and Financing Activities				
Property Leased, Accrued, or Acquired	-	-	-	5,230
Contributed Capital Assets	-	53,530	53,530	2,927
Decrease of Deferred Revenue From the Sale of Liquor Operations	-	12,500	12,500	-
Special Item - Eastport Cargo Pier	-	(7,086)	(7,086)	-

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

FIDUCIARY FUND FINANCIAL STATEMENTS

Pension (and Other Employee Benefit) Trusts – accounts for funds held by the Maine Public Employees Retirement System (the System), a component unit included with Fiduciary Funds per GASB Statement No. 34. The System provides pension, death, and disability benefits to its members, including State employees, some public school employees, and employees of approximately 315 local municipalities and other public entities in Maine.

Other Private-Purpose Trusts and Agency Funds are used to account for private-purpose assets held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds. Private-Purpose Trusts also include assets of NextGen College Investing Plan.

A listing of fiduciary funds and combining fund statements for private-purpose trusts and agency funds begins on page 159.

STATE OF MAINE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2011
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts	Agency Funds
Assets			
Current Assets:			
Equity in Treasurer's Cash Pool	\$ -	\$ 1,650	\$ 9,807
Cash and Short-Term Investments	32,553	-	27
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	18,181	-	-
Loans to Institutions	-	-	-
Interest and Dividends	4,997	4,050	-
Due from Brokers for Securities Sold	104	8,794	-
Investments at Fair Value:			
Debt Securities	103,685	-	-
Equity Securities	3,863,562	-	-
Common/Collective Trusts	7,051,476	-	-
Foreign Governments and Agencies	-	-	11
Other	-	11,944	-
Securities Lending Collateral	279,674	-	-
Due from other funds	-	21,520	-
Investments Held on Behalf of Others	-	5,982,144	61,073
Capital Assets - Net of Depreciation	10,947	-	-
Other Assets	-	5,433	520
Total Assets	11,365,179	6,035,535	71,438
Liabilities			
Accounts Payable	6,053	3,956	1
Due to Other Funds	-	7	2
Due to Other Governments	-	-	-
Due to Brokers for Securities Purchased	-	8,331	-
Agency Liabilities	-	-	71,422
Obligations Under Securities Lending	279,674	-	-
Other Accrued Liabilities	27,759	-	13
Funds Held in Trust - noncurrent	-	-	-
Total Liabilities	313,486	12,294	71,438
Net Assets			
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	11,051,693	6,023,241	-
Total Net Assets	\$ 11,051,693	\$ 6,023,241	\$ -

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

STATE OF MAINE
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts
Additions:		
Contributions:		
Members	\$ 167,630	\$1,728,789
State and Local Agencies	443,992	-
Investment Income (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	1,929,070	874,846
Capital Gains Distributions from Investments	-	4,227
Interest and Dividends	107,496	96,619
Securities Lending Income	1,261	-
Less Investment Expense:		
Investment Activity Expense	19,704	-
Securities Lending Expense	(145)	-
Net Investment Income (Loss)	<u>2,018,268</u>	<u>975,692</u>
Miscellaneous Revenues	-	10,889
Transfers In	-	729
Total Additions	<u>2,629,890</u>	<u>2,716,099</u>
Deductions:		
Benefits Paid to Participants or Beneficiaries	760,326	1,488,679
Refunds and Withdrawals	32,993	-
Administrative Expenses	10,104	44,257
Claims Processing Expense	737	-
Transfers Out	-	24,697
Total Deductions	<u>804,160</u>	<u>1,557,633</u>
Net Increase (Decrease)	1,825,730	1,158,466
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:		
Beginning of Year	<u>9,225,963</u>	<u>4,864,775</u>
End of Year	<u>\$11,051,693</u>	<u>\$6,023,241</u>

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



COMPONENT UNIT FINANCIAL STATEMENTS

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; administers several revolving loan programs on behalf of the State; and administers the Maine College Savings Program Fund.

Maine Community College 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.

Maine Health & Higher Educational Facilities Authority – MHHEFA 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, may finance student loan programs of institutions of higher education.

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

Maine State Housing Authority – is authorized to issue bonds for the purchase of notes and mortgages on single- and multi-family residential units to provide 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.

University of Maine System – The State University consists of seven campuses and a central administrative office.

Non-Major Component Units combining fund statements begin on page 169.

STATE OF MAINE
STATEMENT OF NET ASSETS
COMPONENT UNITS

June 30, 2011
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health and Higher Educational Facilities Authority
Assets			
Current Assets:			
Equity in Treasurer's Cash Pool	\$ 26,926	\$ 16,054	\$ 3,973
Cash and Cash Equivalents	5,314	3,713	9,192
Investments	49,232	29,885	28,382
Restricted Assets:			
Restricted Deposits and Investments	-	-	-
Inventories	-	1,272	-
Receivables, Net of Allowance for Uncollectibles:			
Loans Receivable	-	-	51,795
Notes Receivable	-	-	-
Other Receivables	632	8,749	1,554
Due from Other Governments	116	-	-
Due from Primary Government	-	315	-
Loans Receivable from Primary Government	-	-	-
Other Current Assets	1,860	1,078	785
Total Current Assets	<u>84,080</u>	<u>61,066</u>	<u>95,681</u>
Noncurrent Assets:			
Equity in Treasurer's Cash Pool	7,065	4,212	1,042
Assets Held in Trust	-	-	-
Restricted Assets:			
Restricted Deposits and Investments	-	1,141	157,410
Investments	-	12,349	-
Receivables, Net of Current Portion:			
Loans Receivable	-	-	1,165,053
Notes Receivable	25,752	-	-
Other Receivables	-	-	218
Due from Other Governments	-	-	-
Due from Primary Government	-	-	-
Loans Receivable from Primary Government	-	-	-
Post-Employment Benefit Asset	-	9,326	-
Capital Assets - Net of Depreciation	2,163	127,678	-
Other Noncurrent Assets	-	242	-
Total Noncurrent Assets	<u>34,980</u>	<u>154,948</u>	<u>1,323,723</u>
Total Assets	<u>119,060</u>	<u>216,014</u>	<u>1,419,404</u>
Liabilities			
Current Liabilities:			
Accounts Payable	2,275	3,792	89
Accrued Payroll	-	-	-
Compensated Absences	-	1,944	-
Due to Other Governments	-	-	810
Due to Primary Government	-	-	-
Amounts Held under State & Federal Loan Programs	-	-	-
Undistributed Grants and Administrative Funds	11,832	-	-
Allowances for Losses on Insured Commercial Loans	14,979	-	-
Bonds Payable	805	-	52,300
Notes Payable	-	54	-
Obligations under Capital Leases	-	1,310	-
Accrued Interest Payable	-	-	26,866
Deferred Revenue	1,262	1,097	2,734
Other Current Liabilities	3	8,157	-
Total Current Liabilities	<u>31,156</u>	<u>16,354</u>	<u>82,799</u>
Long-Term Liabilities:			
Due to Other Governments	-	-	129
Amounts Held under State & Federal Loan Programs	48,760	-	-
Bonds Payable	763	-	1,287,230
Notes Payable	-	24,600	-
Obligations under Capital Leases	-	2,180	-
Deferred Revenue	-	-	-
Other Noncurrent Liabilities	-	-	-
Total Long-Term Liabilities	<u>49,523</u>	<u>26,780</u>	<u>1,287,359</u>
Total Liabilities	<u>80,679</u>	<u>43,134</u>	<u>1,370,158</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,163	100,917	-
Restricted	14,058	31,914	29,084
Unrestricted	22,160	40,049	20,162
Total Net Assets	<u>\$ 38,381</u>	<u>\$ 172,880</u>	<u>\$ 49,246</u>

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

Maine Municipal Bond Bank	Maine State Housing Authority	University of Maine System	Non-Major Component Units	Totals
\$ -	\$ -	\$ 37,168	\$ 2,123	\$ 86,244
129	1,819	2,506	84,784	107,457
21,039	329,532	180,280	4,419	642,769
-	-	-	21,650	21,650
-	-	-	838	2,110
-	29,251	-	13,683	94,729
-	3	63	894	960
1,187	22,840	39,084	5,133	79,179
134,216	5,490	14,748	3,265	157,835
-	-	10,775	5,551	16,641
21,276	-	-	-	21,276
30,000	-	4,728	2,220	40,671
<u>207,847</u>	<u>388,935</u>	<u>289,352</u>	<u>144,560</u>	<u>1,271,521</u>
-	-	9,752	557	22,628
-	-	-	5	5
348,795	-	3,374	9,502	520,222
-	135,276	306,832	17,163	471,620
-	1,349,143	-	133,833	2,648,029
-	773	39,840	4,037	70,402
-	-	7,134	5,612	12,964
1,446,450	-	-	-	1,446,450
-	-	1,742	113	1,855
269,643	-	-	-	269,643
-	-	-	-	9,326
743	2,617	668,482	97,698	899,381
2,209	7,120	16,169	7,541	33,281
<u>2,067,840</u>	<u>1,494,929</u>	<u>1,053,325</u>	<u>276,061</u>	<u>6,405,806</u>
<u>2,275,687</u>	<u>1,883,864</u>	<u>1,342,677</u>	<u>420,621</u>	<u>7,677,327</u>
468	50,993	19,057	16,076	92,750
-	-	-	1,016	1,016
-	-	-	570	2,514
484	105	-	1,301	2,700
40,467	-	-	116	40,583
30,208	-	-	-	30,208
1,972	-	-	-	13,804
-	-	-	-	14,979
125,176	16,195	9,929	5,320	209,725
-	-	-	518	572
-	-	611	25	1,946
13,668	7,300	-	728	48,562
2,591	13,942	13,780	27,310	62,716
-	-	29,993	855	39,008
<u>215,034</u>	<u>88,535</u>	<u>73,370</u>	<u>53,835</u>	<u>561,083</u>
2,881	4,184	-	1,710	8,904
-	-	-	-	48,760
1,469,311	1,457,681	183,178	165,849	4,564,012
-	-	-	1,183	25,783
-	-	3,989	55	6,224
-	14,933	-	3,590	18,523
-	-	100,011	82	100,093
<u>1,472,192</u>	<u>1,476,798</u>	<u>287,178</u>	<u>172,469</u>	<u>4,772,299</u>
<u>1,687,226</u>	<u>1,565,333</u>	<u>360,548</u>	<u>226,304</u>	<u>5,333,382</u>
743	2,617	474,651	94,267	675,358
523,111	300,700	210,805	73,416	1,183,088
64,607	15,214	296,673	26,634	485,499
<u>\$ 588,461</u>	<u>\$ 318,531</u>	<u>\$ 982,129</u>	<u>\$ 194,317</u>	<u>\$2,343,945</u>

**STATE OF MAINE
STATEMENT OF ACTIVITIES
COMPONENT UNITS**

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health and Higher Educational Facilities Authority
Expenses	\$ 38,267	\$ 123,620	\$ 55,628
Program Revenues			
Charges for Services	12,661	17,208	50,972
Program Investment Income	197	2,203	5,446
Operating Grants and Contributions	25,928	64,503	-
Capital Grants and Contributions	-	2,214	-
Net Revenue (Expense)	<u>519</u>	<u>(37,492)</u>	<u>790</u>
General Revenues			
Unrestricted Investment Earnings	562	2,533	87
Non-program Specific Grants, Contributions and Appropriations	-	54,643	-
Miscellaneous Income	(1,781)	1,553	114
Gain (Loss) on Assets Held for Sale	-	-	-
Special Item	-	-	-
Total General Revenues	<u>(1,219)</u>	<u>58,729</u>	<u>201</u>
Change in Net Assets	(700)	21,237	991
Net Assets, Beginning of the Year	<u>39,081</u>	<u>151,643</u>	<u>48,255</u>
Net Assets, End of Year	<u>\$ 38,381</u>	<u>\$ 172,880</u>	<u>\$ 49,246</u>

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

Maine Municipal Bond Bank	Maine State Housing Authority	University of Maine System	Non-Major Component Units	Totals
\$ 71,871	\$ 283,549	\$ 678,915	\$ 211,022	\$1,462,872
59,032	81,536	298,211	41,100	560,720
3,037	5,885	-	3,654	20,422
737	197,459	247,045	154,950	690,622
37,429	-	22,556	17,557	79,756
28,364	1,331	(111,103)	6,239	(111,352)
123	10	10,663	852	14,830
-	-	207,131	16,328	278,102
1,467	-	-	737	2,090
-	-	(53)	(1,261)	(1,314)
-	-	-	24,277	24,277
1,590	10	217,741	40,933	317,985
29,954	1,341	106,638	47,172	206,633
558,507	317,190	875,491	147,145	2,137,312
\$ 588,461	\$ 318,531	\$ 982,129	\$ 194,317	\$2,343,945



NOTES TO THE FINANCIAL STATEMENTS

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NOTES TO THE FINANCIAL STATEMENTS

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the State of Maine (the State) have been prepared under guidelines established by generally accepted accounting principles (GAAP) as mandated by the Governmental Accounting Standards Board (GASB).

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 of Maine's reporting entity includes the "primary government" and its "component units." The primary government includes all funds, organizations, agencies, boards, commissions and authorities. Component units are legally separate organizations for which the State is financially accountable. Component units can also be legally separate, tax exempt entities that raise and hold economic resources for the direct benefit of a governmental unit.

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.

GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement No. 14*, establishes criteria for legally separate, tax-exempt entities that should be reported as component units if all of the criteria are met. Although the State has not identified any organizations that would qualify as direct component units of the State by meeting all of the criteria of GASB Statement No. 39, a few of the component units described later in this note have significant foundations that meet the criteria of GASB Statement No. 39.

Blended Component Units - The Maine Governmental Facilities Authority (MGFA) is a legally separate organization that has its board appointed by the primary government and provides services entirely, or almost entirely, to the State. Therefore, the State reports MGFA's balances and transactions as though they were part of the primary government, using the blending method.

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. In their separately issued financial statements, MGFA records a lease receivable from the State and a liability for bonds issued. However, in accordance with GASBS 14, capital leases that exist between the State and MGFA are not recorded as leases in this report. The assets associated with these leases are reported in the government-wide statements along with the related debt. The corresponding debt service activity is recorded in the Governmental Funds. MGFA financial activity associated with servicing the debt is reported in an internal service fund.

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. Component units that are not material to the State's financial statements have been excluded. The column labeled "Component Units" emphasizes these organizations' separateness from the State's primary government.

The State is able to impose its will upon these discretely presented component units:

The Maine Community 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, the Center for Career Development (including the Maine Career Advantage and Maine Quality Centers programs), and its component unit, Maine Community College Educational Foundations.

The University of Maine System is the State University governed by a single Board of Trustees appointed by the Governor. The combined financial statements of the System include the activity of seven universities, eleven centers, the central administrative office, and its component units, which include several foundations and alumni associations that raise funds on the System's behalf.

There is a financial burden/benefit relationship between these entities and the State:

The Finance Authority of Maine 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 Potato Marketing Improvement Fund Board, the Nutrient Management Fund Board, the Northern Maine Transmission Corporation, the Adaptive Equipment Loan Program Fund Board, the Fund Insurance Review Board, the Agricultural Marketing Loan Fund Board, and the Occupational Safety Program Fund Board. Additionally, the Authority administers the Maine College Savings Program. Net assets of the program, NextGen College Investing Plan, are included in the State's fiduciary fund financial statements. The Governor appoints the fifteen voting members of the Authority.

Maine Health & Higher Educational Facilities Authority (MHHEFA) – MHHEFA assists Maine health care institutions and institutions of higher education in undertaking projects involving the acquisition, construction, improvement, reconstruction and equipping of their facilities and the refinancing of existing indebtedness. The Authority, pursuant to the Student Loan Corporations Act of 1983, may also finance student loan programs of institutions of higher education. MHHEFA consists of twelve members, four of whom serve *ex officio* and must be the Superintendent of Financial Institutions, the Commissioner of Health and Human Services, the Commissioner of Education, and the Treasurer of State. The remaining eight members must be residents of the State appointed by the Governor.

The Maine Municipal Bond Bank issues bonds on behalf of counties, cities, towns, school administrative districts, community school districts, or other quasi-municipal corporations or eligible borrowers as designated by the Legislature (the "governmental units") within the State. The Governor appoints three residents of the State to the five-member Board of Commissioners. The remaining two members include the Treasurer of State and Superintendent of Financial Institutions who serve as commissioners, *ex officio*.

Maine State Housing Authority issues bonds to purchase notes and mortgages on residential units, both single and multi-family, for the purpose of providing housing for persons and families of low income in the State. The Authority also acts as an 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 remaining two commissioners are the Treasurer of State and the Director of the Maine State Housing Authority, both of whom serve *ex officio*. The Authority's fiscal year ends on December 31.

The State's financial statements also include a fiduciary component unit:

Maine Public Employees Retirement System administers an agent-multiple employer public employee retirement system. It provides pension, death, and disability benefits to its members, which include employees of the State, some public school employees, employees of approximately 313 local municipalities and other public entities in

Maine. The Governor appoints four of the Board's eight voting trustees. A fifth trustee is either the Treasurer of State or the Deputy Treasurer of State.

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

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 Municipal Bond Bank PO Box 2268 Augusta, ME 04338-2268	Maine State Housing Authority 89 State House Station 353 Water Street Augusta, ME 04330-4633
Maine Community College System 323 State Street Augusta, ME 04330-7131	Maine Health and Higher Ed. Facilities Authority PO Box 2268 Augusta, ME 04338-2268	Maine Public Employees Retirement System 46 State House Station Augusta, ME 04333-0046	University of Maine System 16 Central Street Bangor, ME 04401-5106

Related Organizations

Officials of the State's primary government appoint a voting majority of the governing boards of the Maine Turnpike Authority and the Maine Veteran's Home. The primary government has no material accountability for these organizations beyond making board appointments.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The Statement of Net Assets and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The *Statement of Net Assets* presents the reporting entity's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$796.5 million of restricted net assets, of which \$114.7 million is restricted by enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting

the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Measurement Focus and Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

As allowed by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the State's proprietary funds follow all GASB pronouncements and those Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or prior to November 30, 1989, except those that conflict with a GASB pronouncement. The FASB pronouncements issued after November 30, 1989, are not followed in the preparation of the accompanying financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the governmental funds when they become susceptible to accrual, generally 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 to pay liabilities of the current period. For this purpose, the State generally considers revenues available if they are collected within 60 days of the end of the fiscal year.

Significant revenues susceptible to accrual include: income taxes, sales and use taxes, and other taxes; federal grants; federal reimbursements; and other reimbursements for use of materials and services. Revenues from other sources are recognized when received because they are generally not measurable until received in cash. 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 territory of Maine by August 1 of each year, and on telecommunications personal properties statewide by May 30 of each year. Unorganized territory property taxes are due on October 1 and telecommunications personal property taxes are due on August 15. Formal collection procedures begin on November 1, and unpaid property taxes become a lien no later than March 15 of the fiscal year for which they are levied.

Expenditures are generally recorded when a liability is incurred. However, expenditures related to claims and judgments, debt service and compensated absences are recorded only when payment is due and payable.

Financial Statement Presentation

The State reports the following major governmental funds:

The *General Fund* is the State's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

The *Highway Fund* accounts for the regulation, construction and maintenance of State highways and bridges and is funded by motor fuel taxes, motor vehicle license and registration fees, special State appropriations, and other charges.

The *Federal Fund* accounts for grants and other financial assistance received from the federal government, including federal block grants, that are legally restricted to expenditures for purposes specified in the grant awards or agreements.

The *Other Special Revenue Fund* accounts for specific revenue sources that are legally restricted to expenditures for specified purposes, and the related current liabilities, including some major capital projects that are not accounted for in the Highway and Federal Funds. Examples of the most significant types of revenue sources include: Fund for a Healthy Maine (tobacco settlement revenue), State municipal revenue sharing, hospital and service provider taxes, and oil transfer fees.

The State reports the following major enterprise fund:

The *Maine Employment Security Fund* receives contributions from employers and provides unemployment compensation benefits to eligible unemployed workers.

Additionally, the State reports the following fund types:

Governmental Fund Types:

Special Revenue Funds include operating fund activities financed by specific revenue sources that are legally restricted for specified purposes. An example is funds for acquisition of public reserved lands.

Capital Projects Funds account for the acquisition or construction of major capital assets and other programs financed by bond proceeds.

Permanent Trust Funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry. An example is the Baxter State Park Fund.

Proprietary Fund Types:

Enterprise Funds report the activities for which fees are charged to external users for goods or services, such as the unemployment compensation program, lottery operations and transportation services.

Internal Service Funds provide goods or services primarily to other agencies or funds of the State, rather than to the general public. These goods and services include printing and mailing services, supplies warehousing, information technology, fleet management, risk management, health-related benefits, and financing for acquisition and construction of governmental facilities.

Fiduciary Fund Types:

Pension (and Other Employee Benefit) Trust Funds report resources that are required to be held in trust for members and beneficiaries of the State's pension, death and disability benefit plans. These resources are managed by the Maine Public Employees Retirement System (MPERS). The fund also reports resources that are required to be held in trust for members and beneficiaries of the State's retiree healthcare benefits. The

investment trust, managed by the Maine Public Employees Retirement System, holds the long-term investments of the trust. The trustees of the Other Employee Benefit Trust Fund are the State Controller and State Treasurer.

Private Purpose Trust Funds report resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Examples include Abandoned Property, Public Reserved Lands, Permanent School funds and NextGen College Investing Plan.

Agency Funds report assets and liabilities for deposits and investments entrusted to the State as an agent for others. Examples include amounts held for payroll withholdings, inmate and student guardianship accounts.

D. FISCAL YEAR-ENDS

All funds and discretely presented major component units are reported using fiscal years which end on June 30, except for the Maine Educational Loan Authority and the Maine State Housing Authority, which utilize December 31 year-ends.

E. ASSETS, LIABILITIES, AND NET ASSETS/FUND BALANCE

Equity in Treasurer's Cash Pool

The State pools cash and cash equivalents for a variety of State agencies and public sector entities. The pooled balances are reported at fair value. Interest earned on pooled cash is allocated to the various funds, generally based on their average equity balances. The Treasurer's Cash Pool has the general characteristics of a demand deposit account and is comprised primarily of prime commercial paper, repurchase agreements, U.S. Treasury Bills, U.S. Treasury Notes, and other U.S. Agency Obligations, certificates of deposit, and corporate bonds.

For component units that participate in the cash pool, equity is shown at fair value.

Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments that are both readily convertible to known amounts of cash and are near maturity. On the Statement of Cash Flows, the amount reported as "Cash and Cash Equivalents" is equal to the total of the amounts reported on the Statement of Net Assets as "Equity in Treasurer's Cash Pool," "Cash and Cash Equivalents," "Cash with Fiscal Agent," "Restricted Equity in Treasurer's Cash Pool," and "Restricted Deposits and Investments."

Cash with Fiscal Agent

Cash with Fiscal Agent in Governmental Funds represents cash that will be used for debt service on bonds, the unspent proceeds of bonds and Certificates of Participation, as well as unspent funds of the Maine Biological Research Board being held by the State.

Cash with Fiscal Agent in Proprietary Funds represents proceeds of Certificates of Participation and other financing arrangements that have not been spent.

Other investments of the State are carried at fair value. Donated investments are stated at fair value at the date of donation.

Investments Held on Behalf of Others

These assets include amounts held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds. Generally, these investments are reported at fair value or at amortized cost which approximates fair value. The State also holds \$135 million of Workers' Compensation, \$147 million of Bureau of Insurance, and \$26 million of Maine Department of Labor surety bonds and letters of credit that are not reflected on the financial statements.

Restricted Deposits and Investments

Restricted deposits and investments include: unemployment tax receipts deposited with the United States Treasury that are drawn down to pay unemployment benefits; cash and investments of the Maine Governmental Facilities Authority, a blended component unit that has been independently audited; unspent bond proceeds, and funds 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.

Inventories

The costs of materials and supplies of the Governmental Funds are reported as expenditures when purchased. Undistributed vaccines and food commodities are reported as inventory and deferred revenue in the Federal Fund. Revenues and corresponding expenditures are recognized when food stamps are used (EBT cards), and when vaccines and food commodities 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.

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

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 to construct and modernize agricultural storage facilities and local commercial enterprises, as well as Department of Transportation loans to local governments. Receivables in the component units' column arise 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.

Interfund Transactions and Balances

Numerous transactions are made between funds to finance operations, provide services, and acquire or construct assets. To the extent that transactions between funds were not completed as of June 30, interfund receivables and payables have been recorded in the fund financial statements. Interfund receivables and payables have been eliminated from the Statement of Net Assets.

Long-term loans made by one fund to another are classified as "Working Capital Advances Receivable" and "Working Capital Advances Payable." In the fund financial statements, advances receivable are offset by nonspendable fund balance designations indicating that the long-term loans do not constitute expendable financial resources.

Due from/to Primary Government/Component Units

Numerous transactions are made between the primary government and component units to finance operations, provide services, acquire or construct assets, or repay bonds. To the extent that transactions between funds were not completed as of June 30, "Due from Primary Government" and "Due to Component Unit" receivables and payables have been recorded. Two component units have December 31 year ends, therefore the "due to" and "due from" amounts may differ.

Due from/to Other Governments

Due from/to Other Governments represents amounts receivable from or payable to municipalities or the federal government. Due from Other Governments represents primarily federal grants receivable for Medicaid claims, other health and human services programs, and federal grants receivable for transportation-related expenditures. Due from Other Governments in the component units' column represents amounts receivable for grants, bond

repayment and retirement benefits. Due to Other Governments primarily consist of amounts owed to municipalities for Municipal Revenue Sharing and the federal government for Medicaid cost recoveries from providers.

Capital Assets

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., roads, bridges, ramps and similar items), are reported in the government-wide statements and applicable fund financial statements. Capital assets that are used for governmental activities are only reported in the government-wide statements. The State capitalizes governmental fund buildings valued at \$1 million or more and proprietary fund buildings valued at \$100 thousand or more. Governmental fund equipment is capitalized at \$10 thousand or more and proprietary fund equipment is capitalized \$5 thousand or more. Governmental and proprietary fund software is capitalized at \$1 million or more. All land, regardless of value, is capitalized. Capital assets are recorded at cost or, if donated, at estimated fair market value at date of acquisition. In some instances, capital assets historical cost were not available. The costs of these assets at the date of acquisitions have been estimated.

In the government-wide statements, most capital assets are depreciated on a straight-line basis over the assets' estimated useful lives, which are 10-40 years for software, buildings and improvements, and 2-25 years for equipment. The State uses the modified approach for reporting its significant infrastructure assets. As long as the State maintains and preserves its infrastructure assets at pre-determined condition levels, maintenance costs are expensed and depreciation is not reported. This approach is discussed further in the Required Supplementary Information.

Capital assets of component units are capitalized upon purchase and depreciated over their estimated useful lives. 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. Component units reflect infrastructure in improvements other than buildings and record depreciation expense on them.

Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers. Incurred but not paid (IBNP) Medicaid claims settlements are actuarially estimated. The IBNP estimate at June 30, 2011 is \$252 million.

Tax Refunds Payable

The amount of collected or accrued tax revenues that will be refunded is estimated and accrued as a General Fund liability.

Claims Payable

Claims payable represent workers' compensation, retiree health, employee health, and other claims payable, including actual claims submitted and actuarially determined claims incurred but not reported. The actuarially determined claims liability is discounted and presented at net present value.

Compensated Employee Absences

In the government-wide statements and proprietary fund financial statements, compensated absences are recorded as a long-term liability as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments to terminated employees as of June 30, 2011 but paid after the fiscal year end is also reported in the funds. In the discretely presented component units, employees' accumulated compensated absences are recorded as an expense and liability as the benefits accrue.

Deferred Revenue

In the government-wide statements and proprietary fund financial statements, deferred revenue is recognized when cash, receivables, or other assets are received prior to their being earned. In the governmental fund statements, 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. Deferred revenue reported in the General Fund relates to sales and income taxes. Deferred revenue in the Federal Fund consists primarily of food commodities not yet issued. Deferred revenue in the Alcoholic Beverages Fund comprises the proceeds from the sale of the State’s liquor operations.

Loans Payable to Component Unit

In the Statement of Net Assets, the amount of bond proceeds received by a component unit for unmatured GARVEE and TransCap bond proceeds is called “Loans Payable to Component Unit.” The offsetting receivables are classified as “Loans Receivable from Primary Government.”

Long-Term Obligations

In the government-wide statements and proprietary fund financial statements, long-term debt and other long-term obligations are recorded as liabilities.

In the fund financial statements, governmental fund types recognize the face amount of debt issued as other financing sources.

Net Assets/Fund Balances

The difference between fund assets and liabilities is “Net Assets” on the government-wide, proprietary, and fiduciary fund statements, and “Fund Balances” on governmental fund statements.

Fund Balance Restrictions

Fund balances for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned or unassigned.

The State reported the following fund balance restrictions:

Nonspendable Fund Balance - indicates items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless those proceeds are restricted, committed or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

Restricted Fund Balances – include balances that are legally restricted for specific purposes due to constraints that are either externally imposed by creditors, grantors, contributors, or imposed by law through a constitutional provision or enabling legislation.

Committed Fund Balances – indicates assets can be used only for specific purposes pursuant to constraints imposed by a formal action of the Maine Legislature, the State’s highest level of decision-making authority. This formal action is the passage of law by the legislature, creating, modifying, or rescinding an appropriation.

Assigned Fund Balances – include amounts that are constrained by the State’s intent to be used for a specific purpose, but are neither restricted or committed. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed.

Unassigned Fund Balance – is the residual amount of the General Fund not included in the four categories described above. Also, any deficit fund balances within the other governmental fund types are reported as unassigned.

F. REVENUES AND EXPENDITURES/EXPENSES

In the government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (e.g., governmental support & operations, education, health & human services, etc). Additionally, revenues are classified between program and general revenues. Program revenues include: charges to customers or applicants for goods, services, or privileges provided; operating grants and contributions; and capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

The State's policy is that restricted amounts are spent first when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Within unrestricted fund balance, the State's policy is that committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

In the governmental fund financial statements, expenditures are reported by function. Capital outlay expenditures for real property or infrastructure (e.g. highways) are included with expenditures by function.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g. general operations and depreciation). Operating revenues and expenses generally result from providing services and producing and delivering goods. All other revenues and expenses are reported as nonoperating, capital contributions, transfers or special items.

NOTE 2 – BUDGETING AND BUDGETARY CONTROL, AND LEGAL COMPLIANCE

Appropriation Limits

The total General Fund appropriation for each fiscal year of the biennium in the Governor's budget submission to the Legislature may not exceed the General Fund appropriation of the previous fiscal year multiplied by one plus the average real personal income growth rate, as defined in Title 5 Maine Revised Statutes Annotated (MRSA) § 1665, subsection 1, plus the average forecasted inflation rate. "Average forecasted inflation rate" means the average forecasted change in the Consumer Price Index underlying the revenue projections developed by the Revenue Forecasting Committee.

This appropriation limitation may be exceeded only by the amount of the additional costs or the lost federal revenue from the following exceptional circumstances: unfunded or under-funded new federal mandates; losses in federal revenues or other revenue sources; citizens' initiatives or referenda that require increased State spending; court orders or decrees that require additional State resources to comply with the orders or decrees; and sudden or significant increases in demand for existing State services that are not the result of legislative changes that increased eligibility or increased benefits.

The Governor may designate exceptional circumstances that are not explicitly defined, but meet the intent of, this statute. "Exceptional circumstances" means an unforeseen condition or conditions over which the Governor and the Legislature have little or no control. Exceptional circumstances do not apply to new programs or program expansions that go beyond existing program criteria and operation.

Budget Stabilization Fund

The Maine Budget Stabilization Fund, a fund designation established under Title 5 MRSA C. 142, is included in the negative \$244 million unassigned General Fund fund balance. Amounts in the stabilization fund may be expended only to offset a General Fund revenue shortfall. The Governor may also allocate funds for payment of death benefits for law enforcement officers, firefighters and emergency medical services personnel.

Balances in the fund do not lapse, but carry forward each year. Money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. As the fourth priority before any other transfer, the State Controller is required to transfer 35 percent of the unappropriated surplus of the General Fund, when the fund is not at its statutory cap. In accordance with the statute, the State Controller made the required transfer for fiscal year 2011. Per Public Law 2011, Chapter 1, Part M and Public Law 2011, Chapter 28, Part I, an additional \$28.2 million was transferred from the General Fund unappropriated surplus to the Budget Stabilization fund. Per Public Law 2011, Chapter 380, Sec RRR-2, \$7.6 million was transferred from the Unclaimed Property fund account to the Budget Stabilization fund.

The statutory cap for the fund is 12 percent of the total General Fund revenue received in the immediately preceding fiscal year. At the close of the fiscal year, the cap is based on the revenue received in the fiscal year being closed. Based on fiscal year 2011 actual General Fund revenue, the statutory cap at the close of fiscal year 2011 and during fiscal year 2011 was \$353.4 million. At the close of fiscal year 2011, the balance of the Maine Budget Stabilization Fund was \$71.4 million. No reductions to the Maine Budget Stabilization Fund balance are required when it exceeds the balance of the statutory cap as a result of a decline of General Fund revenue.

Budget Stabilization Fund Activity

(Expressed in Thousands)

Balance, beginning of year	\$	25,385
Increase in fund balance		46,029
Balance, end of year	\$	<u>71,414</u>

Budget and Budgetary Expenditures

The gross unified budget bills and budget document encompass resources from the General Fund, Highway Fund, Federal Expenditures Fund, Federal Block Grant Fund, Other Special Revenue Fund, internal service funds and enterprise funds. Separate gross unified budget bills must be submitted for the General Fund and the Highway Fund. All funds except trust and agency funds, bond funds and costs of goods sold expenditures in internal service funds and enterprise funds are subject to legislative allocation. The biennial budget sets forth proposed expenditures for the administration, operation and maintenance of the departments and agencies of the State Government; all interest and debt redemption charges during each fiscal year and all expenditures for capital projects to be undertaken and executed during each fiscal year. Within this structure, budgetary control by agency is maintained at the program and line category level. 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. Changes in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget. For the year ended June 30, 2011, the Legislature decreased supplemental appropriations to the General Fund by \$27.4 million.

Actual expenditures did not exceed legislatively authorized appropriations at the Department level; therefore, the State complied with all related budget laws at the legal level.

Governmental Fund Balances – Restricted, Committed and Assigned

The State's fund balances represent: (1) restricted purposes, which include balances legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; (3) assigned purposes, which includes balances that are constrained by government's intent to be used for specific purposes, but are neither restricted or committed. A summary of the nature and purpose of these fund balance types at June 30, 2011 are as follows:

Governmental Fund Balances
(Expressed in Thousands)

	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General Fund:			
Natural Resources Development & Protection	\$ 3,344	\$ -	\$ -
Total	<u>\$ 3,344</u>	<u>\$ -</u>	<u>\$ -</u>
Highway Fund:			
Transportation Safety & Development	\$ 28,378	\$ -	\$ -
Justice and Protection	3,084	-	-
Governmental Support & Operations	327	-	-
Natural Resources Development & Protection	3	-	-
Total	<u>\$ 31,792</u>	<u>\$ -</u>	<u>\$ -</u>
Federal Fund:			
Education	\$ 542	\$ -	\$ -
Governmental Support & Operations	5,305	-	-
Health and Human Services	14,007	-	-
Justice and Protection	1,042	-	-
Natural Resources Development & Protection	2,301	-	-
Total	<u>\$ 23,197</u>	<u>\$ -</u>	<u>\$ -</u>
Other Special Revenue Fund:			
Arts, Heritage & Cultural Enrichment	\$ 422	\$ 61	\$ 28
Business Licensing & Regulation	45,202	325	147
Economic Development & Workforce Training	9,504	3,332	147
Education	2,764	329	149
Governmental Support & Operations	55,159	17,250	466
Health and Human Services	22,007	8,147	13,543
Justice and Protection	8,803	3,825	803
Natural Resources Development & Protection	44,326	4,800	1,695
Transportation Safety & Development	155,700	375	170
Total	<u>\$ 343,887</u>	<u>\$ 38,444</u>	<u>\$ 17,148</u>
Other Governmental Funds:			
Capital Projects	\$ 30,542	\$ -	\$ -
Natural Resources Development & Protection	63,256	-	-
Other	375	-	-
Total	<u>\$ 94,173</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS**Accounting Changes**

During fiscal year ended June 30, 2011, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

As a result of implementing this new standard, the State identified additional fiscal year 2010 net asset restrictions totaling \$351.0 million on the Statement of Net Assets, of which \$325.0 million resulted from enabling legislation from prior fiscal years.

Change in Classification

For the current fiscal year the State recorded \$30.7 million of expenditures related to the Bureau of Motor Vehicles within the Transportation Safety and Development function. In the prior fiscal year, similar expenditures totaling \$32 million had been classified as Governmental Support and Operations. This change was made to report related revenue and expenditures within the same function.

Additionally, in the current fiscal year, the State recorded \$49.9 million in Fuel Tax revenue that had previously been recorded as a Sales and Use Tax. The prior year revenue totaled \$49.3 million. This change was made to consistently report Fuel Tax revenue received by the State.

NOTE 4 - DEFICIT FUND BALANCES/NET ASSETS

Three internal service funds showed deficit Net Assets for the fiscal year ended June 30, 2011. The Workers' Compensation Fund reported a deficit of \$9.5 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a fund balance deficit of \$4.1 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of \$1.9 million because expenses are recognized when incurred; however, related revenue is not earned until jobs are satisfactorily completed. All of the deficits mentioned above are expected to be funded by future service charges.

The Alcoholic Beverages Enterprise Fund shows a deficit of \$37.5 million. During fiscal year 2004, the State of Maine entered into a 10 year contract with a vendor to manage and operate wholesale liquor distribution as the State's agent. The deficit reflects the deferral of license fees that will be amortized over that 10 year period.

The General Fund shows a deficit fund balance of \$236.4 million at June 30, 2011. This deficit is primarily due to the full recognition of the State's share of Medicaid liabilities at fiscal year end, which are funded throughout the year with the aforementioned tax revenue. The federal portion of these liabilities is also fully accrued, with an offsetting receivable from the federal government as allowed under Governmental Accounting Standards Board (GASB) Statement No. 33. Per GASB 33, revenue associated with government mandated non-exchange transactions should be recognized when applicable eligibility requirements have been met and the resources are available. Medicaid is an entitlement program. Therefore, the funds are available when the payments for these liabilities are processed.

NOTE 5 - DEPOSITS AND INVESTMENTS

Title 5 MRSA § 135 governs the deposit and investment policies of the State of Maine Office of the Treasurer. The Treasurer 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 State follows the practice of pooling cash and cash equivalents for a variety of State agencies and public sector entities. The Treasurer 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, certificates of indebtedness, other obligations of the United States that mature not more than 36 months from the date of investment; repurchase agreements secured by obligations of the United States that mature within the succeeding 12 months; prime commercial paper; tax-exempt obligations; corporate bonds rated “AAA” that mature within 36 months from the date of investment; banker’s acceptances; and “no-load” shares of an investment company registered under the Federal Investment Company Act of 1940, whose shares maintain a constant share price. Although authorized to do so, the Treasurer does not participate in the securities loan market.

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

No amounts exceeding 25 percent of the capital, surplus, and undivided profits of any trust company or national bank or 25 percent 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.

With assistance from the Finance Authority of Maine, the Treasurer participates in a restricted deposit program to encourage banks to provide loans at two percent below market rate. The Treasurer may invest up to \$8 million in lending institutions at a two percent lower-than-market rate provided the lenders pass the rate reduction on to the borrowers. \$4 million of this program are earmarked for loans to agricultural enterprises and the other \$4 million are designated for commercial entities.

The Primary Government's Deposits and Investments excluding component units that are fiduciary in nature at June 30, 2011:

Primary Government Deposits and Investments
(Expressed in Thousands)

	Governmental Activities	Business- Type Activities	Private Purpose Trusts	Agency Funds	Total
Equity in Treasurer's Cash Pool	\$ 395,084	\$ 23,009	\$ 1,650	\$ 9,807	\$ 429,550
Cash and Cash Equivalents	282	2,166	-	27	2,475
Cash with Fiscal Agent	144,748	-	-	-	144,748
Investments	78,256	-	11,944	-	90,200
Restricted Equity in Treasurer's Cash Pool	34,487	-	-	-	34,487
Restricted Deposits and Investments	3,971	265,354	-	11	269,336
Investments Held on Behalf of Others	-	-	5,982,144	61,073	6,043,217
Other Assets	-	-	-	-	-
Total Primary Government	\$ 656,828	\$ 290,529	\$ 5,995,738	\$ 70,918	\$ 7,014,013

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. In general, the State holds securities to maturity. All debt securities are reported at full-term.

The following table provides the segmented time distribution of the Primary Government's investments at June 30, 2011:

	Maturities in Years (Expressed in Thousands)					No Maturity	Fair Value
	Less than 1	1 - 5	6 - 10	11 - 20	More than 20		
<i>Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds</i>							
US Instrumentalities	\$ 1,013	\$ 55,681	-	-	-	-	\$ 56,694
US Treasury Notes	-	46,999	-	-	-	-	46,999
Repurchase Agreements	35,036	-	-	-	-	-	35,036
Corporate Notes and Bonds	-	-	-	-	-	-	-
Commercial Paper	-	-	-	-	-	-	-
Certificates of Deposit	4,474	-	-	-	-	-	4,474
Money Market	-	-	-	-	-	-	-
Cash and Cash Equivalents Unemployment Fund	-	-	-	-	-	315,807	315,807
Deposits with US Treasury	-	-	-	-	-	265,354	265,354
<i>Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds</i>							
US Instrumentalities	156	3,419	139	621	2,407	-	6,742
US Treasury Notes	3,702	13,904	3,721	12,191	-	1,054	34,572
Repurchase Agreements	887	-	-	-	-	-	887
Corporate Notes and Bonds Other Fixed Income	-	4,364	1,484	4	1,076	5,620	12,548
Securities	4,028	-	200	-	46	-	4,274
Commercial Paper	-	-	-	-	-	-	-
Certificates of Deposit	113	-	-	-	-	11,379	11,492
Money Market	-	-	-	-	-	907	907
Cash and Cash Equivalents	-	-	-	-	-	18,036	18,036
Equities	-	-	-	-	-	69,475	69,475
Other	-	-	-	-	-	3,824	3,824
	\$ 49,409	\$ 124,367	\$ 5,544	\$ 12,816	\$ 3,529	\$ 691,456	\$ 887,121
NextGen College Investing Plan							5,982,144
Other Assets							-
Cash with Fiscal Agent							144,748
Total Primary Government							<u>\$ 7,014,013</u>

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This credit risk is measured by the credit quality ratings of investments as described by nationally recognized statistical rating organizations. The State’s investment policy limits its investments to those with high credit quality made by or with the advice and upon the due diligence of the State’s independent investment advisor. The State limits credit risk in its trusts by ensuring that at least 85 percent of the debt securities are rated A or better.

The Primary Government’s total investments by credit quality rating as of June 30, 2011 are presented below:

	Standard & Poor’s Credit Rating (Expressed in Thousands)								<u>Total</u>
	<u>A1</u>	<u>A</u>	<u>AA</u>	<u>AA+</u>	<u>AAA</u>	<u>BB</u>	<u>BBB</u>	<u>Not Rated</u>	
<i>Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds</i>									
US Instrumentalities	\$ -	\$ -	\$ -	\$ -	\$ 56,694	\$ -	\$ -	\$ -	\$ 56,694
US Treasury Notes	-	-	-	-	-	-	-	46,999	46,999
Corporate Notes and Bonds	-	-	-	-	-	-	-	-	-
Commercial Paper	-	-	-	-	-	-	-	-	-
Money Market	-	-	-	-	-	-	-	-	-
<i>Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds</i>									
US Instrumentalities	-	-	-	-	2,639	-	-	4,103	6,742
US Treasury Notes	-	-	-	-	4,419	-	-	30,152	34,571
Corporate Notes and Bonds	-	1,938	481	-	394	-	657	9,078	12,548
Commercial Paper	-	-	-	-	-	-	-	-	-
Money Market	-	-	-	-	-	-	-	-	-
Other Fixed Income Securities	-	43	46	-	45	-	112	4,028	4,274
Total Primary Government	<u>\$ -</u>	<u>\$ 1,981</u>	<u>\$ 527</u>	<u>\$ -</u>	<u>\$ 64,191</u>	<u>\$ -</u>	<u>\$ 769</u>	<u>\$ 94,360</u>	<u>\$ 161,828</u>

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The State limits concentration of credit risk in its trusts by requiring that no single stock represent more than 10 percent of the total portfolio. There is no concentration of credit risk policy for the Treasurer’s Cash Pool. At June 30, 2011, there were no investments that exceeded five percent of the Treasurer’s Cash Pool.

Custodial Credit Risk - For investments, custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The State limits its custodial credit risk for the Treasurer’s Cash Pool by maintaining a file of the most recent credit rating analysis reports performed for each approved financial institution. The State also requires that all securities be perfected in the name of the State and held in third party safekeeping by a state approved custodian. Of the cash pool’s \$5.8 million invested in non-negotiable certificates of deposit, none exceeded the FDIC insured amounts for the institutions at which they were held. The State does not have a policy regarding custodial credit risk for its trusts. The Percival P. Baxter Trust is held by the counterparty’s trust department, but not in the State’s name.

The fair value of the trust's investments as of June 30, 2011 was \$63.3 million and was comprised of the following:

U.S. Instrumentalities	\$ 3,088
US Treasury Notes	2,759
Corporate Notes and Bonds	3,161
Other Fixed Income Securities	4,275
Equities	47,612
Cash and Equivalents	361
Other	2,000
Total	<u>\$ 63,256</u>

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2011 these disbursements, on average, exceeded \$148.4 million per month. The funds in transit are not collateralized and are not held by the State Treasurer. Until the vendor receives payment, the State retains some liability.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

The Maine Public Employees Retirement System (the System) makes investments in a combination of equities, fixed income securities, infrastructure, private equity, real estate, mutual funds, commingled mutual and index funds, derivative financial instruments, and other investment securities established by the Trustee's investment policy.

Derivative Securities – Derivative financial instruments are financial contracts whose value depends on the value of one or more underlying assets, reference rates or financial indices. They include futures, forwards, options, and swap contracts. The System's investments in derivative securities only have nominal exposure to custodial credit risk. Credit risk is managed, in the case of exchange-traded derivatives, by the execution of trades through a clearinghouse and, in the case of over-the-counter transactions, by managers' due diligence assessment and approval of counterparties. Market risk is managed by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and are monitored by the Chief Investment Officer.

Foreign currency forward contracts are used to hedge against the currency risk in the System's foreign equity and fixed income security portfolios. The System's fixed income managers invest in CMOs and Asset-Backed Securities to improve the yield or adjust the duration of the fixed income portfolio. As of June 30, 2011 the carrying value of the System's CMO and Asset-Backed Security holdings totaled \$97.2 million. The System also invests in swaps. Interest rate swaps are used to adjust interest rate and yield curve exposures and substitute for physical securities.

Securities Lending - The System has also entered into agreements for securities lending transactions, which are collateralized in an amount generally valued at 102 percent (105 percent for international securities) of the market value of the securities loaned. All securities and loans can be terminated on demand by either the lender or the borrower.

Cash open collateral is invested in a short-term investment pool, the Core Limited Collateral Section. Cash collateral may also be invested separately in "term loans." At June 30, 2011 all of the collateral for securities lending is subject to custodial credit risk. The System believes that there is no credit risk as defined in GASB Statement No. 28 and GASB Statement No. 40. The collateral held and the market value of securities on loan for the System as of June 30, 2010 was \$279.7 million and \$274.4 million, respectively.

The following table details the System's derivative investments at June 30, 2011:

(Expressed in Thousands)

	2011 Changes in Fair Value	Fair Value at June 30, 2011		Notional
		Classification	Amount	
Futures:				
Equity Index Futures Contracts	\$ 538	OSIC*	\$ 274	\$ 32,546

*OSIC = Obligations to settle investment contracts

NEXTGEN COLLEGE INVESTING PLAN

The Maine College Savings Program Fund (the Fund) doing business as NextGen College Investing Plan (the Program), was established in accordance with Title 20-A MRSA §11473, to encourage the investment of funds to be used for Qualified Higher Education Expenses at institutions of higher education. The Program is designed to comply with the requirements for treatment as a Qualified State Tuition Program under Section 529 of the Internal Revenue Code.

The statute authorizes the Finance Authority of Maine ("FAME") to administer the Program and act as administrator of the Fund. The Fund is held by the Treasurer of the State who invests it under the direction of and with the advice of a seven member Advisory Committee on College Savings, which is chaired by the Treasurer. See Note 16 for additional information. FAME and the Treasurer have selected Merrill Lynch as the Program Manager. The Program is reported as a private purpose trust fund in the financial statements of the State.

NextGen's investments are comprised of 58 different investment portfolios which are reported at fair value and total \$6.0 billion at June 30, 2011.

Custodial Credit Risk – NextGen, in accordance with its Program Description, primarily invests in open-end mutual funds, which, according to GASB Statement No. 40, do not bear custodial credit risk; hence, the Program's exposure to custodial credit risk arising from its investment in mutual funds is considered to be insignificant.

The Program makes some investments in entities which are not mutual funds including a Guaranteed Investment Contract (GIC) issued by Transamerica Life Insurance Company in the Principal Plus Portfolio. Because an investment in a GIC represents a contractual investment rather than a security, it is not deemed to be subject to custodial credit risk.

The Program also invests in the Cash Allocation Account (the Account), a separate account that was established by FAME. All of the Account investments are held in either the name of the Account or the Account Agent's name, thereby minimizing the custodial credit risk.

Credit Risk - The Program has not established an investment policy that specifically limits its exposure to credit risk. The Program's investments in fixed income mutual funds, the Principal Plus Portfolio, and the Account may bear credit risk. The GIC underlying the Program's investment in the Principal Plus Portfolio has not been rated by any of the nationally recognized statistical rating organizations. The fair value of the GIC at June 30, 2011 was \$239.4 million.

The assets of the Account are invested in a portfolio of high-quality, short-term money-market securities consisting primarily of direct U.S. Government obligations, U.S. Government agency securities, obligations of domestic and foreign banks, U.S. dollar denominated commercial paper, other short-term debt securities issued by U.S. and foreign entities, and repurchase agreements. In addition, the Account invests in certificates of deposit

issued by Maine financial institutions in accordance with instructions of FAME and the Treasurer. All Maine Certificate of Deposit's are FDIC insured or fully collateralized. The value of the Account at June 30, 2011 was \$247.0 million.

Concentration of Credit Risk – The Program has not established an investment policy that specifically limits its exposure to concentration of credit risk because the Program principally invests in mutual funds which have been excluded by GASB Statement No. 40 from its concentration of disclosure risk requirements.

Interest Rate Risk – The Program has not established an investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Program's investments in fixed income mutual funds, the Principal Plus Portfolio, and the Account all invest in securities that are subject to interest rate risk.

Market values of the above-mentioned investments are presented below (in thousands):

	<u>Fair Value</u>
Principal Plus Portfolio	\$ 239,366
Cash Allocation Account	247,026
Fixed Income Securities	<u>1,607,862</u>
Total Fair Value	<u><u>\$2,094,254</u></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.

Certain component units also invest in the Treasurer's Cash Pool and comprise approximately 20 percent of pool assets. The component units reported their participation as either Cash and Cash Equivalents or Investments on their financial statements. The State reclassified \$108.9 million of the component units' participation to "Equity in Treasurer's Cash Pool" on the State's financial statements. In addition to the amounts reported, the State Treasurer's Cash Pool includes \$5.8 million, consisting of Finance Authority of Maine component unit fiduciary funds that, because of GASB Statement No. 34 reporting criteria, are not shown in the accompanying financial statements as invested in the Treasurer's Cash Pool.

NOTE 6 - RECEIVABLES

Receivable balances are segregated by type, and presented in the fund financial statements net of allowance for uncollectibles. The following tables disaggregate amounts considered to be uncollectible by fund and type of receivable as of the close of the fiscal year:

Primary Government – Receivables
(Expressed in Thousands)

	<u>Taxes</u>	<u>Accounts</u>	<u>Loans</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivables</u>
Governmental Funds:					
General	\$552,469	\$118,854	\$1	(\$168,352)	\$502,972
Highway	35,345	2,460	35	(10,540)	27,300
Federal	-	92,142	-	(23,050)	69,092
Other Special Revenue	9,690	76,218	5,044	(9,164)	81,788
Other Governmental Funds	-	-	-	-	-
Total Governmental Funds	597,504	289,674	5,080	(211,106)	681,152
Allowance for Uncollectibles	(132,512)	(78,447)	(147)		
Net Receivables	<u>\$464,992</u>	<u>\$211,227</u>	<u>\$4,933</u>		<u>\$681,152</u>
Proprietary Funds:					
Employment Security	\$ -	\$48,982	\$ -	(\$13,709)	\$35,273
Nonmajor Enterprise	-	26,638	-	(1,005)	25,633
Internal Service	-	525	-	-	525
Total Proprietary Funds	-	76,145	-	(14,714)	61,431
Allowance for Uncollectibles	-	(14,714)	-		
Net Receivables	<u>\$ -</u>	<u>\$ 61,431</u>	<u>\$ -</u>		<u>\$61,431</u>

Component Units – Receivables
(Expressed in Thousands)

	<u>Accounts</u>	<u>Loans</u>	<u>Notes</u>	<u>Allowance For Uncollectibles</u>	<u>Net Receivables</u>
Finance Authority of Maine	\$632	\$ -	\$31,019	(\$5,267)	\$26,384
Maine Community College System	9,784	-	-	(1,035)	8,749
Maine Health and Educational Facilities Authority	2,297	1,216,848	-	(525)	1,218,620
Maine Municipal Bond Bank	1,187	-	-	-	1,187
Maine State Housing Authority	22,840	1,389,159	803	(10,792)	1,402,010
University of Maine System	51,201	-	41,304	(6,384)	86,121

NOTE 7 - INTERFUND TRANSACTIONS

Interfund receivables and payables represent amounts owed to one State fund by another, for goods sold or services received, or for borrowings to eliminate negative balances in the Treasurer's Cash Pool.

Balances due within one year are recorded as Due to/Due from Other Funds. The balances of current interfund receivables and payables as of June 30, 2011 were:

Interfund Receivables (Expressed in Thousands)					
Due to Other Funds					
Due from Other Funds	General	Highway	Federal	Other Special Revenue	Other Governmental
General	\$ -	\$ -	\$ 16,630	\$ -	\$ -
Highway	1	1	-	-	-
Federal	60	3	218	370	-
Other Special Revenue	79,397	163	256	258	40
Other Governmental	-	-	3	-	-
Employment Security	-	-	13	-	-
Non-Major Enterprise	1,220	1,073	12	25	-
Internal Service	9,662	2,958	4,083	3,341	-
Fiduciary	21,520	-	-	-	-
Total	\$ 111,860	\$ 4,198	\$ 21,215	\$ 3,994	\$ 40
Due from Other Funds	Employment Security	Non-Major Enterprise	Internal Service	Fiduciary	Total
General	\$ -	\$ 3,920	\$ 5,509	\$ -	\$ 26,059
Highway	-	-	-	-	2
Federal	-	-	1	-	652
Other Special Revenue	-	20	57	-	80,191
Other Governmental	-	-	-	-	3
Employment Security	-	-	-	-	13
Non-Major Enterprise	-	186	-	-	2,516
Internal Service	-	246	710	9	21,009
Fiduciary	-	-	-	-	21,520
Total	\$ -	\$ 4,372	\$ 6,277	\$ 9	\$ 151,965

Not included in the table above are interfund loans/advances, which are not expected to be repaid within one year. Postal, Printing & Supply (an internal service fund) owes \$111 thousand to the General Fund for operating capital.

The more significant balance included in Due to/Due from other funds is \$65 million due to the Other Special Revenue Fund related to the General Fund's negative cash position in the Treasurer's Cash Pool. This type of temporary loan is typical; cash is frequently borrowed and returned depending on cash flow needs.

Transfers are made in accordance with statutory authority. Significant transfers are used to 1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) move

receipts restricted to debt service from the funds collecting the receipts to the funds required to pay debt service as principal and interest payments come due, 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, 4) move profits from the Lottery Fund, and 5) transfer accumulated surpluses from other funds to the General Fund when authorized by statute.

During fiscal year 2011, the State of Maine, in accordance with the legislatively authorized budget, recorded several non-routine, nonrecurring transfers.

The Medical Care Services Federal Expenditures Fund transferred \$29.7 million to the unappropriated surplus of the General Fund for the federal disallowance related to targeted case management services provided in 2002 and 2003.

The Other Special Revenue Fund transferred \$18.2 million to the unappropriated surplus of the General Fund.

Interfund transfers for the year ended June 30, 2011, consisted of the following:

Interfund Transfers
(Expressed in Thousands)

<u>Transferred To</u>	<u>Transferred From</u>				
	<u>General</u>	<u>Highway</u>	<u>Federal</u>	<u>Other Special Revenue</u>	<u>Other Governmental</u>
General	\$ -	\$ 154	\$ 36,033	\$ 69,669	\$ -
Highway	1,806	-	8,250	1,941	-
Federal	75	-	-	17,609	-
Other Special Revenue	151,078	5,764	17,348	-	2,042
Other Governmental Funds	-	-	-	-	1,660
Employment Security	-	-	-	-	-
Non-Major Enterprise	3,100	3,600	-	177	-
Internal Service	11,215	-	-	-	-
Fiduciary	-	-	-	-	729
Total	\$ 167,274	\$ 9,518	\$ 61,631	\$ 89,396	\$ 4,431

<u>Transferred To</u>	<u>Transferred From</u>				
	<u>Employment Security</u>	<u>Non-Major Enterprise</u>	<u>Internal Service</u>	<u>Fiduciary</u>	<u>Total</u>
General	\$ -	\$ 49,581	\$ 331	\$ 24,027	\$ 179,795
Highway	-	-	705	-	12,702
Federal	1,337	-	670	-	19,691
Other Special Revenue	-	4,687	237	675	181,831
Other Governmental Funds	-	-	-	-	1,660
Employment Security	-	-	-	-	-
Non-Major Enterprise	-	-	185	-	7,062
Internal Service	-	-	350	-	11,565
Fiduciary	-	-	-	-	729
Total	\$ 1,337	\$ 54,268	\$ 2,478	\$ 24,702	\$ 415,035

NOTE 8 - CAPITAL ASSETS

The following schedule details changes in capital assets for the governmental activities and business-type activities of the primary government for the fiscal year ended June 30, 2011:

Primary Government – Capital Assets

(Expressed in Thousands)

	<u>Beginning Balance</u>	<u>Increases and Other Additions</u>	<u>Decreases and Other Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 473,464	\$ 17,610	\$ 2,877	\$ 488,197
Construction in progress	90,974	28,445	-	119,419
Infrastructure	3,600,246	214,220	-	3,814,466
Total capital assets not being depreciated	4,164,684	260,275	2,877	4,422,082
Capital assets being depreciated:				
Buildings	589,375	8,657	5,089	592,943
Equipment	254,744	13,832	14,184	254,392
Improvements other than buildings	19,576	26	-	19,602
Total capital assets being depreciated	863,695	22,515	19,273	866,937
Less accumulated depreciation for:				
Buildings	228,757	15,995	5,162	239,590
Equipment	169,699	17,552	12,389	174,862
Improvements other than buildings	11,780	1,109	-	12,889
Total accumulated depreciation	410,236	34,656	17,551	427,341
Total capital assets being depreciated, net	453,459	(12,141)	1,722	439,596
Governmental Activities Capital Assets, net	\$ 4,618,143	\$ 248,134	\$ 4,599	\$ 4,861,678
	<u>Beginning Balance</u>	<u>Net Additions</u>	<u>Net Deletions</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 43,076	\$ 15,825	\$ 13	\$ 58,888
Construction in progress	8,789	23,235	-	32,024
Total capital assets not being depreciated	51,865	39,060	13	90,912
Capital assets being depreciated:				
Buildings	8,465	984	-	9,449
Equipment	49,548	18,026	537	67,037
Improvements other than buildings	74,572	5,610	16,840	63,342
Total capital assets being depreciated	132,585	24,620	17,377	139,828
Less accumulated depreciation for:				
Buildings	5,651	269	-	5,920
Equipment	44,628	5,482	507	49,603
Improvements other than buildings	36,536	2,075	9,751	28,860
Total accumulated depreciation	86,815	7,826	10,258	84,383
Total capital assets being depreciated, net	45,770	16,794	7,119	55,445
Business-Type Activities Capital Assets, net	\$ 97,635	\$ 55,854	\$ 7,132	\$ 146,357

During the fiscal year, depreciation expense was charged to the following functions in the governmental activities column of the Statement of Activities for the primary government:

Governmental Activities – Depreciation Expense
(Expressed in Thousands)

	<u>Amount</u>
Governmental Activities:	
Arts, Heritage and Cultural Enrichment	\$ 17
Business Licensing and Regulation	355
Economic Development and Workforce Training	1,068
Education	329
Governmental Support and Operations	5,138
Health and Human Services	5,501
Justice and Protection	10,466
Natural Resources Development and Protection	3,907
Transportation Safety and Development	7,875
Total Depreciation Expense – Governmental Activities	<u>\$ 34,656</u>

NOTE 9 - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

PLAN DESCRIPTIONS

The Maine Public Employees Retirement System, formerly named the Maine State Retirement System, (the System), is a component unit of the State of Maine. For financial reporting purposes, the System administers an agent, multiple-employer, defined benefit public employee retirement system established and administered under the Title 5 MRSA C. 421, 423, and 425. The System provides pension, disability, and death benefits to its members, which includes employees of the State, public school employees (defined by Maine law as teachers and for whom the State is the employer for retirement contribution and benefit purposes, or SETP) and employees of 314 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine, each of which contracts for participation in the System under provisions of the relevant statutes. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2011 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

The Maine Public Employees 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 an agent, multiple-employer plan for financial reporting purposes. The statements include \$2.1 billion of assets related to the PLD’s. The Attorney General’s Office does not concur that these assets are available for payment of State benefits.

The total funds managed by the System are constitutionally restricted and 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 System administers three defined contribution plans for employees of PLD's that elect to participate. At June 30, 2011, there were 51 employers participating in these plans. The 742 participants individually direct the \$14.4 million in assets covered by the plans.

The System also provides group life insurance under a plan administered by a third party insurance company and invests long-term assets for the Retiree Health Insurance Post-Employment Benefits Investment Trust Fund. Note 10 provides for further disclosure.

BASIS OF ACCOUNTING

The System's financial statements are prepared on the accrual basis of accounting. Pension contributions are recognized as additions in the period when they become due pursuant to formal commitments or statutory or contractual requirements. Investment income is recognized when earned. Contributions to defined contribution plans are recognized in the period they are contributed. Pension benefits and contributions and premium refunds are recognized as deductions when due and payable in accordance with Statutes. Benefits payable incurred but not reported are reflected as other liabilities. Distributions from defined contribution plans are recognized in the period the disbursement is made.

INVESTMENTS

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value of shares in managed investment pools is based on unit values reported by the funds. The fair value of other investments, including real estate holdings and mortgage participation agreements, are based on third-party appraisals and valuations provided by the sponsor of the agreement. Investment purchases and sales are recorded as of their trade date. Proceeds related to securities sold not yet purchased are carried as a liability and adjusted to the fair value of the securities.

CONTRIBUTION INFORMATION

Membership in each defined benefit plan consisted of the following at June 30, 2011:

	State Employees and Teachers Plan	Consolidated Plan for PLD
Active vested and nonvested members	38,991	10,629
Terminated vested participants	7,278	1,259
Retirees and benefit recipients	29,107	7,610
Total	<u>75,376</u>	<u>19,498</u>
Number of participating employers/sponsors	1	313

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 biennial actuarial valuations.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to terminated members' accounts is set by the System's Board of Trustees and is currently 5 percent.

STATE EMPLOYEES AND TEACHERS PENSION PLAN SPECIFICS

The System’s retirement programs provide retirement benefits based on members’ average final compensation and creditable service. Vesting occurs upon the earning of five years of service credit or the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Through June 30, 2010, 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 prior 10 year requirement was reduced to 5 years by legislative action). For members with fewer than 5 years of creditable service on July 1, 2011, normal retirement age is 65. 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 disability and survivor benefits, which are established by statute for State employee and teacher members, and by contract with other participating employers under applicable statutory provisions.

PARTICIPATING LOCAL DISTRICTS PLAN SPECIFICS

In the event that a PLD withdraws from the System, its individual employee-members can terminate membership or remain contributing members. The PLD 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.

SPECIAL FUNDING SITUATION – TEACHERS DEFINED BENEFIT PENSION PLAN

The State is legally responsible for contributions to the Teacher Group that covers retirees of other governmental entities. The State is the sole “employer” contributor for the teachers; therefore, is acting as the employer.

FUNDED STATUS AND FUNDING PROGRESS – DEFINED BENEFIT PENSION PLANS

The funded status of each plan as of June 30, 2011, the most recent biennial actuarial valuation date, is as follows:

(Expressed in Thousands)

Plans	(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)
SETP	8,795,250	11,335,259	2,540,009	77.6%	1,652,576	153.7%
PLD's	2,119,466	2,267,575	148,109	93.5%	436,015	34.0%

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits. Additional information as of the latest actuarial valuation date follows:

	<u>SETP</u>		<u>PLD's</u>	
Valuation date	June 30, 2011		June 30, 2011	
Actuarial cost method	Entry age		Entry age	
Amortization method	Level percent closed		Level dollar open	
Remaining amortization period	17	1	15	
Asset valuation method	3-Year smoothed market		3-Year smoothed market	
Actuarial assumptions:				
Investment rate of return	7.25%		7.25%	
Projected salary increases	3.50%	2	3.50% - 9.50%	
Includes inflation at	3.50%		3.50%	
Cost of living adjustments	2.55%	4	3.12%	
Most recent review of plan experience:	2010	3	2008	3
Former actuarial assumptions:				
Investment rate of return	7.75%		7.75%	
Projected salary increases	4.75% - 10.00%		4.50% - 10.50%	
Includes inflation at	4.50%		4.50%	
Cost of living adjustments	3.75%		3.75%	

¹ The System amortizes the unfunded liability of the State and teacher plan over a closed period that cannot be longer than 31 years from July 1, 1997 but may be, and at certain times has been, shorter than that period. In 2000, the amortization period was reduced to a 19-year period from June 30, 2000. In 2004, the Legislature relengthened the period to 25 years, the full extent of the then-remaining Constitutional years for the 2004-2005 biennium, and reshortened the period effective July 1, 2005 to the 13 years that will then remain in the earlier shortened period. In 2005, the State repealed the "sunset" provision, with the result that the period for reduction of these unfunded actuarial liabilities continues to the full extent permitted by the State constitution, or June 30, 2028. The contribution rate in effect for 2010 was determined by the 2008 valuation, and reflects the relengthened amortization period. The unfunded actuarial accrual liability of the judicial plan is amortized over a period of which 6 years remained at June 30, 2011

² The projected rate of salary increases include a 3.5% across-the-board increase at each year of service with a revised merit scale of up to 10.5% for State Employees and 13.5% for Teachers. The first 2 fiscal years assume a flat 1.5% pay increase across the board.

³ The assumptions were adopted by the Trustees as a result of the latest experience study review performed in 2011 and covering the period July 1, 2005 through June 30, 2010.

⁴ The cap on annual COLA was lowered from 4.0% per year to 3.0% per year on the first \$20,000 of annual benefit (indexed). No COLA will be made until September 2014.

CONTRIBUTION RATES – DEFINED BENEFIT PENSION PLANS

The Maine Constitution, Maine Statutes and the System’s funding policy provide for periodic employer contributions at actuarially determined rates that, based upon certain assumptions, are expressed as percentages of annual covered payroll and are sufficient to accumulate adequate assets to pay benefits when due.

In order to reduce any unfunded pension liability for State employees and teachers under Title 5 MRSA § 1536, the State is required to remit 20 percent of its General Fund unappropriated surplus to the System at year-end. For fiscal 2011, the amount due was \$5.9 million.

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 2011 for participating entities:

<u>State</u>		
Employees	1	7.65 - 8.65%
Employer	1	14.12 - 54.49%
<u>Teachers</u>		
Employees		7.65%
Employer		17.28%
<u>Participating Local Entities</u>		
Employees	1	3.0 - 8%
Employer	1	1.9 - 8.1%

¹ Contribution rates vary depending on specific terms of plan benefits for certain classes of employees and/or, in the case of participating local districts (PLDs), on 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 State is one of several employers whose employees are System members. The State's net pension obligation shown at the end of the year includes the pension liability related to its employees. It does not include the pension liability related to PLD's. The State's annual pension cost and net pension obligation to the System for the current year were:

Net Pension Obligation	
(Expressed in Thousands)	
Annual required contribution	\$ 328,075
Interest on net pension obligation	608
Adjustment to annual required contribution	(556)
Annual pension cost	<u>328,127</u>
Contributions made	<u>333,944</u>
Increase (decrease) in net pension obligation	(5,817)
Net pension obligation beginning of year	<u>7,845</u>
Net pension obligation end of year	<u><u>\$ 2,028</u></u>

Analysis of Funding Progress

(Expressed in Thousands)

<u>Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Covered</u>	<u>Net Pension Obligation</u>
2011	328,127	101.77%	2,028
2010	318,171	103.47%	7,845
2009	320,285	99.93%	18,881

Employer contributions met actuarially determined contribution requirements.

COMPONENT UNIT PARTICIPANTS

The Maine Municipal Bond Bank, Maine Maritime Academy, and the Maine Public Employees Retirement System have defined benefit pension plans. All are participating local entity participants in plans administered by the Maine Public Employees Retirement System. For financial reporting purposes, employees of the Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, and the Northern New

England Passenger Rail Authority are combined with State employees for retirement benefit purposes and are included in the pension disclosures of the State.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS**POST RETIREMENT HEALTHCARE PLANS**

The State sponsors and contributes to two defined benefit healthcare plans: a sole employer plan for its employees, and county and municipal law enforcement officers and firefighters (First Responders). Each plan provides medical benefits to eligible retired employees and beneficiaries. Statute prescribes what portion of health insurance costs are funded by the State. The State also agreed to fund a set percentage of retiree healthcare costs for teachers. Statute prescribes what portion of health insurance costs are funded by the State.

The State of Maine funds post retirement health care benefits for most retired State employees and legislators, as authorized by Title 5 MRSA § 285, and for a portion of the premiums for teachers, as authorized by Title 20-A MRSA § 13451. Pursuant to Title 5 MRSA § 285 most retired employees of the Maine Turnpike Authority, Maine Community College System, Maine Maritime Academy, Maine Public Employees Retirement System, and Maine Educational Center for the Deaf and Hard of Hearing are eligible to participate in the health plan but are not funded by the State. Specifically excluded (Title 5 MRSA § 285 1-B) are members of the Maine Municipal Association, Maine Teachers Association and employees of counties and municipalities and their instrumentalities, except as provided in subsection 11-A. Title 5 MRSA § 286-M included retired county or municipal law enforcement officers and municipal firefighters, as defined in subsection 286-M, who participate in an employer-sponsored retirement plan and, prior to July 1, 2007 were enrolled in a self-insured health benefits plan offered by the employing county or municipality.

The State pays 100 percent of post retirement health insurance premiums for state employee retirees who were first employed on or 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. Per Title 5 MRSA § 285 paragraphs 2 and 3, coverage depends upon terms and conditions contained in collective bargaining agreements with the State Health Commission. Retirees who are not eligible for Medicare retain coverage in the same group health plan as active employees. Retirees must pay for Medicare Part B coverage to be eligible to participate in the State-funded Companion Plan. Coverage for retirees ineligible for Medicare includes basic hospitalization; supplemental major medical and prescription drugs; and costs for treatment of mental health, alcoholism, and substance abuse.

Effective January 1, 2006, the State contribution to retired teacher health premiums was increased to 45 percent of the retiree-only premium. The rate is based on a single rate for single and employee plus children coverage, or 50 percent of the two party rate for two party and family coverage.

For State employees and Teachers, other options exist. Part-time employees are eligible for prorated benefits with retirees who worked 50 percent or more of full-time hours receiving 100 percent of the benefit. Surviving spouses and dependents may continue in the plan and pay 100 percent of the premium. Retirees ineligible for a State contribution are allowed to participate and pay the retiree premium.

County and municipal law enforcement officers and municipal firefighters began coverage in Fiscal Year 2008 with the State contributing 45 percent of the retiree-only premium of their respective plans. The State's premium subsidy is based on the Title 5 MRSA § 285 paragraph 11-A C cost of the retiree's share of the individual premium for the standard plan identified and offered under the group health insurance plan in which the retiree enrolls. The State subsidy ends after the retiree is eligible for Medicare. First Responders are eligible if they retire after age 50 with 25 or more years of service and receive a retirement benefit from either the MPERS or a defined contribution plan. If retirees have fewer than 25 years of service, the normal retirement benefit must be at

least 50 percent of final average compensation. Retirees must also participate in their employer’s health insurance plan or other fully insured health plan for at least 5 years. Retirees can elect to participate in the plan at their retirement date. If participation is waived at that time, the retiree is ineligible to participate at a later date.

The State also administers a fourth defined benefit healthcare plan, (Ancillary Group Plan), which covers two non-major discretely presented component units. Under the Ancillary Group Plan, the State acts as the plan administrator only.

Beginning in the fiscal year ending June 30, 2008, each participating employer is required by GASB Statement 45, *Accounting and Financial Reporting by Employer for Postemployment Benefits Other Than Pensions*, to disclose additional information with regard to funding policy, the employer’s annual OPEB cost and contributions made, the funded status and funding progress of the employer’s individual plan, and actuarial methods and assumptions used.

PLAN MEMBERSHIP

Membership in the four healthcare plans is as follows:

	<u>State Employees</u>	<u>Teachers</u>	<u>First Responders</u>	<u>Ancillary Groups</u>
Actives	12,720	27,159	912	67
Retirees	8,920	9,381	69	11
Total	<u>21,640</u>	<u>36,540</u>	<u>981</u>	<u>78</u>
Number of employers	1			2
Contributing entities		1	1	2

STATE EMPLOYEES PLAN FUNDING POLICY

Title 5 MRSA § 286-B authorized an Irrevocable Trust Fund for Other Post-employment Benefits to meet the State’s unfunded liability obligations for retiree health benefits for eligible participants who are the beneficiaries of the irrevocable trust fund. Annually, beginning with the fiscal year starting July 1, 2007, the Legislature shall appropriate funds to meet the State’s obligations under any group health plan, policy or contract purchased by the State Employee Health Commission. Unfunded liabilities may not be created except those resulting from experience losses. Unfunded liability resulting from experience losses must be retired over a period not to exceed 10 years. The unfunded liability for retiree health benefits for eligible participants must be retired in 30 years or less from July 1, 2007.

Public Law 2007, Chapter 240, amended Title 5 Chapter 421 by establishing the Irrevocable Trust for Other Post-employment Benefits. MPERS holds and invests long-term funds in the irrevocable trust fund. Its fiduciary responsibilities include setting investment policy in order to fund the plan in accordance with a projected disbursement schedule that does not begin before the year 2027.

TEACHERS PLAN AND FIRST RESPONDERS PLAN FUNDING

A special funding situation exists for these plans. The State is statutorily responsible for contributions to the Teachers Plan and the First Responders Plan that cover the retirees of other governmental entities. The State is the sole contributing entity for Teachers and the primary contributing entity for the First Responders, therefore, making the contribution on behalf of the employing jurisdictions at a 45 percent level for the current portion of the health plan costs and are not included in the Trust.

Public Law 2011, Chapter 380 Pt. Y § 2 established separate Irrevocable Trust Funds for Other Post-employment Benefits to meet the State’s unfunded liability obligations for retiree health benefits for eligible participants who are the beneficiaries of the irrevocable trust funds. Annually, beginning with the fiscal year starting July 1, 2011, the Legislature shall appropriate funds to meet the State’s obligations to retire the unfunded liability for eligible

first responders in 30 years or less from July 1, 2007. Annually, beginning with the fiscal year starting July 1, 2013, the Legislature shall appropriate funds to meet the State's obligations to retire the unfunded liability at June 30, 2006 for eligible teachers in 30 years or less from July 1, 2007.

No implied subsidy is calculated for either plan. The State does not pay for any of the costs of active employees. The State limited its contribution to 45 percent of the retiree-only premium.

ANCILLARY GROUP PLAN

The following plan, administered by the State, is financially independent and is not included in the State Retiree Health Internal Service Fund. This multiple-employer agent postemployment benefit plan covers 11 retirees of 2 non-major component units: Maine Educational Center for the Deaf and Hard of Hearing and the Northern New England Passenger Rail Authority. All active employees participate in the State Employee Group Health Insurance Plan. All eligible retired employees who elect coverage are included in this plan. The State Employee Health Commission establishes premiums annually.

ANNUAL OPEB COST

Contribution requirements are set forth in statute. The annual other post-employment benefit (OPEB) cost (expense) for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The State's annual OPEB cost for the current year and the related information for each plan are as follows:

	(Expressed in Thousands)		
	State Employees	Teachers	First Responders
Annual required contribution	\$ 120,000	\$ 61,000	\$ 916
Interest on net OPEB obligation	-	5,000	113
Adjustment to annual required contribution	(1,000)	(8,000)	(184)
Annual OPEB cost	<u>\$ 119,000</u>	<u>\$ 58,000</u>	<u>\$ 845</u>
Contributions made	<u>85,000</u>	<u>18,000</u>	<u>523</u>
Increase (decrease) in net healthcare obligation	34,000	40,000	322
Net healthcare obligation beginning of year	<u>8,228</u>	<u>106,956</u>	<u>2,516</u>
Net healthcare obligation end of year	<u><u>\$ 42,228</u></u>	<u><u>\$ 146,956</u></u>	<u><u>\$ 2,838</u></u>

The annual OPEB cost for the current year, the percentage of annual OPEB cost contributed to the plan, and the net OPEB (asset) obligation for each plan are as follows:

Analysis of Funding Progress (Expressed in Thousands)					
<u>Plan</u>	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Asset</u>	<u>Net OPEB Obligation</u>
State Employees	6/30/2011	119,000	71.43%		42,228
	6/30/2010	92,000	59.78%		8,228
	6/30/2009	77,000	65.43%	28,772	
Teachers	6/30/2011	58,000	31.03%		146,956
	6/30/2010	56,000	33.93%		106,956
	6/30/2009	60,000	30.65%		69,956
First Responders	6/30/2011	845	61.89%		2,838
	6/30/2010	1,051	35.01%		2,516
	6/30/2009	1,045	24.69%		1,833

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plans as of June 30, 2011 was as follows:

Plan	(a) Actuarial Valuation Date	(b) Actuarial Value of Assets	(b-a) Actuarial Accrued Liability	(a/b) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c UAAL (as a percentage of covered payroll)
State Employees (in millions)	June 30, 2011	111	1,544	1,433	7.19%	567	252.73%
	June 30, 2010	103	1,450	1,347	7.10%	549	245.36%
	June 30, 2009	82	1,311	1,229	6.25%	595	206.55%
Teachers (in millions)	June 30, 2011	0	806	806	0.00%	1,098	73.41%
	June 30, 2010	0	1,005	1,005	0.00%	1,064	94.45%
	June 30, 2009	0	994	994	0.00%	1,215	81.81%
First Responders (in thousands)	June 30, 2010	0	19,158	19,158	0.00%	53,821	35.60%
	June 30, 2009	0	20,063	20,063	0.00%	51,876	38.67%
	June 30, 2008	0	19,806	19,806	0.00%	51,021	38.82%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

ACTUARIAL METHODS AND ASSUMPTIONS

Projection of benefits are based on the terms of the substantive plan at the time of each valuation and include types of benefits in force at the valuation date and the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

	<u>State Employees</u>	<u>Teachers</u>	<u>First Responders</u>
Valuation date	March 31, 2011	March 31, 2011	June 30, 2010
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percent closed	Level percent closed	Level percent closed
Remaining amortization period - UAAL	26	26	27
Plan changes	30-year fixed ¹	30-year fixed ¹	20-year fixed
Actuarial (gains) /losses	10-year fixed	15-year fixed	rolling 15 year period
Asset valuation method	investment gains and losses spread over a 5 - year period no less than 80% nor more than 120% of market value	n/a	n/a
Actuarial assumptions:			
Investment rate of return	4.00% 7.25% ultimate	4.00% 7.25% ultimate	4.50%
Projected salary increases	3.25%	3.25%	3.75%
Inflation rate	3.00%	3.00%	3.75%
Healthcare inflation rate	initial - actual premiums ² ultimate 5.00%	initial - actual premiums ² ultimate 5.00%	8.00% ² ultimate 5.00%
Former actuarial assumptions:			
Plan changes	30-year fixed	30-year fixed	20-year fixed
Asset valuation method	market value	n/a	n/a
Investment rate of return	4.80% 7.50% ultimate	4.50%	4.50%
Healthcare inflation rate	ultimate 4.5%	ultimate 4.5%	ultimate 4.5%

¹ Initial UAAL and plan changes are amortized over a 30 year period from 6/30/07.

² Healthcare cost assumptions for the first 2 fiscal years include no increase in non-Medicare costs.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The State's fiduciary financial statements are prepared on the accrual basis of accounting. Premiums are recognized when due and benefits are paid when incurred using the accrual basis of accounting. Premium refunds reduce premium revenue and claims recoveries reduce claims expense. Investment income is recognized when earned.

CONTRIBUTIONS AND RESERVES

The State Employees Health Insurance Committee establishes contributions to the plan by member employers and employees annually. Both active and retired members pay the same premium rate. Claims liabilities of the plan

are periodically computed using statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants.

INVESTMENTS

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value of shares in managed investment pools is based on unit values reported by the funds. The fair value of other investments, including real estate holdings and mortgage participation agreements, are based on third-party appraisals and valuations provided by the sponsor of the agreement. Investment purchases and sales are recorded as of their trade date. Proceeds related to securities sold not yet purchased are carried as a liability and adjusted to the fair value of the securities.

POST RETIREMENT GROUP LIFE INSURANCE BENEFIT PLAN

The Maine Public Employees Retirement System, (the System), is a component unit of the State of Maine. For financial reporting purposes, the System administers an agent, multiple-employer, defined benefit Group Life Insurance Plan (GLIP) administered by a third party insurance company in accordance with Title 5 MRSA C. 423 and 425. Members include employees of the State, public school employees (defined by Maine law as teachers and for whom the State acts like the employer for retirement contribution and benefit purposes), members of the Judiciary and the Legislature, that are eligible for membership in the System. Group life insurance benefits are also provided to employees of 324 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine that elect to participate under provisions of the relevant statutes. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2011 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

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

Group life insurance funds managed by the System are constitutionally restricted and held in trust for the payment of benefits to participants or their beneficiaries. 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 a single actuarial valuation that provides separate data for each participating entity.

BASIS OF ACCOUNTING

The System's financial statements are prepared on the accrual basis of accounting. 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 for premiums collected plus additional payments representing administrative fees.

Group life insurance premiums are recognized as additions in the period when they become due. Investment income is recognized when earned. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Group life insurance benefits and premium refunds are recognized as deductions when due and payable in accordance with Statutes. In addition, an estimate is made for group life insurance death benefits incurred before year end but not reported to the System until after year end. Group life insurance death benefits incurred but not reported are reflected as other liabilities.

INVESTMENTS

Investments are reported at fair value. Investments that do not have an established market are reported at estimated fair value. Fair value of shares in managed investment pools is based on unit values reported by the

funds. The fair value of other investments, including real estate holdings and mortgage participation agreements, are based on third-party appraisals and valuations provided by the sponsor of the agreement. Investment purchases and sales are recorded as of their trade date. Proceeds related to securities sold not yet purchased are carried as a liability and adjusted to the fair value of the securities.

FUNDING POLICY

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims and cover administrative costs. For State employee, legislative and judicial classes, the premiums for retiree life insurance coverage are factored into the premiums paid for Basic coverage while participants are active members. The State remits premiums at a single rate that supports basic coverage for active and retired State employees. This rate is \$.56 per month for every \$1,000 of coverage. Premiums for retiree life insurance coverage for retired teachers are paid by the State based on a rate of \$.33 per \$1,000 of coverage per month during the post-employment retirement period.

ANNUAL OPEB COST

The State's OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Analysis of Funding Progress (Expressed in Thousands)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Net OPEB Asset</u>	<u>Percentage of OPEB Cost Contributed</u>
June 30, 2011	\$ 6,800	\$ 6,339	\$ 300	93.22%
June 30, 2010	6,800	6,361	761	93.54%
June 30, 2009	5,700	12,377	1,200	217.14%

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of June 30, 2011 was as follows:

Plan	Actuarial Valuation Date	(Expressed in Thousands)					
		(a) Actuarial Value of Assets	(b) Actuarial Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c UAAL (as a percentage of covered payroll)
State Employees	June 30, 2011	24,400	78,700	54,300	31.00%	623,600	8.71%
	June 30, 2010	19,700	71,500	51,800	27.55%	615,600	8.41%
	June 30, 2009	17,500	67,900	50,400	25.77%	601,099	8.38%
Teachers	June 30, 2011	27,800	67,600	39,800	41.12%	659,100	6.04%
	June 30, 2010	21,400	60,400	39,000	35.43%	650,600	5.99%
	June 30, 2009	17,700	54,700	37,000	32.36%	591,100	6.26%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information presents multiyear trend information about

whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

ACTUARIAL METHODS AND ASSUMPTIONS

Projection of benefits are based on the terms of the substantive plan at the time of each valuation and include types of benefits in force at the valuation date and the pattern of sharing of costs between the employer and plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Significant methods and assumptions were as follows:

Valuation date	June 30, 2011	
Actuarial cost method	Entry age normal	
Amortization method	Level percent	
	open	
Asset valuation method	market	
Actuarial assumptions:		
Investment rate of return	7.25%	
Projected salary increases	3.50% - 10.50%	¹
Cost of living increases in life benefits	N/A	
Participation percent for future retirees	100.00%	
Form of benefit payment	lump sum	
Former actuarial assumptions:		
Investment rate of return	7.75%	
Projected salary increases	4.75% - 10.00%	

¹ Until fiscal year 2012 the average projected salary increase of 3.5% has been decreased to 1.5%.

NOTE 11 - LONG-TERM OBLIGATIONS

PRIMARY GOVERNMENT

The State records its liability for general obligation bonds in the Governmental Activities column on the Statement of Net Assets. Other long-term obligations recognized by the State include: revenue bonds issued by the Maine Governmental Facilities Authority, a blended component unit; obligations under Certificates of Participation and other financing arrangements; loans payable to component unit for repayment of bonds issued by the Maine Municipal Bond Bank on behalf of the Maine Department of Transportation; compensated employee absences; and the State’s net pension obligation; other post-employment benefits; and obligations for pollution remediation.

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 of the primary government during fiscal year 2011 were:

Primary Government - Changes in General Obligation Bonds
(Expressed in Thousands)

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Debt:					
General Fund	\$ 365,775	\$ 86,010	\$ 72,905	\$ 378,880	\$ 81,055
Special Revenue Fund	134,325	22,125	15,100	141,350	16,385
Total	<u>\$ 500,100</u>	<u>\$ 108,135</u>	<u>\$ 88,005</u>	<u>\$ 520,230</u>	<u>\$ 97,440</u>

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2011 until maturity, are summarized in the following table:

Future Debt Service on General Obligation Bonds
(Expressed in Thousands)

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 97,440	\$ 19,714	\$ 117,154
2013	95,700	16,514	112,214
2014	78,740	13,182	91,922
2015	64,910	10,412	75,322
2016	49,600	7,990	57,590
2017 - 2021	133,840	13,213	147,053
Total	<u>\$ 520,230</u>	<u>\$ 81,025</u>	<u>\$ 601,255</u>

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2011 are as follows:

Primary Government – General Obligation Bonds Outstanding
(Expressed in Thousands)

	Amounts <u>Issued</u>	Outstanding <u>June 30, 2011</u>	<u>Fiscal Year</u> <u>Maturities</u>		Interest <u>Rates</u>
			<u>First</u> <u>Year</u>	<u>Last</u> <u>Year</u>	
General Fund:					
Series 2002	\$ 27,610	\$ 2,760	2003	2012	3.00% - 5.75%
Series 2003	97,080	19,410	2003	2013	1.50% - 5.00%
Series 2004	117,275	32,600	2005	2014	2.00% - 5.27%
Series 2005	137,525	61,230	2006	2015	2.00% - 5.27%
Series 2006	52,390	26,185	2007	2016	4.00% - 5.51%
Series 2007	33,975	20,370	2008	2017	4.00% - 5.50%
Series 2008	46,525	32,560	2009	2018	3.00% - 5.13%
Series 2009	96,035	70,030	2011	2019	2.50% - 5.00%
Series 2010	31,755	27,725	2011	2020	1.41% - 4.00%
Series 2011	86,010	86,010	2012	2021	1.625% - 5.00%
Total General Fund		\$ 378,880			
Special Revenue Fund:					
Series 2004	\$ 13,000	\$ 3,625	2005	2014	2.00% - 4.00%
Series 2007	27,000	16,200	2008	2017	4.00% - 5.50%
Series 2008	57,550	40,285	2009	2018	3.00% - 5.13%
Series 2009	37,310	36,640	2011	2019	2.50% - 5.00%
Series 2010	25,080	22,475	2011	2020	1.41% - 4.00%
Series 2011	22,125	22,125	2012	2021	1.625% - 5.00%
Total Special Revenue		\$ 141,350			

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, 2011, general obligations bonds authorized and unissued totaled \$96.5 million.

REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY

The State included \$172.2 million in other financing arrangements to reflect revenue bonds issued by the Maine Governmental Facilities Authority (MGFA), 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 MGFA is not debt of the State or any political subdivision within the State. The State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. MGFA may not issue securities in excess of \$325.5 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2011, MGFA did not issue any bonds. At June 30, 2011, there were approximately \$20.7 million of MGFA in-substance defeased bonds outstanding.

CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS

The State uses financing companies, Certificates of Participation (COP's), and lease/purchase agreements to finance construction of certain State buildings, to purchase or generate software, and to purchase equipment and vehicles, including school buses. COP's 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 and school districts maintain custody and use of the assets; however, the trustee holds a lien as security until such time as the certificates are fully paid.

Neither COP's 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.

SHORT TERM OBLIGATIONS

The State of Maine issued and retired \$68.5 million in Bond Anticipation Notes during fiscal year 2011. Short term obligations are used to meet temporary operating cash flow needs. At June 30, 2011 there were no outstanding Tax Anticipation Notes or Bond Anticipation Notes.

OTHER LONG-TERM OBLIGATIONS

In general, expenditures and fund liabilities are not recorded in governmental funds for long-term obligations until amounts owed are "due and payable." Fund liabilities are recorded in the proprietary funds when obligations are incurred. In the Statement of Net Assets, the State has recorded long-term obligations for its compensated employee absences, net pension obligation, other post-employment benefit obligations, and pollution remediation.

Changes in other long-term obligations for governmental and business-type activities for the fiscal year ended June 30, 2011, are summarized as follows:

Primary Government - Changes in Other Long-Term Obligations
(Expressed in Thousands)

	Balance July 1, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
Governmental Activities:					
MGFA Revenue Bonds	\$ 189,080	\$ -	\$ 16,930	\$ 172,150	\$ 17,285
COP's and Other Financing	76,291	26,572	31,033	71,830	25,541
Compensated Absences	45,788	5,135	4,480	46,443	4,545
Claims Payable	58,288	169,779	165,198	62,869	27,006
Capital Leases	33,329	5,245	4,884	33,690	5,881
Loans Payable to Component Unit	258,394	51,709	19,184	290,919	21,276
Net Pension Obligation	7,845	328,127	333,944	2,028	-
Other Post-Employment Benefit Obligation	117,700	172,960	100,038	190,622	-
Pollution Remediation	50,028		10,423	39,605	-
Total Governmental Activities	\$ 836,743	\$ 759,527	\$ 686,114	\$ 910,156	\$ 101,534
Business-Type Activities:					
Compensated Absences	\$ 808	\$ 127	\$ 52	\$ 883	\$ 59
Other Post-Employment Benefit Obligation	-	4,885	3,485	1,400	-
Total Business-Type Activities	\$ 808	\$ 5,012	\$ 3,537	\$ 2,283	\$ 59

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2011 until maturity, are summarized as follows:

Future Debt Service on MGFA Revenue Bonds, COP's and Other Financing Arrangements
(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Governmental Funds</u>			<u>Internal Service Funds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 13,184	\$ 70	\$ 13,254	\$ 29,642	\$ 8,339	\$ 37,981
2013	10,873	20	10,893	31,382	7,307	38,689
2014	606	6	612	26,990	6,200	33,190
2015	-	-	-	21,520	5,271	26,791
2016	-	-	-	19,432	4,431	23,863
2017 - 2021	-	-	-	66,411	11,643	78,054
2022 - 2026	-	-	-	15,680	3,640	19,320
2027 - 2030	-	-	-	8,260	628	8,888
Total	<u>\$ 24,663</u>	<u>\$ 96</u>	<u>\$ 24,759</u>	<u>\$ 219,317</u>	<u>\$ 47,459</u>	<u>\$ 266,776</u>

CONDUIT DEBT OBLIGATIONS

Under a General Bond Resolution adopted on June 5, 1973, Maine Health and Higher Educational Facilities Authority (MHHEFA) issues tax exempt bonds to assist in financing health care institutions and institutions for higher education. Loans to institutions made with proceeds of general resolution bonds are written for the entire amount of the bonds, including debt service reserve funds. Security for these bonds is limited to debt service reserve funds of and the loans to the specific institution for which the bond was issued. Therefore, these bonds are considered conduit debt.

LOANS PAYABLE TO COMPONENT UNIT

The State of Maine has pledged various revenue streams, as security for Grant Anticipation Bonds (GARVEE) and Transportation Infrastructure Revenue Bonds (TransCap) issued by the Maine Municipal Bond Bank (MMBB) on behalf of the Maine Department of Transportation to provide financing for qualified transportation projects.

Changes in GARVEE and TransCap revenue bonds during fiscal year 2011 were:

Primary Government - Changes in GARVEE and TransCap Revenue Bonds
(Expressed in Thousands)

	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2011</u>	<u>Due Within One Year</u>
Loans Payable to Component Unit:					
Federal Funds	\$ 76,578	\$ 51,710	\$ 8,942	\$ 119,346	\$ 11,094
Special Revenue Fund	181,816	-	10,243	171,573	10,182
Total	<u>\$ 258,394</u>	<u>\$ 51,710</u>	<u>\$ 19,185</u>	<u>\$ 290,919</u>	<u>\$ 21,276</u>

Payment of principal and interest on the GARVEE bonds shall be subject to appropriation each year by the Legislature in an amount sufficient to cover the principal and interest requirements of MMBB's debt for these bonds. The State's receipt of these funds is subject to continuing federal appropriations. MMBB insured payments of principal and interest with a financial guaranty insurance policy. The bonds do not constitute a debt or obligation of the State.

Principal and interest on TransCap bonds are payable solely from pledged revenues, pledged rights, and pledged TransCap funds and accounts. Pledged revenues include certain motor vehicle registration and other fees, a portion of excise tax on gasoline and other special fuel, and certain amounts required to be transferred from the Highway Fund. All pledged revenues are required to be transferred to the TransCap Fund. The bonds do not constitute a debt or liability of the State.

GARVEE and TransCap Revenue bonds issued and outstanding at June 30, 2011 are as follows:

GARVEE and TransCap Revenue Bonds Outstanding

(Expressed in Thousands)

	Amounts Issued	Outstanding June 30, 2011	Fiscal Year Maturities		Interest Rates
			First Year	Last Year	
Federal Funds:					
Series 2004	\$ 48,395	\$ 24,525	2005	2015	2.50% - 5.00%
Series 2008	50,000	43,075	2009	2020	3.25% - 4.00%
Series 2010A	25,915	25,915	2011	2017	2.00% - 5.00%
Series 2010B	24,085	24,085	2018	2022	4.52% - 5.32%
Total Federal Funds		<u>\$ 117,600</u>			
Special Revenue Fund:					
Series 2008	\$ 50,000	\$ 45,455	2009	2023	3.00% - 5.50%
Series 2009A	105,000	99,285	2010	2023	2.50% - 5.00%
Series 2009B	30,000	29,185	2010	2024	2.00% - 5.00%
Total Special Revenue		<u>\$ 173,925</u>			

Total principal and interest requirements over the life of the 2004 GARVEE bonds are \$60.2 million, with annual requirements of up to \$5.6 million; for the 2008 GARVEE bonds total principal and interest requirements are \$63.1 million, with annual requirements of up to \$5.3 million; for 2010 GARVEE bonds total principal and interest requirements are \$66.3 million, with annual requirements of up to \$5.3 million. Federal transportation funds received by the State for the federal fiscal year preceding the issuance of the 2004 GARVEE bonds totaled \$175 million. Total federal highway transportation funds received in federal fiscal year 2011 were \$186.3 million. Current year payments to MMBB for GARVEE bonds were \$11.2 million (6.0 percent of federal highway transportation funds received).

Total principal and interest requirements over the life of the 2008 TransCap Revenue Bond are \$71.9 million, with annual requirements up to \$4.8 million. Total principal and interest requirements over the life of the 2009A TransCap Revenue Bonds are \$144.3 million, with annual requirements up to \$10.1 million; for the 2009B TransCap Revenue Bonds total principal and interest requirements are \$46.2 million, with annual requirements up to \$16.9 million. Total revenue received for revenue sources used as pledged revenues were \$38.1 million in fiscal year 2011.

OBLIGATIONS UNDER CAPITAL LEASES

The State leases various assets under noncancelable leasing arrangements. Leases that constitute rental agreements are classified as operating leases; the resulting expenditures are recognized as incurred over the lease term. Leases that are comparable to purchases are classified as capital leases.

In the government-wide and proprietary fund statements, assets and liabilities resulting from capital leases are recorded at lease inception. The principal portion of lease payments reduces the liability; the interest portion is expensed.

Most leases have cancellation clauses in the event that funding is not available. For reporting purposes, such cancellation clauses are not considered because the likelihood that they will be exercised is considered remote. Some lease agreements include renewal or purchase options. The effect of such options is reflected in the minimum lease payments only if it is considered reasonably assured that an option will be exercised. Because the accounting treatment for installment purchase agreements is similar, such agreements are reported with capital leases.

Leases that exist between the State and the Maine Governmental Facilities Authority (MGFA), a blended component unit, are not recorded as leases in this report. In their separately issued financial statements, MGFA records a lease receivable from the State. Although payables and receivables technically exist between these parties, when combined for government-wide reporting, they are eliminated. A long-term liability exists on the government-wide statements for the bonds issued by MGFA to construct the assets associated with the leases. Future payments to MGFA are, therefore, not included in the schedule of lease commitments below.

At June 30, 2011 capital assets include \$72.6 million of capitalized buildings in the internal service funds, net of related accumulated depreciation of \$43.3 million.

OBLIGATIONS UNDER OPERATING LEASES

The State is obligated under certain leases, accounted for as operating leases, in the proprietary funds. Operating leases do not give rise to property rights or lease obligations, and therefore assets and liabilities related to the lease agreements are not recorded in the State's financial statements. Rental expense incurred under operating leases totaled \$2.0 million during the year.

A summary of the operating and noncancelable capital lease commitments to maturity follows:

Future Minimum Lease Payments Capital and Operating Leases (Expressed in Thousands)

Fiscal Year	Capital Leases	Operating Leases
2012	\$ 5,881	\$ 2,471
2013	5,158	2,312
2014	4,522	2,214
2015	4,114	1,945
2016	3,625	1,450
2017 - 2021	12,860	4,878
2022 - 2026	4,083	652
2027 - 2031	299	345
2032 - 2036	-	349
2037 - 2041	-	397
2042- 2046	-	453
2047 - 2050	-	390
Total Minimum Payments	40,542	\$ 17,856
Less: Amount Representing Interest	6,852	
Present Value of Future Minimum Payments	\$ 33,690	

MGFA REVENUE BONDS, COP'S AND OTHER FINANCING ARRANGEMENTS

MGFA revenue bonds will be liquidated by the MGFA Internal Service Fund, from revenues received through lease agreements with various governmental funds. The liability for loans payable to component unit will be liquidated from the Federal Fund and Highway Fund. The vast majority of COP's and other financing arrangements will be liquidated by the internal service fund in which the leases are recorded; the General and Highway Funds will pay relatively small amounts.

CLAIMS PAYABLE

Claims payable that represent Medicaid claims will be paid from the General Fund and Federal Fund. Claims payable that represent workers' compensation and retiree/employee health will be liquidated by the applicable governmental and internal service funds that account for the salaries and wages of the related employees. Other claims and judgments attributable to governmental activities will be liquidated by the General Fund and related special revenue funds.

COMPENSATED ABSENCES

In the government-wide statements and proprietary fund financial statements, compensated absences are reported as long-term liabilities as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments made to terminated employees as of June 30, 2011 but paid after the fiscal year end is also reported in the funds.

COMPONENT UNITS

Bonds payable of the discretely presented component units are legal obligations of the component units and are not general obligations of the State. The following table summarizes bonds outstanding for selected material balances of discretely presented component units, as reported in their separately issued financial statements, utilizing their respective fiscal year-ends:

Component Unit Bonds Outstanding
(Expressed in Thousands)

<u>Component Unit</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Maturity Dates</u>
Finance Authority of Maine	1.00%	1,568	2011 – 2025
Maine Community College System	3.0 - 5.0%	24,654	2011 - 2037
Maine Health and Higher Educational Facilities Authority			
debt	2.0 - 6.2%	1,339,530	2011 - 2040
conduit debt	4.5- 7.3%	148,345	2011 - 2043
Maine Municipal Bond Bank	.7 - 6.1%	1,594,487	2011 – 2041
Maine State Housing Authority	0.0 - 5.75%	1,473,876	2011 – 2042
University of Maine System	2.0 - 5.75%	193,107	2011 – 2037

On March 17, 2011 FAME sold its portfolio of federal student loans under the Higher Education Loan Purchase Program. The aggregate principal amount at June 30, 2010 was \$166.8 million. On the sale date, the outstanding aggregate loan principal had been reduced to \$149.8 million. This transaction resulted in a loss on sale of loans of \$7.0 million. The proceeds from the sale of loans, combined with Program cash on hand and a contribution of funds from the bond issuer of \$5.2 million were used to fully redeem at par the \$172.0 million 2003, 2005 and 2007 Series auction rate bonds and accrued interest outstanding, all of which were secured by the loans sold. Redemption of bonds occurred on scheduled auction dates from March 24, 2011 through April 21, 2011. The bond redemption resulted in a net loss of \$.4 million.

MHHEFA advance refunded various bond obligations in prior years. Proceeds were primarily used to purchase U.S. Government securities that will provide for future payment on the debt. At June 30, 2011, there were approximately \$123.4 million of in-substance defeased bonds remaining outstanding with respect to all advance-refunded issues within the reserve fund resolution. At June 30, 2011, there were approximately \$13.3 million of defeased bonds outstanding with respect to advance refunded bond issues of the general resolution. The general resolution bonds are considered conduit debt.

Prior to July 1, 2007, UMS advance refunded various bond obligations. Proceeds were primarily used to purchase U.S. Government securities that will provide for future debt service payment on the debt. At June 30, 2011, all refunded bonds are considered defeased.

In periods of declining interest rates, MMBB has refunded its bond obligations, reducing aggregate debt service. Where allowed, the bank retires outstanding bonds prior to their contractual maturity. In other cases, the proceeds of the refunding bonds were principally used to purchase U.S. Government securities that will provide for future payment on the debt. On October 7, 2010 MMBB issued \$99.4 million of General Tax-Exempt Bonds with an average interest rate of 4.47 percent to in-substance defease \$99.8 million of various outstanding bonds. At June 30, 2011 the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately \$149 million.

For the period ended December 31, 2010, MSHA redeemed \$196.8 million of its Mortgage Purchase Fund Group bonds from reserve funds, mortgage prepayments, surplus revenues and the proceeds of refunding bonds and \$7.2 million of its Housing Finance Revenue Fund Group bonds from subsidy funds. Mortgage Purchase Fund losses of \$1.2 million and Housing Finance Revenue Fund Group losses of \$55 thousand were attributable to recognition of the bond discount and debt issuance expenses associated with the redeemed bonds.

The following table summarizes debt service requirements for outstanding bonds of the discretely presented component units:

Component Units Principal Maturities
(Expressed in Thousands)

<u>Fiscal Year Ending</u>	<u>FAME</u>	<u>MMBB</u>	<u>MCCS</u>	<u>MSHA</u>	<u>UMS</u>	<u>MHHEFA</u>
2012	\$ 805	\$ 122,048	\$ 54	\$ 16,195	\$ 39,430	\$ 52,300
2013	56	126,161	600	44,680	7,620	56,805
2014	57	119,549	622	45,160	7,962	57,310
2015	57	116,055	649	51,575	9,990	59,540
2016	57	109,307	671	53,585	6,343	55,285
2017 - 2021	298	482,543	3,787	273,110	35,154	286,135
2022 - 2026	238	321,200	4,746	296,150	32,665	280,300
2027 - 2031	-	145,785	5,863	289,240	33,100	244,410
2032 - 2036	-	23,835	6,967	241,470	18,645	172,985
2037 - 2041	-	2,500	-	159,925	552	74,460
2042 - 2046	-	195	-	15,925	-	-
Net unamortized premium or (deferred amount)	-	25,309	695	(13,139)	1,646	-
Total Principal Payments	<u>\$ 1,568</u>	<u>\$ 1,594,487</u>	<u>\$ 24,654</u>	<u>\$ 1,473,876</u>	<u>\$ 193,107</u>	<u>\$ 1,339,530</u>

NOTE 12 - SELF-INSURANCE**A. RISK MANAGEMENT**

The State maintains several types of insurance plans and accounts for them in two funds that are combined for financial statement purposes as the Risk Management Fund. The Risk Management Division provides insurance advice and services to State governmental agencies. 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 professionals, and a variety of other insurance products. All departments have elected to insure through the Risk Management Division. The Department of Transportation elected to purchase general liability insurance as of April 1, 2007; in prior fiscal years the Department of Transportation had elected not to purchase general liability insurance through the Risk Management Division.

In some cases the State purchases excess insurance to limit the State's liability for insured events. For example, coverage for property damage is \$400 million per occurrence. The State retains \$2 million of this risk per occurrence. A private insurance carrier covers the remaining risk (excess insurance). Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

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 *	\$400 million	\$ 2 million	\$400 million
Ocean Marine Boat Liability * ¹	10 million	10 thousand	10 million
Boiler and Machinery*	150 million	2 million	150 million
General Liability Including			
Employment Practices	400 thousand	400 thousand	none
Police Professionals	400 thousand	400 thousand	none
Vehicular Liability ²	400 thousand	400 thousand	600 thousand
Bonding	500 thousand	500 thousand	none
Foster Parents	300 thousand	300 thousand	none
Inland Marine (various policies)	500 thousand	500 thousand	none

* These lines of insurance have commercial excess insurance covering losses above the risk retention amount up to the per occurrence amount listed. All other insurance programs are wholly self-insured.

¹ \$10 million is the maximum limit for per occurrence coverage. Some agencies have chosen \$400 thousand.

² Excess insurance is only for out of state travel.

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 represent the estimated cost of claims as of March 31, 2010. This cost of claims includes case reserves, the development of known claims, and the direct administrative expenses for settling specific claims.

Claims liabilities are determined on an actuarial basis. Biennial re-evaluation occurs 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 March 31, 2011 and 2010, the present value of the claims payable for the State's self-insurance plan was estimated at \$3.8 million and \$3.8 million, respectively. The actuary calculated this based on the State's rate on investments.

Risk Management Fund
Changes in Claims Payable
(Expressed in Thousands)

	<u>2011</u>	<u>2010</u>
Liability at Beginning of Year	\$ 3,872	\$ 3,525
Current Year Claims and Changes in Estimates	86	1,062
Claims Payments	86	715
Liability at End of Year	<u>\$ 3,872</u>	<u>\$ 3,872</u>

As of June 30, 2011, fund assets of \$23.4 million exceeded fund liabilities of \$4.3 million by \$19.1 million. The portion of this amount that may be reserved for catastrophic losses has not been 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 thousand 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 thousand. The effect of this change has been partially incorporated into the estimate used to determine claims payable as of June 30, 2011.

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 \$2.1 million for the fiscal year ended June 30, 2011.

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.

The balance of claims liabilities as of June 30, 2011:

Workers' Compensation Fund
Changes in Claims Payable
(Expressed in Thousands)

	<u>2011</u>	<u>2010</u>
Liability at Beginning of Year	\$ 38,673	\$ 38,673
Current Year Claims and		
Changes in Estimates	8,987	8,961
Claims Payments	8,378	8,961
Liability at End of Year	<u>\$ 39,282</u>	<u>\$ 38,673</u>

Based on the actuarial calculation as of June 30, 2010, the State is liable for unfunded claims, and incurred but not reported claims, of approximately \$46.1 million. The discounted amount is \$39.3 million and was calculated based on a 3.5 percent interest rate on investments.

D. EMPLOYEE HEALTH INSURANCE

The employee health and retiree health insurance programs are accounted for in two Internal Service Funds. The State became self insured for employee and retiree health care coverage on July 1, 2003. A stop loss agreement with Anthem Blue Cross and Blue Shield provides catastrophic coverage for individual claims exceeding \$500 thousand.

The State retained third-party administration (TPA) services for claims administration, utilization review, and case management services. Premium equivalents are paid to the TPA based upon rates established with the technical assistance of the plan's consulting actuary.

There are two primary health plans available. HMO Choice is a point-of-service plan available to all active employees and retirees not eligible for Medicare. Smart Value is a Medicare Advantage plan available to Medicare eligible retirees. Total enrollment averaged approximately 40,500 covered individuals. This total includes 29,000 active employees and dependents, 4,500 pre-Medicare retirees and dependents, and 7,000 Medicare retirees and dependents.

Claims expenses are recorded when premiums are paid to the claims servicing contractor. At the end of the period, the total of these premium payments are compared with the actual claims paid and claims expense is adjusted for any overage or shortage with an offsetting receivable or liability recorded. For the period ending June 30, 2011, the State recorded a payable of \$3.4 million for an underpayment of health care premiums.

Expenses and liabilities for incurred but not reported claims, based on an actuarial analysis of claim lag pattern, have been recorded as liabilities in the amount of \$19.7 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2011 follows (in thousands):

	<u>Employee</u> <u>Health Fund</u>	<u>Retiree</u> <u>Health Fund</u>
Liability at Beginning of Year	\$ 11,965	\$ 3,778
Current Year Claims and		
Changes in Estimates	142,343	18,363
Claims Payments	139,522	17,212
Liability at End of Year	<u>\$ 14,786</u>	<u>\$ 4,929</u>

The table above reflects actual activity of the employee health and retiree health insurance programs. In accordance with GASB Statement No. 45, certain costs reported above were reclassified for financial statement purposes. \$48.5 million in retiree healthcare costs were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, \$22.0 million of active employee healthcare costs was reclassified from the internal service fund to the OPEB Trust Fund to reflect age-adjusted claims.

NOTE 13 – JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose. The State of Maine participates in two separate joint venture arrangements: the Tri-State Lotto Commission (Commission) and the Multi-State Lottery Association (MUSL).

Tri-State Lotto 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 under Title 8 MRSA C. 16.

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 designated that 50 percent of its sales revenue be reserved for prize awards and agent bonuses.

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 U.S. Government Treasury Strips.

A proportional share of revenues and expenses are allocated to each State based on 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, per diem charges, advertising, and certain printing, travel, and miscellaneous costs, which are allocated based on actual charges generated by each state.

The Tri-State Lotto Commission financial report for fiscal year 2011, which may be obtained from the Bureau of Alcoholic Beverages and Lottery Operations, 8 State House Station, Augusta, ME 04333-0008, includes the following selected financial information:

Tri-State Lotto Commission
(Expressed in Thousands)

Current Assets	\$ 21,827
Noncurrent Assets	52,098
Total Assets	<u>\$ 73,925</u>
Current Liabilities	\$ 18,035
Long-term Liabilities	43,287
Total Liabilities	<u>61,322</u>
Designated Prize Reserves	4,346
Reserve for Unrealized Gains	8,257
Total Net Assets	<u>12,603</u>
Total Liabilities and Net Assets	<u>\$ 73,925</u>
Total Revenue	\$ 68,179
Total Expenses	45,353
Allocation to Member States	22,826
Change in Unrealized Gain on Investments Held for Resale	<u>(2,433)</u>
Change in Net Assets	<u>\$ (2,433)</u>

Multi-State Lottery Association

The Maine State Lottery became a member of the Multi-State Lottery Association (MUSL) in July 2004. The MUSL currently has 32 member State lotteries, including the District of Columbia and the United States Virgin Islands. The MUSL is managed by a board of directors, which is comprised of the lottery directors or their designee from each of the party States, and authorized to initiate, promulgate, administer and carry out one or more lottery product offerings that will enhance the participating party lottery's revenue.

Participating lotteries sell Powerball tickets, collect all revenues, and remit prize funds to the MUSL, net of lower tier prize awards. The operating costs of the board are divided equally among all of the participating lotteries. Jackpot prizes payable in installments are satisfied through investments purchased by the MUSL. The MUSL purchases US government obligations which are held in irrevocable trusts established by the MUSL for the benefit of participating State lotteries. Each week the MUSL allocates 50 percent of sales to the prize pool. If no winning ticket is selected, the available jackpot is carried over to the following jackpot drawing.

The Multi-State Lottery Association's financial report for fiscal year 2011, which may be obtained from the Bureau of Alcoholic Beverages and Lottery Operations, 8 State House Station, Augusta, ME 04333-0008, includes the following selected information:

Multi-State Lottery Association
(Expressed in Thousands)

Cash and Cash Equivalents	\$ 86,328
Investments in US Government Securities	158,285
US Government Securities Held for Prize Annuities	374,246
Due from Party Lotteries	21,436
Other Assets	1,140
Total Assets	\$ 641,435
Amount Held for Future Prizes	\$ 246,048
Grand Prize Annuities Payable	392,972
Other Liabilities	2,174
	<u>641,194</u>
Net Assets, Unrestricted	241
Total Liabilities and Net Assets	\$ 641,435
Total Revenue	\$ 4,101
Total Expenses	4,364
Excess of revenue over expenses	<u>(263)</u>
Net assets, beginning	504
Net assets, ending	<u>\$ 241</u>

NOTE 14 - RELATED PARTY TRANSACTIONS

PRIMARY GOVERNMENT

Title 20-A MRSA § 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, program assets 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. NextGen had approximately \$6.0 billion in net assets at June 30, 2011, which have been recorded in a Private Purpose Trust Fund on the financial statements of the State. Also see Note 16 for additional information.

The State of Maine 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.

COMPONENT UNITS

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, \$237.3 million; Maine Community College System, \$65.7 million; Maine Municipal Bond Bank, \$41.1 million; Finance Authority of Maine, \$16.8 million; and Maine State Housing Authority, \$5.5 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total \$29.6 million at June 30, 2011, as a liability in Amounts Held Under State Revolving Loan Programs in their fiduciary financial statements. The state reports the asset as a receivable in the Special Revenue Fund. During fiscal year 2011, the State expended \$8.2 million to FAME for State revolving loan funds. The State also transferred \$1 million from its Loan Insurance Reserves to FAME.

Title 20-A MRSA Chapter 419-A established the Maine State Grant Program as a fund under the jurisdiction of the Finance Authority of Maine. All grant revenues under this fund must be distributed by FAME to students who meet the eligibility requirements for a grant under this chapter. During fiscal year 2007, the NextGen College Savings grant funds and the Maine State Grant funds were pooled into the new State of Maine Grant. FAME paid approximately \$6.5 million in grants to the University of Maine System (UMS) on behalf of eligible students. The UMS reflected these as grant revenues from the State.

RELATED ORGANIZATIONS

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 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, 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 2010.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

PRIMARY GOVERNMENT

LITIGATION

The State of Maine, its units, and its employees are parties to numerous legal proceedings, many of which are the result of normal 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. Certain cases have the potential for liability in excess of \$1 million. 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.

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. Therefore, these suits have not been individually identified.

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.

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.

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.

POLLUTION REMEDIATION

The Department of Environmental Protection (DEP) and Department of Transportation (DOT) have pollution remediation obligations as defined by Governmental Accounting Standards Board (GASB) Statement No. 49. The State's total amount of pollution remediation obligation as of June 30, 2011 is \$39.6 million. Superfund sites account for approximately \$30.4 million. Superfund is the federal government program to clean up hazardous waste sites.

The following are Superfund sites for which the State has recorded a liability for pollution remediation activities:

Eastland Woolen Mill – The State recorded a liability for pollution remediation activities of approximately \$1.7 million. Currently the State shares the costs with Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in September of 2018, the State will assume 100 percent of the operation, maintenance and long-term monitoring costs.

Eastern Surplus – The State recorded a liability for pollution remediation activities of approximately \$23.2 million. Currently the State shares the costs with EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in August of 2012, the State will assume 100 percent of the operation, maintenance and monitoring costs. As of June 30, 2011 the State has received \$2.2 million in recoveries from the Department of Defense. The State expects to recover additional costs of \$18.2 million.

Callahan Mine – The State recorded a liability for pollution remediation activities of approximately \$5.5 million. Currently the State shares the costs with EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA. The State will assume 100 percent of the cost for the operation and maintenance of the site.

The State recorded a liability for pollution remediation activities of approximately \$9.2 million (net of unrealized recoveries of \$4 million) related to four of five uncontrolled hazardous substance sites. The State expects to recover \$752 thousand in costs. The Uncontrolled Hazardous Substance Sites Program was created in response to the threats and potential threats to human health and the environment posed primarily by abandoned hazardous waste sites. The Uncontrolled Hazardous Substance Sites program is the State's equivalent to the Federal Superfund Program.

The State has the knowledge and expertise to estimate the remediation obligation based on prior experience in identifying and funding similar remediation activities. The standard requires the liability to be measured using the expected cash flow technique. The remediation obligation estimates are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the State's obligation.

MUNICIPAL SOLID WASTE LANDFILLS

Title 38 MRSA §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. State expenditures for landfill remediation projects totaled \$14 thousand for fiscal year 2011.

During the 2011 fiscal year, no State general funds or bond funds were expended for municipal 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, except the Commissioner may make grants or payments up to 30 percent, 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. Consequently, the DEP expects no further expenditures for municipal landfill closures.

During the 2011 fiscal year, the State expended \$9 thousand of general obligation bond funds and \$3 thousand in solid waste funds were expended for municipal solid waste landfill remediation projects. Remediation funding, subject to the availability of funds, will continue for 90 percent 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 percent for structures constructed after that date. The DEP recognizes that, in the future, some landfills will require State funds for post closure investigation and remediation activities. The DEP has estimated the amount of these potential future costs could be as much as \$1.5 million, based on current site knowledge, the increasing frequency of residential development near closed municipal landfills, and the discovery of older abandoned dump sites now occupied by residential homes. The DEP currently owes \$2.6 million for recent remedial work related to issues involving gas migration from two municipal landfills in the state. The existing municipal landfill bond account has been spent. No bond funds are currently available to cover outstanding obligations. Additional bond funds will be necessary to cover current outstanding obligations as well as potential future remedial actions.

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 \$18.3 million. This consists of approximately \$12.3 million for State-owned facilities and approximately \$6 million for the State's share, under a cost-sharing arrangement, for municipal facilities.

POLLUTION ABATEMENT PROGRAM

Title 38 MRSA § 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 2011 fiscal year, \$5.55 million of general obligation bond funds were expended for pollution abatement projects. As of June 30, 2011, amounts encumbered for pollution abatement projects totaled \$3.77 million; and general obligation bonds authorized for these projects, but not yet encumbered or expended, totaled \$3.69 million. As of June 30, 2011, DEP estimated the total cost (federal, State, and local) of future projects to be \$1 billion.

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 cleanup 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 thousand per claimant.

A report to the legislature dated February 15, 2007, submitted by the Maine Department of Environmental Protection (DEP), identified 359 long-term remediation sites as of January 2007 that are covered by the insurance program. As of August 28, 2007 there were 377 sites on the long-term remediation priority list. 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.

CONSTRUCTION COMMITMENTS

A portion of the payment that is made to municipalities for General Purpose Aid to Local Schools is allocated for debt service. Although the outstanding indebtedness for school construction projects is debt of the municipalities, the State subsidizes 45.84 percent of the annual payments. As of June 30, 2011, outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled \$1.2 billion.

At June 30, 2011, the Department of Transportation had contractual commitments of approximately \$34.6 million for construction of various highway projects. The State's share of that amount is expected to be approximately \$11.1 million. Of these amounts, \$1.6 million has already been accrued. Federal and State funds plus bond proceeds are expected to fund these future expenditures.

TOBACCO SETTLEMENTS

On November 23, 1998, Maine along with 45 other states and six civil jurisdictions (collectively known under the MSA as the "Settling States"), entered into a Master Settlement Agreement (MSA) with certain Participating Tobacco Manufacturers (PM's). The MSA is a settlement of lawsuits brought by many States against the four largest tobacco companies alleging multiple counts of misconduct and claiming punitive and compensatory damages, including a claim for all the State's Medicaid costs caused by or related to tobacco use. The MSA includes provisions to annually compensate the State for smoking-related Medicaid costs and to impose marketing and advertising restrictions on PM's to protect public health. In this settlement, the PM's agreed, among other things, to make annual payments to the states and jurisdictions based on their allocable share of the market. In return, the states agreed to relinquish claims to further damages resulting from, among other things, Medicaid costs. Annual payments fluctuate subject to various adjustments and are partially contingent on the passage and enforcement of a State statute imposing economic conditions related to the State's public health claims on the Nonparticipating manufacturers (NPM's) in the form of an annual escrow payment due from each NPM with in-state sales. The NPM Adjustment is set forth in the Master Settlement Agreement (MSA). If the PM's claim an NPM Adjustment for a given year and prove that they lost market share to the NPM's and it is determined that the MSA was a significant factor contributing to that lost market share then an NPM Adjustment 'shall apply' unless a Settling State passed a qualifying statute and 'diligently enforced' that statute. In effect this means that the Allocated Payment to a Settling State that diligently enforced will not be reduced, but a Settling State that did not diligently enforce its qualifying statute will be subject to a reduction in its payment due to the NPM Adjustment. Due to the provisions of the MSA, a State that is found not to have diligently enforced its qualifying statute may lose up to its entire annual payment amount due to the NPM Adjustment for a given year.

The NPM Adjustment may be claimed each year and has been claimed for each completed calendar year since 2003. Frequently PM's claim entitlement to the NPM Adjustment and either withhold the amount from their annual payments, or place the amount in what is known as a 'disputed payment account'. Each year beginning in 2003 Maine's annual payments have been lower than calculated because many of the PM's have claimed entitlement to the NPM Adjustment and either withheld money or routed it to the disputed payments account. For the year 2003, the Adjustment claimed by the PM's, and calculated as set forth in the MSA, was approximately 18

percent of the total amount paid by the PM's and distributed among the Settling States. However, the total amount related to the NPM Adjustment to which the PMs are entitled is dependent on the number of non-diligent states.

In addition, in the MSA, the PM's agreed to pay \$8.6 billion in Strategic Contribution Payments (SCP) to certain states and jurisdictions as compensation for their contribution to the overall settlement. Maine's share of this total amount is approximately \$114 million. Maine will receive this amount through ten annual SCP payments starting in 2008. In April 2011, Maine received a total of \$50 million including both the annual payment amount and the strategic contribution amount.

ESCHEAT PROPERTY

The State Abandoned Property Statute requires the deposit of certain defined and unclaimed assets into a state-managed Abandoned Property Fund (Private Purpose Trust Fund). The State Statute provides that whenever the cash balance of the fund exceeds \$500 thousand at fiscal year-end, the excess must be remitted to the General Fund where it is reported as operating transfers from other funds. At June 30, 2011, the Fund included \$5.4 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2011 of approximately \$142.4 million represent a contingent liability to the State since claims for refund may be filed by the owners of such property.

A liability representing the probable amount of escheat property that will be reclaimed and paid to claimants and other third parties is reported in the Fund. To the extent that the assets in the Fund are less than the claimant liability, a receivable (due from other funds) is reported in that Fund and an equal liability (due to other funds) is reported in the General Fund. At June 30, 2011, the amount reported in the Fund for claimant liability is \$27.4 million. The General Fund shows a \$21.5 million payable to the Escheat Fund.

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 resident Maine veterans. The aggregate of these obligations, at any one time, may not exceed \$90 million, \$1 million, and \$4 million, respectively. At June 30, 2011, loans outstanding pursuant to these authorizations are \$48 million, less than \$1 million, and less than \$1 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, 2011.

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. At June 30, 2011, no bonds were outstanding. The State has not paid, nor does it expect to pay, any amount as a result of this authorization as of June 30, 2011.

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
(Expressed in Thousands)

<u>Issuer</u>	<u>Bonds</u> <u>Outstanding</u>	<u>Required</u> <u>Debt</u> <u>Reserve</u>	<u>Obligation</u> <u>Debt</u> <u>Limit</u>	<u>Legal Citation</u>
Maine Health and Higher Educational				
Facilities Authority - debt	\$ 1,339,530	\$ 109,183	no limit	22 MRSA § 2075
conduit debt	148,345		no limit	22 MRSA § 2075
Finance Authority of Maine	45,543	-	\$ 474,165	10 MRSA §1032, 1053**
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
Loring Development Authority *	-	-	100,000	5 MRSA §13080-N
Maine Municipal Bond Bank	1,255,794	139,732	no limit	30-A MRSA §6006
Maine Educational Loan Authority *	171,975	13,991	225,000	20-A MRSA §11424
Maine State Housing Authority	1,437,415	95,073	2,150,000	30-A MRSA §4906
University of Maine System	191,436	2,870	220,000	20-A MRSA §10952
Total	<u>\$ 4,590,038</u>	<u>\$ 360,849</u>		

* Reported in combining non-major component unit financial statements.

** See Note 16 for additional information.

COMPONENT UNITS

NURSING HOME LOANS

In 1994, the Maine Department of Human Services substantially revised the eligibility criteria for Medicaid coverage of nursing facility services, causing a decline in occupancy in nursing facilities. The occupancy decline has not affected each nursing facility equally. In some instances, particularly in proprietary nursing homes borrowing under the taxable financing reserve fund resolution, which consists primarily of loans to nursing homes, these declines in occupancy created cash flow problems.

MHHEFA advanced approximately \$354 thousand from the operating fund as of June 30, 2011 to other financially troubled institutions, with combined loan amounts due the Authority of approximately \$8.8 million at June 30, 2011, including loans of \$8.5 million reserved at June 30, 2011. These advances were primarily made to assist these institutions in meeting debt service requirements in years prior to fiscal 2011. MHHEFA also has approximately \$.4 million of other receivables outstanding with the operating fund at June 30, 2011, primarily related to amounts due from institutions to reimburse the Authority for arbitrage rebate payments made on their behalf. MHHEFA established a \$.5 million reserve in its operating fund related to the above loans, advances and other receivables outstanding.

CONSTRUCTION CONTRACTS

At June 30, 2011, UMS had outstanding commitments on uncompleted construction contracts that totaled \$19.1 million.

MORTGAGE COMMITMENTS

Mortgage commitments are agreements to lend provided there is no violation of any term or condition of the agreement. Generally, once exercised, the loans made under the terms of such commitments are secured by a lien on the related property and other collateral as deemed necessary. At December 31, 2010, Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately \$83.2 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2010, single-family loans being processed by lenders totaled \$25 million.

NOTE 16 - SUBSEQUENT EVENTS

PRIMARY GOVERNMENT

On September 16, 2011, the State entered an agreement with Katahdin Paper Company (KPC) to acquire the Dolby Landfills, a solid waste disposal facility, located in the Town's of Millinocket and East Millinocket. The State, as the holder of the permits, is responsible for closure and post closure monitoring and maintenance activities and costs.

Pursuant to a change in Maine law which becomes effective September 28, 2011, Section 1 subsection 6A of 1053 of Title 10 MRSA expanded the projects subject to the State's moral obligation with FAME. As a result, moral obligations totaling \$12.2 million at June 30, 2011 for electric rate stabilization projects or loans for energy distribution systems increased to \$330.0 million.

COMPONENT UNITS

On February 1, 2011, the Maine State Housing Authority (MSHA) redeemed at par \$9.8 million of its 1999 through 2001 General Mortgage Purchase Fund bonds.

In July 2011, the U.S. government made the first of two transfers that will give Maine Community College System (MCCS) title to approximately 20 acres of land and 5 buildings located on the site of the former Brunswick Naval Air Station. MCCS received indemnification for any environmental liabilities that might be associated with the property. This property will be used for classrooms and resident halls as part of the Southern Maine Community College. MCCS is insuring the property at a value of \$20 million but has not yet determined its fair value.

Pursuant to a change in Maine law which becomes effective September 28, 2011, Chapter 417-E of Title 20-A MRSA is amended to reflect that beginning July 1, 2012, the NextGen College Savings Program Fund will be held by FAME, which shall invest it under the direction of and with the advice of the Advisory Committee on College Savings. Until then, the Program Fund will continue to be held by the State Treasurer. Once the law becomes effective, FAME will report the \$6.0 billion in assets in an agency fund.

NOTE 17 – SPECIAL ITEM

Title 5 MRSA § 286-B, as amended by PL 2009, c. 213, Pt. N, §1 authorized an Irrevocable Trust Fund for Other Post-employment Benefits (OPEB Trust). The purpose of accumulating assets in this investment trust fund is to provide funding of the State's unfunded liability obligations for retiree health benefits. Funds appropriated for the irrevocable trust must be held in trust and must be invested or disbursed for the exclusive purpose of providing for retiree health benefits and may not be encumbered for, or diverted to, other purposes. Funds appropriated for the irrevocable trust fund may not be diverted or deappropriated by any subsequent action. On January 21, 2008, the State transferred an initial \$100 million to the OPEB Trust managed by Maine Public Employees Retirement System. During the current fiscal year, the State transferred \$14.4 million from the Retiree Health Insurance Internal Service Fund to the OPEB Trust. The transfer is treated as a special item in the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets.

Pursuant to Public Law 2009, Chapter 372 Section C-2, the Efficiency Maine program was transferred from the State, Maine Public Utilities Commission (MPUC), to a new discrete non-major component unit named Efficiency Maine Trust (EMT). Effective July 1, 2010, EMT assumed responsibility for administering all non-transportation related energy efficiency programs for the State. The State transferred program balances totaling \$22.5 million to EMT. This transfer is recorded as a Special Item in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances

During the fiscal year, the State transferred \$7.1 million of assets associated with Estes Head Cargo Pier from the Marine Ports enterprise fund to the Eastport Port Authority, part of the City of Eastport, Maine. The transfer is recorded as a Special Item in the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets.



**REQUIRED
SUPPLEMENTARY
INFORMATION**

Required Supplementary Information - Budgetary Reporting

**STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS**

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	General Fund				Highway Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues								
Taxes	\$ 2,636,564	\$ 2,769,783	\$ 2,817,476	\$ 47,693	\$ 214,526	\$ 215,546	\$ 217,035	\$ 1,489
Assessments and Other	106,676	106,721	107,457	736	84,362	84,550	86,320	1,770
Federal Grants	10,493	10,655	11,832	1,177	-	-	-	-
Service Charges	58,819	50,753	46,206	(4,547)	4,328	4,343	5,797	1,454
Income from Investments	275	245	328	83	32	120	125	5
Miscellaneous Revenue	38,212	43,391	15,719	(27,672)	100	100	955	855
Total Revenues	<u>2,851,039</u>	<u>2,981,548</u>	<u>2,999,018</u>	<u>17,470</u>	<u>303,348</u>	<u>304,659</u>	<u>310,232</u>	<u>5,573</u>
Expenditures								
Governmental Support and Operations	250,436	244,874	234,222	10,652	37,010	36,244	3,227	33,017
Economic Development & Workforce Training	36,056	35,799	34,495	1,304	-	-	-	-
Education	1,396,452	1,401,706	1,387,720	13,986	-	-	-	-
Health and Human Services	697,815	887,726	845,417	42,309	-	-	-	-
Business Licensing & Regulation	-	-	-	-	-	-	-	-
Natural Resources Development & Protection	67,059	66,530	64,864	1,666	34	34	33	1
Justice and Protection	272,763	275,072	268,880	6,192	30,698	30,440	29,262	1,178
Arts, Heritage & Cultural Enrichment	7,302	7,210	7,078	132	-	-	-	-
Transportation Safety & Development	7,000	7,000	7,000	-	235,145	308,187	295,073	13,114
Total Expenditures	<u>2,734,883</u>	<u>2,925,917</u>	<u>2,849,676</u>	<u>76,241</u>	<u>302,887</u>	<u>374,905</u>	<u>327,595</u>	<u>47,310</u>
Revenues Over (Under) Expenditures	<u>116,156</u>	<u>55,631</u>	<u>149,342</u>	<u>93,711</u>	<u>461</u>	<u>(70,246)</u>	<u>(17,363)</u>	<u>52,883</u>
Other Financing Sources (Uses)								
Operating Transfers Net	(76,223)	(84,713)	(79,597)	5,116	(2,046)	(2,134)	3,184	5,318
Proceeds from Pledged Future Revenues	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	<u>(76,223)</u>	<u>(84,713)</u>	<u>(79,597)</u>	<u>5,116</u>	<u>(2,046)</u>	<u>(2,134)</u>	<u>3,184</u>	<u>5,318</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 39,933</u>	<u>\$ (29,082)</u>	<u>\$ 69,745</u>	<u>\$ 98,827</u>	<u>\$ (1,585)</u>	<u>\$ (72,380)</u>	<u>\$ (14,179)</u>	<u>\$ 58,201</u>
Fund Balances at Beginning of Year (As Restated)			126,401				77,556	
Fund Balances at End of Year			<u>\$ 196,146</u>				<u>\$ 63,377</u>	

Federal Funds				Other Special Revenue Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ 236,047	\$ 233,746	\$ 253,174	\$ 19,428
10	10	3	(7)	148,662	156,595	119,531	(37,064)
2,893,117	3,686,813	3,053,164	(633,649)	24,068	44,704	9,959	(34,745)
1,059	1,349	883	(466)	147,386	164,888	150,954	(13,934)
17	17	33	16	1,912	1,919	438	(1,481)
2,437	2,455	423	(2,032)	253,132	222,073	160,143	(61,930)
<u>2,896,640</u>	<u>3,690,644</u>	<u>3,054,506</u>	<u>(636,138)</u>	<u>811,207</u>	<u>823,925</u>	<u>694,199</u>	<u>(129,726)</u>
9,407	33,550	22,956	10,594	122,689	136,898	121,105	15,793
127,749	353,539	287,104	66,435	67,580	84,314	60,205	24,109
257,240	364,897	309,293	55,604	8,358	23,557	12,312	11,245
2,155,967	2,445,739	2,091,679	354,060	527,686	556,219	411,040	145,179
7,569	1,677	528	1,149	115,655	81,275	65,253	16,022
50,450	82,096	42,131	39,965	125,731	145,064	92,240	52,824
123,189	140,400	58,914	81,486	43,404	50,532	36,014	14,518
3,161	4,849	2,714	2,135	1,572	1,804	832	972
194,165	262,931	214,237	48,694	91,164	128,186	87,933	40,253
<u>2,928,897</u>	<u>3,689,678</u>	<u>3,029,556</u>	<u>660,122</u>	<u>1,103,839</u>	<u>1,207,849</u>	<u>886,934</u>	<u>320,915</u>
<u>(32,257)</u>	<u>966</u>	<u>24,950</u>	<u>23,984</u>	<u>(292,632)</u>	<u>(383,924)</u>	<u>(192,735)</u>	<u>191,189</u>
(34,100)	(34,542)	(22,747)	11,795	203,614	214,407	180,524	(33,883)
-	-	-	-	98,139	134,639	75,263	(59,376)
<u>(34,100)</u>	<u>(34,542)</u>	<u>(22,747)</u>	<u>11,795</u>	<u>301,753</u>	<u>349,046</u>	<u>255,787</u>	<u>(93,259)</u>
<u>\$ (66,357)</u>	<u>\$ (33,576)</u>	<u>\$ 2,203</u>	<u>\$ 35,779</u>	<u>\$ 9,121</u>	<u>\$ (34,878)</u>	<u>\$ 63,052</u>	<u>\$ 97,930</u>
		(11,817)				157,402	
		<u>\$ (9,614)</u>				<u>\$ 220,454</u>	



Required Supplementary Information - Budgetary Reporting

STATE OF MAINE BUDGETARY COMPARISON SCHEDULE BUDGET TO GAAP RECONCILIATION

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Federal Funds</u>	<u>Special Revenue Fund</u>
Fund Balances - Non-GAAP Budgetary Basis	\$ 196,146	\$ 63,377	\$ (9,614)	\$ 220,454
Basis Differences				
Revenue Accruals/Adjustments:				
Taxes Receivable	260,950	3,573	-	8,180
Intergovernmental Receivables	-	-	494,027	-
Other Receivables	38,007	2,376	66,404	62,899
Inventories	1,294	-	831	-
Due from Component Units	-	-	-	40,467
Due from Other Funds	13,829	4,130	3,416	163,591
Other Assets	2,550	1	335	313
Deferred Revenues	(233,491)	(9,123)	(2,660)	(25,449)
Total Revenue Accruals/Adjustments	<u>83,139</u>	<u>957</u>	<u>562,353</u>	<u>250,001</u>
Expenditure Accruals/Adjustments:				
Accounts Payable	(252,715)	(20,641)	(437,409)	(28,051)
Due to Component Units	(7,804)	(47)	(7,338)	(549)
Bonds Issued	-	-	-	-
Accrued Liabilities	(18,574)	(7,650)	(6,066)	(7,201)
Taxes Payable	(159,958)	(6)	-	-
Intergovernmental Payables	(29,736)	-	(66,157)	-
Due to Other Funds	(46,867)	(4,198)	(11,350)	(34,862)
Total Expenditure Accruals/Adjustments	<u>(515,654)</u>	<u>(32,542)</u>	<u>(528,320)</u>	<u>(70,663)</u>
Fund Balances - GAAP Basis	<u>\$ (236,369)</u>	<u>\$ 31,792</u>	<u>\$ 24,419</u>	<u>\$ 399,792</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY REPORTING

Statutory/Budgetary Presentation

In accordance with statute, the Governor presents a biennial budget for the General Fund and 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 deallocation 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. The State Budget Officer is required to use the revenue projections of the Revenue Forecasting Committee in preparing the General Fund and Highway Fund budgets.

Exceptional circumstances do not apply to new programs or program expansions that go beyond existing program criteria and operation.

Detailed 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. For the year ended June 30, 2011, the legislature deappropriated \$27.4 million of original appropriations for the General Fund.

Governmental funds use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of the applicable appropriation or allocation.. Unencumbered appropriations in the General Fund and Highway Fund lapse at June 30 unless, by law, they are carried forward to a subsequent year. In the State’s accounting system, amounts carried forward are shown as reservations of fund balance. For financial statement purposes unless amounts would create deficits, encumbrances outstanding at June 30 are shown as restrictions, commitments or assignments of fund balance.

The State’s budget is prepared primarily on a cash basis. Sales, income, corporate and fuel taxes include a modified accrual basis adjustment to recognize revenues that are expected to be collected within 60 days of the end of the fiscal year.

The Budgetary Comparison Schedule is presented as Required Supplementary Information (RSI) in this report. Actual amounts in this schedule are presented on a budgetary basis. Because this basis differs from accounting principles generally accepted in the United States of America (GAAP), a reconciliation between the budgetary and GAAP basis is presented in the RSI.

The various funds and programs within funds utilize a number of different budgetary control processes. Annual legislative appropriations and revenue estimates are provided for most “operating” funds.

The original executive budget and original legislative appropriations provide general purpose (unrestricted) revenue estimates in order to demonstrate compliance with constitutional provisions. Revenues restricted by law or outside grantors to a specific program are estimated at a level of detail consistent with controlling related expenditure accounts.

For programs financed from restricted revenues, spending authorization is generally contingent upon recognition of the related revenue. Reductions of spending authority occur if revenues fall short of estimates. If revenues exceed the estimate, supplemental appropriations are required before the additional resources can be spent.

The budgetary comparison schedule presented for the General Fund, the Highway Fund, the Federal Fund, and the Other Special Revenue Fund presents the original and final appropriated budgets for fiscal year 2010-2011, as well as the actual resource inflows, outflows and fund balances stated on the budgetary basis.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of May 28, 2009, and includes encumbrances carried forward from the prior year.

Generally accepted accounting principles (GAAP) require that the final legal budget be reflected in the "final budget" column. Therefore updated revenue estimates available for appropriations as of June 30, 2011 rather than the amounts shown in the original budget, are reported.

The final appropriations budget represents original and supplemental appropriations, carry-forwards, approved transfers, and executive order reductions. Expenditures, transfers out, other financing uses, and encumbrances are combined and classified by policy area rather than being reported by character and function as shown in the GAAP statements. This policy area classification is used to better reflect organizational responsibility and to be more consistent with the budget process.

Compliance at the Legal Level of Budgetary Control

The Budgetary Comparison Schedules by Agency depict budgeted to actual expenditures at the Department level, which is the legal level of budgetary control for all governmental funds. The schedules provide further detail at the agency level within departments for transparency.

Restatement

The beginning fund balance for the Highway Fund decreased by \$77 million to adjust for working capital advances recorded in the fund to account for contributions to Internal Service Funds. This restatement is only necessary for the Budgetary Comparison Schedule, since appropriate adjustments were made in the GAAP statements.

Required Supplementary Information – State Retirement Plan

Schedule of Funding Progress

(Expressed in Thousands)

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c
Actuarial Valuation June 30,	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)
2011	8,795,250	11,335,259	2,540,009	77.6%	1,652,576	153.7%
2010	8,369,772	12,676,367	4,306,595	66.0%	1,681,593	256.1%
2009	8,383,148	12,377,262	3,994,114	67.7%	1,678,931	237.9%
2008	8,691,076	11,721,272	3,030,196	74.1%	1,628,421	186.1%
2007	8,302,467	11,209,708	2,907,241	74.1%	1,595,200	182.2%
2006	7,556,515	10,598,346	3,041,831	71.3%	1,546,316	196.7%
2005	7,013,846	10,048,588	3,034,742	69.8%	1,516,391	200.1%

Major changes in actuarial assumptions include the following:

Valuation date	June 30, 2011	June 30, 2010	June 30, 2008
Former actuarial assumptions:		No changes	
Investment rate of return	7.25%	were made	7.75%
Projected salary increases	3.50%	to 2008	4.75% - 10.00%
Includes inflation at	3.50%	plan	4.50%
Cost of living adjustments	2.25%	assumptions	3.75%

The June 30, 2011 valuation included changes to the plan and actuarial assumptions. For members with fewer than 5 years of creditable service on July 1, 2011, the normal retirement age increased to 65. Projected salary increases include a 3.5% across the board increase at each year of service with a revised merit scale of up to 10.5% for State Employees and 13.5% for Teachers. The first 2 fiscal years assume a flat 1.5% pay increase across the board. The cap on annual cost of living adjustments was lowered from 4% per year to 3% per year on the first \$20,000 of annual benefit (indexed). No COLA will be made until September 2014.

The Maine Public Retirement System (the System), which is a component unit of the State, is the administrator of an agent, multiple-employer, defined benefit public employee retirement system. The June 30, 2011 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

The System amortizes the unfunded liability of the State and teacher plan over a closed period that cannot be longer than 31 years from July 1, 1997 but may be, and at certain times has been, shorter than that period. In 2000, the amortization period was reduced to a 19-year period from June 30, 2000. In 2004, the Legislature relengthened the period to 25 years, the full extent of the then-remaining Constitutional years for the 2004-2005 biennium, and reshortened the period effective July 1, 2005 to the 13 years that will then remain in the earlier shortened period. In 2005, the State repealed the “sunset” provision, with the result that the period for reduction of these unfunded actuarial liabilities continues to the full extent permitted by the State constitution, or June 30, 2028. The contribution rate in effect for 2011 was determined by the 2010 valuation, and reflects the relengthened amortization period. The unfunded actuarial accrual liability of the judicial plan is amortized over a period of which 6 years remained at June 30, 2011.

Note: Unless plan changes occur, actuarial valuations are performed biennially on even years. Rollforward valuations occur on odd numbered years. The latest actuarial valuation occurred June 30, 2011.

Required Supplementary Information – Other Post-employment Benefit Plans

Schedules of Funding Progress

Healthcare Plans

Plan	Actuarial Valuation Date	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
		Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
State Employees (in millions)	June 30, 2011	111	1,544	1,433	7.19%	567	252.73%
	June 30, 2010	103	1,450	1,347	7.10%	549	245.36%
	June 30, 2009	82	1,311	1,229	6.25%	595	206.55%
Teachers (in millions)	June 30, 2011	0	806	806	0.00%	1,098	73.41%
	June 30, 2010	0	1,005	1,005	0.00%	1,064	94.45%
	June 30, 2009	0	994	994	0.00%	1,215	81.81%
First Responders (in thousands)	June 30, 2010	0	19,158	19,158	0.00%	53,821	35.60%
	June 30, 2009	0	20,063	20,063	0.00%	51,876	38.67%
	June 30, 2008	0	19,806	19,806	0.00%	51,021	38.82%

Group Life Insurance Plans

(Expressed in Thousands)							
Plan	Actuarial Valuation Date	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
		Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
State Employees	June 30, 2011	24,400	78,700	54,300	31.00%	623,600	8.71%
	June 30, 2010	19,700	71,500	51,800	27.55%	615,600	8.41%
	June 30, 2009	17,500	67,900	50,400	25.77%	601,099	8.38%
Teachers	June 30, 2011	27,800	67,600	39,800	41.12%	659,100	6.04%
	June 30, 2010	21,400	60,400	39,000	35.43%	650,600	5.99%
	June 30, 2009	17,700	54,700	37,000	32.36%	591,100	6.26%

Required Supplementary Information – Other Post-employment Benefit Plans (continued)

Schedule of Employer Contributions
(Expressed in Thousands)

Fiscal Year Ended June 30,	Employer Contributions					
	State Employees		Teachers		First Responders	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
Healthcare - 2011	119,000	71.43%	58,000	31.03%	845	61.89%
Healthcare - 2010	92,000	59.78%	56,000	33.93%	1,051	35.01%
Healthcare - 2009	77,000	65.43%	60,000	30.65%	1,045	24.69%
Group Life - 2011	6,800	93.22%			N/A	N/A
Group Life - 2010	6,800	93.54%			N/A	N/A
Group Life - 2009	5,700	217.14%			N/A	N/A

**Required Supplementary Information –
Information about Infrastructure Assets Reported Using the Modified Approach**

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Assets accounted for under the modified approach include 8,807 highway miles or 17,921 lane miles of roads and 2,960 bridges having a total deck area of 11.7 million square feet that the State is responsible to maintain.

In order to utilize the modified approach, the State is required to:

- Maintain an asset management system that includes an up-to-date inventory of eligible infrastructure.
- Perform condition assessments of eligible assets and summarize the results using a measurement scale.
- Estimate each year the annual amount to maintain and preserve the assets at the condition level established and disclosed by the State.
- Document that the assets are being preserved at, or above, the established condition level.

Roads and bridges maintained by the Department of Transportation are accounted for using the modified approach.

Highways

Measurement Scale for Highways

The Maine Department of Transportation (MDOT) uses six indicators to determine the condition of highway adequacy. The six indicators and their relative point weighting are listed in the table below.

Data Element	Point Rating (%)	Description
Pavement Condition Rating (PCR)	45	PCR is defined as the composite condition of the pavement on a roadway only, and is compiled from the severity and extent of pavement distresses such as cracking, rutting and patching. It is the key indicator used to determine the optimum time to treat a particular section of road. Points decrease as PCR decreases.
Safety	20	Statewide crash rates are used to allocate points. Locations with high rates get fewer points.
Backlog (Built v Unbuilt roadway)	15	A “Built” road is one that has been constructed to a modern standard, usually post 1950. This includes adequate drainage, base, and pavement to carry the traffic load, and adequate sight distance and width to meet current safety standards. “Unbuilt” (backlog) is defined as a roadway section that has not been built to modern standards. Yes or No (15 or 0).
Annual Average Daily Traffic divided by the hourly highway capacity (AADT/C)	10	This ratio measures how intensely a highway is utilized. As a highway facility’s AADT/C ratio increases, the average speed of vehicles on that facility tends to decrease. This decrease in average speed is evidence of reduced mobility. As congestion increases, points decrease (0-10).
Posted Speed	5	Lower speeds equal fewer points.
Paved Shoulder	5	In general, roadways with paved shoulders perform at a higher level and last longer than those without shoulders or with only gravel shoulders. Yes or No (5 or 0).
	100	

Bridges

MDOT uses four separate factors to obtain a numerical value used to indicate the ability of bridges to remain in service at the current level of usage. The numeric value is a percentage ranging from 0% to represent an entirely insufficient or deficient bridge, and 100% to represent an entirely sufficient bridge. The four indicators and their relative point weighting are listed in the table below. The composite numeric value is based on the sufficiency rating formula in the Recording and Coding Guide for Structure Inventory and Appraisal of the Nation’s Bridges.

Data Element	Point Rating (%)	Description
Structural Adequacy and Safety	55	This category considers inventory rating, superstructure, substructure and culverts.
Serviceability and Functional Obsolescence	30	Serviceability and functional obsolescence that addresses the number of lanes, average daily traffic, roadway width, bridge width, deck condition, under clearances, waterway adequacy, alignment, and defense highway designation.
Essentiality for Public Use	15	This considers detour length, average daily traffic, and defense highway designation.
Special Reductions	(13)	The sufficiency rating also includes consideration of special reductions for detour length, safety features, and type of structure.

Assessed Conditions

The following table shows adequacy ratings for maintenance levels from Excellent to Poor.

Adequacy Rating	Total
Excellent	80-100
Good	70-80
Fair	60-70
Poor	0-60

MDOT intends to maintain highways and bridges at an adequacy rating of 60 or higher. The following table shows adequacy ratings achieved by MDOT.

Fiscal Year	Highways	Bridges
2011	74.8	78.0
2010	76.2	79.0
2009	75.3	78.0

Comparison of Estimated-to-Actual Preservation Costs

The following table presents the State’s preservation costs for the past five fiscal years. It also shows the estimate of spending necessary to preserve and maintain the roads and bridges at, or above, a sufficiency rating of 60 for both highways and bridges (in millions).

Actual Preservation Costs (Amounts in millions)					
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Highways	\$ 101.4	\$ 68.6	\$ 74.5	\$ 80.0	\$ 71.7
Bridges	9.3	9.2	1.6	1.6	1.6
Total	<u>\$110.7</u>	<u>\$77.8</u>	<u>\$76.1</u>	<u>\$81.6</u>	<u>\$73.3</u>

Estimated Preservation Costs (Amounts in millions)					
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Highways	\$ 86.1	\$ 48.5	\$ 55.8	\$ 97.7	\$ 59.7
Bridges	7.9	6.5	1.2	2.0	1.3
Total	<u>\$ 94.0</u>	<u>\$55.0</u>	<u>\$57.0</u>	<u>\$99.7</u>	<u>\$61.0</u>

Transportation Bonds

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 414, PL 2009, \$25 million in Highway fund bonds and \$5 million in General fund bonds was spent during FY2011. Of the amount authorized by Chapter 645, PL 2009, \$10 million was spent during FY2011.



**COMBINING AND
INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

STATE OF MAINE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

June 30, 2011
(Expressed in Thousands)

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Funds</u>	<u>Totals Other Governmental Funds</u>
Assets				
Equity in Treasurer's Cash Pool	\$ 336	\$ -	\$ -	\$ 336
Investments	63,295	-	14,961	78,256
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	-	34,487	-	34,487
Due from Other Funds	-	3	-	3
Due from Component Units	-	116	-	116
Other Assets	-	13	-	13
Total Assets	<u>\$ 63,631</u>	<u>\$ 34,619</u>	<u>\$ 14,961</u>	<u>\$ 113,211</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ -	\$ 2,083	\$ -	\$ 2,083
Due to Other Funds	-	40	-	40
Due to Component Units	-	1,951	-	1,951
Deferred Revenue	-	3	-	3
Total Liabilities	<u>-</u>	<u>4,077</u>	<u>-</u>	<u>4,077</u>
Fund Balances:				
Non-spendable Legal or Contractual	-	-	14,961	14,961
Restricted	63,631	30,542	-	94,173
Total Fund Balances	<u>63,631</u>	<u>30,542</u>	<u>14,961</u>	<u>109,134</u>
Total Liabilities and Fund Balances	<u>\$ 63,631</u>	<u>\$ 34,619</u>	<u>\$ 14,961</u>	<u>\$ 113,211</u>

STATE OF MAINE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Funds</u>	<u>Totals Other Governmental Funds</u>
Revenues:				
Investment Income (Loss)	\$ 12,767	\$ -	\$ 2,726	\$ 15,493
Miscellaneous Revenue	-	9,492	-	9,492
Total Revenues	<u>12,767</u>	<u>9,492</u>	<u>2,726</u>	<u>24,985</u>
Expenditures:				
Governmental Support & Operations	124	6,837	-	6,961
Economic Development & Workforce Training	-	29,309	-	29,309
Education	-	6,240	-	6,240
Health and Human Services	-	3,400	-	3,400
Natural Resources Development & Protection	-	8,186	-	8,186
Justice and Protection	-	1	-	1
Arts, Heritage, and Cultural Enrichment	-	224	-	224
Transportation, Safety & Development	-	68,821	-	68,821
Total Expenditures	<u>124</u>	<u>123,018</u>	<u>-</u>	<u>123,142</u>
Revenue over (under) Expenditures	<u>12,643</u>	<u>(113,526)</u>	<u>2,726</u>	<u>(98,157)</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	1,660	-	-	1,660
Transfers to Other Funds	(3,916)	(500)	(15)	(4,431)
Other	-	2,875	-	2,875
Bonds Issued	-	108,135	-	108,135
Net Other Finance Sources (Uses)	<u>(2,256)</u>	<u>110,510</u>	<u>(15)</u>	<u>108,239</u>
Revenue and Other Sources over (under) Expenditures and Other Uses	<u>10,387</u>	<u>(3,016)</u>	<u>2,711</u>	<u>10,082</u>
Fund Balances at Beginning of Year	<u>53,244</u>	<u>33,558</u>	<u>12,250</u>	<u>99,052</u>
Fund Balances at End of Year	<u>\$ 63,631</u>	<u>\$ 30,542</u>	<u>\$ 14,961</u>	<u>\$ 109,134</u>



OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

Baxter Park 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.

Revenue on Permanent Funds Fund – This fund accounts for expendable earnings on permanent fund balances.

Capital Projects 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.

Permanent Funds

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

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

STATE OF MAINE
COMBINING BALANCE SHEET
NON-MAJOR SPECIAL REVENUE FUNDS

June 30, 2011
(Expressed in Thousands)

	<u>Baxter Park</u>	<u>Revenue on Permanent Funds</u>	<u>Totals Special Revenue Funds</u>
Assets			
Equity in Treasurer's Cash Pool	\$ -	\$ 336	\$ 336
Investments	<u>63,256</u>	<u>39</u>	<u>63,295</u>
Total Assets	<u>\$ 63,256</u>	<u>\$ 375</u>	<u>\$ 63,631</u>
Liabilities and Fund Balances			
Liabilities:			
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Fund Balances:			
Restricted	<u>63,256</u>	<u>375</u>	<u>63,631</u>
Total Fund Balances	<u>63,256</u>	<u>375</u>	<u>63,631</u>
Total Liabilities and Fund Balances	<u>\$ 63,256</u>	<u>\$ 375</u>	<u>\$ 63,631</u>

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

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	<u>Baxter Park</u>	<u>Revenue on Permanent Funds</u>	<u>Totals Special Revenue Funds</u>
Revenues:			
Investment Income (Loss)	\$ 12,540	\$ 227	\$ 12,767
Total Revenues	<u>12,540</u>	<u>227</u>	<u>12,767</u>
Expenditures			
General Government	-	124	124
Total Expenditures	<u>-</u>	<u>124</u>	<u>124</u>
Revenue over (under) Expenditures	<u>12,540</u>	<u>103</u>	<u>12,643</u>
Other Financing Sources (Uses):			
Transfer from Other Funds	-	1,660	1,660
Transfer to Other Funds	<u>(2,389)</u>	<u>(1,527)</u>	<u>(3,916)</u>
Net Other Finance Sources (Uses)	<u>(2,389)</u>	<u>133</u>	<u>(2,256)</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	<u>10,151</u>	<u>236</u>	<u>10,387</u>
Fund Balances at Beginning of Year	<u>53,105</u>	<u>139</u>	<u>53,244</u>
Fund Balances at End of Year	<u>\$ 63,256</u>	<u>\$ 375</u>	<u>\$ 63,631</u>

**STATE OF MAINE
BALANCE SHEET
NON-MAJOR CAPITAL PROJECTS FUND**

June 30, 2011
(Expressed in Thousands)

	General Bond Fund
Assets	
Restricted Assets:	
Restricted Equity in Treasurer's Cash Pool	\$ 34,487
Due from Other Funds	3
Due from Component Units	116
Other Assets	13
Total Assets	\$ 34,619
Liabilities and Fund Balances	
Liabilities:	
Accounts Payable	\$ 2,083
Due to Other Funds	40
Due to Component Units	1,951
Deferred Revenue	3
Total Liabilities	4,077
Fund Balances:	
Restricted	30,542
Total Fund Balances	30,542
Total Liabilities and Fund Balances	\$ 34,619

STATE OF MAINE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR CAPITAL PROJECTS FUND

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	General Bond Fund
Revenues:	
Miscellaneous Revenue	\$ 9,492
Total Revenues	9,492
Expenditures	
Current:	
Governmental Support & Operations	6,837
Economic Development & Workforce Training	29,309
Education	6,240
Health and Human Services	3,400
Natural Resources Development & Protection	8,186
Justice and Protection	1
Arts, Heritage & Cultural Enrichment	224
Transportation, Safety & Development	68,821
Total Expenditures	123,018
Revenue over (under) Expenditures	(113,526)
Other Financing Sources (Uses):	
Transfers to Other Funds	(500)
Other	2,875
Bonds Issued	108,135
Net Other Finance Sources (Uses)	110,510
Revenues and Other Sources over (under) Expenditures and Other Uses	(3,016)
Fund Balances at Beginning of Year	33,558
Fund Balances at End of Year	\$ 30,542

STATE OF MAINE
COMBINING BALANCE SHEET
NON-MAJOR PERMANENT FUNDS

June 30, 2011
(Expressed in Thousands)

	<u>Baxter Trust</u>	<u>Other Trusts</u>	<u>Totals Permanent Funds</u>
Assets			
Investments	\$ 5,464	\$ 9,497	\$ 14,961
Total Assets	<u>\$ 5,464</u>	<u>\$ 9,497</u>	<u>\$ 14,961</u>
Fund Balances			
Non-spendable Legal or Contractual	<u>\$ 5,464</u>	<u>\$ 9,497</u>	<u>\$ 14,961</u>

STATE OF MAINE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR PERMANENT FUNDS

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	<u>Baxter Trust</u>	<u>Other Trusts</u>	<u>Totals Permanent Funds</u>
Revenues:			
Investment Income (Loss)	\$ 979	\$ 1,747	\$ 2,726
Total Revenues	<u>979</u>	<u>1,747</u>	<u>2,726</u>
Expenditures			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) Expenditures	<u>979</u>	<u>1,747</u>	<u>2,726</u>
Transfers to Other Funds	<u>-</u>	<u>(15)</u>	<u>(15)</u>
Net Other Finance Sources (Uses)	<u>-</u>	<u>(15)</u>	<u>(15)</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	<u>979</u>	<u>1,732</u>	<u>2,711</u>
Fund Balances at Beginning of Year	<u>4,485</u>	<u>7,765</u>	<u>12,250</u>
Fund Balances at End of Year	<u>\$ 5,464</u>	<u>\$ 9,497</u>	<u>\$ 14,961</u>

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES BY AGENCY

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	Final Budget	Actual	Variance with Final Budget
Department of Administrative and Financial Services			
Administrative Services	\$ 13,634	\$ 13,111	\$ 523
Financial Services	91,003	87,552	3,451
Human Resources	2,119	2,036	83
Purchasing	656	640	16
Bureau of Information Services	6,057	6,022	35
State Employee Health Commission	793	778	15
	<u>114,262</u>	<u>110,139</u>	<u>4,123</u>
Department of Agriculture	<u>5,780</u>	<u>5,345</u>	<u>435</u>
Attorney General	<u>13,536</u>	<u>13,226</u>	<u>310</u>
Department of Audit	<u>1,252</u>	<u>1,170</u>	<u>82</u>
Department of Corrections			
Corrections	47,658	45,805	1,853
Maine State Prison	37,079	36,652	427
Maine Correctional Center	24,098	23,777	321
Downeast Correctional Facility	5,642	5,520	122
Charleston Correctional Facility	17,773	17,172	601
Long Creek Youth Development Center	14,917	14,606	311
	<u>147,167</u>	<u>143,532</u>	<u>3,635</u>
Department of Conservation	<u>22,141</u>	<u>21,592</u>	<u>549</u>
Department of Economic and Community Development	<u>11,508</u>	<u>11,328</u>	<u>180</u>
Department of Environmental Protection	<u>5,774</u>	<u>5,733</u>	<u>41</u>
Department of Human Services			
Human Services	648,257	613,633	34,624
Behavioral and Developmental Services	200,591	194,616	5,975
Riverview Psychiatric Center	15,185	14,127	1,058
Dorothea Dix Psychiatric Center	11,396	11,125	271
Office of Substance Abuse	12,062	11,679	383
	<u>887,491</u>	<u>845,180</u>	<u>42,311</u>
Department of Labor			
Labor	10,898	9,876	1,022
Labor Relations Board	454	421	33
	<u>11,352</u>	<u>10,297</u>	<u>1,055</u>
Department of Transportation			
Rail/Van Pool	7,000	7,000	-
	<u>7,000</u>	<u>7,000</u>	<u>-</u>
Defense, Veterans and Emergency Management	<u>8,513</u>	<u>7,521</u>	<u>992</u>
Department of Education			
Education	1,132,658	1,119,606	13,052
Education - Unorganized Territory	12,961	12,032	929
	<u>1,145,619</u>	<u>1,131,638</u>	<u>13,981</u>
General Government			
Office of the Governor	3,019	2,646	373
State Planning	1,782	1,669	113
Ombudsman Program	118	108	10
	<u>4,919</u>	<u>4,423</u>	<u>496</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Department of Inland Fisheries and Wildlife	\$ 23,498	\$ 23,009	\$ 489
Judicial Department	55,870	55,695	175
Legislative Department			
Legislative	25,400	21,819	3,581
Law and Legislative Reference Library	1,478	1,411	67
Statehouse Preservation and Maintenance	800	606	194
Program Evaluation and Government Accountability	962	780	182
	<u>28,640</u>	<u>24,616</u>	<u>4,024</u>
Department of Marine Resources	9,220	9,068	152
Department of Public Safety	29,276	28,276	1,000
Secretary of State			
Secretary of State	2,447	2,367	80
Archives Services	757	751	6
	<u>3,204</u>	<u>3,118</u>	<u>86</u>
Treasurer of State	91,193	89,293	1,900
Other Agencies			
Museum	1,371	1,365	6
Maine State Cultural Affairs Council	61	40	21
Maine Historic Preservation Commission	278	277	1
Library	2,841	2,792	49
Maine Humanities Council	52	52	-
Finance Authority of Maine	12,348	12,348	-
Centers for Innovation	115	115	-
Com. On Governmental Ethics and Election Practices	130	127	3
Maine Indian Tribal State Council	74	74	-
Board of Property Tax Review	79	73	6
Maine Municipal Bond Bank	68	68	-
Maine State Retirement System	1,123	1,123	-
Human Rights Commission	491	475	16
Saco River Corridor Commission	46	46	-
NE International Water Pollution Control Commission	8	8	-
Downeast Institute Appl Marine	12	12	-
Atlantic States Marine Fisheries Commission	29	29	-
St. Croix International Waterway	22	22	-
Maine Public Broadcasting Corporation	1,902	1,902	-
Maine State Housing Authority	374	374	-
Board of Education	99	99	-
Maine Historical Society	44	44	-
Foundation for Blood Research	51	51	-
Pine Tree Legal	249	249	-
Maine Community College System	53,905	53,905	-
Maine Maritime Academy	8,467	8,467	-
University of Maine	193,611	193,611	-
Arts and Humanities Administration	662	606	56
Disability Rights Center	123	123	-
Maine Hospice Counsel	62	62	-
Maine Development Foundation	34	32	2
State Board of Corrections	9,392	9,341	51
Commission on Indigent Legal Services	10,579	10,565	14
	<u>298,702</u>	<u>298,477</u>	<u>225</u>
Grand Total	\$ 2,925,917	\$ 2,849,676	\$ 76,241



STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
HIGHWAY FUND EXPENDITURES BY AGENCY

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<i>Department of Administrative and Financial Services</i>			
Administrative Services	\$ 2,540	\$ 2,207	\$ 333
Financial Services	1,047	1,020	27
	<u>3,587</u>	<u>3,227</u>	<u>360</u>
<i>Department of Environmental Protection</i>			
	<u>34</u>	<u>33</u>	<u>1</u>
<i>Department of Transportation</i>			
Transportation	307,582	294,469	13,113
Rail/Van Pool	604	604	-
	<u>308,186</u>	<u>295,073</u>	<u>13,113</u>
<i>Department of Public Safety</i>			
	<u>30,440</u>	<u>29,262</u>	<u>1,178</u>
<i>Secretary of State</i>			
Motor Vehicles	<u>32,658</u>	<u>-</u>	<u>32,658</u>
<i>Grand Total</i>	<u>\$ 374,905</u>	<u>\$ 327,595</u>	<u>\$ 47,310</u>

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
FEDERAL FUND EXPENDITURES BY AGENCY

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Department of Administrative and Financial Services			
Administrative Services	\$ 50	\$ 50	\$ -
Financial Services	591	240	351
Financial and Personnel Services	593	274	319
State Employee Health Commission	21		21
	<u>1,255</u>	<u>564</u>	<u>691</u>
Department of Agriculture	<u>7,672</u>	<u>4,641</u>	<u>3,031</u>
Attorney General	<u>2,757</u>	<u>1,882</u>	<u>875</u>
Department of Corrections			
Corrections	5,241	2,155	3,086
Maine State Prison	20	-	20
Maine Correctional Center	81	38	43
Downeast Correctional Facility	48	-	48
Charleston Correctional Facility	243	125	118
Long Creek Youth Development Center	190	128	62
	<u>5,823</u>	<u>2,446</u>	<u>3,377</u>
Department of Conservation	<u>24,609</u>	<u>8,934</u>	<u>15,675</u>
Department of Economic and Community Development	<u>40,589</u>	<u>21,774</u>	<u>18,815</u>
Department of Environmental Protection	<u>24,800</u>	<u>12,950</u>	<u>11,850</u>
Department of Human Services			
Human Services	2,397,736	2,073,182	324,554
Behavioral and Developmental Services	16,136	9,446	6,690
Office of Substance Abuse	18,663	7,828	10,835
	<u>2,432,535</u>	<u>2,090,456</u>	<u>342,079</u>
Department of Labor	<u>312,949</u>	<u>265,330</u>	<u>47,619</u>
Department of Transportation			
Transportation	242,572	208,708	33,864
Air Transportation	7,541	3,263	4,278
Ferry Service/Ports and Marine	10,457	1,960	8,497
Rail/Van Pool	2,361	305	2,056
	<u>262,931</u>	<u>214,236</u>	<u>48,695</u>
Defense, Veterans and Emergency Management	<u>109,229</u>	<u>40,365</u>	<u>68,864</u>
Department of Education			
Education	350,971	298,062	52,909
Education - Unorganized Territory	551	364	187
	<u>351,522</u>	<u>298,426</u>	<u>53,096</u>
General Government			
Office of the Governor	21,111	17,036	4,075
State Planning	6,079	3,560	2,519
Ombudsman Program	57	52	5
	<u>27,247</u>	<u>20,648</u>	<u>6,599</u>
Department of Inland Fisheries and Wildlife	<u>13,190</u>	<u>7,922</u>	<u>5,268</u>
Judicial Department	<u>4,858</u>	<u>4,236</u>	<u>622</u>
Department of Marine Resources	<u>11,825</u>	<u>7,683</u>	<u>4,142</u>
Department of Professional and Financial Regulation			
Professional and Financial Regulation	1,044	220	824
Board of Nursing	149	-	149
	<u>1,193</u>	<u>220</u>	<u>973</u>
Department of Public Safety	<u>17,267</u>	<u>9,640</u>	<u>7,627</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Public Utilities Commission	\$ 484	\$ 308	\$ 176
Secretary of State			
Secretary of State	3,933	1,175	2,758
Motor Vehicles	709	209	500
Archives Services	112	66	46
	<u>4,754</u>	<u>1,450</u>	<u>3,304</u>
Treasurer of State	<u>294</u>	<u>294</u>	<u>-</u>
Other Agencies			
Arts and Humanities Administration	1,092	824	268
Human Rights Commission	465	344	121
Library	2,830	1,305	1,525
Maine Historic Preservation Commission	790	570	220
Museum	138	14	124
University of Maine	6,735	6,524	211
Maine Maritime Academy	1,416	394	1,022
Maine Community College System	5,224	3,948	1,276
Dirigo Health	13,205	1,228	11,977
	<u>31,895</u>	<u>15,151</u>	<u>16,744</u>
Grand Total	<u>\$ 3,689,678</u>	<u>\$ 3,029,556</u>	<u>\$ 660,122</u>

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
OTHER SPECIAL REVENUE FUND EXPENDITURES BY AGENCY

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Department of Administrative and Financial Services			
Administrative Services	\$ 4,772	\$ 1,262	\$ 3,510
Financial Services	24,408	19,722	4,686
Human Resources	506	289	217
Financial and Personnel Services	30	11	19
State Employee Health Commission	75	-	75
Purchasing	4	1	3
	<u>29,795</u>	<u>21,285</u>	<u>8,510</u>
Department of Agriculture			
	<u>32,364</u>	<u>27,280</u>	<u>5,084</u>
Attorney General			
	<u>14,904</u>	<u>11,196</u>	<u>3,708</u>
Department of Audit			
	<u>2,044</u>	<u>1,757</u>	<u>287</u>
Department of Corrections			
Corrections	1,117	422	695
Maine State Prison	131	107	24
Maine Correctional Center	636	471	165
Downeast Correctional Facility	97	72	25
Charleston Correctional Facility	415	146	269
Long Creek Youth Development Center	39	4	35
	<u>2,435</u>	<u>1,222</u>	<u>1,213</u>
Department of Conservation			
	<u>27,165</u>	<u>17,916</u>	<u>9,249</u>
Department of Economic and Community Development			
	<u>18,473</u>	<u>8,087</u>	<u>10,386</u>
Department of Environmental Protection			
Environmental Protection	64,986	35,050	29,936
	<u>64,986</u>	<u>35,050</u>	<u>29,936</u>
Department of Human Services			
Human Services	473,618	340,867	132,751
Behavioral and Developmental Services	24,396	23,411	985
Riverview Psychiatric Center	24,759	19,445	5,314
Dorothea Dix Psychiatric Center	19,896	15,540	4,356
Office of Substance Abuse	6,877	5,587	1,290
	<u>549,546</u>	<u>404,850</u>	<u>144,696</u>
Department of Labor			
Labor	6,299	2,728	3,571
Labor Relations Board	82	64	18
	<u>6,381</u>	<u>2,792</u>	<u>3,589</u>
Department of Transportation			
Transportation	127,763	87,644	40,119
Air Transportation	100	10	90
Rail/Van Pool	323	280	43
	<u>128,186</u>	<u>87,934</u>	<u>40,252</u>
Defense, Veterans and Emergency Management			
	<u>3,427</u>	<u>1,952</u>	<u>1,475</u>
Department of Education			
Education	19,661	9,161	10,500
Education - Unorganized Territory	8	-	8
	<u>19,669</u>	<u>9,161</u>	<u>10,508</u>
General Government			
Office of the Governor	6	-	6
State Planning	6,443	1,882	4,561
Public Advocate	1,993	1,455	538
	<u>8,442</u>	<u>3,337</u>	<u>5,105</u>
Department of Inland Fisheries and Wildlife			
	<u>8,050</u>	<u>3,867</u>	<u>4,183</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Judicial Department	\$ 4,956	\$ 4,415	\$ 541
Legislative Department			
Legislative	35	29	6
Department of Marine Resources	8,536	4,906	3,630
Department of Professional and Financial Regulation			
Professional and Financial Regulation	29,493	21,497	7,996
Board of Dental Examiners	405	294	111
Board of Nursing	1,144	934	210
Board of Optometry	66	56	10
Board of Osteopathic Examination and Registration	227	221	6
Board of Professional Engineers	247	205	42
Board of Registration in Medicine	1,668	1,454	214
	<u>33,250</u>	<u>24,661</u>	<u>8,589</u>
Department of Public Safety	19,699	14,324	5,375
Public Utilities Commission	19,932	15,546	4,386
Secretary of State			
Secretary of State	336	234	102
Motor Vehicles	1,177	1,069	108
Archives Services	43	29	14
	<u>1,556</u>	<u>1,332</u>	<u>224</u>
Treasurer of State	93,176	93,158	18
Other Agencies			
Arts and Humanities Administration	107	46	61
Baxter State Park Authority	3,822	3,149	673
Board of Property Tax Review	3	-	3
Board of Water System Operators	94	24	70
Com. On Governmental Ethics and Election Practices	3,841	1,521	2,320
Commission on Indigent Legal Services	571	430	141
Dirigo Health	4,442	4,442	-
Finance Authority of Maine	3,960	3,766	194
Harness Racing Promotion Board	189	90	99
Human Rights Commission	11	8	3
Library	691	370	321
Lobster Promotion Council	586	526	60
Maine Community College System	1,803	1,341	462
Maine Health Data Organization	2,183	1,718	465
Maine Historic Preservation Commission	608	280	328
Maine Potato Board	1,418	697	721
Maine State Cultural Affairs Council	65	-	65
Maine State Housing Authority	7,183	5,013	2,170
Maine Children's Trust Incorporated	48	29	19
Museum	333	136	197
Saco River Corridor Commission	47	47	-
University of Maine	2,085	1,810	275
Worker's Compensation Board	10,941	9,435	1,506
Wild Blueberry Commission of Maine	1,595	1,346	249
Maine Municipal Bond Bank	44,529	38,028	6,501
Maine Efficiency Trust	15,159	14,156	1,003
State Board of Correction	4,528	2,469	2,059
	<u>110,842</u>	<u>90,877</u>	<u>19,965</u>
Grand Total	\$ 1,207,849	\$ 886,934	\$ 320,915



NON-MAJOR ENTERPRISE FUNDS

Lottery Fund – This fund was established to account for all operations of the Maine State Lottery. This includes the Tri-State Lotto Commission and the Multi-State Lottery Association. The Tri-State Lotto Commission 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. The Multi-State Lottery Association was established in July 2004 and is authorized to initiate, promulgate, administer and carry out one or more lottery product offerings.

Alcoholic Beverages Fund – This fund was established to license and regulate the sale of alcoholic beverages. During fiscal year 2004, the State entered into a ten-year contract with a vendor to manage and operate wholesale liquor distribution as the State's agent.

Maine Military Authority Fund – This fund was created for the purpose of operating the Maine Readiness Sustainment Maintenance Center. The Center maintains, rebuilds, repairs, stores and manufactures equipment for the United States Departments of Defense, Army, Air Force, Navy and Treasury.

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.

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.

Dirigo Health Agency – This fund was created to arrange for the provision of comprehensive, affordable health care coverage to eligible small employers, including the self-employed, their employees and dependents, and individuals on a voluntary basis.

State Transit, Aviation and Rail Transportation Fund – This fund was established to support purchasing, operating, maintaining, improving, repairing, constructing and management of transportation buildings, structures and improvements, and equipment.

Consolidated Emergency Communications Fund – This fund accounts for payments made by municipal, county, and state governmental entities towards the implementation of the Statewide Communication System.

STATE OF MAINE
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS

June 30, 2011
(Expressed in Thousands)

	<u>Lottery</u>	<u>Alcoholic Beverages</u>	<u>Maine Military Authority</u>	<u>Seed Potato</u>
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ -	\$ -	\$ -	\$ 1
Cash and Short-Term Investments	750	-	-	-
Inventories	-	-	1,502	-
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	18,241	-	4,693	-
Due from Other Funds	-	-	-	-
Other Current Assets	101	-	26	-
Total Current Assets	<u>19,092</u>	<u>-</u>	<u>6,221</u>	<u>1</u>
Noncurrent Assets				
Equity in Treasurer's Cash Pool	-	-	-	-
Capital Assets - Net of Depreciation	-	-	2,939	-
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>2,939</u>	<u>-</u>
Total Assets	<u>19,092</u>	<u>-</u>	<u>9,160</u>	<u>1</u>
Liabilities				
Current Liabilities:				
Accounts Payable	346	-	1,591	-
Accrued Payroll	61	-	498	-
Due to Other Funds	3,256	1	754	1
Current Portion of Long-Term Obligations:				
Compensated Absences	8	-	7	-
Deferred Revenue	299	12,500	-	-
Other Accrued Liabilities	14,498	-	-	-
Total Current Liabilities	<u>18,468</u>	<u>12,501</u>	<u>2,850</u>	<u>1</u>
Long-Term Liabilities:				
Deferred Revenue	-	25,000	-	-
Compensated Absences	106	-	103	-
Other Post-Employment Benefit Obligation	68	-	852	-
Total Long-Term Liabilities	<u>174</u>	<u>25,000</u>	<u>955</u>	<u>-</u>
Total Liabilities	<u>18,642</u>	<u>37,501</u>	<u>3,805</u>	<u>1</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	-	-	2,939	-
Unrestricted	450	(37,501)	2,416	-
Total Net Assets	<u>\$ 450</u>	<u>\$ (37,501)</u>	<u>\$ 5,355</u>	<u>\$ -</u>

						Totals	
Marine Ports	Ferry Service	Prison Industries	Dirigo Health	Transit, Aviation, & Rail Transportation	Consolidated Emergency Communications Fund	Other Enterprise Funds	
\$ 101	\$ 1,398	\$ 64	\$ 12,497	\$ 3,769	\$ 398	\$ 18,228	
-	3	3	-	-	-	756	
-	276	609	-	-	-	2,387	
-	135	39	1,804	451	270	25,633	
-	2	28	3	186	2,297	2,516	
-	-	-	2,074	-	-	2,201	
<u>101</u>	<u>1,814</u>	<u>743</u>	<u>16,378</u>	<u>4,406</u>	<u>2,965</u>	<u>51,721</u>	
26	366	16	3,279	989	105	4,781	
8,515	37,362	-	-	97,541	-	146,357	
<u>8,541</u>	<u>37,728</u>	<u>16</u>	<u>3,279</u>	<u>98,530</u>	<u>105</u>	<u>151,138</u>	
8,642	39,542	759	19,657	102,936	3,070	202,859	
1	153	-	123	547	3	2,764	
-	303	9	33	6	174	1,084	
-	229	49	16	15	51	4,372	
-	24	-	5	-	15	59	
-	-	-	-	-	-	12,799	
-	-	-	-	-	-	14,498	
<u>1</u>	<u>709</u>	<u>58</u>	<u>177</u>	<u>568</u>	<u>243</u>	<u>35,576</u>	
-	-	-	-	-	-	25,000	
-	332	7	62	1	212	823	
-	209	5	43	10	213	1,400	
-	541	12	105	11	425	27,223	
<u>1</u>	<u>1,250</u>	<u>70</u>	<u>282</u>	<u>579</u>	<u>668</u>	<u>62,799</u>	
8,515	37,362	-	-	97,541	-	146,357	
126	930	689	19,375	4,816	2,402	(6,297)	
<u>\$ 8,641</u>	<u>\$ 38,292</u>	<u>\$ 689</u>	<u>\$ 19,375</u>	<u>\$ 102,357</u>	<u>\$ 2,402</u>	<u>\$ 140,060</u>	

STATE OF MAINE
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
NON-MAJOR ENTERPRISE FUNDS

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	<u>Lottery</u>	<u>Alcoholic Beverages</u>	<u>Maine Military Authority</u>	<u>Seed Potato</u>
Operating Revenues				
Charges for Services	\$ 218,037	\$ 33	\$ 39,859	\$ -
Assessments	-	-	-	-
Miscellaneous Revenues	-	-	2,612	-
Total Operating Revenues	<u>218,037</u>	<u>33</u>	<u>42,471</u>	<u>-</u>
Operating Expenses				
General Operations	167,955	-	44,516	1
Depreciation	1	-	249	-
Total Operating Expenses	<u>167,956</u>	<u>-</u>	<u>44,765</u>	<u>1</u>
Operating Income (Loss)	<u>50,081</u>	<u>33</u>	<u>(2,294)</u>	<u>(1)</u>
Nonoperating Revenues (Expenses)				
Other Nonoperating Revenues (Expenses) - net	44	12,500	2	-
Total Nonoperating Revenues (Expenses)	<u>44</u>	<u>12,500</u>	<u>2</u>	<u>-</u>
Income (Loss) Before Capital Contributions, Transfers and Special Items	<u>50,125</u>	<u>12,533</u>	<u>(2,292)</u>	<u>(1)</u>
Capital Contributions, Transfers and Special Items				
Capital Contributions from Other Funds	-	-	-	-
Transfers from Other Funds	-	-	133	1
Transfers to Other Funds	(50,194)	(33)	-	(2)
Special Items	-	-	-	-
Total Capital Contributions, Transfers In (Out) and Special Items	<u>(50,194)</u>	<u>(33)</u>	<u>133</u>	<u>(1)</u>
Change in Net Assets	(69)	12,500	(2,159)	(2)
Total Net Assets - Beginning of Year	<u>519</u>	<u>(50,001)</u>	<u>7,514</u>	<u>2</u>
Total Net Assets - End of Year	<u>\$ 450</u>	<u>\$ (37,501)</u>	<u>\$ 5,355</u>	<u>\$ -</u>

						Totals	
Marine Ports	Ferry Service	Prison Industries	Dirigo Health	Transit, Aviation, & Rail Transportation	Consolidated Emergency Communications Fund	Other Enterprise Funds	
\$ -	\$ 4,641	\$ 1,313	\$ 71,386	\$ 2,385	\$ 7,305	\$ 344,959	
-	-	-	-	1,769	-	1,769	
-	-	1	10	-	-	2,623	
-	4,641	1,314	71,396	4,154	7,305	349,351	
137	8,575	1,196	47,980	6,152	5,775	282,287	
488	2,158	-	-	4,930	-	7,826	
625	10,733	1,196	47,980	11,082	5,775	290,113	
(625)	(6,092)	118	23,416	(6,928)	1,530	59,238	
-	8	-	-	28	-	12,582	
-	8	-	-	28	-	12,582	
(625)	(6,084)	118	23,416	(6,900)	1,530	71,820	
39	8,029	-	-	53,491	-	61,559	
-	3,625	1	4	3,101	197	7,062	
-	-	(76)	(3,961)	-	(2)	(54,268)	
(7,086)	-	-	-	-	-	(7,086)	
(7,047)	11,654	(75)	(3,957)	56,592	195	7,267	
(7,672)	5,570	43	19,459	49,692	1,725	79,087	
16,313	32,722	646	(84)	52,665	677	60,973	
<u>\$ 8,641</u>	<u>\$ 38,292</u>	<u>\$ 689</u>	<u>\$ 19,375</u>	<u>\$ 102,357</u>	<u>\$ 2,402</u>	<u>\$ 140,060</u>	

STATE OF MAINE
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS

June 30, 2011
(Expressed in Thousands)

	<u>Lottery</u>	<u>Alcoholic Beverages</u>	<u>Maine Military Authority</u>	<u>Seed Potato</u>
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 218,780	\$ 33	\$ 43,600	\$ 1
Other Operating Cash Receipts (Payments):				
Payments to Prize Winners	(135,587)	-	-	-
Payments to Suppliers	(33,453)	-	(21,945)	(1)
Payments to Employees	(1,627)	-	(20,611)	-
Net Cash Provided (Used) by Operating Activities	<u>48,113</u>	<u>33</u>	<u>1,044</u>	<u>-</u>
Cash Flows from Noncapital Financing Activities				
Operating Transfers In	-	-	133	1
Operating Transfers Out	(50,194)	(33)	-	(2)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(50,194)</u>	<u>(33)</u>	<u>133</u>	<u>(1)</u>
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	-	-	(2,082)	-
Proceeds from Sale of Capital Assets	-	-	-	-
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>-</u>	<u>(2,082)</u>	<u>-</u>
Cash Flows from Investing Activities				
Interest Revenue	44	-	2	-
Net Cash Provided (Used) by Investing Activities	<u>44</u>	<u>-</u>	<u>2</u>	<u>-</u>
Net Increase (Decrease) in Cash/Cash Equivalents	(2,037)	-	(903)	(1)
Cash/Cash Equivalents - Beginning of Year	<u>2,787</u>	<u>-</u>	<u>903</u>	<u>2</u>
Cash/Cash Equivalents - End of Year	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>
Reconciliation of Operating Income (Loss) to Net Cash				
Used by Operating Activities				
Operating Income (Loss)	\$ 50,081	\$ 33	\$ (2,294)	\$ (1)
Adjustments to Reconcile Operating Income to Net Cash				
Provided by Operating Activities				
Depreciation Expense	1	-	249	-
Decrease (Increase) in Assets & Liabilities:				
Accounts Receivable	743	-	1,129	-
Interfund Balances	(3,074)	-	740	1
Inventories	-	-	149	-
Increase (Decrease) in Liabilities				
Accounts Payable	102	-	1,177	-
Accrued Payroll Expenses	11	-	(230)	-
Change in Compensated Absences	8	-	29	-
Other Accruals	241	-	95	-
Total Adjustments	<u>(1,968)</u>	<u>-</u>	<u>3,338</u>	<u>1</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 48,113</u>	<u>\$ 33</u>	<u>\$ 1,044</u>	<u>\$ -</u>
Non Cash Investing, Capital and Financing Activities				
Contributed Capital Assets	-	-	-	-
Decrease of Deferred Revenue From the Sale of Liquor Operations	-	12,500	-	-
Special Item - Eastport Cargo Pier	-	-	-	-

<u>Marine Ports</u>	<u>Ferry Service</u>	<u>Prison Industries</u>	<u>Dirigo Health</u>	<u>Transit, Aviation, & Rail Transportation</u>	<u>Consolidated Emergency Communications</u>	<u>Totals Other Enterprise Funds</u>
\$ 173	\$ 4,628	\$ 1,297	\$ 71,739	\$ 3,962	\$ 7,070	\$ 351,283
-	-	-	-	-	-	(135,587)
(136)	(3,126)	(1,173)	(52,737)	(5,803)	(2,613)	(120,987)
-	(5,045)	(125)	(907)	(267)	(5,145)	(33,727)
<u>37</u>	<u>(3,543)</u>	<u>(1)</u>	<u>18,095</u>	<u>(2,108)</u>	<u>(688)</u>	<u>60,982</u>
-	3,625	1	4	3,101	197	7,062
-	-	(76)	(3,961)	-	(2)	(54,268)
-	3,625	(75)	(3,957)	3,101	195	(47,206)
(1)	(5)	-	-	-	-	(2,088)
-	-	-	-	13	-	13
(1)	(5)	-	-	13	-	(2,075)
-	8	-	-	28	-	82
-	8	-	-	28	-	82
36	85	(76)	14,138	1,034	(493)	11,783
91	1,682	159	1,638	3,724	996	11,982
<u>\$ 127</u>	<u>\$ 1,767</u>	<u>\$ 83</u>	<u>\$ 15,776</u>	<u>\$ 4,758</u>	<u>\$ 503</u>	<u>\$ 23,765</u>
<u>\$ (625)</u>	<u>\$ (6,092)</u>	<u>\$ 118</u>	<u>\$ 23,416</u>	<u>\$ (6,928)</u>	<u>\$ 1,530</u>	<u>\$ 59,238</u>
488	2,158	-	-	4,930	-	7,826
173	(13)	(17)	343	(192)	(235)	1,931
-	200	6	(1,682)	(184)	(1,873)	(5,866)
-	33	(108)	-	-	-	74
-	-	-	-	-	-	-
1	(96)	(6)	(4,230)	258	(4)	(2,798)
-	30	-	3	(3)	(334)	(523)
-	28	1	(8)	1	15	74
-	209	5	253	10	213	1,026
<u>662</u>	<u>2,549</u>	<u>(119)</u>	<u>(5,321)</u>	<u>4,820</u>	<u>(2,218)</u>	<u>1,744</u>
<u>\$ 37</u>	<u>\$ (3,543)</u>	<u>\$ (1)</u>	<u>\$ 18,095</u>	<u>\$ (2,108)</u>	<u>\$ (688)</u>	<u>\$ 60,982</u>
39	-	-	-	53,491	-	53,530
-	-	-	-	-	-	12,500
(7,086)	-	-	-	-	-	(7,086)



INTERNAL SERVICE FUNDS

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, for a portion of the premiums for teachers, and for a portion of the premiums for county and municipal law enforcement officers and firefighters (First Responders).

Employee Health Insurance Fund – This fund accounts for health care premiums and benefits for most state employees.

Statewide Radio & Network System Fund – This fund accounts for resources generated and used to acquire, expand, upgrade and replace a statewide radio and network system for use by State agencies.

Financial & Personnel Services Fund – This fund accounts for centralized services provided by the Department of Administrative and Financial Services. Services provided include personnel administration, employee relations, budget management, general administration, and accounting.

Transportation Facilities Fund – This fund accounts for the purchase, operation, maintenance, improvement, repair, construction, and management of buildings owned by the Department of Transportation.

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

STATE OF MAINE
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS

June 30, 2011
(Expressed in Thousands)

	<u>Motor Transport Service</u>	<u>Postal Printing & Supply</u>	<u>Information Services</u>	<u>Risk Management</u>
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 7,034	\$ -	\$ 8,578	\$ 18,065
Cash and Short-Term Investments	1	1	-	-
Cash with Fiscal Agent	102	-	5,538	-
Restricted Assets:				
Restricted Deposits and Investments	-	-	-	-
Inventories	2,928	469	17	-
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	14	39	184	150
Due from Other Funds	274	1,861	16,186	30
Other Current Assets	-	95	1,168	427
Total Current Assets	<u>10,353</u>	<u>2,465</u>	<u>31,671</u>	<u>18,672</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	1,846	-	2,250	4,739
Capital Assets - Net of Depreciation	51,913	5	23,924	-
Total Noncurrent Assets	<u>53,759</u>	<u>5</u>	<u>26,174</u>	<u>4,739</u>
Total Assets	<u>64,112</u>	<u>2,470</u>	<u>57,845</u>	<u>23,411</u>
Liabilities				
Current Liabilities:				
Accounts Payable	189	70	1,350	4
Accrued Payroll	577	67	1,389	13
Due to Other Governments	-	-	-	-
Due to Other Funds	105	4,017	142	47
Due to Component Units	-	-	-	-
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	338	-	4,494	-
Obligations Under Capital Leases	-	-	-	-
Claims Payable	-	-	-	-
Compensated Absences	33	6	175	2
Deferred Revenue	-	-	-	317
Other Accrued Liabilities	23	-	234	-
Total Current Liabilities	<u>1,265</u>	<u>4,160</u>	<u>7,784</u>	<u>383</u>
Long-Term Liabilities:				
Working Capital Advances Payable	-	111	-	-
Deferred Revenue	-	-	-	-
Non-Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	1,441	-	14,315	-
Obligations Under Capital Leases	-	-	-	-
Claims Payable	-	-	-	3,872
Compensated Absences	459	85	2,410	24
Total Long-Term Liabilities	<u>1,900</u>	<u>196</u>	<u>16,725</u>	<u>3,896</u>
Total Liabilities	<u>3,165</u>	<u>4,356</u>	<u>24,509</u>	<u>4,279</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	50,134	5	15,166	-
Restricted for:				
Other Purposes	-	-	-	-
Unrestricted	10,813	(1,891)	18,170	19,132
Total Net Assets	<u>\$ 60,947</u>	<u>\$ (1,886)</u>	<u>\$ 33,336</u>	<u>\$ 19,132</u>

<u>Workers' Compensation</u>	<u>Central Fleet Management</u>	<u>Leased Space</u>	<u>Revenue Services</u>	<u>Retiree Health Insurance</u>	<u>Employee Health Insurance</u>	<u>Statewide Radio & Network System</u>
\$ 23,991	\$ -	\$ 297	\$ 173	\$ 25,383	\$ 34,919	\$ 11
-	1	-	-	-	-	-
-	4,082	-	-	-	-	14,809
-	-	-	-	-	-	-
-	41	-	-	-	-	-
-	48	-	-	-	-	-
720	1,081	36	-	-	-	-
129	-	-	-	-	-	-
<u>24,840</u>	<u>5,253</u>	<u>333</u>	<u>173</u>	<u>25,383</u>	<u>34,919</u>	<u>14,820</u>
6,295	-	78	46	6,381	9,163	3
-	12,951	29,335	-	-	-	13,406
<u>6,295</u>	<u>12,951</u>	<u>29,413</u>	<u>46</u>	<u>6,381</u>	<u>9,163</u>	<u>13,409</u>
<u>31,135</u>	<u>18,204</u>	<u>29,746</u>	<u>219</u>	<u>31,764</u>	<u>44,082</u>	<u>28,229</u>
1,262	5	110	-	2,492	2,734	-
28	31	9	-	-	29	-
-	-	-	-	-	-	-
51	1,665	5	-	-	27	-
-	-	-	-	3,612	-	-
-	4,003	-	-	-	-	3,521
-	-	5,881	-	-	-	-
7,291	-	-	-	4,929	14,786	-
2	3	2	-	-	3	-
-	-	-	-	-	-	-
-	39	-	-	-	-	165
<u>8,634</u>	<u>5,746</u>	<u>6,007</u>	<u>-</u>	<u>11,033</u>	<u>17,579</u>	<u>3,686</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6,626	-	-	-	-	12,428
-	-	27,809	-	-	-	-
31,991	-	-	-	-	-	-
33	45	21	-	-	37	-
<u>32,024</u>	<u>6,671</u>	<u>27,830</u>	<u>-</u>	<u>-</u>	<u>37</u>	<u>12,428</u>
<u>40,658</u>	<u>12,417</u>	<u>33,837</u>	<u>-</u>	<u>11,033</u>	<u>17,616</u>	<u>16,114</u>
-	2,322	(4,355)	-	-	-	12,266
-	-	-	-	-	-	-
(9,523)	3,465	264	219	20,731	26,466	(151)
<u>\$ (9,523)</u>	<u>\$ 5,787</u>	<u>\$ (4,091)</u>	<u>\$ 219</u>	<u>\$ 20,731</u>	<u>\$ 26,466</u>	<u>\$ 12,115</u>

(continued)

STATE OF MAINE
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS (Continued)

June 30, 2011
(Expressed in Thousands)

				<u>Totals</u>
	<u>Financial & Personnel Services</u>	<u>Transportation Facilities Fund</u>	<u>Governmental Facilities Authority</u>	<u>Internal Service Funds</u>
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 2,232	\$ 1,432	\$ -	\$ 122,115
Cash and Short-Term Investments	-	-	-	3
Cash with Fiscal Agent	-	-	-	24,531
Restricted Assets:				
Restricted Deposits and Investments	-	-	3,971	3,971
Inventories	-	-	-	3,455
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	-	-	90	525
Due from Other Funds	821	-	-	21,009
Other Current Assets	-	-	8	1,827
Total Current Assets	<u>3,053</u>	<u>1,432</u>	<u>4,069</u>	<u>177,436</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	585	375	-	31,761
Capital Assets - Net of Depreciation	17	24,257	-	155,808
Total Noncurrent Assets	<u>602</u>	<u>24,632</u>	<u>-</u>	<u>187,569</u>
Total Assets	<u>3,655</u>	<u>26,064</u>	<u>4,069</u>	<u>365,005</u>
Liabilities				
Current Liabilities:				
Accounts Payable	13	24	8	8,261
Accrued Payroll	625	-	-	2,768
Due to Other Governments	-	-	3	3
Due to Other Funds	218	-	-	6,277
Due to Component Units	-	-	-	3,612
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	12,356
Obligations Under Capital Leases	-	-	-	5,881
Claims Payable	-	-	-	27,006
Compensated Absences	73	-	-	299
Deferred Revenue	-	-	102	419
Other Accrued Liabilities	-	-	-	461
Total Current Liabilities	<u>929</u>	<u>24</u>	<u>113</u>	<u>67,343</u>
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Deferred Revenue	-	-	736	736
Non-Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	34,810
Obligations Under Capital Leases	-	-	-	27,809
Claims Payable	-	-	-	35,863
Compensated Absences	1,015	-	-	4,129
Total Long-Term Liabilities	<u>1,015</u>	<u>-</u>	<u>736</u>	<u>103,458</u>
Total Liabilities	<u>1,944</u>	<u>24</u>	<u>849</u>	<u>170,801</u>
Net Assets				
Invested in Capital Assets, Net of Related Debt	17	24,257	-	99,812
Restricted for:				
Other Purposes	-	-	65	65
Unrestricted	1,694	1,783	3,155	94,327
Total Net Assets	<u>\$ 1,711</u>	<u>\$ 26,040</u>	<u>\$ 3,220</u>	<u>\$ 194,204</u>



STATE OF MAINE
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS

Fiscal Year Ended June 30, 2011
(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	\$ 35,512	\$ 43,652	\$ 87,547	\$ 4,181
Miscellaneous Revenues	50	55	481	2
Total Operating Revenues	<u>35,562</u>	<u>43,707</u>	<u>88,028</u>	<u>4,183</u>
Operating Expenses				
General Operations	22,326	43,282	76,935	3,672
Depreciation	6,946	2	2,394	-
Claims/Fees Expense	-	-	-	86
Other Operating Expenses	-	-	-	-
Total Operating Expenses	<u>29,272</u>	<u>43,284</u>	<u>79,329</u>	<u>3,758</u>
Operating Income (Loss)	<u>6,290</u>	<u>423</u>	<u>8,699</u>	<u>425</u>
Nonoperating Revenues (Expenses)				
Investment Revenue (Expense) - net	6	(8)	6	49
Interest Expense	(95)	-	(481)	-
Other Nonoperating Revenues (Expenses) - net	(881)	-	39	-
Total Nonoperating Revenues (Expenses)	<u>(970)</u>	<u>(8)</u>	<u>(436)</u>	<u>49</u>
Income (Loss) Before Capital Contributions, Transfers and Special Items	<u>5,320</u>	<u>415</u>	<u>8,263</u>	<u>474</u>
Capital Contributions, Transfers and Special Items				
Capital Contributions from Other Funds	199	-	-	-
Transfers from (to) Other Funds	62	13	2,862	2
Special Items	-	-	-	-
Total Capital Contributions, Transfers In (Out) and Special Items	<u>261</u>	<u>13</u>	<u>2,862</u>	<u>2</u>
Change in Net Assets	5,581	428	11,125	476
Total Net Assets - Beginning of Year	<u>55,366</u>	<u>(2,314)</u>	<u>22,211</u>	<u>18,656</u>
Total Net Assets - End of Year	<u>\$ 60,947</u>	<u>\$ (1,886)</u>	<u>\$ 33,336</u>	<u>\$ 19,132</u>

<u>Workers' Compensation</u>	<u>Central Fleet Management</u>	<u>Leased Spaces</u>	<u>Revenue Services</u>	<u>Retiree Health Insurance</u>	<u>Employee Health Insurance</u>	<u>Statewide Radio & Network Systems</u>
\$ 12,600	\$ 11,451	\$ 25,022	\$ 315	\$ 28,710	\$ 149,320	\$ 14
1	-	-	-	-	-	-
12,601	11,451	25,022	315	28,710	149,320	14
7,852	7,537	13,589	-	22,821	151,477	1
-	3,014	4,650	-	-	-	-
8,378	-	-	-	-	-	-
-	-	-	-	-	-	-
16,230	10,551	18,239	-	22,821	151,477	1
(3,629)	900	6,783	315	5,889	(2,157)	13
68	(2)	2	-	78	112	481
-	(258)	(6,966)	-	-	-	(13)
-	(294)	-	-	-	-	-
68	(554)	(6,964)	-	78	112	468
(3,561)	346	(181)	315	5,967	(2,045)	481
-	-	-	-	-	-	-
6	6	1	(200)	4,379	(2,147)	4,011
-	-	-	-	(14,411)	-	-
6	6	1	(200)	(10,032)	(2,147)	4,011
(3,555)	352	(180)	115	(4,065)	(4,192)	4,492
(5,968)	5,435	(3,911)	104	24,796	30,658	7,623
<u>\$ (9,523)</u>	<u>\$ 5,787</u>	<u>\$ (4,091)</u>	<u>\$ 219</u>	<u>\$ 20,731</u>	<u>\$ 26,466</u>	<u>\$ 12,115</u>

(continued)

STATE OF MAINE
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS (Continued)

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

				<u>Totals</u>
	<u>Financial & Personnel Services</u>	<u>Transportation Facilities Fund</u>	<u>Governmental Facilities Authority</u>	<u>Internal Service Funds</u>
Operating Revenues				
Charges for Services	\$ 19,519	\$ 1,476	\$ 1,350	\$ 420,669
Miscellaneous Revenues	4	-	-	593
Total Operating Revenues	<u>19,523</u>	<u>1,476</u>	<u>1,350</u>	<u>421,262</u>
Operating Expenses				
General Operations	20,105	1,391	210	371,198
Depreciation	-	-	-	17,006
Claims/Fees Expense	-	-	-	8,464
Other Operating Expenses	-	-	194	194
Total Operating Expenses	<u>20,105</u>	<u>1,391</u>	<u>404</u>	<u>396,862</u>
Operating Income (Loss)	<u>(582)</u>	<u>85</u>	<u>946</u>	<u>24,400</u>
Nonoperating Revenues (Expenses)				
Investment Revenue (Expense) - net	-	3	6	801
Interest Expense	-	-	-	(7,813)
Other Nonoperating Revenues (Expenses) - net	-	18	-	(1,118)
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>21</u>	<u>6</u>	<u>(8,130)</u>
Income (Loss) Before Capital Contributions, Transfers and Special Items	<u>(582)</u>	<u>106</u>	<u>952</u>	<u>16,270</u>
Capital Contributions, Transfers and Special Items				
Capital Contributions from Other Funds	-	2,728	-	2,927
Transfers from (to) Other Funds	92	-	-	9,087
Special Items	-	-	-	(14,411)
Total Capital Contributions, Transfers In (Out) and Special Items	<u>92</u>	<u>2,728</u>	<u>-</u>	<u>(2,397)</u>
Change in Net Assets	(490)	2,834	952	13,873
Total Net Assets - Beginning of Year	<u>2,201</u>	<u>23,206</u>	<u>2,268</u>	<u>180,331</u>
Total Net Assets - End of Year	<u>\$ 1,711</u>	<u>\$ 26,040</u>	<u>\$ 3,220</u>	<u>\$ 194,204</u>



STATE OF MAINE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

June 30, 2011
(Expressed in Thousands)

	Motor Transport Service	Postal Printing & Supply	Information Services	Risk Management
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 36,026	\$ 43,404	\$ 89,192	\$ 4,337
Other Operating Cash Receipts (Payments):				
Payments to Suppliers	(11,989)	(41,469)	(41,139)	(3,544)
Payments to Employees	(10,293)	(1,940)	(39,631)	(363)
Net Cash Provided (Used) by Operating Activities	13,744	(5)	8,422	430
Cash Flows from Noncapital Financing Activities				
Operating Transfers In	62	13	2,993	2
Operating Transfers Out	-	-	(131)	-
Special Items - OPEB Trust Contribution	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	62	13	2,862	2
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	(4,924)	-	(3,527)	-
Proceeds From Financing Arrangements	-	-	5,000	-
Principal and Interest Paid on Financing Arrangements	(2,070)	-	(5,689)	-
Proceeds from Sale of Capital Assets	-	-	-	-
Net Cash Provided (Used) by Capital Financing Activities	(6,994)	-	(4,216)	-
Cash Flows from Investing Activities				
Interest Revenue	6	(8)	6	49
Net Cash Provided (Used) by Investing Activities	6	(8)	6	49
Net Increase (Decrease) in Cash/Cash Equivalents	6,818	-	7,074	481
Cash/Cash Equivalents - Beginning of Year	2,164	1	9,292	22,323
Cash/Cash Equivalents - End of Year	\$ 8,982	\$ 1	\$ 16,366	\$ 22,804
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities				
Operating Income (Loss)	\$ 6,290	\$ 423	\$ 8,699	\$ 425
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	6,946	2	2,394	-
Decrease (Increase) in Assets				
Accounts Receivable	425	144	110	5
Interfund Balances	42	326	1,900	179
Inventories	(29)	192	-	-
Other Assets	-	(26)	(1,155)	(29)
Increase (Decrease) in Liabilities				
Accounts Payable	(3)	(1,074)	(3,763)	(8)
Accrued Payroll Expenses	56	2	180	2
Due to Other Governments	-	-	-	-
Change in Compensated Absences	34	6	28	5
Other Accruals	(17)	-	29	(149)
Total Adjustments	7,454	(428)	(277)	5
Net Cash Provided (Used) by Operating Activities	\$ 13,744	\$ (5)	\$ 8,422	\$ 430
Non Cash Investing, Capital and Financing Activities				
Property Leased, Accrued, or Acquired	-	-	-	-
Contributed Capital Assets	199	-	-	-

Workers' Compensation	Central Fleet Management	Leased Space	Revenue Services	Retiree Health Insurance	Employee Health Insurance	Statewide Radio & Network System
\$ 12,879	\$ 11,501	\$ 25,089	\$ 315	\$ 28,999	\$ 150,187	\$ 14
(14,651)	(6,739)	(13,348)	-	(32,086)	(159,838)	(155)
(911)	(945)	(256)	-	-	(786)	-
(2,683)	3,817	11,485	315	(3,087)	(10,437)	(141)
6	6	1	-	4,379	-	4,011
-	-	-	(200)	-	(2,147)	-
-	-	-	-	(14,411)	-	-
6	6	1	(200)	(10,032)	(2,147)	4,011
-	(2,741)	-	-	-	-	(3,034)
-	4,186	-	-	-	-	15,000
-	(4,329)	(11,428)	-	-	-	(3,609)
-	-	-	-	-	-	-
-	(2,884)	(11,428)	-	-	-	8,357
68	(2)	2	-	78	112	481
68	(2)	2	-	78	112	481
(2,609)	937	60	115	(13,041)	(12,472)	12,708
32,895	3,146	315	104	44,805	56,554	2,115
<u>\$ 30,286</u>	<u>\$ 4,083</u>	<u>\$ 375</u>	<u>\$ 219</u>	<u>\$ 31,764</u>	<u>\$ 44,082</u>	<u>\$ 14,823</u>
\$ (3,629)	\$ 900	\$ 6,783	\$ 315	\$ 5,889	\$ (2,157)	\$ 13
-	3,014	4,650	-	-	-	-
(1)	(30)	-	-	289	866	-
(22)	88	66	-	-	(1,200)	(217)
-	-	-	-	-	-	-
296	-	-	-	-	-	-
80	(146)	(17)	-	1,205	(10,775)	-
(21)	4	2	-	-	5	-
-	-	-	-	(11,728)	-	-
5	(6)	1	-	-	3	-
609	(7)	-	-	1,258	2,821	63
946	2,917	4,702	-	(8,976)	(8,280)	(154)
<u>\$ (2,683)</u>	<u>\$ 3,817</u>	<u>\$ 11,485</u>	<u>\$ 315</u>	<u>\$ (3,087)</u>	<u>\$ (10,437)</u>	<u>\$ (141)</u>
-	-	5,230	-	-	-	-
-	-	-	-	-	-	-

(continued)

STATE OF MAINE
COMBINING STATEMENT OF CASH FLOWS (Continued)
INTERNAL SERVICE FUNDS

June 30, 2011
(Expressed in Thousands)

	Financial and Personnel Services	Transportation Facilities Fund	Governmental Facilities Authority	Totals Internal Service Funds
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 18,938	\$ 1,476	\$ 1,327	\$ 423,684
Other Operating Cash Receipts (Payments):				
Payments to Suppliers	(1,889)	(1,375)	(687)	(328,909)
Payments to Employees	(18,079)	-	-	(73,204)
	<u>(1,030)</u>	<u>101</u>	<u>640</u>	<u>21,571</u>
Net Cash Provided (Used) by Operating Activities				
Cash Flows from Noncapital Financing Activities				
Operating Transfers In	92	-	-	11,565
Operating Transfers Out	-	-	-	(2,478)
Special Items - OPEB Trust Contribution	-	-	-	(14,411)
	<u>92</u>	<u>-</u>	<u>-</u>	<u>(5,324)</u>
Net Cash Provided (Used) by Noncapital Financing Activities				
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	(17)	-	-	(14,243)
Proceeds From Financing Arrangements	-	-	-	24,186
Principal and Interest Paid on Financing Arrangements	-	-	-	(27,125)
Proceeds from Sale of Capital Assets	-	19	-	19
	<u>(17)</u>	<u>19</u>	<u>-</u>	<u>(17,163)</u>
Net Cash Provided (Used) by Capital Financing Activities				
Cash Flows from Investing Activities				
Interest Revenue	-	3	6	801
	<u>-</u>	<u>3</u>	<u>6</u>	<u>801</u>
Net Cash Provided (Used) by Investing Activities				
Net Increase (Decrease) in Cash/Cash Equivalents	(955)	123	646	(115)
Cash/Cash Equivalents - Beginning of Year	3,772	1,684	3,325	182,495
Cash/Cash Equivalents - End of Year	<u>\$ 2,817</u>	<u>\$ 1,807</u>	<u>\$ 3,971</u>	<u>\$ 182,380</u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities				
Operating Income (Loss)	\$ (582)	\$ 85	\$ 946	\$ 24,400
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	-	-	-	17,006
Decrease (Increase) in Assets				
Accounts Receivable	-	-	(15)	1,793
Interfund Balances	(606)	(1)	-	555
Inventories	-	-	-	163
Other Assets	2	-	(8)	(920)
Increase (Decrease) in Liabilities				
Accounts Payable	(8)	17	1	(14,491)
Accrued Payroll Expenses	89	-	-	319
Due to Other Governments	-	-	(210)	(11,938)
Change in Compensated Absences	75	-	-	151
Other Accruals	-	-	(74)	4,533
	<u>(448)</u>	<u>16</u>	<u>(306)</u>	<u>(2,829)</u>
Total Adjustments				
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,030)</u>	<u>\$ 101</u>	<u>\$ 640</u>	<u>\$ 21,571</u>
Non Cash Investing, Capital and Financing Activities				
Property Leased, Accrued, or Acquired	-	-	-	5,230
Contributed Capital Assets	-	2,728	-	2,927

FIDUCIARY FUNDS

Pension (and Other Employee Benefit) Trusts

This fund accounts for all of the trust activity occurring in the employees defined benefit pension plan, healthcare and group life insurance other post-

employment benefit trusts and defined contribution plans.

Private Purpose Trust Funds

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.

Revenue on Private Purpose Trusts Fund – This fund accounts for expendable earnings on private purpose trust fund balances.

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.

Permanent School Fund – This fund is comprised of numerous small private purpose trusts, the income from which may be used for specified purposes.

NextGen College Investing Plan – is the Maine College Savings Program. The program was established under Chapter 417-E of Title 20-A, to encourage the investment of funds to be used for Qualified Higher Education Expenses at institutions of higher education. The plan consists of the investments made by participants in the State’s Qualified State Tuition Program under Section 529 of the Internal Revenue Code.

Agency Funds

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

Private Trusts 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.

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

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

STATE OF MAINE
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUSTS

June 30, 2011
(Expressed in Thousands)

	Defined Benefit Pension Plan	Healthcare OPEB	Group Life Insurance OPEB	Defined Contribution Plans	Total Pension (and Other Employee Benefit) Trusts
Assets					
Cash and Short-Term Investments	\$ 26,324	\$ -	\$ 6,160	\$ 69	\$ 32,553
Receivables, Net of Allowance for Uncollectibles:					
State and Local Agency Contributions	17,426	-	734	21	18,181
Interest and Dividends	4,997	-	-	-	4,997
Due from Brokers for Securities Sold	104	-	-	-	104
Investments at Fair Value:					
Debt Securities	103,685	-	-	-	103,685
Equity Securities	3,863,562	-	-	-	3,863,562
Common/Collective Trusts	6,837,736	133,081	66,377	14,282	7,051,476
Securities Lending Collateral	279,674	-	-	-	279,674
Capital Assets - Net of Depreciation	10,577	-	370	-	10,947
Total Assets	<u>11,144,085</u>	<u>133,081</u>	<u>73,641</u>	<u>14,372</u>	<u>11,365,179</u>
Liabilities					
Accounts Payable	6,026	-	27	-	6,053
Obligations Under Securities Lending	279,674	-	-	-	279,674
Other Accrued Liabilities	17,716	74	9,964	5	27,759
Total Liabilities	<u>303,416</u>	<u>74</u>	<u>9,991</u>	<u>5</u>	<u>313,486</u>
Net Assets					
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	<u>10,840,669</u>	<u>133,007</u>	<u>63,650</u>	<u>14,367</u>	<u>11,051,693</u>
Total Net Assets	<u>\$ 10,840,669</u>	<u>\$ 133,007</u>	<u>\$ 63,650</u>	<u>\$ 14,367</u>	<u>\$ 11,051,693</u>

STATE OF MAINE
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION (AND OTHER EMPLOYEE BENEFIT) TRUSTS

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	Defined Benefit Pension Plan	Healthcare OPEB	Group Life Insurance OPEB	Defined Contribution Plans	Total Pension (and Other Employee Benefit) Trusts
Additions:					
Contributions:					
Members	\$ 160,205	\$ -	\$ 4,634	\$ 2,791	\$ 167,630
State and Local Agencies	352,191	84,917	6,837	47	443,992
Investment Income (Loss):					
Net Increase (Decrease) in the Fair Value of Investments	1,892,601	23,386	11,087	1,996	1,929,070
Interest and Dividends	107,494	-	1	1	107,496
Securities Lending Income	1,261				1,261
Less Investment Expense:					
Investment Activity Expense	19,584	35	28	57	19,704
Securities Lending Expense	(145)	-	-	-	(145)
Net Investment Income (Loss)	<u>1,981,917</u>	<u>23,351</u>	<u>11,060</u>	<u>1,940</u>	<u>2,018,268</u>
Total Additions	<u>2,494,313</u>	<u>108,268</u>	<u>22,531</u>	<u>4,778</u>	<u>2,629,890</u>
Deductions:					
Benefits Paid to Participants or Beneficiaries	681,156	70,506	8,664	-	760,326
Refunds and Withdrawals	32,204	-	18	771	32,993
Claims Processing Expenses	-	-	737	-	737
Administrative Expenses	<u>9,757</u>	<u>64</u>	<u>233</u>	<u>50</u>	<u>10,104</u>
Total Deductions	<u>723,117</u>	<u>70,570</u>	<u>9,652</u>	<u>821</u>	<u>804,160</u>
Net Increase (Decrease)	1,771,196	37,698	12,879	3,957	1,825,730
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:					
Beginning of Year	<u>9,069,473</u>	<u>95,309</u>	<u>50,771</u>	<u>10,410</u>	<u>9,225,963</u>
End of Year	<u>\$ 10,840,669</u>	<u>\$ 133,007</u>	<u>\$ 63,650</u>	<u>\$ 14,367</u>	<u>\$ 11,051,693</u>

STATE OF MAINE
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS

June 30, 2011
(Expressed in Thousands)

	Abandoned Property	Revenue on Private Purpose Trusts	Lands Reserved	Permanent School	NextGen College Investing Plan	Totals Private Purpose Trusts
Assets						
Equity in Treasurer's Cash Pool	\$ 501	\$ 148	\$ 1,001	\$ -	\$ -	\$ 1,650
Investments at Fair Value:						
Other	-	17	9,183	2,744	-	11,944
Investments Held on Behalf of Others	-	-	-	-	5,982,144	5,982,144
Receivables, Net of Allowance for Uncollectibles:						
Interest and Dividends	-	-	-	-	4,050	4,050
Due from Brokers for Securities Sold	-	-	-	-	8,794	8,794
Due from Other Funds	21,520	-	-	-	-	21,520
Other Assets	5,433	-	-	-	-	5,433
Total Assets	<u>27,454</u>	<u>165</u>	<u>10,184</u>	<u>2,744</u>	<u>5,994,988</u>	<u>6,035,535</u>
Liabilities						
Accounts Payable	63	-	-	-	3,893	3,956
Due to Brokers for Securities Purchased	-	-	-	-	8,331	8,331
Due to Other Funds	7	-	-	-	-	7
Total Liabilities	<u>70</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,224</u>	<u>12,294</u>
Net Assets						
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	<u>27,384</u>	<u>165</u>	<u>10,184</u>	<u>2,744</u>	<u>5,982,764</u>	<u>6,023,241</u>
Total Net Assets	<u>\$ 27,384</u>	<u>\$ 165</u>	<u>\$ 10,184</u>	<u>\$ 2,744</u>	<u>\$ 5,982,764</u>	<u>\$6,023,241</u>

STATE OF MAINE
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PRIVATE PURPOSE TRUST FUNDS

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	<u>Abandoned Property</u>	<u>Revenue on Private Purpose Trusts</u>	<u>Lands Reserved</u>	<u>Permanent School</u>	<u>NextGen College Investing Plan</u>	<u>Total Private Purpose Trusts</u>
Additions:						
Contributions:						
Members	\$ -	\$ -	\$ -	\$ -	\$ 1,728,789	\$ 1,728,789
Investment Income (Loss):						
Net Increase (Decrease) in the Fair Value of Investments	-	-	1,657	452	872,737	874,846
Capital Gains Distributions from Investments	-	-	-	-	4,227	4,227
Interest and Dividends	12	100	225	64	96,218	96,619
Net Investment Income (loss)	<u>12</u>	<u>100</u>	<u>1,882</u>	<u>516</u>	<u>973,182</u>	<u>975,692</u>
Miscellaneous Revenues	10,889	-	-	-	-	10,889
Transfers In	-	729	-	-	-	729
Total Additions	<u>10,901</u>	<u>829</u>	<u>1,882</u>	<u>516</u>	<u>2,701,971</u>	<u>2,716,099</u>
Deductions:						
Benefits Paid to Participants or Beneficiaries	-	55	-	5	1,488,619	1,488,679
Administrative Expenses	210	-	53	58	43,936	44,257
Transfers Out	24,027	670	-	-	-	24,697
Total Deductions	<u>24,237</u>	<u>725</u>	<u>53</u>	<u>63</u>	<u>1,532,555</u>	<u>1,557,633</u>
Net Increase (Decrease)	(13,336)	104	1,829	453	1,169,416	1,158,466
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:						
Beginning of Year	<u>40,720</u>	<u>61</u>	<u>8,355</u>	<u>2,291</u>	<u>4,813,348</u>	<u>4,864,775</u>
End of Year	<u>\$ 27,384</u>	<u>\$ 165</u>	<u>\$ 10,184</u>	<u>\$ 2,744</u>	<u>\$ 5,982,764</u>	<u>\$ 6,023,241</u>



STATE OF MAINE
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS

June 30, 2011
(Expressed in Thousands)

					<u>Totals</u>
	<u>Payroll Withholding</u>	<u>Private Trusts</u>	<u>Other Agency</u>	<u>Treasurer's Agency</u>	<u>Agency Funds</u>
Assets					
Equity in Treasurer's Cash Pool	\$ 14	\$ 5,934	\$ 3,859	\$ -	\$ 9,807
Cash and Short-Term Investments	-	27	-	-	27
Restricted Deposits and Investments	-	-	11	-	11
Investments Held on Behalf of Others	-	60,151	922	-	61,073
Other Assets	-	520	-	-	520
Total Assets	<u>\$ 14</u>	<u>\$ 66,632</u>	<u>\$ 4,792</u>	<u>\$ -</u>	<u>\$ 71,438</u>
Liabilities					
Accounts Payable	\$ 1	-	-	-	\$ 1
Agency Liabilities	-	66,632	4,790	-	71,422
Due to Other Funds	-	-	2	-	2
Other Accrued Liabilities	13	-	-	-	13
Total Liabilities	<u>\$ 14</u>	<u>\$ 66,632</u>	<u>\$ 4,792</u>	<u>\$ -</u>	<u>\$ 71,438</u>

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

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Payroll Withholding				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 47	\$ 260,623	\$ 260,656	\$ 14
Total Assets	<u>\$ 47</u>	<u>\$ 260,623</u>	<u>\$ 260,656</u>	<u>\$ 14</u>
Liabilities				
Accounts Payable & Other Accrued Liabilities	\$ 47	\$ 607,261	\$ 607,294	\$ 14
Total Liabilities	<u>\$ 47</u>	<u>\$ 607,261</u>	<u>\$ 607,294</u>	<u>\$ 14</u>
Private Trusts				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 6,535	\$ 4,564	\$ 5,138	\$ 5,961
Other Assets	503	17	-	520
Investments Held on Behalf of Others	59,190	1,173,311	1,172,350	60,151
Total Assets	<u>\$ 66,228</u>	<u>\$ 1,177,892</u>	<u>\$ 1,177,488</u>	<u>\$ 66,632</u>
Liabilities				
Accounts Payable & Other Accrued Liabilities	\$ -	\$ 690	\$ 690	\$ -
Agency Liabilities	66,228	1,178,452	1,178,048	66,632
Total Liabilities	<u>\$ 66,228</u>	<u>\$ 1,179,142</u>	<u>\$ 1,178,738</u>	<u>\$ 66,632</u>

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2011</u>
Other Agency				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 4,202	\$ 9,894	\$ 9,304	\$ 4,792
Total Assets	<u>\$ 4,202</u>	<u>\$ 9,894</u>	<u>\$ 9,304</u>	<u>\$ 4,792</u>
Liabilities				
Accounts Payable & Other Accrued Liabilities	\$ 3	\$ 8,746	\$ 8,747	\$ 2
Agency Liabilities	<u>4,199</u>	<u>3,646</u>	<u>3,055</u>	<u>4,790</u>
Total Liabilities	<u>\$ 4,202</u>	<u>\$ 12,392</u>	<u>\$ 11,802</u>	<u>\$ 4,792</u>
Treasurer's Agency				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ -	\$ -	\$ -	\$ -
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities				
Agency Liabilities	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Totals - All Agency Funds				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 10,784	\$ 275,081	\$ 275,098	\$ 10,767
Investments Held on Behalf of Others	59,190	1,173,311	1,172,350	60,151
Other Assets	<u>503</u>	<u>17</u>	<u>-</u>	<u>520</u>
Total Assets	<u>\$ 70,477</u>	<u>\$ 1,448,409</u>	<u>\$ 1,447,448</u>	<u>\$ 71,438</u>
Liabilities				
Accounts Payable & Other Accrued Liabilities	\$ 50	\$ 616,697	\$ 616,731	\$ 16
Agency Liabilities	<u>70,427</u>	<u>1,182,098</u>	<u>1,181,103</u>	<u>71,422</u>
Total Liabilities	<u>\$ 70,477</u>	<u>\$ 1,798,795</u>	<u>\$ 1,797,834</u>	<u>\$ 71,438</u>



NON-MAJOR COMPONENT UNIT FINANCIAL STATEMENTS

Child Development Services System – maintains a coordinated service delivery system for the provision of Childfind activities, early intervention services, and free, appropriate public education services for eligible children with disabilities.

ConnectMe Authority – is responsible for stimulating investment in advanced communications technology infrastructure in unserved or underserved areas in the State.

Efficiency Maine Trust – was established for the purpose of administering programs for energy efficiency and alternative energy resources to help individuals and businesses in Maine meet their energy needs at the lowest cost.

Loring Development Authority – is responsible for the acquisition, development and management of the properties within the geographical area of the former Loring Air Force Base.

Maine Educational Center for the Deaf and Hard of Hearing – (formerly Governor Baxter School for the Deaf) is a comprehensive educational organization that offers educational, residential, transitional, and outreach services to meet the needs of persons who are deaf or hard of hearing, their families, professionals, service providers, agencies and communities on a local, statewide, regional and national level.

Maine Educational Loan Authority – was created to grant educational loans primarily using funds acquired through issuance of long-term bonds payable.

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.

Maine Port Authority – is responsible for acquiring, financing, constructing and operating port and railroad facilities within the State, to improve the global competitiveness of Maine businesses.

Maine Technology Institute – was established to encourage, promote, stimulate and support research and development activity.

Midcoast Regional Redevelopment Authority – is responsible for acquiring and managing Naval Air Station Brunswick properties in both Brunswick and Topsham and implement the Reuse Master Plans for each.

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

Small Enterprise Growth Fund – is used to provide capital to small Maine businesses that show potential for high growth and public benefit but are unable to obtain adequate conventional financing from financial institutions.

STATE OF MAINE
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR COMPONENT UNITS

June 30, 2011
(Expressed in Thousands)

	Child Development Services	ConnectME Authority	Efficiency Maine Trust	Loring Development Authority	Maine Educational Center for the Deaf and Hard of Hearing	Maine Educational Loan Authority
Assets						
Current Assets:						
Equity in Treasurer's Cash Pool	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and Cash Equivalents	280	-	21,014	1,559	1,650	23,688
Investments	-	-	-	-	-	-
Restricted Assets:						
Restricted Deposits and Investments	-	-	21,650	-	-	-
Inventories	-	-	-	-	-	-
Receivables, Net of Allowance for Uncollectibles:						
Loans Receivable	-	-	-	-	-	12,729
Notes Receivable	-	-	894	-	-	-
Other Receivables	48	353	1,128	274	41	1,893
Due from Other Governments	40	77	311	-	-	-
Due from Primary Government	534	-	535	963	3,499	-
Other Current Assets	43	-	65	123	53	29
Total Current Assets	<u>945</u>	<u>430</u>	<u>45,597</u>	<u>2,919</u>	<u>5,243</u>	<u>38,339</u>
Noncurrent Assets:						
Equity in Treasurer's Cash Pool	-	-	-	-	-	-
Assets Held in Trust	-	-	-	-	-	-
Restricted Assets:						
Restricted Deposits and Investments	-	3,653	-	-	-	-
Investments	-	-	-	-	850	-
Receivables, Net of Current Portion:						
Loans Receivable	-	-	-	-	-	130,709
Notes Receivable	-	-	-	4,037	-	-
Other Receivables	-	-	-	-	-	4,572
Due from Primary Government	-	-	-	-	-	-
Capital Assets - Net of Depreciation	653	-	145	60,477	530	1
Other Noncurrent Assets	-	-	-	-	-	1,251
Total Noncurrent Assets	<u>653</u>	<u>3,653</u>	<u>145</u>	<u>64,514</u>	<u>1,380</u>	<u>136,533</u>
Total Assets	<u>1,598</u>	<u>4,083</u>	<u>45,742</u>	<u>67,433</u>	<u>6,623</u>	<u>174,872</u>
Liabilities						
Current Liabilities:						
Accounts Payable	3,368	247	1,546	302	40	175
Accrued Payroll	751	-	-	-	265	-
Compensated Absences	362	-	26	26	111	-
Due to Other Governments	29	-	-	1,272	-	-
Due to Primary Government	-	-	-	116	-	-
Bonds Payable	-	-	-	-	-	5,046
Notes Payable	-	-	-	518	-	-
Obligations under Capital Leases	15	-	4	-	-	-
Accrued Interest Payable	-	-	-	-	-	728
Deferred Revenue	264	2	29	249	1,408	567
Other Current Liabilities	461	-	38	103	-	-
Total Current Liabilities	<u>5,250</u>	<u>249</u>	<u>1,643</u>	<u>2,586</u>	<u>1,824</u>	<u>6,516</u>
Long-Term Liabilities:						
Due to Other Governments	-	-	-	-	-	-
Bonds Payable	-	-	-	-	-	163,965
Notes Payable	-	-	-	1,183	-	-
Obligations under Capital Leases	29	-	9	-	-	-
Deferred Revenue	-	-	-	2,000	-	1,590
Other Noncurrent Liabilities	-	-	-	-	-	-
Total Long-Term Liabilities	<u>29</u>	<u>-</u>	<u>9</u>	<u>3,183</u>	<u>-</u>	<u>165,555</u>
Total Liabilities	<u>5,279</u>	<u>249</u>	<u>1,652</u>	<u>5,769</u>	<u>1,824</u>	<u>172,071</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	609	-	131	59,176	530	-
Restricted	46	3,629	43,958	-	654	2,375
Unrestricted	(4,336)	205	1	2,488	3,615	426
Total Net Assets	<u>\$ (3,681)</u>	<u>\$ 3,834</u>	<u>\$ 44,090</u>	<u>\$ 61,664</u>	<u>\$ 4,799</u>	<u>\$ 2,801</u>

Maine Maritime Academy	Maine Port Authority	Midcoast Regional Development Authority	Maine Technology Institute	Northern New England Passenger Rail Authority	Small Enterprise Growth Fund	Totals
\$ 751	\$ -	\$ -	\$ -	\$ -	\$ 1,372	\$ 2,123
1,710	2,109	18	27,588	1,263	3,905	84,784
4,264	-	-	155	-	-	4,419
-	-	-	-	-	-	21,650
827	-	-	-	11	-	838
468	-	-	152	-	334	13,683
-	-	-	-	-	-	894
872	110	41	360	-	13	5,133
-	-	193	-	2,644	-	3,265
-	-	-	-	20	-	5,551
1,057	-	25	16	809	-	2,220
9,949	2,219	277	28,271	4,747	5,624	144,560
197	-	-	-	-	360	557
-	-	-	5	-	-	5
3,996	-	-	-	1,853	-	9,502
14,482	-	-	-	-	1,831	17,163
2,377	-	-	747	-	-	133,833
-	-	-	-	-	-	4,037
994	-	-	-	-	46	5,612
-	-	-	-	113	-	113
19,221	14,678	253	69	1,667	4	97,698
6,274	-	16	-	-	-	7,541
47,541	14,678	269	821	3,633	2,241	276,061
57,490	16,897	546	29,092	8,380	7,865	420,621
3,897	221	100	3,653	2,527	-	16,076
-	-	-	-	-	-	1,016
-	-	27	-	18	-	570
-	-	-	-	-	-	1,301
-	-	-	-	-	-	116
142	-	132	-	-	-	5,320
-	-	-	-	-	-	518
-	-	2	4	-	-	25
-	-	-	-	-	-	728
268	-	26	24,204	293	-	27,310
162	-	32	5	31	23	855
4,469	221	319	27,866	2,869	23	53,835
1,710	-	-	-	-	-	1,710
1,874	-	10	-	-	-	165,849
-	-	-	-	-	-	1,183
-	-	2	15	-	-	55
-	-	-	-	-	-	3,590
-	-	-	-	82	-	82
3,584	-	12	15	82	-	172,469
8,053	221	331	27,881	2,951	23	226,304
17,244	14,678	233	-	1,666	-	94,267
19,386	1,179	-	-	2,189	-	73,416
12,807	819	(18)	1,211	1,574	7,842	26,634
\$ 49,437	\$ 16,676	\$ 215	\$ 1,211	\$ 5,429	\$ 7,842	\$ 194,317

STATE OF MAINE
COMBINING STATEMENT OF ACTIVITIES
NON-MAJOR COMPONENT UNITS

Fiscal Year Ended June 30, 2011
(Expressed in Thousands)

	Child Development Services	ConnectME Authority	Efficiency Maine Trust	Loring Development Authority	Maine Educational Center for the Deaf and Hard of Hearing	Maine Educational Loan Authority
Expenses	\$ 35,380	\$ 2,125	\$ 62,509	\$ 3,327	\$ 6,310	\$ 14,209
Program Revenues						
Charges for Services	1,425	-	-	1,505	336	12,088
Program Investment Income	3	-	-	-	-	213
Operating Grants and Contributions	33,370	2,325	82,147	-	14	-
Capital Grants and Contributions	-	-	-	719	-	-
Net Revenue (Expense)	(582)	200	19,638	(1,103)	(5,960)	(1,908)
General Revenues						
Unrestricted Investment Earnings	-	-	-	73	163	-
Non-program Specific Grants, Contributions and Appropriations	-	-	-	1,163	6,055	-
Miscellaneous Income	16	5	-	124	-	-
Gain (Loss) on Assets Held for Sale	-	-	-	(1,261)	-	-
Special Item	-	-	24,277	-	-	-
Total General Revenues	16	5	24,277	99	6,218	-
Change in Net Assets	(566)	205	43,915	(1,004)	258	(1,908)
Net Assets, Beginning of the Year	(3,115)	3,629	175	62,668	4,541	4,709
Net Assets, End of Year	\$ (3,681)	\$ 3,834	\$ 44,090	\$ 61,664	\$ 4,799	\$ 2,801

Maine Maritime Academy	Maine Port Authority	Midcoast Regional Development Authority	Maine Technology Institute	Northern New England Passenger Rail Authority	Small Enterprise Growth Fund	Totals
\$ 31,015	\$ 1,819	\$ 1,409	\$ 20,938	\$ 31,532	\$ 449	\$ 211,022
16,654	954	9	100	8,029	-	41,100
3,326	-	-	-	-	112	3,654
3,472	139	1,397	20,558	7,528	4,000	154,950
576	-	228	-	16,034	-	17,557
(6,987)	(726)	225	(280)	59	3,663	6,239
183	4	-	247	11	171	852
9,110	-	-	-	-	-	16,328
520	-	-	14	58	-	737
-	-	-	-	-	-	(1,261)
-	-	-	-	-	-	24,277
9,813	4	-	261	69	171	40,933
2,826	(722)	225	(19)	128	3,834	47,172
46,611	17,398	(10)	1,230	5,301	4,008	147,145
<u>\$ 49,437</u>	<u>\$ 16,676</u>	<u>\$ 215</u>	<u>\$ 1,211</u>	<u>\$ 5,429</u>	<u>\$ 7,842</u>	<u>\$ 194,317</u>



STATISTICAL SECTION



STATISTICAL SECTION NARRATIVE AND TABLE OF CONTENTS

This part of the State of Maine’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State’s overall financial health.

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STATE OF MAINE NET ASSETS BY ACTIVITIES

Last Ten Fiscal Years
(Expressed in Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Primary Government				
Governmental Activities				
Invested in Capital Assets, Net of Related Debt	\$ 4,165,151	\$ 3,945,220	\$ 3,767,895	\$ 3,632,073
Restricted	496,215 ¹	535,173 ¹	162,240	200,888
Unrestricted	<u>(432,914)</u>	<u>(487,406)</u>	<u>(150,054)</u>	<u>(98,830)</u>
Total Governmental Activities Net Assets	<u>\$ 4,228,452</u>	<u>\$ 3,992,987</u>	<u>\$ 3,780,081</u>	<u>\$ 3,734,131</u>
Business-Type Activities				
Invested in Capital Assets, Net of Related Debt	\$ 146,357	\$ 97,635	\$ 96,667	\$ 95,905
Restricted	300,287	320,648	383,970	493,733
Unrestricted	<u>(6,623)</u>	<u>(35,010)</u>	<u>(67,030)</u>	<u>(89,400)</u>
Total Business-Type Activities Net Assets	<u>\$ 440,021</u>	<u>\$ 383,273</u>	<u>\$ 413,607</u>	<u>\$ 500,238</u>
Total Primary Government				
Invested in Capital Assets, Net of Related Debt	\$ 4,311,508	\$ 4,042,855	\$ 3,864,562	\$ 3,727,978
Restricted	796,502	855,821	546,210	694,621
Unrestricted	<u>(439,537)</u>	<u>(522,416)</u>	<u>(217,084)</u>	<u>(188,230)</u>
Total Primary Government Activities Net Assets	<u>\$ 4,668,473</u>	<u>\$ 4,376,260</u>	<u>\$ 4,193,688</u>	<u>\$ 4,234,369</u>

¹ Due to additional research for GASB Statement No. 54, additional enabling legislation was identified. Fiscal year 2010 was also restated.

SOURCE: State of Maine Comprehensive Annual Financial Reporting System. Accrual basis of accounting.

SCHEDULE 1

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 3,519,371	\$ 3,347,672	\$ 3,061,098	\$ 2,878,596	\$ 2,628,197	\$ 2,424,949
198,786	172,449	290,385	214,026	184,809	242,976
<u>50,153</u>	<u>(67,588)</u>	<u>(171,074)</u>	<u>(37,519)</u>	<u>(123,477)</u>	<u>5,887</u>
<u>\$ 3,768,310</u>	<u>\$ 3,452,533</u>	<u>\$ 3,180,409</u>	<u>\$ 3,055,103</u>	<u>\$ 2,689,529</u>	<u>\$ 2,673,812</u>
\$ 90,361	\$ 79,030	\$ 49,961	\$ 51,434	\$ 72,375	\$ 53,679
489,677	476,832	459,538	450,475	459,127	464,862
<u>(74,054)</u>	<u>(74,098)</u>	<u>(71,445)</u>	<u>(71,419)</u>	<u>2,179</u>	<u>6,798</u>
<u>\$ 505,984</u>	<u>\$ 481,764</u>	<u>\$ 438,054</u>	<u>\$ 430,490</u>	<u>\$ 533,681</u>	<u>\$ 525,339</u>
\$ 3,609,732	\$ 3,426,702	\$ 3,111,059	\$ 2,930,030	\$ 2,700,572	\$ 2,478,628
688,463	649,281	749,923	664,501	643,936	707,838
<u>(23,901)</u>	<u>(141,686)</u>	<u>(242,519)</u>	<u>(108,938)</u>	<u>(121,298)</u>	<u>12,685</u>
<u>\$ 4,274,294</u>	<u>\$ 3,934,297</u>	<u>\$ 3,618,463</u>	<u>\$ 3,485,593</u>	<u>\$ 3,223,210</u>	<u>\$ 3,199,151</u>

STATE OF MAINE
CHANGES IN NET ASSETS BY ACTIVITIES

Last Ten Fiscal Years
(Expressed in Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Expenses				
Governmental Activities:				
Governmental Support & Operations ¹	\$ 448,917	\$ 445,972	\$ 451,246	\$ 506,726
Arts, Heritage & Cultural Enrichment	11,807	11,761	13,430	12,406
Business Licensing & Regulation	69,288	74,243	66,155	63,417
Economic Development & Workforce Training	374,473	400,166	229,838	149,970
Education	1,706,305	1,752,041	1,689,036	1,669,353
Health & Human Services	3,522,341	3,511,572	3,428,680	3,290,482
Labor	-	-	-	-
Justice & Protection	415,450	412,263	419,027	407,879
Natural Resources Development & Protection	204,379	196,780	224,609	186,214
Transportation, Safety & Development ¹	371,374	327,536	334,236	363,977
Interest Expense	43,202	48,594	40,148	35,524
Total Governmental Activities	<u>7,167,536</u>	<u>7,180,928</u>	<u>6,896,405</u>	<u>6,685,948</u>
Business-Type Activities:				
Employment Security	203,693	235,301	225,181	122,518
Alcoholic Beverages	-	1	-	-
Lottery	167,956	166,721	163,030	178,419
Transportation	11,082	8,173	8,473	7,432
Airport	-	-	-	-
Marine Ports	625	1,354	1,382	1,925
Ferry Services	12,711	10,817	10,210	9,292
Military Equipment Maintenance	44,765	45,004	71,380	80,306
Dirigo Health	47,980	50,952	58,861	76,860
Other	6,972	8,395	7,495	6,673
Total Business-Type Activities	<u>495,784</u>	<u>526,718</u>	<u>546,012</u>	<u>483,425</u>
Total Primary Government Expenses	<u>7,663,320</u>	<u>7,707,646</u>	<u>7,442,417</u>	<u>7,169,373</u>
Program Revenues				
Governmental Activities:				
Charges for Services:				
Governmental Support & Operations	105,851	106,164	82,738	86,178
Arts, Heritage & Cultural Enrichment	749	1,075	1,172	1,303
Business Licensing & Regulation	57,772	71,592	56,042	69,845
Economic Development & Workforce Training	5,972	6,846	4,531	2,361
Education	4,470	7,487	2,053	3,653
Health & Human Services	18,252	11,844	12,573	11,694
Justice & Protection	83,093	88,166	90,497	89,580
Natural Resources Development & Protection	102,084	95,318	91,562	92,737
Transportation, Safety & Development	110,401	103,759	111,429	102,729
Operating Grants and Contributions	3,355,823	3,525,858	3,081,827	2,559,533
Capital Grants and Contributions	-	-	-	-
Total Governmental Activities Program Revenues	<u>3,844,467</u>	<u>4,018,109</u>	<u>3,534,424</u>	<u>3,019,613</u>
Business-Type Activities:				
Employment Security	173,416	127,438	97,362	106,536
Alcoholic Beverages	12,533	12,528	12,530	12,527
Lottery	218,081	219,966	213,073	228,980
Transportation	4,182	1,929	3,961	2,089
Airport	-	-	-	-
Marine Ports	-	47	78	315
Ferry Services	4,649	4,951	4,347	4,116
Military Equipment Maintenance	42,473	49,487	75,784	77,229
Dirigo Health	71,396	65,609	68,704	54,507
Other	8,619	7,079	7,072	6,898
Operating Grants and Contributions	11,253	44,629	20,170	22,950
Capital Grants and Contributions	-	-	-	-
Total Business-Type Activities Program Revenues	<u>546,602</u>	<u>533,663</u>	<u>503,081</u>	<u>516,147</u>
Net (Expense)/Revenue				
Governmental Activities	(3,323,069)	(3,162,819)	(3,361,981)	(3,666,335)
Business-Type Activities	<u>50,818</u>	<u>6,945</u>	<u>(42,931)</u>	<u>32,722</u>
Total Primary Governmental Net (Expense)/Revenue	<u>(3,272,251)</u>	<u>(3,155,874)</u>	<u>(3,404,912)</u>	<u>(3,633,613)</u>

SCHEDULE 2

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$	427,752	\$ 498,542	\$ 449,578	\$ 441,545	\$ 373,181	\$ 403,488
	12,994	12,191	13,273	12,498	13,012	-
	60,506	53,547	49,553	46,249	34,447	-
	161,427	160,093	171,092	191,868	206,586	131,285
	1,622,653	1,494,438	1,412,524	1,357,080	1,340,614	1,323,259
	2,989,001	3,167,521	3,051,822	2,775,008	2,522,643	2,367,786
	-	-	-	-	-	92,544
	358,718	340,281	322,072	297,619	301,575	108,742
	179,670	166,358	171,307	166,167	163,606	132,858
	300,557	353,904	278,096	232,105	270,610	269,587
	<u>36,246</u>	<u>36,873</u>	<u>32,530</u>	<u>31,324</u>	<u>32,120</u>	<u>24,576</u>
	<u>6,149,524</u>	<u>6,283,748</u>	<u>5,951,847</u>	<u>5,551,463</u>	<u>5,258,394</u>	<u>4,854,125</u>
	120,215	103,867	113,642	118,965	124,452	123,606
	-	-	7	61,958	59,412	56,896
	180,722	179,628	161,691	146,214	125,641	120,520
	4,218	-	-	-	-	-
	-	22	892	819	-	-
	2,097	1,378	1,829	1,415	-	-
	9,405	6,707	7,876	7,296	-	-
	35,140	65,013	50,908	25,923	-	-
	65,178	47,122	13,587	-	-	-
	<u>6,875</u>	<u>3,860</u>	<u>2,107</u>	<u>2,107</u>	<u>11,918</u>	<u>13,990</u>
	<u>423,850</u>	<u>407,597</u>	<u>352,539</u>	<u>364,697</u>	<u>321,423</u>	<u>315,012</u>
	<u>6,573,374</u>	<u>6,691,345</u>	<u>6,304,386</u>	<u>5,916,160</u>	<u>5,579,817</u>	<u>5,169,137</u>
	76,507	71,507	67,067	148,707	46,501	65,882
	818	920	816	1,308	712	-
	52,033	65,588	51,374	54,920	35,159	-
	3,202	2,966	3,355	2,242	3,552	54,042
	4,865	8,605	1,362	924	465	2,062
	9,656	15,097	13,649	14,722	57,627	10,606
	80,435	75,035	63,274	63,475	52,009	17,625
	81,305	76,921	72,450	78,870	75,312	54,921
	97,761	95,394	97,172	9,919	104,780	96,457
	2,361,828	2,536,857	2,324,723	2,265,857	1,952,069	1,666,512
	<u>6,434</u>	<u>24,268</u>	<u>174,140</u>	<u>200,754</u>	<u>164,927</u>	<u>152,029</u>
	<u>2,774,844</u>	<u>2,973,158</u>	<u>2,869,382</u>	<u>2,841,698</u>	<u>2,493,113</u>	<u>2,120,136</u>
	112,482	102,611	100,136	86,143	119,327	146,297
	12,525	12,525	12,582	89,087	85,985	81,620
	231,628	230,962	211,965	188,671	166,903	159,133
	2,169	-	-	-	-	-
	-	27	125	147	-	-
	127	87	427	14	-	-
	3,837	3,464	3,642	3,168	-	-
	30,656	70,427	46,476	27,336	-	-
	63,339	25,886	5,216	-	-	-
	6,755	4,128	2,178	1,878	5,340	4,456
	21,386	20,663	23,915	25,927	-	34,321
	<u>4,143</u>	<u>-</u>	<u>194</u>	<u>1,771</u>	<u>9,000</u>	<u>2,048</u>
	<u>489,047</u>	<u>470,780</u>	<u>406,856</u>	<u>424,142</u>	<u>386,555</u>	<u>427,875</u>
	(3,374,680)	(3,310,590)	(3,082,465)	(2,709,765)	(2,765,281)	(2,733,989)
	<u>65,197</u>	<u>63,183</u>	<u>54,317</u>	<u>59,445</u>	<u>65,132</u>	<u>112,863</u>
	<u>(3,309,483)</u>	<u>(3,247,407)</u>	<u>(3,028,148)</u>	<u>(2,650,320)</u>	<u>(2,700,149)</u>	<u>(2,621,126)</u>

(continued)

STATE OF MAINE
CHANGES IN NET ASSETS BY ACTIVITIES (Continued)

Last Ten Fiscal Years
(Expressed in Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Revenues and Other Changes in Net Assets:				
Governmental Activities:				
Taxes:				
Corporate	\$ 310,693	\$ 282,998	\$ 266,551	\$ 291,463
Individual Income	1,455,959	1,297,568	1,374,681	1,552,412
Fuel ²	241,710	240,734	223,953	228,438
Property	45,882	46,627	39,120	43,672
Sales & Use ²	1,097,900	1,066,957	1,090,578	1,142,485
Other	283,715	258,775	250,297	254,297
Unrestricted Investment Earnings	17,051	12,378	6,417	5,857
Miscellaneous Income	107,017	92,536	91,528	120,109
Loss on Assets Held for Sale	-	-	(57)	(1,016)
Tobacco Settlement	48,554	51,601	61,388	64,399
Special Items	(36,931)	(11,728)	-	(100,000)
Transfers - Internal Activities	(13,016)	37,279	43,700	38,470
Total Governmental Activities	<u>3,558,534</u>	<u>3,375,725</u>	<u>3,448,156</u>	<u>3,640,586</u>
Business-Type Activities:				
Miscellaneous Income	-	-	-	2
Loss on Assets Held for Sale	-	-	-	-
Special Items	(7,086)	-	-	-
Transfers - Internal Activities	13,016	(37,279)	(43,700)	(38,470)
Total Business-Type Activities	<u>5,930</u>	<u>(37,279)</u>	<u>(43,700)</u>	<u>(38,468)</u>
Total Primary Government	<u>3,564,464</u>	<u>3,338,446</u>	<u>3,404,456</u>	<u>3,602,118</u>
Change in Net Assets				
Governmental Activities	235,465	212,906	86,175	(25,749)
Business-Type Activities	56,748	(30,334)	(86,631)	(5,746)
Total Change in Net Assets - Primary Government	<u>\$ 292,213</u>	<u>\$ 182,572</u>	<u>\$ (456)</u>	<u>\$ (31,495)</u>

¹ Reclassifications between expenditure areas were made to fiscal year 2010 and prior years.

² Reclassifications between revenue lines were made to fiscal year 2010 and prior years.

SOURCE: State of Maine Comprehensive Annual Financial Reporting System. Accrual basis of accounting.

SCHEDULE 2 (continued)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$	292,255	\$ 305,872	\$ 244,842	\$ 216,366	\$ 182,554	\$ 158,493
	1,478,542	1,403,790	1,296,606	1,149,109	1,095,143	1,043,312
	231,727	226,744	224,474	209,569	200,637	188,530
	48,339	53,272	50,962	28,412	38,179	35,546
	1,141,714	1,107,361	1,001,436	1,042,654	973,449	937,281
	255,550	263,506	223,326	117,168	90,769	63,111
	39,599	28,881	20,650	17,049	8,521	8,944
	123,036	104,272	92,851	124,043	119,825	81,981
	(445)	(217)	(112)	(3,035)	-	-
	48,978	41,573	50,006	49,018	43,587	112,125
	-	(31,212)	30,881	75,000	-	-
	40,979	51,708	50,211	68,132	56,790	69,636
	<u>3,700,274</u>	<u>3,555,550</u>	<u>3,286,133</u>	<u>3,093,485</u>	<u>2,809,454</u>	<u>2,698,959</u>
	2	448	-	-	-	-
	-	-	-	-	-	1,093
	-	31,787	(50,000)	(85,703)	-	-
	<u>(40,979)</u>	<u>(51,708)</u>	<u>(50,211)</u>	<u>(68,132)</u>	<u>(56,790)</u>	<u>(69,636)</u>
	<u>(40,977)</u>	<u>(19,473)</u>	<u>(100,211)</u>	<u>(153,835)</u>	<u>(56,790)</u>	<u>(68,543)</u>
	<u>3,659,297</u>	<u>3,536,077</u>	<u>3,185,922</u>	<u>2,939,650</u>	<u>2,752,664</u>	<u>2,630,416</u>
	325,594	244,960	203,668	383,720	44,173	(35,030)
	24,220	43,710	(45,894)	(94,390)	8,342	44,320
\$	<u>349,814</u>	<u>288,670</u>	<u>157,774</u>	<u>289,330</u>	<u>52,515</u>	<u>9,290</u>

STATE OF MAINE

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(Expressed in Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Fund				
Nonspendable:				
Permanent Fund Principal	\$ -	\$ -	\$ -	\$ -
Inventories and Prepaid Items	3,846	-	-	-
Restricted	3,344	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>(243,559)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Fund	<u>\$ (236,369)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All Other Governmental Funds:				
Nonspendable:				
Permanent Fund Principal	\$ 14,961	\$ -	\$ -	\$ -
Inventories and Prepaid Items	1,535	-	-	-
Restricted	493,048	-	-	-
Committed	38,444	-	-	-
Assigned	<u>17,149</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total All Other Governmental Funds	<u>\$ 565,137</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Fund Balances	<u>\$ 328,768</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Fund				
Reserved	\$ -	\$ 102,770	\$ 116,986	\$ 165,402
Unreserved	<u>-</u>	<u>(411,018)</u>	<u>(390,379)</u>	<u>(403,874)</u>
Total General Fund	<u>\$ -</u>	<u>\$ (308,248)</u>	<u>\$ (273,393)</u>	<u>\$ (238,472)</u>
All Other Governmental Funds				
Reserved	\$ -	\$ 547,637	\$ 442,613	\$ 458,238
Unreserved, reported in:				
Special revenue funds	<u>-</u>	<u>72,382</u>	<u>32,736</u>	<u>(31,858)</u>
Total All Other Governmental Funds	<u>\$ -</u>	<u>\$ 620,019</u>	<u>\$ 475,349</u>	<u>\$ 426,380</u>
Total Governmental Fund Balances	<u>\$ -</u>	<u>\$ 311,771</u>	<u>\$ 201,956</u>	<u>\$ 187,908</u>

SOURCE: State of Maine Comprehensive Annual Financial Reporting System.

Modified accrual basis of accounting.

Beginning fiscal year 2011, the fund balance categories were reclassified as a result of implementing GASB Statement No. 54. Fund balance has not been restated for prior years.

SCHEDULE 3

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 127,136	\$ 177,796	\$ 192,684	\$ 122,440	\$ 60,946	\$ 156,495
<u>(283,485)</u>	<u>(355,427)</u>	<u>(146,328)</u>	<u>(124,706)</u>	<u>(81,361)</u>	<u>(136,169)</u>
<u>\$ (156,349)</u>	<u>\$ (177,631)</u>	<u>\$ 46,356</u>	<u>\$ (2,266)</u>	<u>\$ (20,415)</u>	<u>\$ 20,326</u>
\$ 424,965	\$ 460,257	\$ 521,984	\$ 487,506	\$ 449,667	\$ 553,836
<u>4,270</u>	<u>(67,148)</u>	<u>(30,605)</u>	<u>(38,886)</u>	<u>(80,578)</u>	<u>(64,812)</u>
<u>\$ 429,235</u>	<u>\$ 393,109</u>	<u>\$ 491,379</u>	<u>\$ 448,620</u>	<u>\$ 369,089</u>	<u>\$ 489,024</u>
<u>\$ 272,886</u>	<u>\$ 215,478</u>	<u>\$ 537,735</u>	<u>\$ 446,354</u>	<u>\$ 348,674</u>	<u>\$ 509,350</u>

**STATE OF MAINE
REVENUES, EXPENDITURES
AND OTHER FINANCING SOURCES (USES)
GOVERNMENTAL FUNDS**

Last Ten Fiscal Years
(Expressed in Thousands)

	2011	2010	2009	2008
Revenues:				
Taxes	\$ 3,398,030	\$ 3,215,299	\$ 3,240,269	\$ 3,510,637
Assessments and Other Revenue	314,447	334,656	322,239	320,363
Federal Grants and Reimbursements	3,366,618	3,535,224	3,092,757	2,569,632
Service Charges	155,491	159,854	148,904	145,091
Investment Income (Loss)	16,250	11,273	(264)	2,356
Miscellaneous Revenue	132,411	144,509	138,740	134,110
Total Revenues	<u>7,383,247</u>	<u>7,400,815</u>	<u>6,942,645</u>	<u>6,682,189</u>
Expenditures				
Current:				
Governmental Support & Operations ¹	400,580	410,269	433,723	469,060
Economic Development & Workforce Training	375,234	401,839	229,090	152,403
Education	1,717,991	1,776,207	1,702,917	1,681,096
Health and Human Services	3,571,466	3,608,645	3,448,401	3,356,683
Labor	-	-	-	-
Business Licensing & Regulation	67,700	73,807	65,235	65,470
Natural Resources Development & Protection	211,168	224,598	222,947	195,330
Justice and Protection	398,911	415,689	445,389	415,645
Arts, Heritage & Cultural Enrichment	11,544	11,613	13,208	12,717
Transportation Safety & Development ¹	657,528	568,639	557,684	550,819
Debt Service:				
Principal Payments	121,995	120,087	85,759	81,015
Interest Payments	38,131	39,332	23,271	19,575
Total Expenditures	<u>7,572,248</u>	<u>7,650,725</u>	<u>7,227,624</u>	<u>6,999,813</u>
Revenue over (under) Expenditures	<u>(189,001)</u>	<u>(249,910)</u>	<u>(284,979)</u>	<u>(317,624)</u>
Other Financing Sources (Uses):				
Transfer from Other Funds	395,679	352,719	315,508	312,154
Transfer to Other Funds	(332,250)	(309,596)	(254,300)	(225,695)
COPS and Other	5,244	40,520	4,474	50,542
Proceeds from Component Unit Loan Payable	51,710	142,857	100,000	-
Bonds Issued	108,135	70,110	133,345	104,075
Net Other Finance Sources (Uses)	<u>228,518</u>	<u>296,610</u>	<u>299,027</u>	<u>241,076</u>
Special Items:				
Return of Excess Equity from Retiree Health Insurance Fund	(22,520)	63,115	-	-
Refund to Federal Government Resulting from Excess Equity Distribution	-	-	-	-
Purchase of Landfill	-	-	-	-
Sale of Landfill Capacity	-	-	-	-
Proceeds from Sale of Liquor Operating Rights	-	-	-	-
Net Special Items	<u>(22,520)</u>	<u>63,115</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources over (under)				
Expenditures and Other Uses	<u>\$ 16,997</u>	<u>\$ 109,815</u>	<u>\$ 14,048</u>	<u>\$ (76,548)</u>

Debt Service as a Percentage of NonCapital Expenditures 2.19% 2.17% 1.56% 1.47%

¹ Reclassifications between expenditure areas were made to fiscal year 2010 and prior years.

SOURCE: State of Maine Comprehensive Annual Financial Reporting System. Modified accrual basis of accounting.

SCHEDULE 4

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$	3,430,669	\$ 3,344,803	\$ 3,035,988	\$ 2,764,684	\$ 2,585,456	\$ 2,417,458
	289,301	290,455	256,690	260,225	212,339	212,777
	2,386,317	2,625,354	2,500,523	2,461,204	2,169,919	1,837,347
	123,249	135,815	119,996	131,871	128,148	141,584
	26,740	24,140	16,740	15,247	6,396	6,422
	<u>161,676</u>	<u>115,800</u>	<u>130,609</u>	<u>148,537</u>	<u>165,242</u>	<u>91,321</u>
	<u>6,417,952</u>	<u>6,536,367</u>	<u>6,060,546</u>	<u>5,781,768</u>	<u>5,267,500</u>	<u>4,706,909</u>
	411,803	497,996	430,386	446,036	353,108	453,137
	162,003	162,326	173,919	194,379	207,732	133,320
	1,637,848	1,510,662	1,425,244	1,367,414	1,327,936	1,325,259
	3,066,272	3,364,164	3,097,852	2,830,069	2,597,851	2,443,949
	-	-	-	-	-	92,191
	61,540	56,064	50,883	47,702	35,282	-
	204,204	191,612	184,171	200,428	175,348	136,601
	372,674	362,394	346,849	303,659	323,326	109,022
	13,215	12,655	13,471	12,715	13,074	-
	494,586	605,780	501,237	486,816	486,806	422,703
	83,680	75,090	66,790	72,325	85,165	87,605
	<u>20,334</u>	<u>18,998</u>	<u>15,972</u>	<u>15,480</u>	<u>16,957</u>	<u>20,779</u>
	<u>6,528,159</u>	<u>6,857,741</u>	<u>6,306,774</u>	<u>5,977,023</u>	<u>5,622,585</u>	<u>5,224,566</u>
	<u>(110,207)</u>	<u>(321,374)</u>	<u>(246,228)</u>	<u>(195,255)</u>	<u>(355,085)</u>	<u>(517,657)</u>
	352,896	282,739	342,965	434,934	376,005	291,483
	(279,691)	(235,505)	(288,865)	(349,799)	(323,827)	(213,817)
	35,543	10,727	6,061	11,246	10,546	-
	-	22,111	49,423	-	-	-
	<u>60,975</u>	<u>52,390</u>	<u>140,025</u>	<u>133,815</u>	<u>103,580</u>	<u>32,610</u>
	<u>169,723</u>	<u>132,462</u>	<u>249,609</u>	<u>230,196</u>	<u>166,304</u>	<u>110,276</u>
	-	-	105,711	-	-	-
	-	-	(19,119)	-	-	-
	-	-	-	(26,000)	-	-
	-	-	-	26,000	-	-
	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>136,592</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
\$	<u>59,516</u>	<u>(188,912)</u>	<u>139,973</u>	<u>109,941</u>	<u>(188,781)</u>	<u>(407,381)</u>
	1.64%	1.42%	1.37%	1.55%	1.91%	2.18%

STATE OF MAINE
REVENUES, EXPENDITURES AND OTHER
FINANCING SOURCES (USES)
GENERAL FUND

Last Ten Fiscal Years
(Expressed in Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Revenues:				
Taxes	\$ 2,926,972	\$ 2,756,435	\$ 2,808,997	\$ 3,079,706
Assessments and Other Revenue	107,878	117,119	120,682	116,742
Federal Grants and Reimbursements	11,832	11,047	14,844	11,041
Service Charges	46,206	50,852	44,211	47,262
Investment Income (Loss)	(54)	567	8,425	2,562
Miscellaneous Revenue	15,805	12,284	9,892	7,872
Total Revenues	<u>3,108,639</u>	<u>2,948,304</u>	<u>3,007,051</u>	<u>3,265,185</u>
Expenditures				
Current:				
Governmental Support & Operations	238,729	257,093	273,595	280,871
Economic Development & Workforce Training	34,504	35,646	35,751	39,360
Education	1,389,383	1,419,891	1,451,223	1,478,192
Health and Human Services	933,047	758,808	786,512	1,063,499
Labor	-	-	-	-
Business Licensing & Regulation	-	22	6	-
Natural Resources Development & Protection	64,972	67,324	67,669	72,709
Justice and Protection	264,792	270,581	270,594	267,117
Arts, Heritage & Cultural Enrichment	7,081	7,311	8,096	8,632
Transportation Safety & Development	7,000	-	1	-
Debt Service:				
Principal Payments	89,835	92,035	65,685	66,250
Interest Payments	21,425	24,103	15,179	16,058
Total Expenditures	<u>3,050,768</u>	<u>2,932,814</u>	<u>2,974,311</u>	<u>3,292,688</u>
Revenue over (under) Expenditures	<u>57,871</u>	<u>15,490</u>	<u>32,740</u>	<u>(27,503)</u>
Other Financing Sources (Uses):				
Transfer from Other Funds	179,795	106,694	87,178	101,092
Transfer to Other Funds	(167,274)	(205,768)	(155,566)	(152,813)
Other	1,487	382	727	5,531
Bonds Issued	-	-	-	-
Net Other Finance Sources (Uses)	<u>14,008</u>	<u>(98,692)</u>	<u>(67,661)</u>	<u>(46,190)</u>
Special Items:				
Return of Excess Equity from Retiree Health Insurance Fund	-	48,347	-	-
Purchase of Landfill	-	-	-	-
Sale of Landfill Capacity	-	-	-	-
Proceeds from Sale of Liquor Operating Rights	-	-	-	-
Net Special Items	<u>-</u>	<u>48,347</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 71,879</u>	<u>\$ (34,855)</u>	<u>\$ (34,921)</u>	<u>\$ (73,693)</u>

Debt Service as a Percentage of NonCapital Expenditures	4.0%	4.4%	3.0%	2.6%
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SOURCE: State of Maine Comprehensive Annual Financial Reporting System.
Modified accrual basis of accounting.

SCHEDULE 5

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 3,003,382	\$ 2,926,835	\$ 2,653,628	\$ 2,453,800	\$ 2,307,439	\$ 2,173,345
109,336	105,371	88,514	81,852	62,010	61,685
16,762	17,334	28,894	25,230	25,580	21,578
36,717	41,395	38,351	44,049	35,356	41,111
9,653	12,299	6,877	5,837	2,346	3,830
25,099	14,993	12,437	45,008	5,660	457
<u>3,200,949</u>	<u>3,118,227</u>	<u>2,828,701</u>	<u>2,655,776</u>	<u>2,438,391</u>	<u>2,302,006</u>
262,721	327,529	270,370	263,839	172,344	277,640
40,280	45,324	42,278	47,095	54,292	61,348
1,438,605	1,283,214	1,201,008	1,144,907	1,143,982	1,157,639
972,875	1,097,456	957,371	777,074	813,105	927,868
-	-	-	-	-	14,729
-	-	3	-	37	-
70,373	70,878	67,310	66,692	67,315	51,439
245,592	227,588	220,141	203,360	202,653	24,941
8,958	8,504	8,521	8,352	9,017	-
-	178	831	3,338	1,603	9,308
69,350	57,985	53,510	56,310	63,950	64,305
17,369	15,263	12,541	12,458	12,953	15,479
<u>3,126,123</u>	<u>3,133,919</u>	<u>2,833,884</u>	<u>2,583,425</u>	<u>2,541,251</u>	<u>2,604,696</u>
<u>74,826</u>	<u>(15,692)</u>	<u>(5,183)</u>	<u>72,351</u>	<u>(102,860)</u>	<u>(302,690)</u>
115,292	90,912	101,813	127,525	197,119	128,126
(190,074)	(164,923)	(168,173)	(238,637)	(135,000)	(124,836)
23,346	666	-	-	-	-
-	-	1,681	2,335	-	-
<u>(51,436)</u>	<u>(73,345)</u>	<u>(64,679)</u>	<u>(108,777)</u>	<u>62,119</u>	<u>3,290</u>
-	-	68,484	-	-	-
-	-	-	(26,000)	-	-
-	-	-	26,000	-	-
-	-	50,000	75,000	-	-
-	-	118,484	75,000	-	-
<u>\$ 23,390</u>	<u>\$ (89,037)</u>	<u>\$ 48,622</u>	<u>\$ 38,574</u>	<u>\$ (40,741)</u>	<u>\$ (299,400)</u>
3.0%	2.6%	2.6%	3.0%	3.4%	3.4%

STATE OF MAINE INDIVIDUAL INCOME TAX AND TAX RATES ON TAXABLE INCOME

Last Ten Calendar Years
(Expressed in Thousands)

	2010	2009	2008	2007
Individual Income Tax Liability	\$ 1,310,748	\$ 1,231,328	\$ 1,327,007	\$ 1,441,838
Personal Income	\$ 48,744,659	\$ 48,089,690	\$ 47,994,130	\$ 46,142,069
Average Effective Tax Rate	2.7%	2.6%	2.8%	3.1%

	2010	2009	2008	2007
Income Bracket	\$0 - \$4,950	\$0 - \$5,049	\$0 - \$4,849	\$0 - \$4,749
Tax Rate	2.0%	2.0%	2.0%	2.0%
Income Bracket	\$4,950 - \$9,849	\$5,050 - \$10,049	\$4,850 - \$9,699	\$4,750 - \$9,450
Tax Rate	4.5%	4.5%	4.5%	4.5%
Income Bracket	\$9,850 - \$19,750	\$10,050 - \$20,149	\$9,700 - \$19,449	\$9,450 - \$18,950
Tax Rate	7.0%	7.0%	7.0%	7.0%
Income Bracket	\$19,750+	\$20,150+	\$19,450+	\$18,950+
Tax Rate	8.5%	8.5%	8.5%	8.5%

Individual income tax brackets are indexed for inflation beginning in tax year 2003.

¹ Amounts shown are for single and married filing separate returns.
For joint filers, approx. double the income amounts, for head of household filers multiply the brackets by approx 1.5.

SOURCE: Maine Revenue Services.

SCHEDULE 6

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$ 1,364,514	\$ 1,286,375	\$ 1,200,138	\$ 1,079,587	\$ 1,020,675	\$ 1,016,073
\$ 42,410,500	\$ 40,379,638	\$ 39,487,538	\$ 37,281,183	\$ 37,383,244	\$ 35,107,104
3.2%	3.2%	3.0%	2.9%	2.7%	2.9%

<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
\$0 - \$4,549 2.0%	\$0 - \$4,449 2.0%	\$0 - \$4,349 2.0%	\$0 - \$4,249 2.0%	\$0 - \$4,199 2.0%	\$0 - \$4,149 2.0%
\$4,550 - \$9,099 4.5%	\$4,450 - \$8,849 4.5%	\$4,350 - \$8,649 4.5%	\$4,250 - \$8,449 4.5%	\$4,200 - \$8,349 4.5%	\$4,150 - \$8,249 4.5%
\$9,100 - \$18,249 7.0%	\$8,850 - \$17,699 7.0%	\$8,650 - \$17,349 7.0%	\$8,450 - \$16,949 7.0%	\$8,350 - \$16,699 7.0%	\$8,250 - \$16,499 7.0%
\$18,250+ 8.5%	\$17,700+ 8.5%	\$17,350+ 8.5%	\$16,950+ 8.5%	\$16,700+ 8.5%	\$16,500+ 8.5%



SCHEDULE 7

**STATE OF MAINE
INDIVIDUAL INCOME TAX FILERS AND TAX
LIABILITY BY MAINE ADJUSTED GROSS INCOME**

(Tax Liability Expressed in Millions)

2010 Tax Year

Income Level	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$0 and below	9,423	1.5%	\$ 0.04	0.0%
\$1 - \$ 10,000	98,197	15.4%	0.67	0.1%
\$10,001 - \$ 20,000	106,287	16.6%	11.55	0.9%
\$20,001 - \$ 30,000	93,747	14.7%	41.52	3.2%
\$30,001 - \$ 50,000	124,356	19.4%	145.66	11.1%
\$50,001 - \$ 75,000	90,146	14.1%	218.21	16.6%
\$75,001 - \$100,000	50,185	7.8%	200.54	15.3%
\$100,001 - \$200,000	50,078	7.8%	339.66	25.9%
\$200,001 and higher	17,096	2.7%	352.89	26.9%
Total	639,515	100.0%	\$ 1,310.74	100.0%

2001 Tax Year

Income Level	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$0 and below	16,225	2.6%	\$ 1.05	0.1%
\$1 - \$ 10,000	121,372	19.7%	3.26	0.3%
\$10,001 - \$ 20,000	117,490	19.1%	21.59	2.1%
\$20,001 - \$ 30,000	98,005	15.9%	57.96	5.7%
\$30,001 - \$ 50,000	121,055	19.7%	161.97	15.9%
\$50,001 - \$ 75,000	79,234	12.9%	210.17	20.7%
\$75,001 - \$100,000	32,245	5.2%	142.26	14.0%
\$100,001 - \$200,000	22,670	3.7%	176.41	17.4%
\$200,001 and higher	7,195	1.2%	241.41	23.8%
Total	615,491	100.0%	\$ 1,016.07	100.0%

SOURCE: Maine Revenue Services.

STATE OF MAINE TAXABLE SALES AND SALES TAX RATES

Last Ten Calendar Years
(Expressed in Thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Business Operating	\$ 1,918,822	\$ 1,844,137	\$ 2,215,203	\$ 2,192,901
Building Supply	1,952,223	1,935,594	2,310,974	2,423,398
Food Store	1,549,236	1,524,322	1,487,816	1,451,156
General Merchandise	3,035,357	2,961,519	3,072,726	3,140,117
Other Retail	2,017,406	1,954,976	1,987,758	1,941,346
Auto/Transportation	3,301,710	3,236,393	3,462,852	3,639,346
Restaurant/Lodging	<u>2,668,214</u>	<u>2,544,180</u>	<u>2,595,692</u>	<u>2,573,052</u>
Total	<u>\$ 16,442,968</u>	<u>\$ 16,001,121</u>	<u>\$ 17,133,019</u>	<u>\$ 17,361,316</u>

Sales and Use Tax Rates:

General Sales & Use	5%	5%	5%	5%
Lodging & Prepared Food	7%	7%	7%	7%
Short-term Auto Rental	10%	10%	10%	10%

SOURCE: Maine Revenue Services.

SCHEDULE 8

2006	2005	2004	2003	2002	2001
\$ 2,099,287	\$ 1,974,352	\$ 1,875,710	\$ 1,714,115	\$ 1,611,253	\$ 1,731,182
2,526,623	2,464,352	2,344,687	2,013,655	1,846,797	1,738,224
1,404,216	1,343,160	1,278,427	1,253,829	1,215,792	1,182,825
3,097,387	2,986,708	3,001,887	2,897,803	2,795,288	2,668,766
1,936,040	1,824,692	1,708,180	1,587,861	1,497,463	1,458,366
3,613,741	3,695,730	3,744,219	3,698,571	3,519,874	3,446,679
2,451,376	2,319,463	2,238,980	2,146,647	2,093,837	2,010,496
\$ 17,128,670	\$ 16,608,457	\$ 16,192,090	\$ 15,312,481	\$ 14,580,304	\$ 14,236,538

						1/1/01 repeal snack tax;
5%	5%	5%	5%	5%	5%	7/1/00 - 5%
7%	7%	7%	7%	7%	7%	7%
10%	10%	10%	10%	10%	10%	10%



SCHEDULE 9

STATE OF MAINE CALCULATION OF LEGAL DEBT MARGIN FOR THE TEN YEARS ENDED JUNE 30, 2011

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, for the years presented below, which were subject to the Constitutional limitations.*

All other general long-term bonds outstanding at June 30, for the years presented below, were issued pursuant to properly ratified legislation.

Calculations of temporary loans made during the year, yet paid back prior to year end are:

(Dollar Amounts Expressed in Thousands)

Year	Temporary Loans Outstanding During the Year*	Total Governmental Funds Revenue	% of Total Governmental Funds Revenue	10% of Total Governmental Funds Revenue Limit Amount	Total Valuation	% of Total Valuation	1% of Total Valuation Limit Amount
2011	\$68,455	\$7,190,530	.95%	\$719,053	\$166,990,700	.04%	\$1,669,907
2010	\$41,245	\$7,083,733	.58%	\$708,373	\$170,336,350	.02%	\$1,703,336
2009	\$112,110	\$6,827,987	1.64%	\$682,799	\$168,006,150	.07%	\$1,680,062
2008	\$88,820	\$6,406,302	1.39%	\$640,630	\$162,744,550	.05%	\$1,627,446
2007	\$55,840	\$6,230,265	0.90%	\$623,027	\$148,946,200	.04%	\$1,489,462
2006	\$169,852	\$6,366,819	2.67%	\$636,682	\$133,628,600	.13%	\$1,336,286
2005	\$332,850	\$6,114,226	5.44%	\$611,423	\$118,038,020	.28%	\$1,180,380
2004	\$405,275	\$5,902,866	6.87%	\$590,287	\$104,219,950	.39%	\$1,042,200
2003	\$347,080	\$5,114,543	6.79%	\$511,454	\$94,034,050	.37%	\$940,341
2002	\$27,610	\$4,808,789	.57%	\$480,879	\$84,874,550	.03%	\$848,746

STATE OF MAINE RATIOS OF OUTSTANDING DEBT BY TYPE

Last Ten Fiscal Years
(Expressed in Thousands, Except Per Capita)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental Activities Debt				
General Obligation Bonds	\$ 520,230	\$ 500,100	\$ 529,990	\$ 475,835
MGFA Revenue Bonds	172,150	189,080	192,935	208,560
COPS and Other Financing Arrangements	71,830	76,291	50,079	66,493
Obligations Under Capital Leases	33,690	33,329	37,634	37,522
Loans Payable to Component Unit ¹	290,919	258,394	131,769	38,338
Total Governmental Activities Debt	<u>1,088,819</u>	<u>1,057,194</u>	<u>942,407</u>	<u>826,748</u>
Business-Type Activities Debt				
	-	-	-	-
Total Primary Government Debt	<u>\$ 1,088,819</u>	<u>\$ 1,057,194</u>	<u>\$ 942,407</u>	<u>\$ 826,748</u>
Debt Ratios				
Ratio of Total Debt to Personal Income ² Per Capita ³	2.2%	2.1%	2.0%	1.8%
	\$ 798	\$ 779	\$ 698	\$ 611
Net General Obligation Bonded Debt				
Gross Bonded Debt	\$ 692,380	\$ 689,180	\$ 722,925	\$ 684,395
Less: Debt Service Funds	-	-	-	-
Net Bonded Debt	<u>\$ 692,380</u>	<u>\$ 689,180</u>	<u>\$ 722,925</u>	<u>\$ 684,395</u>
Ratio of Net Bonded Debt to Estimated Property Value ⁴ Per Capita ³	0.4%	0.4%	0.4%	0.4%
	\$ 508	\$ 508	\$ 536	\$ 506

¹ Federal and other revenue streams associated with qualified transportation projects are pledged as security for GARVEE and TransCap bonds. These pledged future revenues offset the unspent proceeds of the bond received by a component unit.

² Personal income data can be found in Schedule 12.

³ Population data can be found in Schedule 12.

⁴ Estimated property value can be found on Schedule 9

SCHEDULE 10

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$	448,760	\$ 467,550	\$ 487,095	\$ 416,360	\$ 358,410	\$ 346,495
	182,605	186,215	189,570	197,950	196,383	191,646
	79,886	36,581	36,865	45,346	48,658	22,626
	41,751	40,091	39,905	40,137	34,916	34,105
	<u>42,353</u>	<u>46,268</u>	<u>49,423</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>795,355</u>	<u>776,705</u>	<u>802,858</u>	<u>699,793</u>	<u>638,367</u>	<u>594,872</u>
	-	-	-	-	-	-
\$	<u>795,355</u>	<u>776,705</u>	<u>802,858</u>	<u>699,793</u>	<u>638,367</u>	<u>594,872</u>
	1.8%	1.8%	1.9%	1.8%	1.7%	1.7%
\$	592	\$ 582	\$ 606	\$ 532	\$ 489	\$ 459
\$	631,365	\$ 653,765	\$ 676,665	\$ 614,310	\$ 554,793	\$ 538,141
	-	5,824	11,657	12,002	12,343	12,681
\$	<u>631,365</u>	<u>647,941</u>	<u>665,008</u>	<u>602,308</u>	<u>542,450</u>	<u>\$ 525,460</u>
	0.4%	0.5%	0.6%	0.6%	0.6%	0.6%
\$	470	\$ 486	\$ 502	\$ 458	\$ 415	\$ 406

STATE OF MAINE PLEGGED FUTURE REVENUE COVERAGE

Last Ten Fiscal Years
(Expressed in Thousands)

	2011	2010	2009	2008
Grant Anticipation Revenue Vehicle (GARVEE) Bonds ¹				
Federal Aid Revenues	\$ 186,326	\$ 150,868	\$ 147,530	\$ 146,454
Annual Debt Service	\$ 11,191	\$ 10,650	\$ 6,384	\$ 5,521
Debt Service Coverage	6.01%	7.06%	4.33%	3.77%

The State has committed to appropriate each year a portion of the State's future federal transportation funds, in amounts sufficient to cover the principal and interest requirements of Maine Municipal Bond Bank's debt for these bonds. The State's receipt of these funds is subject to continuing federal appropriations.

Transportation Infrastructure Revenue (TRANSCAP) Bonds²

Pledged Revenue Stream	\$ 38,136	\$ 38,124	\$ 5,000	N/A
Annual Debt Service	\$ 16,951	\$ 7,567	\$ 658	N/A
Debt Service Coverage	44.45%	19.85%	13.16%	N/A

The State committed a portion of specific future fees and taxes collected by the State of Maine as pledged revenues. There is no guarantee that the State will not repeal or reduce the rates of such taxes or the amounts of such fees or apportionments.

¹ Based on Federal Fiscal Year End

² Based on State Fiscal Year End

SOURCE: Department of Transportation.

SCHEDULE 11

2007	2006	2005	2004	2003	2002
\$ 168,499	\$ 167,405	\$ 174,989	N/A	\$ N/A	\$ N/A
\$ 5,579	\$ 4,867	\$ 366	N/A	\$ N/A	\$ N/A
3.31%	2.91%	0.21%	N/A	N/A	N/A
\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A	\$ N/A
N/A	N/A	N/A	N/A	N/A	N/A

STATE OF MAINE DEMOGRAPHIC INFORMATION

Last Ten Fiscal Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Maine:				
Population (in thousands) ¹	1,364	1,357	1,350	1,353
Total Personal Income (in millions) ²	50,578	49,301	47,738	46,594
Per Capita Personal Income ¹	37,081	36,331	35,361	34,438
Unemployment Rate ³	7.8%	8.0%	8.6%	5.0%
United States:				
Population (in thousands) ⁴	311,601	309,629	306,803	304,060
Total Personal Income (in millions) ²	12,975,924	12,462,673	11,959,177	12,146,939
Per Capita Personal Income ¹	41,643	40,250	38,980	39,949
Unemployment Rate ³	8.9%	9.5%	9.2%	5.5%

¹ Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce through 2005. Maine State Planning Office Projection for 2006 and after.

² Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce.

³ Local Area Unemployment Statistics Information and Analysis, Bureau of Labor Statistics, U.S. Department of Labor.

⁴ Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce through 2005. U.S. Census Bureau for 2006 and after.

SCHEDULE 12

2007	2006	2005	2004	2003	2002
1,344	1,334	1,322	1,315	1,308	1,297
44,240	42,819	41,300	39,510	37,281	35,998
32,917	32,098	31,252	30,046	28,497	27,756
4.5%	4.4%	4.6%	4.3%	4.9%	4.2%
302,633	299,103	296,410	293,657	290,850	287,985
11,595,412	10,882,821	10,251,639	9,705,504	9,157,257	8,872,871
38,315	36,385	34,586	33,050	31,484	30,810
4.6%	4.6%	5%	5.6%	6.3%	5.8%



SCHEDULE 13

**STATE OF MAINE
PRINCIPAL EMPLOYERS - TOP 10
Not Seasonally Adjusted**

Current Year and Ten Years Ago

Employer	2011			2001		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
Maine State Government	15,001 - 15,500	1	2.5%	15,001 - 15,500	1	2.4%
Hannaford Brothers Co.	7,001 - 7,500	2	1.2%	7,001 - 7,500	2	1.2%
Wal Mart/Sam's Club	7,001 - 7,500	3	1.2%	4,501 - 5,000	5	0.8%
Department of Defense	6,501 - 7,000	4	1.1%	-	-	-
Maine Medical Center	6,001 - 6,500	5	1.0%	4,501 - 5,000	6	0.8%
Bath Iron Works Corporation	5,001 - 5,500	6	0.9%	6,501 - 7,000	3	1.1%
L L Bean, Inc	4,001 - 4,500	7	0.7%	5,501 - 6,000	4	0.9%
US Post Office	3,001 - 3,500	8	0.5%	-	-	-
Eastern Maine Medical Center	3,001 - 3,500	9	0.5%	-	11	-
University of Maine at Orono	3,001 - 3,500	10	0.5%	-	-	-
MBNA Marketing Systems	-	-	-	4,001 - 4,500	7	0.7%
UNUMPROVIDENT	-	-	-	3,501 - 4,000	8	0.6%
Shaw's Supermarkets	-	-	-	3,001 - 3,500	9	0.5%
International Paper	-	-	-	2,501 - 3,000	10	0.4%
Total	<u>59,501 - 64,500</u>		<u>10.2%</u>	<u>56,001 - 61,000</u>		<u>9.3%</u>

Source: Maine Department of Labor, Center for Workforce Research and Information

Note:

Percentage of total state employment is based on the midpoints in the ranges given.

**STATE OF MAINE
SCHEDULE OF STATE GOVERNMENT FULL TIME
EQUIVALENT EMPLOYEES BY POLICY AREA**

Last Ten Fiscal Years

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Arts, Heritage & Cultural Enrichment	92.1	94.1	95.9	105.4
Business Licensing & Regulation	406.0	413.0	411.5	420.0
Economic Development & Workforce Training	593.6	594.6	604.6	614.6
Education	194.3	195.3	201.6	207.9
Governmental Support & Operations	2,214.3	2,217.8	2,239.5	2,246.0
Health and Human Services	3,645.1	3,718.1	3,691.6	3,777.4
Justice and Protection	2,986.6	2,988.6	2,986.1	2,990.6
Labor	*	*	*	*
Natural Resources Development & Protection	1,481.8	1,490.9	1,498.4	1,530.0
Transportation Safety & Development	<u>2,123.2</u>	<u>2,123.2</u>	<u>2,277.5</u>	<u>2,277.5</u>
 Total Full Time Equivalents	 <u>13,737.1</u>	 <u>13,835.8</u>	 <u>14,006.7</u>	 <u>14,169.5</u>

*Note: Statutory agency realignment among policy areas occurred in 2003.

SOURCE: Maine Bureau of Budget.

SCHEDULE 14

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
107.4	107.4	109.5	109.5	*	*
413.2	413.2	417.2	417.2	*	*
624.1	624.1	892.5	892.5	834.6	819.7
209.6	209.6	215.0	215.0	343.7	442.8
2,247.5	2,222.5	1,696.3	1,754.3	2,531.9	2,497.9
3,738.9	3,767.4	4,025.5	4,047.5	5,483.2	5,412.2
2,937.6	2,909.6	2,969.7	2,971.2	840.5	1,022.5
*	*	*	*	851.0	851.0
1,523.2	1,522.3	1,615.3	1,620.8	1,294.4	1,287.7
<u>2,300.7</u>	<u>2,301.7</u>	<u>2,390.5</u>	<u>2,390.5</u>	<u>2,390.5</u>	<u>2,390.5</u>
<u>14,102.2</u>	<u>14,077.8</u>	<u>14,331.5</u>	<u>14,418.5</u>	<u>14,569.8</u>	<u>14,724.3</u>

STATE OF MAINE
OPERATING INDICATORS AND CAPITAL INFORMATION

Fiscal Years Ended June 30

Operating Indicators by Function:	2011	2010	2009	2008	2007	2006
Business Licensing & Regulation						
Number of licenses issued	101,853	96,439 *	88,794 *	95,847 *	86,770 *	101,664 *
Education						
Students enrolled in the free/reduced lunch program ⁴	83,625	82,372	75,358	73,130	71,536	69,125
Economic Development & Workforce Training						
Unemployed persons	52,500	54,200	59,100	36,400	30,700	32,100
Governmental Support & Operations						
Return on investments	0.24%	0.59%	1.52%	4.19%	5.16%	4.10%
Lottery tickets sales, in millions	216	217	211	229	234	229
Health and Human Services						
Percentage of population enrolled in MaineCare ¹	26%	27%	26%	25%	26%	26%
Number of TANF cases ²	14,151	13,686	12,849	12,479	12,631	12,821
Number of members served by Dirigo Health	35,105	31,323	29,936	28,745	24,110	18,067
Justice and Protection						
Average Number of Adult Inmates	2,124	2,167	2,177	2,038	2,060	2,078
Average Number of Juvenile Inmates	186	195	184	199	203	275
Number of guard troops	3,065	3,070	3,199	3,277	3,168	3,131
Number of cases tried in the court system	260,171	285,567	292,295	282,980	278,088	281,006
Natural Resources and Development						
Number of park passes purchased	12,700	11,443	10,073	10,963	10,092	9,016
Number of visitors to State parks	2,528,900	2,443,640	2,243,606	1,930,186	2,063,356	2,083,310
Number of hunting and fishing licenses sold ³	503,487	503,425	499,821	500,367	494,231	485,794
Transportation Safety & Development						
Number of construction projects	238	173	124	116	271	195

* As restated

¹ Based on the average enrollees over the fiscal year.

² Based on the average number of cases over the fiscal year.

³ As of December.

⁴ As of October of the school year.

STATE OF MAINE
CAPITAL ASSETS BY FUNCTION

Fiscal Years Ended June 30

Capital Assets by Function:	2011	2010	2009	2008	2007	2006
Governmental Support & Operations						
Vehicles controlled by Central Fleet Management	1,922	1,977	1,596	1,665	1,738	1,675
Health and Human Services						
Number of regional offices	18	18	18	18	18	18
Justice and Protection						
Number of correctional facilities	9	9	9	9	8	8
Number of armories	16	16	16	16	17	17
Number of State police barracks	8	8	8	8	8	8
Number of vehicles in Public Safety	504	515	605	654	541	521
Natural Resources and Development						
Total acreage of State parks	97,942	97,387	97,300	100,540	100,092	99,935
Number of State park buildings	553	552	533	530	526	519
Transportation Safety & Development						
Number of DOT vehicles and equipment	1,193	1,308	1,268	1,446	1,625	1,163
Number of regional DOT active buildings	577	587	586	574	612	647