

# MAINE



*Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2012*

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**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

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**STATE OF MAINE**



**FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

**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  
Financial Reporting and Analysis Division  
14 State House Station  
Augusta, ME 04333-0014

or e-mail us at:  
**financialreporting@maine.gov**

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, 2012**

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# **INTRODUCTORY SECTION**

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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 21, 2012

**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 2012 (FY2012) 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.

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 7 major component units, 11 non-major component units, two blended component units, and one fiduciary component unit included in the CAFR. The major component units are discretely presented in the financial statements, and the blended component units are included as separate funds 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 or to supplement school funding in situations where a municipality suffers a sudden and severe change in their property valuation.

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 2012, a net \$26.6 million was transferred out of the fund.

## ECONOMIC CONDITIONS AND OUTLOOK

In their November 2012 economic forecast, the Consensus Economic Forecasting Commission (CEFC) reported that national and state economic indicators suggest little improvement in economic conditions since the CEFC met in February 2012. Maine's coincident economic activity index was unchanged in the three months ending in August and remains below pre-recession levels. Nationwide, consumer sentiment and small business optimism are up over year-ago levels. Personal income in Maine grew 3.0% year-over-year in the first half of 2012, while wage and salary income grew 1.3% over the same period. The Consumer Price Index was 2.0% higher in September 2012 than it was in September 2011.

As part of the December 2012 revenue forecast, General Fund revenue estimates are being revised downward by \$35.5 million in FY13 and then downward by \$125.2 million in the 2014-2015 biennium. Most of the decline came from the top three tax lines: Sales and Use, Individual Income and Corporate Income taxes.

Sales and Use Tax is projected downward in FY 13 (\$8.9 million) and downward again for the 2014 – 2015 biennium (\$21.1 million). Year-over-year quarterly sales tax growth has slowed from approximately 5% during late 2011 and early 2012 to only 2% during the second half of 2012 as consumers and households reacted to a weak economic recovery, rising energy prices during late summer and early fall and uncertainty regarding resolution of US and European fiscal policy challenges. The new forecast assumes that the recent fallback in energy prices and an orderly resolution of the national and international fiscal issues will result in taxable sales growth closer to 4% during the second half of FY13 and into the next biennium.

Individual Income Tax estimates are projected downward in FY13 (\$23.2 million) and downward again for the 2014 – 2015 biennium (\$8.0 million). These changes reflect a combination of technical changes to Maine Revenue Services' individual tax micro simulation model and the application of the updated economic forecast to the new model.

Corporate Income Tax revenue has the most significant negative adjustment. The forecast for this category was reduced by \$18.2 million in FY13 and \$92.6 million in the 2014-2015 biennium. With little tax data to go on, the Revenue Forecasting Committee believes much of the recent weakness is a timing issue reflecting the recognition by corporations of the impact of the Maine Capital Investment Credit on their 2011 Maine Tax Liability.

There were other adjustments to revenue lines, both positive and negative. The largest positive variance that helped keep the revenue reduction from being worse was in the Estate Tax, which was increased in FY13 by \$15.1 million.

## 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 2012 bond issue were AA with a stable outlook from Standard & Poor's and Aa2 with a negative 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 2012 General Fund Unassigned Fund Balance negative position declined from Fiscal Year 2011 to Fiscal Year 2012 ending at negative \$355.9 million. The Fiscal Year 2011 General Fund Unassigned Fund Balance was negative \$243.6 million. As part of the budget balancing in Fiscal Year 2012, the State relied on a one-day borrowing from the Special Revenue Fund. This one-day borrowing is one of the more significant factors related to the decline in General Fund equity position.

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 have accrued over several years related to amount owed to hospitals. 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, 2011. This is the fifth 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 21<sup>st</sup> 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, 2012

### 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, 2012

## 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  
Maine Turnpike 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, 2011

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.



*Linda C. Davison*

President

*Jeffrey R. Enos*

Executive Director



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**FINANCIAL SECTION**  
**INDEPENDENT AUDITOR'S REPORT**  
**BASIC FINANCIAL STATEMENTS**

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# STATE OF MAINE DEPARTMENT OF AUDIT

66 STATE HOUSE STATION  
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FAX: (207) 624-6273

**RICHARD H. FOOTE, CPA**  
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, 2012, 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, Maine Turnpike Authority, 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, 2012, 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.

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 108 through 119 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 122 through 175 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 179 through 211 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 21, 2012



## 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, 2012. 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 1.8 percent from the previous fiscal year. Net assets of Governmental Activities increased by \$74.3 million, while net assets of Business-type Activities increased by \$9.1 million. The State's assets exceeded its liabilities by \$4.7 billion at the close of fiscal year 2012. Component units reported net assets of \$2.7 billion, an increase of \$254.6 million (10.3 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 \$244.4 million, a decrease of \$80.1 million from the previous year. The General Fund's total fund balance was a negative \$349.9 million, a decline of \$113.6 million from the previous year. The Highway Fund total fund balance was \$36.1 million, an improvement of \$4.3 million from the prior year.
- The proprietary funds reported net assets at year end of \$632.3 million, a decrease of \$2.3 million from the previous year. This decrease is due to several factors: an increase in the Alcoholic Beverages Fund of \$12.5 million, an increase in the Statewide Radio & Network Systems Fund of \$5.7 million, offset by a decrease in the Retiree Health Insurance Fund of \$6.1 million and a decrease in the Transportation Facilities Fund of \$7.4 million.

#### Long-term Debt:

- The State's liability for general obligation bonds decreased by \$48.1 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State issued \$49.3 million in bonds and made principal payments of \$97.4 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

Governmental Accounting Standards Board (GASB) Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs became effective for the State for the year ended June 30, 2012 when the State acquired and became responsible for the closure and postclosure monitoring costs of the Dolby Landfills. This Statement established accounting and financial reporting for municipal solid waste landfill (MSWLF) closure and postclosure care costs. The fiscal year 2011 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" two component units, the Maine Governmental Facilities Authority (MGFA) and Child Development Services (CDS) with Governmental Activities as described above. Maine reports 18 other component units (7 major and 11 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 1.8 percent to \$4.7 billion at June 30, 2012, 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and other noncurrent assets	\$ 1,911,603	\$ 1,911,307	\$ 350,609	\$ 353,854	\$ 2,262,212	\$ 2,265,161
Capital assets	5,085,498	4,862,331	152,763	146,357	5,238,261	5,008,688
<b>Total Assets</b>	<b><u>6,997,101</u></b>	<b><u>6,773,638</u></b>	<b><u>503,372</u></b>	<b><u>500,211</u></b>	<b><u>7,500,473</u></b>	<b><u>7,273,849</u></b>
Current liabilities	1,424,285	1,307,641	37,185	32,967	1,461,470	1,340,608
Long-term liabilities	1,281,137	1,248,658	17,117	27,223	1,298,254	1,275,881
<b>Total Liabilities</b>	<b><u>2,705,422</u></b>	<b><u>2,556,299</u></b>	<b><u>54,302</u></b>	<b><u>60,190</u></b>	<b><u>2,759,724</u></b>	<b><u>2,616,489</u></b>
<b>Net assets (deficit):</b>						
Invested in capital assets, net of related debt	4,408,377	4,165,760 *	152,763	146,357	4,561,140	4,312,117 *
Restricted	534,806	496,261 *	295,632	300,287	830,438	796,548 *
Unrestricted (deficit)	(651,504)	(444,682) *	675	(6,623)	(650,829)	(451,305) *
<b>Total Net Assets</b>	<b><u>\$ 4,291,679</u></b>	<b><u>\$4,217,339</u></b>	<b><u>\$ 449,070</u></b>	<b><u>\$ 440,021</u></b>	<b><u>\$ 4,740,749</u></b>	<b><u>\$4,657,360</u></b>
* As Restated						

### Changes in Net Assets

The State's fiscal year 2012 revenues totaled \$7.8 billion. (See Table A-2) Taxes and operating grants and contributions accounted for most of the State's revenue by contributing 44.5 percent and 40.6 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 2012. (See Table A-2) These expenses are predominantly (69.5 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 \$83.4 million.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>	<b><u>2011</u></b>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 488,832	\$ 490,069 *	\$ 540,924	\$ 535,349	\$ 1,029,756	\$ 1,025,418 *
Operating Grants/Contributions	3,160,241	3,389,193 *	7,823	11,253	3,168,064	3,400,446 *
General Revenues:						
Taxes	3,472,588	3,435,859	-	-	3,472,588	3,435,859
Other	130,091	172,641 *	-	-	130,091	172,641 *
<b>Total Revenues</b>	<b><u>7,251,752</u></b>	<b><u>7,487,762</u></b>	<b><u>548,747</u></b>	<b><u>546,602</u></b>	<b><u>7,800,499</u></b>	<b><u>8,034,364</u></b>
<b>Expenses</b>						
Governmental Activities:						
Governmental Support	456,622	448,917			456,622	448,917
Education	1,610,095	1,741,685 *			1,610,095	1,741,685 *
Health & Human Services	3,750,402	3,522,341			3,750,402	3,522,341
Justice & Protection	401,740	415,450			401,740	415,450
Transportation Safety	376,689	371,374			376,689	371,374
Other	591,281	659,947			591,281	659,947
Interest	45,551	43,202			45,551	43,202
Business-Type Activities:						
Employment Security			187,703	203,693	187,703	203,693
Lottery			176,837	167,956	176,837	167,956
Military Equip. Maint.			35,058	44,765	35,058	44,765
Dirigo Health			56,702	47,980	56,702	47,980
Other			28,430	31,390	28,430	31,390
<b>Total Expenses</b>	<b><u>7,232,380</u></b>	<b><u>7,202,916</u></b>	<b><u>484,730</u></b>	<b><u>495,784</u></b>	<b><u>7,717,110</u></b>	<b><u>7,698,700</u></b>
<b>Excess (Deficiency) before Special Items and Transfers</b>	<b>19,372</b>	<b>284,846</b>	<b>64,017</b>	<b>50,818</b>	<b>83,389</b>	<b>335,664</b>
Special Items	-	(36,931)	-	(7,086)	-	(44,017)
Transfers	54,968	(13,016)	(54,968)	13,016	-	-
<b>Increase (Decrease) in Net Assets</b>	<b>74,340</b>	<b>234,899</b>	<b>9,049</b>	<b>56,748</b>	<b>83,389</b>	<b>291,647</b>
Net Assets, beginning of year	4,217,339	3,982,440 *	440,021	383,273	4,657,360	4,365,713 *
<b>Ending Net Assets</b>	<b><u>\$ 4,291,679</u></b>	<b><u>\$ 4,217,339</u></b>	<b><u>\$ 449,070</u></b>	<b><u>\$ 440,021</u></b>	<b><u>\$ 4,740,749</u></b>	<b><u>\$ 4,657,360</u></b>

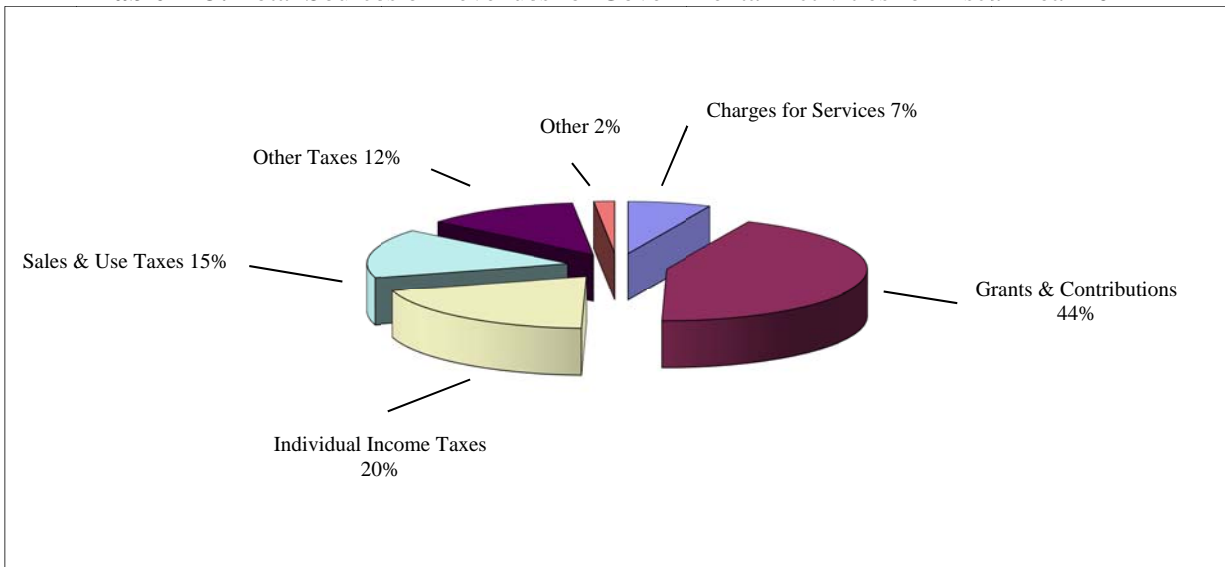
\*as restated

## Governmental Activities

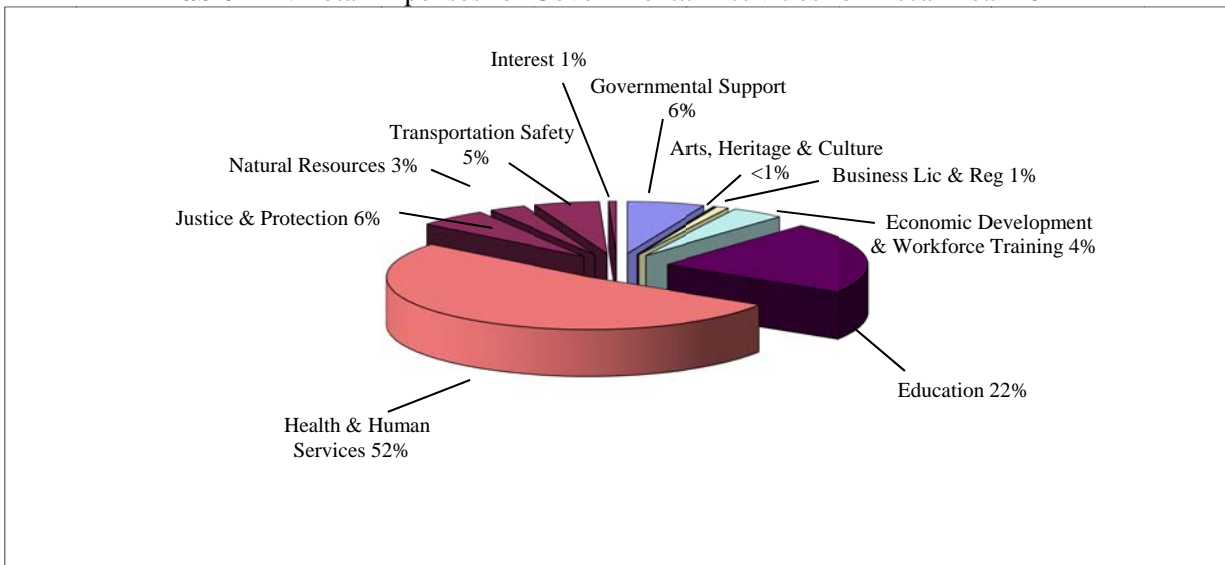
Revenues for the State's Governmental Activities totaled \$7.3 billion while total expenses equaled \$7.2 billion. The increase in net assets for Governmental Activities was \$74.3 million in 2012, resulting mainly from transfers from the State's Business-type activities discussed below. Additionally, 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 \$36.7 million from the prior year; however, net expenses supported by tax revenue increased by approximately \$260.2 million. Furthermore, the State's Business-type Activities transferred \$65.0 million (net) to the Governmental Activities, which included statutorily required profit transfers. However, offsetting these profit transfers were contributions totaling \$10.0 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 \$488.8 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of \$3.2 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 2012**



**Table A-4: Total Expenses for Governmental Activities for Fiscal Year 2012**



## Business-type Activities

Revenues for the State's Business-type Activities totaled \$548.7 million while expenses totaled \$484.7 million. The increase in net assets for Business-type Activities was \$9.1 million in 2012, due mainly to the deferred recognition of proceeds resulting from the sale of the State's liquor operations.

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	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Employment Security	\$ 187,703	\$ 203,693	\$ (3,235)	\$ (19,024)
Alcoholic Beverages	-	-	12,532	12,533
Lottery	176,837	167,956	54,178	50,125
Military Equip. Maint.	35,058	44,765	46	(2,292)
Dirigo Health	56,702	47,980	13,594	23,416
Other	28,430	31,390	(13,098)	(13,940)
Total	<u>\$ 484,730</u>	<u>\$ 495,784</u>	<u>\$ 64,017</u>	<u>\$ 50,818</u>

The cost of all Business-type Activities this year was \$484.7 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-type Activities was \$64.0 million, with the Lottery making up \$54.2 million of the total. The State's Business-type Activities transferred \$65.0 million (net) to the Governmental Activities, which included statutorily required profit transfers. Additionally, the Governmental Activities contributed \$10.0 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)

<b>Fund</b>	<b><u>2012</u></b>	<b><u>2011</u></b>	<b><u>Change</u></b>
General	\$ (349,935)	\$ (236,369)	\$ (113,566)
Highway	36,109	31,792	4,317
Federal	15,128	24,419	(9,291)
Other Special Revenue	443,250	399,792	43,458
Other Governmental	99,840	104,849 *	(5,009)
<b>Total</b>	<b><u>\$ 244,392</u></b>	<b><u>\$ 324,483</u></b>	<b><u>\$ (80,091)</u></b>

\* As restated

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$244.4 million, a decrease of \$80.1 million in comparison with the prior year. Of this total amount, \$20.9 million (8.5 percent) is classified as non-spendable, either due to its form or legal constraints, and \$530.8 million (217.2 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 15.7 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 \$12.5 million or 5.1 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 \$355.9 million, a decline of \$112.3 million.

General Fund expenditures and other uses surpassed General Fund revenues and other sources resulting in a decrease in the fund balance by \$113.6 million. While revenues and other sources of the General Fund increased by approximately \$10.4 million (0.31 percent) which is mainly attributed to an increase in tax revenue (\$63.4 million) offset by a decrease in transfers in from other funds (\$45.1 million); General Fund expenditures increased by \$146.3 million, led by an increase in expenditures for health and human service of \$193.8 million.

The fund balance of the Highway Fund increased \$4.3 million from fiscal year 2011, due mainly to the Highway Fund's reimbursement of approximately \$15.8 million from the Federal Fund for prior period expenditures that were ultimately approved for federal funding.

### **Budgetary Highlights**

For the 2012 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to \$3.2 billion, an increase of about \$108.5 million from the original legally adopted budget of approximately \$3.1 billion. Actual expenditures on a budgetary basis amounted to approximately \$74.9 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2013, including the budgeted starting balance for Fiscal Year 2012, there were funds remaining of \$26 million to distribute in Fiscal Year 2012. Actual revenues exceeded final budget forecasts by \$2.1 million. As a part of the final budget adjustment for Fiscal Year 2012, the Legislature approved net transfers of \$25.7 million from the State's Budget Stabilization Fund to unappropriated surplus. Interest earnings netted against the legislatively and statutorily approved transfers decreased the balance in the Fund to \$44.8 million as of June 30, 2012. This item is further explained in Note 2 of Notes to the Financial Statements.



## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of fiscal year 2012, the State had roughly \$5.2 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2012, the State acquired or constructed more than \$417.4 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 497,893	\$ 488,197	\$ 58,888	\$ 58,888	\$ 556,781	\$ 547,085
Buildings	626,202	592,943	9,449	9,449	635,651	602,392
Equipment	272,567	255,915 *	80,892	67,037	353,459	322,952 *
Improvements	20,843	19,796 *	74,889	63,342	95,732	83,138 *
Software	41,789	9 *	-	-	41,789	9 *
Infrastructure	4,018,966	3,814,466	-	-	4,018,966	3,814,466
Construction in Progress	48,473	119,419	18,555	32,024	67,028	151,443
Total Capital Assets	<u>5,526,733</u>	<u>5,290,745</u>	<u>242,673</u>	<u>230,740</u>	<u>5,769,406</u>	<u>5,521,485</u>
Accumulated Depreciation	441,235	428,414 *	89,910	84,383	531,145	512,797 *
Capital Assets, net	<u>\$ 5,085,498</u>	<u>\$ 4,862,331</u>	<u>\$ 152,763</u>	<u>\$ 146,357</u>	<u>\$ 5,238,261</u>	<u>\$ 5,008,688</u>

\* as restated

### 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 8,828 highway miles or 17,993 lane miles within the State. Bridges have a deck area of 11.8 million square feet among 2,963 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2012, the actual average condition was 75.4. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 79 at June 30, 2012. Preservation costs for fiscal year 2012 totaled \$104.7 million compared to estimated preservation costs of \$185 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 645, PL 2009, \$13.7 million in General fund bonds was spent during FY2012.

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 \$1.5 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>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General Obligation Bonds	\$ 472,055	\$ 520,230	\$ -	\$ -	\$ 472,055	\$ 520,230
Other Long-Term Obligations	1,001,843	917,588*	4,726	2,283	1,006,569	919,871*
<b>Total</b>	<u>\$ 1,473,898</u>	<u>\$ 1,437,818</u>	<u>\$ 4,726</u>	<u>\$ 2,283</u>	<u>\$ 1,478,624</u>	<u>\$ 1,440,101</u>

\* as restated

During the year, the State reduced outstanding long-term obligations by \$97.4 million for outstanding general obligation bonds and \$643.4 million for other long-term debt. Also during fiscal year 2012, the State incurred \$779.4 million of additional long-term obligations.

### Credit Ratings

The State's credit was rated during fiscal year 2012 by Moody's Investors Service as Aa2 with a negative outlook and by Standard & Poor's as AA with a stable outlook.

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

National and state economic indicators suggest little improvement in economic conditions since the State's Consensus Economic Forecasting Committee (CEFC) met in February 2012. Maine's coincident economic activity index was unchanged in the three months ending in August and remains below pre-recession levels. About half the states saw growth over the three months ending in August. Nationwide, consumer sentiment and small business optimism are up over year-ago levels. Personal income in Maine grew 3.0% year-over-year in the first half of 2012, while wage and salary income grew 1.3% over the same period. The Consumer Price Index was 2.0% higher in September 2012 than it was in September 2011.

The price of crude oil (West Texas Intermediate) remained fairly steady in the third quarter of 2012 around \$92 per barrel. Home sales in Maine increased in six of the seven months since January 2012. Month-over-month, housing permits in Maine grew 33% in August. The median home price in the Portland Metropolitan Statistical Area (York, Cumberland, and Sagadahoc Counties) increased by 3.1% year-over-year in the second quarter of 2012. Mortgage delinquency rates remain well above pre-recession levels but below peak crisis levels. The foreclosure rate in Maine increased in the second quarter of 2012 and remains well above pre-recession levels.

Uncertainty stemming from the "fiscal cliff" has continued to restrain economic growth in recent months. The "fiscal cliff" is a major fiscal tightening that includes the expiry of the Bush tax cuts, the payroll tax cut, emergency unemployment insurance benefits, and depreciation incentives as well as the sequester spending cuts, for a cliff estimated to be worth 3.0% of GDP nationally. Given the severe impact to the economy if a solution is not successfully reached, the CEFC will reevaluate their forecast in the first quarter of calendar year 2013 in response to actual policy decisions at the federal level.

Wage and salary employment growth was revised upwards slightly for 2012 and slightly downwards for 2013-2015 to reflect more robust current-year employment growth and longer-term structural workforce challenges, respectively. Personal income growth was revised upwards for 2012 in part to reflect the stronger employment growth and in 2013 to reflect increased dividends, interest and rent income, while 2014 and 2015 were revised downwards. Inflation, as measured by the Consumer Price Index (CPI), was revised upwards for 2012 and downwards for 2013-2015.

General Fund revenues slowed in FY12 because of the slow national economic recovery. Growth is projected to be flat or negative in FY13 and FY14 because of significant tax reductions enacted by the Legislature during the last two legislative sessions. Revenue growth is projected to return to a more moderate pace of 3.5% once the tax cuts are fully implemented.

At June 30, 2012, the deficit in the State of Maine's Unassigned Fund Balance Account in the General Fund has increased to \$355.9 million (from a deficit unassigned balance of \$243.6 for fiscal year 2011). This increase is primarily due the State using a one-day borrowing from the Other Special Revenue Fund to balance the budget which totaled \$91 million in fiscal year 2012.

There are several factors that adversely affect our General Fund Balance Sheet that we should strive to improve over the next several years. The largest cause for the current condition is the Medicaid liabilities for amounts owed to hospitals and the incurred but not paid liability that accrues at the end of each fiscal year which currently total \$720.4 million of which the General Fund portion is \$263.7 and the budgetary one-day borrowing used to balance the budget. This combined with the lack of significant reserves weakens the General Fund equity position.

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 and the increase in the demand for appropriations whose balances carry from year to year which results in a lack funds accruing 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](mailto:financialreporting@maine.gov)

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# **BASIC FINANCIAL STATEMENTS**

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**STATE OF MAINE  
STATEMENT OF NET ASSETS**

June 30, 2012  
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 250,306	\$ 16,626	\$ 266,932	\$ 68,900
Cash and Cash Equivalents	2,473	1,901	4,374	111,009
Cash with Fiscal Agent	151,337	-	151,337	-
Investments	73,281	-	73,281	624,607
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	20,918	-	20,918	-
Restricted Deposits and Investments	3,694	269,597	273,291	44,573
Inventories	6,060	2,497	8,557	3,480
Receivables, Net of Allowance for Uncollectibles:				
Taxes Receivable	371,716	-	371,716	-
Loans Receivable	5,538	-	5,538	105,128
Notes Receivable	-	-	-	3,621
Other Receivables	222,501	56,696	279,197	95,986
Internal Balances	5,421	(5,421)	-	-
Due from Other Governments	530,978	-	530,978	165,703
Due from Primary Government	-	-	-	16,214
Loans receivable from primary government	-	-	-	24,086
Due from Component Units	48,663	-	48,663	-
Other Current Assets	4,385	1,875	6,260	42,989
Total Current Assets	<u>1,697,271</u>	<u>343,771</u>	<u>2,041,042</u>	<u>1,306,296</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	103,103	6,838	109,941	28,340
Assets Held in Trust	-	-	-	2
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	8,456	-	8,456	-
Restricted Deposits and Investments	-	-	-	587,580
Investments	-	-	-	488,741
Receivables, Net of Current Portion:				
Taxes Receivable	92,659	-	92,659	-
Loans Receivable	-	-	-	2,589,794
Notes Receivable	-	-	-	69,781
Other Receivables	860	-	860	17,932
Due from Other Governments	7,494	-	7,494	1,416,602
Loans receivable from primary government	-	-	-	304,045
Due From Primary Government	-	-	-	1,487
Other Noncurrent Assets	-	-	-	63,916
Post-Employment Benefit Asset	1,760	-	1,760	9,783
Capital Assets:				
Land, Infrastructure, and Other Non-Depreciable Assets	4,565,332	77,443	4,642,775	552,623
Buildings, Equipment and Other Depreciable Assets	961,401	165,230	1,126,631	1,571,948
Less: Accumulated Depreciation	(441,235)	(89,910)	(531,145)	(580,336)
Capital Assets, Net of Accumulated Depreciation	<u>5,085,498</u>	<u>152,763</u>	<u>5,238,261</u>	<u>1,544,235</u>
Total Noncurrent Assets	<u>5,299,830</u>	<u>159,601</u>	<u>5,459,431</u>	<u>7,122,238</u>
Total Assets	<u>\$ 6,997,101</u>	<u>\$ 503,372</u>	<u>\$ 7,500,473</u>	<u>\$ 8,428,534</u>

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

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Totals	
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 901,319	\$ 8,673	\$ 909,992	\$ 105,688
Accrued Payroll	41,037	1,420	42,457	3,561
Tax Refunds Payable	167,260	-	167,260	-
Due to Component Units	16,342	-	16,342	-
Due to Primary Government	-	-	-	48,663
Undistributed Grants and Administrative Funds	-	-	-	10,693
Allowances for Losses on Insured Commercial Loans	-	-	-	12,235
Current Portion of Long-Term Obligations:				
Compensated Absences	4,430	109	4,539	2,184
Due to Other Governments	76,062	-	76,062	3,713
Amounts Held under State & Federal Loan Programs	-	-	-	48,423
Claims Payable	25,767	-	25,767	-
Bonds and Notes Payable	102,330	-	102,330	177,122
Notes Payable	-	-	-	1,469
Revenue Bonds Payable	18,245	-	18,245	55,603
Obligations under Capital Leases	5,324	-	5,324	350
Certificates of Participation and Other Financing Arrangements	26,323	-	26,323	-
Loans Payable to Component Unit	24,085	-	24,085	-
Accrued Interest Payable	6,866	-	6,866	45,899
Deferred Revenue	1,133	12,790	13,923	55,794
Other Current Liabilities	7,762	14,193	21,955	57,835
Total Current Liabilities	1,424,285	37,185	1,461,470	629,232
Long-Term Liabilities:				
Compensated Absences	37,624	1,480	39,104	-
Due to Component Units	1,359	-	1,359	-
Due to Other Governments	-	-	-	4,830
Amounts Held under State & Federal Loan Programs	-	-	-	44,017
Claims Payable	38,556	-	38,556	-
Bonds and Notes Payable	369,725	-	369,725	3,614,182
Notes Payable	-	-	-	25,162
Revenue Bonds Payable	169,620	-	169,620	1,209,783
Obligations under Capital Leases	24,454	-	24,454	5,948
Certificates of Participation and Other Financing Arrangements	25,774	-	25,774	-
Loans Payable to Component Unit	304,046	-	304,046	-
Deferred Revenue	12,384	12,500	24,884	31,315
Pension Obligation	2,010	-	2,010	-
Other Post-Employment Benefit Obligation	266,705	3,137	269,842	-
Pollution Remediation and Landfill Obligations	28,880	-	28,880	-
Other Noncurrent Liabilities	-	-	-	138,742
Total Long-Term Liabilities	1,281,137	17,117	1,298,254	5,073,979
Total Liabilities	2,705,422	54,302	2,759,724	5,703,211
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	4,408,377	152,763	4,561,140	948,600
Restricted:				
Transportation Purposes	190,642	-	190,642	-
Business Licensing & Regulation	67,374	-	67,374	-
Justice and Protection	5,966	-	5,966	-
Natural Resources	41,803	-	41,803	-
Health and Human Services	28,430	-	28,430	-
Capital Projects	26,735	-	26,735	-
Government Support & Operations	90,740	-	90,740	-
Unemployment Compensation	-	295,632	295,632	-
Other Purposes	7,816	-	7,816	1,158,825
Funds Held as Permanent Investments:				
Expendable	58,972	-	58,972	-
Nonexpendable	16,328	-	16,328	213,124
Unrestricted	(651,504)	675	(650,829)	404,774
Total Net Assets	\$ 4,291,679	\$ 449,070	\$ 4,740,749	\$ 2,725,323



# STATE OF MAINE STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)

	Expenses	Program Revenues		Capital Grants and Contributions
		Charges for Services	Operating Grants and Contributions	
<b>Primary government:</b>				
Governmental activities:				
Governmental Support & Operations	\$ 456,622	\$ 80,534	\$ 43,617	\$ -
Arts, Heritage & Cultural Enrichment	11,507	1,006	2,939	-
Business Licensing & Regulation	68,697	75,633	(1,116)	-
Economic Development & Workforce Training	302,614	7,175	215,720	-
Education	1,610,095	6,897	198,560	-
Health & Human Services	3,750,402	20,018	2,348,167	-
Justice & Protection	401,740	86,583	59,700	-
Natural Resources Development & Protection	208,463	93,991	53,043	-
Transportation Safety & Development	376,689	116,995	239,611	-
Interest Expense	45,551	-	-	-
Total Governmental Activities	<u>7,232,380</u>	<u>488,832</u>	<u>3,160,241</u>	<u>-</u>
Business-Type Activities:				
Employment Security	187,703	176,645	7,823	-
Alcoholic Beverages	-	12,532	-	-
Lottery	176,837	231,015	-	-
Transportation	9,310	4,692	-	-
Ferry Services	11,458	4,695	-	-
Military Equipment Maintenance	35,058	35,104	-	-
Dirigo Health	56,702	70,296	-	-
Other	7,662	5,945	-	-
Total Business-Type Activities	<u>484,730</u>	<u>540,924</u>	<u>7,823</u>	<u>-</u>
Total Primary Government	<u>\$ 7,717,110</u>	<u>\$ 1,029,756</u>	<u>\$ 3,168,064</u>	<u>\$ -</u>
<b>Component Units:</b>				
Finance Authority of Maine	37,575	12,644	22,352	-
Maine Community College System	127,768	16,672	63,942	31,098
Maine Health & Higher Educational Facilities Authority	53,443	49,411	8,944	-
Maine Municipal Bond Bank	81,049	65,370	17,905	27,393
Maine State Housing Authority	267,551	81,488	189,736	-
Maine Turnpike Authority	89,562	107,543	-	-
University of Maine System	684,277	298,670	177,297	19,695
All Other Non-Major Component Units	156,836	41,501	74,424	144,647
Total Component Units	<u>\$ 1,498,061</u>	<u>\$ 673,299</u>	<u>\$ 554,600</u>	<u>\$ 222,833</u>
<b>General Revenues:</b>				
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				
Transfers - Internal Activities				
Total General Revenues and Transfers				
Change in Net Assets				
Net Assets - Beginning (As Restated)				
Net Assets - Ending				

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

<b>Net (Expenses) Revenues and Changes in Net Assets</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (332,471)	\$ -	\$ (332,471)	\$ -
(7,562)	-	(7,562)	-
5,820	-	5,820	-
(79,719)	-	(79,719)	-
(1,404,638)	-	(1,404,638)	-
(1,382,217)	-	(1,382,217)	-
(255,457)	-	(255,457)	-
(61,429)	-	(61,429)	-
(20,083)	-	(20,083)	-
(45,551)	-	(45,551)	-
<u>(3,583,307)</u>	<u>-</u>	<u>(3,583,307)</u>	<u>-</u>
-	(3,235)	(3,235)	-
-	12,532	12,532	-
-	54,178	54,178	-
-	(4,618)	(4,618)	-
-	(6,763)	(6,763)	-
-	46	46	-
-	13,594	13,594	-
-	(1,717)	(1,717)	-
-	<u>64,017</u>	<u>64,017</u>	<u>-</u>
<u>\$ (3,583,307)</u>	<u>\$ 64,017</u>	<u>\$ (3,519,290)</u>	<u>\$ -</u>
-	-	-	(2,579)
-	-	-	(16,056)
-	-	-	4,912
-	-	-	29,619
-	-	-	3,673
-	-	-	17,981
-	-	-	(188,615)
-	-	-	103,736
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (47,329)</u>
334,818	-	334,818	-
1,459,039	-	1,459,039	-
245,815	-	245,815	-
45,902	-	45,902	-
1,113,952	-	1,113,952	-
273,062	-	273,062	-
2,543	-	2,543	6,632
-	-	-	291,765
76,360	-	76,360	3,572
-	-	-	(28)
51,188	-	51,188	-
54,968	(54,968)	-	-
<u>3,657,647</u>	<u>(54,968)</u>	<u>3,602,679</u>	<u>301,941</u>
74,340	9,049	83,389	254,612
4,217,339	440,021	4,657,360	2,470,711
<u>\$ 4,291,679</u>	<u>\$ 449,070</u>	<u>\$ 4,740,749</u>	<u>\$ 2,725,323</u>



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# GOVERNMENTAL FUND FINANCIAL STATEMENTS

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## 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 121.

**STATE OF MAINE  
BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2012  
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Treasurer's Cash Pool	\$ 8,895	\$ 40,385	\$ 8,670	\$ 134,376	\$ 2,019	\$ 194,345
Cash and Short-Term Investments	120	116	1	43	2,190	2,470
Cash with Fiscal Agent	1,066	1,016	-	134,602	-	136,684
Investments	-	-	-	-	73,281	73,281
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	360	-	-	-	29,014	29,374
Inventories	1,413	-	483	-	-	1,896
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	426,523	27,167	-	10,685	-	464,375
Loans Receivable	1	27	-	5,510	-	5,538
Other Receivable	75,951	3,609	72,573	67,211	39	219,383
Due from Other Funds	14,463	7,173	1,415	120,350	214	143,615
Due from Other Governments	-	-	530,530	-	-	530,530
Due from Component Units	3,000	-	-	45,547	116	48,663
Other Assets	1,803	45	372	561	43	2,824
Working Capital Advances Receivable	111	-	-	-	-	111
<b>Total Assets</b>	<b>\$ 533,706</b>	<b>\$ 79,538</b>	<b>\$ 614,044</b>	<b>\$ 518,885</b>	<b>\$ 106,916</b>	<b>\$ 1,853,089</b>
<b>Liabilities and Fund Balances</b>						
Accounts Payable	\$ 294,556	\$ 24,938	\$ 499,221	\$ 25,543	\$ 3,817	\$ 848,075
Accrued Payroll	16,746	6,673	4,795	8,050	979	37,243
Tax Refunds Payable	167,252	8	-	-	-	167,260
Due to Other Governments	3,792	-	70,539	-	-	74,331
Due to Other Funds	159,085	3,180	12,425	4,683	19	179,392
Due to Component Units	1,864	7	8,174	2,346	1,585	13,976
Compensated Absences	-	-	-	-	350	350
Deferred Revenue	235,827	8,623	2,214	32,126	7	278,797
Other Accrued Liabilities	4,519	-	1,548	2,887	319	9,273
<b>Total Liabilities</b>	<b>883,641</b>	<b>43,429</b>	<b>598,916</b>	<b>75,635</b>	<b>7,076</b>	<b>1,608,697</b>
<b>Fund Balances:</b>						
Nonspendable:						
Permanent Fund Principal	-	-	-	-	16,328	16,328
Inventories and Prepaid Items	2,965	45	855	633	30	4,528
Restricted	2,989	36,064	14,273	391,692	85,782	530,800
Committed	-	-	-	38,436	-	38,436
Assigned	-	-	-	12,489	-	12,489
Unassigned	(355,889)	-	-	-	(2,300)	(358,189)
<b>Total Fund Balances</b>	<b>(349,935)</b>	<b>36,109</b>	<b>15,128</b>	<b>443,250</b>	<b>99,840</b>	<b>244,392</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 533,706</b>	<b>\$ 79,538</b>	<b>\$ 614,044</b>	<b>\$ 518,885</b>	<b>\$ 106,916</b>	<b>\$ 1,853,089</b>

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, 2012  
(Expressed in Thousands)

Total fund balances for governmental funds		\$ 244,392
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.	5,173,912	
Less: Accumulated depreciation	(244,193)	4,929,719
Other Post-Employment Benefit Assets are not financial resources		1,760
Pollution Remediation Receivable		4,371
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	(659,920)	
Interest Payable Related to Long-term Financing	(4,541)	
Certificates of Participation and Other Financing Arrangements	(13,144)	
Capital Leases	(68)	
Other accrued	(9)	
Loans Payable to Component Unit	(328,131)	
Compensated Absences	(37,695)	
Pension Obligation	(2,010)	
Other Post-Employment Benefit Obligation	(266,705)	
Pollution Remediation Obligation and Landfill Post Closure Liability	(28,880)	(1,341,103)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		269,290
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.		183,250
Net assets of governmental activities		\$ 4,291,679

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, 2012  
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 2,990,353	\$ 219,540	\$ -	\$ 260,032	\$ -	\$ 3,469,925
Assessments and Other Revenue	103,292	90,494	1	138,075	-	331,862
Federal Grants and Reimbursements	3,377	-	3,147,893	10,789	-	3,162,059
Service Charges	49,008	6,124	451	90,408	1,388	147,379
Investment Income (Loss)	1,413	141	18	423	(696)	1,299
Miscellaneous Revenue	17,047	693	393	108,852	342	127,327
Total Revenues	<u>3,164,490</u>	<u>316,992</u>	<u>3,148,756</u>	<u>608,579</u>	<u>1,034</u>	<u>7,239,851</u>
<b>Expenditures</b>						
Current:						
Governmental Support & Operations	255,191	2,726	14,027	136,662	124	408,730
Economic Development & Workforce Training	33,561	-	220,193	30,867	17,206	301,827
Education	1,335,736	-	227,257	12,563	41,431	1,616,987
Health and Human Services	1,126,805	-	2,345,952	298,077	265	3,771,099
Business Licensing & Regulation	-	-	390	65,486	-	65,876
Natural Resources Development & Protection	65,332	33	50,915	83,142	4,931	204,353
Justice and Protection	253,226	27,761	59,164	42,972	-	383,123
Arts, Heritage & Cultural Enrichment	7,117	-	2,880	901	83	10,981
Transportation Safety & Development	-	280,767	199,323	84,664	1,786	566,540
Debt Service:						
Principal Payments	98,340	16,385	10,770	9,370	21	134,886
Interest Payments	21,714	5,406	4,208	8,805	-	40,133
Capital Outlay	-	-	-	-	25,729	25,729
Total Expenditures	<u>3,197,022</u>	<u>333,078</u>	<u>3,135,079</u>	<u>773,509</u>	<u>91,576</u>	<u>7,530,264</u>
Revenue over (under) Expenditures	<u>(32,532)</u>	<u>(16,086)</u>	<u>13,677</u>	<u>(164,930)</u>	<u>(90,542)</u>	<u>(290,413)</u>
Other Financing Sources (Uses):						
Transfer from Other Funds	134,722	29,328	19,676	207,960	34,449	426,135
Transfer to Other Funds	(216,827)	(9,954)	(42,644)	(91,769)	(4,742)	(365,936)
COP's and Other	1,071	1,029	-	471	54	2,625
Loan Proceeds from Component Units	-	-	-	58,726	-	58,726
Bonds Issued	-	-	-	33,000	49,265	82,265
Premium on Bonds Issued	-	-	-	-	6,507	6,507
Net Other Finance Sources (Uses)	<u>(81,034)</u>	<u>20,403</u>	<u>(22,968)</u>	<u>208,388</u>	<u>85,533</u>	<u>210,322</u>
Net Change in Fund Balances	<u>(113,566)</u>	<u>4,317</u>	<u>(9,291)</u>	<u>43,458</u>	<u>(5,009)</u>	<u>(80,091)</u>
Fund Balances at Beginning of Year (As Restated)	<u>(236,369)</u>	<u>31,792</u>	<u>24,419</u>	<u>399,792</u>	<u>104,849</u>	<u>324,483</u>
Fund Balances at End of Year	<u>\$ (349,935)</u>	<u>\$ 36,109</u>	<u>\$ 15,128</u>	<u>\$ 443,250</u>	<u>\$ 99,840</u>	<u>\$ 244,392</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, 2012  
(Expressed in Thousands)

Net change in fund balances - total governmental funds	\$	(80,091)
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	244,809	
Depreciation expense	(21,583)	223,226
The net effect of various transactions involving capital assets (ie. sales, trade ins and contributions) is to increase net assets.		
		(30)
Post-employment benefit asset funding, net		
		1,460
Pollution Remediation Receivable		
		(14,624)
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	(82,265)	
Proceeds from other financing arrangements	(2,571)	
Loan proceeds from component unit	(58,726)	
Repayment of bond principal	114,725	
Repayment of other financing debt	14,091	
Repayment of pledged revenue principal	21,514	
Accrued interest	505	7,273
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	18	
Other post-employment benefit obligation	(76,083)	
Pollution remediation obligation	18,157	
Claims payable	4	
Compensated absences	4,320	(53,584)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		
		1,990
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.		
		(11,280)
Changes in net assets of governmental activities	\$	74,340

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





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# PROPRIETARY FUND FINANCIAL STATEMENTS

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## 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 141.

Combining fund statements for the internal service funds, whose combined totals are presented on these statements, begin on page 149.

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

June 30, 2012  
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Major	Non-Major	Totals	
	Employment Security	Other Enterprise		
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ -	\$ 16,626	\$ 16,626	\$ 112,706
Cash and Short-Term Investments	1,145	756	1,901	3
Cash with Fiscal Agent	-	-	-	14,653
Restricted Assets:				
Restricted Deposits and Investments	269,597	-	269,597	3,694
Inventories	-	2,497	2,497	4,164
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	31,466	25,230	56,696	463
Due from Other Funds	24	270	294	19,468
Other Current Assets	-	1,875	1,875	1,561
Total Current Assets	<u>302,232</u>	<u>47,254</u>	<u>349,486</u>	<u>156,712</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	6,838	6,838	46,358
Capital Assets - Net of Depreciation	-	152,763	152,763	155,779
Total Noncurrent Assets	<u>-</u>	<u>159,601</u>	<u>159,601</u>	<u>202,137</u>
Total Assets	<u>302,232</u>	<u>206,855</u>	<u>509,087</u>	<u>358,849</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	5,935	2,738	8,673	23,049
Accrued Payroll	-	1,420	1,420	3,794
Due to Other Funds	-	5,239	5,239	6,286
Due to Component Units	-	-	-	3,725
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	14,906
Obligations Under Capital Leases	-	-	-	5,298
Claims Payable	-	-	-	25,767
Compensated Absences	-	109	109	271
Deferred Revenue	-	12,790	12,790	646
Other Accrued Liabilities	665	13,528	14,193	805
Total Current Liabilities	<u>6,600</u>	<u>35,824</u>	<u>42,424</u>	<u>84,547</u>
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Deferred Revenue	-	12,500	12,500	664
Certificates of Participation and Other Financing Arrangements	-	-	-	24,047
Obligations Under Capital Leases	-	-	-	24,412
Claims Payable	-	-	-	38,556
Compensated Absences	-	1,480	1,480	3,738
Other Post-Employment Benefit Obligation	-	3,137	3,137	-
Total Long-Term Liabilities	<u>-</u>	<u>17,117</u>	<u>17,117</u>	<u>91,528</u>
Total Liabilities	<u>6,600</u>	<u>52,941</u>	<u>59,541</u>	<u>176,075</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	-	152,763	152,763	108,776
Restricted for:				
Unemployment Compensation	295,632	-	295,632	-
Other Purposes	-	-	-	39
Unrestricted	-	1,151	1,151	73,959
Total Net Assets	<u>\$ 295,632</u>	<u>\$ 153,914</u>	<u>\$ 449,546</u>	<u>\$ 182,774</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-type activities			(476)	
			<u>\$ 449,070</u>	

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, 2012  
(Expressed in Thousands)

	Business-Type Activities			Governmental Activities Internal Service Funds
	Enterprise Funds		Totals	
	Major Employment Security	Non-Major Other Enterprise		
<b>Operating Revenues</b>				
Charges for Services	\$ -	\$ 348,479	\$ 348,479	\$ 397,856
Assessments	176,645	1,717	178,362	-
Miscellaneous Revenues	-	547	547	553
Total Operating Revenues	176,645	350,743	527,388	398,409
<b>Operating Expenses</b>				
General Operations	-	288,587	288,587	370,464
Depreciation	-	8,290	8,290	20,079
Claims/Fees Expense	187,703	-	187,703	12,822
Other Operating Expenses	-	-	-	755
Total Operating Expenses	187,703	296,877	484,580	404,120
Operating Income (Loss)	(11,058)	53,866	42,808	(5,711)
<b>Nonoperating Revenues (Expenses)</b>				
Investment Revenue (Expense) - net	7,823	-	7,823	1,244
Interest Expense	-	-	-	(7,283)
Other Nonoperating Revenues (Expenses) - net	-	13,536	13,536	(5,987)
Total Nonoperating Revenues (Expenses)	7,823	13,536	21,359	(12,026)
Income (Loss) Before Capital Contributions and Transfers	(3,235)	67,402	64,167	(17,737)
<b>Capital Contributions and Transfers</b>				
Capital Contributions from (to) Other Funds	-	10,003	10,003	1,417
Transfers from Other Funds	-	7,713	7,713	9,221
Transfers to Other Funds	(1,420)	(71,264)	(72,684)	(4,331)
Total Capital Contributions and Transfers In (Out)	(1,420)	(53,548)	(54,968)	6,307
Change in Net Assets	(4,655)	13,854	9,199	(11,430)
Total Net Assets - Beginning of Year	300,287	140,060	440,347	194,204
Total Net Assets - End of Year	<u>\$ 295,632</u>	<u>\$ 153,914</u>		<u>\$ 182,774</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			(150)	
Changes in Business-Types Net Assets			<u>\$ 9,049</u>	

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

**STATE OF MAINE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**

June 30, 2012  
(Expressed in Thousands)

	Business-Type Activities			Governmental Activities Internal Service Funds
	Enterprise Funds			
	Major Employment Security	Non-Major Other Enterprise	Totals	
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 180,441	\$ 351,146	\$ 531,587	\$ 399,569
Payments of Benefits	(182,866)	-	(182,866)	-
Payments to Prize Winners	-	(144,018)	(144,018)	-
Payments to Suppliers	-	(113,289)	(113,289)	(296,398)
Payments to Employees	-	(26,176)	(26,176)	(70,176)
Net Cash Provided (Used) by Operating Activities	(2,425)	67,663	65,238	32,995
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from Other Funds	-	7,712	7,712	9,221
Transfers to Other Funds	(1,420)	(71,263)	(72,683)	(4,331)
Net Cash Provided (Used) by Noncapital Financing Activities	(1,420)	(63,551)	(64,971)	4,890
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	-	(4,694)	(4,694)	(23,853)
Proceeds from Financing Arrangements	-	-	-	4,600
Principal and Interest Paid on Financing Arrangements	-	-	-	(24,843)
Proceeds from Sale of Capital Assets	-	970	970	-
Net Cash Provided (Used) by Capital Financing Activities	-	(3,724)	(3,724)	(44,096)
<b>Cash Flows from Investing Activities</b>				
Interest Revenue	7,823	67	7,890	1,244
Net Cash Provided (Used) by Investing Activities	7,823	67	7,890	1,244
Net Increase (Decrease) in Cash/Cash Equivalents	3,978	455	4,433	(4,967)
Cash/Cash Equivalents - Beginning of Year	266,764	23,765	290,529	182,381
Cash/Cash Equivalents - End of Year	\$ 270,742	\$ 24,220	\$ 294,962	\$ 177,414
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>				
Operating Income (Loss)	\$ (11,058)	\$ 53,866	\$ 42,808	\$ (5,711)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>				
Depreciation Expense	-	8,290	8,290	20,079
Decrease (Increase) in Assets:				
Accounts Receivable	3,807	403	4,210	64
Interfund Balances	(11)	3,113	3,102	1,548
Inventories	-	(110)	(110)	(709)
Other Assets	-	-	-	266
Increase (Decrease) in Liabilities:				
Accounts Payable	5,062	(26)	5,036	14,788
Accrued Payroll Expenses	-	336	336	1,026
Due to Other Governments	-	-	-	(3)
Change in Compensated Absences	-	707	707	(419)
Other Accruals	(225)	1,084	859	2,066
Total Adjustments	8,633	13,797	22,430	38,706
Net Cash Provided (Used) by Operating Activities	\$ (2,425)	\$ 67,663	\$ 65,238	\$ 32,995
<b>Non Cash Investing, Capital and Financing Activities</b>				
Property Leased, Accrued, or Acquired	-	-	-	1,401
Contributed Capital Assets	-	10,003	10,003	1,417
Decrease of Deferred Revenue from the Sale of Liquor Operations	-	12,500	12,500	-

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

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# FIDUCIARY FUND FINANCIAL STATEMENTS

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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 293 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 161.

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

June 30, 2012  
(Expressed in Thousands)

	<b>Pension (and Other Employee Benefit) Trusts</b>	<b>Private Purpose Trusts</b>	<b>Agency Funds</b>
<b>Assets</b>			
Equity in Treasurer's Cash Pool	\$ -	\$ 1,632	\$ 13,574
Cash and Short-Term Investments	61,168	-	27
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	6,000	-	-
Interest and Dividends	4,818	4,176	-
Due from Brokers for Securities Sold	74,942	12,525	-
Other	28,075	-	-
Investments at Fair Value:			
Debt Securities	972	-	-
Equity Securities	3,637,612	-	-
Common/Collective Trusts	6,971,761	-	-
Foreign Governments and Agencies	-	-	11
Other	-	11,501	-
Securities Lending Collateral	812,174	-	-
Due from Other Funds	-	30,195	-
Investments Held on Behalf of Others	-	6,013,272	70,180
Capital Assets - Net of Depreciation	10,849	-	-
Other Assets	-	3,887	3,243
Total Assets	<u>11,608,371</u>	<u>6,077,188</u>	<u>87,035</u>
<b>Liabilities</b>			
Accounts Payable	5,715	3,847	1
Due to Other Funds	-	6	2,649
Due to Brokers for Securities Purchased	-	12,525	-
Agency Liabilities	-	-	84,341
Obligations Under Securities Lending	812,174	-	-
Other Accrued Liabilities	23,615	-	44
Total Liabilities	<u>841,504</u>	<u>16,378</u>	<u>87,035</u>
<b>Net Assets</b>			
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	<u>10,766,867</u>	<u>6,060,810</u>	-
Total Net Assets	<u>\$ 10,766,867</u>	<u>\$ 6,060,810</u>	<u>\$ -</u>

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, 2012  
(Expressed in Thousands)

	<b>Pension (and Other Employee Benefit) Trusts</b>	<b>Private Purpose Trusts</b>
Additions:		
Contributions:		
Members	\$ 161,692	\$1,726,338
State and Local Agencies	355,405	-
Investment Income (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	(22,850)	(217,829)
Capital Gains Distributions from Investments	-	41,162
Interest and Dividends	100,784	114,018
Securities Lending Income	1,709	-
Less Investment Expense:		
Investment Activity Expense	24,338	-
Securities Lending Expense	(740)	-
Net Investment Income (Loss)	56,045	(62,649)
Miscellaneous Revenues	-	7,295
Transfers In	-	671
 Total Additions	 573,142	 1,671,655
Deductions:		
Benefits Paid to Participants or Beneficiaries	802,018	1,587,162
Refunds and Withdrawals	45,201	-
Administrative Expenses	10,027	46,140
Claims Processing Expense	722	-
Transfers Out	-	784
 Total Deductions	 857,968	 1,634,086
 Net Increase (Decrease)	 (284,826)	 37,569
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:		
Beginning of Year	11,051,693	6,023,241
End of Year	\$ 10,766,867	\$6,060,810

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





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# COMPONENT UNIT FINANCIAL STATEMENTS

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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.

The Maine Turnpike Authority – is authorized and empowered to construct, maintain and operate a turnpike at such a location as shall be approved by the State Highway Commission and to issue turnpike revenue bonds of the Authority, payable solely from revenues of the Authority.

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 171.

**STATE OF MAINE**  
**STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**

June 30, 2012  
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health and Higher Educational Facilities Authority	Maine Municipal Bond Bank
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 19,667	\$ 14,880	\$ 3,567	\$ -
Cash and Cash Equivalents	5,500	4,214	4,414	64
Investments	47,184	36,240	34,531	19,103
Restricted Assets:				
Restricted Deposits and Investments	-	-	-	-
Inventories	-	1,321	-	-
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	-	-	55,390	-
Notes Receivable	-	-	-	-
Other Receivables	692	11,790	43	877
Due from Other Governments	275	-	-	142,457
Due from Primary Government	-	1,142	-	-
Loans Receivable from Primary Government	-	-	-	24,086
Other Current Assets	1,908	2,524	845	30,183
Total Current Assets	<u>75,226</u>	<u>72,111</u>	<u>98,790</u>	<u>216,770</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	8,090	6,120	1,467	-
Assets Held in Trust	-	-	-	-
Restricted Assets:				
Restricted Deposits and Investments	-	1,614	154,952	362,393
Investments	-	12,548	-	-
Receivables, Net of Current Portion:				
Loans Receivable	-	-	1,089,721	-
Notes Receivable	25,127	-	-	-
Other Receivables	-	4,350	206	-
Due from Other Governments	-	-	-	1,416,602
Due from Primary Government	-	-	-	-
Loans Receivable from Primary Government	-	-	-	304,045
Post-Employment Benefit Asset	-	9,783	-	-
Capital Assets - Net of Depreciation	1,798	151,201	-	667
Other Noncurrent Assets	-	227	-	1,495
Total Noncurrent Assets	<u>35,015</u>	<u>185,843</u>	<u>1,246,346</u>	<u>2,085,202</u>
Total Assets	<u>110,241</u>	<u>257,954</u>	<u>1,345,136</u>	<u>2,301,972</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	1,311	4,290	84	516
Accrued Payroll	-	-	-	-
Compensated Absences	-	1,905	-	-
Due to Other Governments	-	-	-	2,627
Due to Primary Government	3,000	-	-	45,547
Amounts Held under State & Federal Loan Programs	-	-	-	48,423
Undistributed Grants and Administrative Funds	10,489	-	-	204
Allowances for Losses on Insured Commercial Loans	12,235	-	-	-
Bonds Payable	806	-	55,450	134,609
Notes Payable	-	600	-	-
Obligations under Capital Leases	-	-	-	-
Accrued Interest Payable	-	-	24,278	13,393
Deferred Revenue	1,311	1,208	2,621	82
Other Current Liabilities	3	8,722	-	-
Total Current Liabilities	<u>29,155</u>	<u>16,725</u>	<u>82,433</u>	<u>245,401</u>
Long-Term Liabilities:				
Due to Other Governments	-	-	319	838
Amounts Held under State & Federal Loan Programs	44,017	-	-	-
Bonds Payable	707	-	1,208,015	1,436,408
Notes Payable	-	23,973	-	-
Obligations under Capital Leases	-	2,180	-	-
Deferred Revenue	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-
Total Long-Term Liabilities	<u>44,724</u>	<u>26,153</u>	<u>1,208,334</u>	<u>1,437,246</u>
Total Liabilities	<u>73,879</u>	<u>42,878</u>	<u>1,290,767</u>	<u>1,682,647</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	1,798	126,289	-	667
Restricted	16,576	45,500	33,637	539,552
Unrestricted	17,988	43,287	20,732	79,106
Total Net Assets	<u>\$ 36,362</u>	<u>\$ 215,076</u>	<u>\$ 54,369</u>	<u>\$ 619,325</u>

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

Maine State Housing Authority	Maine Turnpike Authority	University of Maine System	Non-Major Component Units	Totals
\$ -	\$ -	\$ 29,782	\$ 1,004	\$ 68,900
1,128	6,068	1,365	88,256	111,009
276,221	-	205,945	5,383	624,607
-	27,367	-	17,206	44,573
-	1,462	-	697	3,480
31,089	-	-	18,649	105,128
2	-	63	3,556	3,621
25,932	3,554	43,363	9,735	95,986
7,797	-	11,895	3,279	165,703
-	-	9,713	5,359	16,214
-	-	-	-	24,086
-	1,174	5,106	1,249	42,989
<u>342,169</u>	<u>39,625</u>	<u>307,232</u>	<u>154,373</u>	<u>1,306,296</u>
-	-	12,250	413	28,340
-	-	-	2	2
-	42,332	10,191	16,098	587,580
145,326	-	312,863	18,004	488,741
1,376,149	-	-	123,924	2,589,794
335	-	40,140	4,179	69,781
2,214	1	8,114	3,047	17,932
-	-	-	-	1,416,602
-	-	1,359	128	1,487
-	-	-	-	304,045
-	-	-	-	9,783
2,810	472,125	683,862	231,772	1,544,235
<u>35,713</u>	<u>22,309</u>	<u>2,052</u>	<u>2,120</u>	<u>63,916</u>
<u>1,562,547</u>	<u>536,767</u>	<u>1,070,831</u>	<u>399,687</u>	<u>7,122,238</u>
<u>1,904,716</u>	<u>576,392</u>	<u>1,378,063</u>	<u>554,060</u>	<u>8,428,534</u>
56,254	8,308	18,052	16,873	105,688
-	3,274	-	287	3,561
-	-	-	279	2,184
256	-	-	830	3,713
-	-	-	116	48,663
-	-	-	-	48,423
-	-	-	-	10,693
-	-	-	-	12,235
9,905	13,855	10,331	7,769	232,725
-	-	-	869	1,469
-	-	339	11	350
7,537	-	-	691	45,899
4,216	6,030	12,300	28,026	55,794
-	9,970	38,469	671	57,835
<u>78,168</u>	<u>41,437</u>	<u>79,491</u>	<u>56,422</u>	<u>629,232</u>
1,963	-	-	1,710	4,830
-	-	-	-	44,017
1,444,805	383,201	180,286	170,543	4,823,965
-	-	-	1,189	25,162
-	-	3,754	14	5,948
27,918	-	-	3,397	31,315
29,649	10,889	98,099	105	138,742
<u>1,504,335</u>	<u>394,090</u>	<u>282,139</u>	<u>176,958</u>	<u>5,073,979</u>
<u>1,582,503</u>	<u>435,527</u>	<u>361,630</u>	<u>233,380</u>	<u>5,703,211</u>
2,810	100,640	500,595	215,801	948,600
305,877	31,945	329,367	69,495	1,371,949
<u>13,526</u>	<u>8,280</u>	<u>186,471</u>	<u>35,384</u>	<u>404,774</u>
<u>\$ 322,213</u>	<u>\$ 140,865</u>	<u>\$ 1,016,433</u>	<u>\$ 320,680</u>	<u>\$ 2,725,323</u>

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

Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)

	<b>Finance Authority of Maine</b>	<b>Maine Community College System</b>	<b>Maine Health and Higher Educational Facilities Authority</b>	<b>Maine Municipal Bond Bank</b>
<b>Expenses</b>	\$ 37,575	\$ 127,768	\$ 53,443	\$ 81,049
<b>Program Revenues</b>				
Charges for Services	12,644	16,672	49,411	65,370
Program Investment Income	308	791	8,944	17,411
Operating Grants and Contributions	22,044	63,151	-	494
Capital Grants and Contributions	-	31,098	-	27,393
Net Revenue (Expense)	<u>(2,579)</u>	<u>(16,056)</u>	<u>4,912</u>	<u>29,619</u>
<b>General Revenues</b>				
Unrestricted Investment Earnings	518	1,143	72	66
Non-program Specific Grants, Contributions and Appropriations	-	55,638	-	-
Miscellaneous Income	42	1,471	139	1,179
Gain (Loss) on Assets Held for Sale	-	-	-	-
Total General Revenues	<u>560</u>	<u>58,252</u>	<u>211</u>	<u>1,245</u>
Change in Net Assets	(2,019)	42,196	5,123	30,864
Net Assets, Beginning of the Year (as restated)	<u>38,381</u>	<u>172,880</u>	<u>49,246</u>	<u>588,461</u>
Net Assets, End of Year	<u>\$ 36,362</u>	<u>\$ 215,076</u>	<u>\$ 54,369</u>	<u>\$ 619,325</u>

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

<b>Maine State Housing Authority</b>	<b>Maine Turnpike Authority</b>	<b>University of Maine System</b>	<b>Non-Major Component Units</b>	<b>Totals</b>
\$ 267,551	\$ 89,562	\$ 684,277	\$ 156,836	\$1,498,061
81,488	107,543	298,670	41,501	673,299
6,152	-	-	102	33,708
183,584	-	177,297	74,322	520,892
-	-	19,695	144,647	222,833
<u>3,673</u>	<u>17,981</u>	<u>(188,615)</u>	<u>103,736</u>	<u>(47,329)</u>
9	(201)	4,596	429	6,632
-	-	218,357	17,770	291,765
-	-	-	741	3,572
-	-	(34)	6	(28)
<u>9</u>	<u>(201)</u>	<u>222,919</u>	<u>18,946</u>	<u>301,941</u>
3,682	17,780	34,304	122,682	254,612
<u>318,531</u>	<u>123,085</u>	<u>982,129</u>	<u>197,998</u>	<u>2,470,711</u>
<u>\$ 322,213</u>	<u>\$ 140,865</u>	<u>\$1,016,433</u>	<u>\$ 320,680</u>	<u>\$2,725,323</u>



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# **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** – Blended component units are entities that are legally separate from the State, but provide services entirely, or almost entirely to the State or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it. The State reports two 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. Its purpose includes 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. Therefore, the State reports MGFA's balances and transactions as though they were part of the primary government, using the blending method.

Child Development Services (CDS) is a legally separate organization, which ensures the provision of child find activities, early intervention services and free, appropriate public education services to eligible children. Prior to

fiscal year 2012, CDS had been reported as a non-major discrete component unit. Legislation enacted on April 13, 2012, Public Law Chapter 655, Part OO-4, altered the State's management and operational responsibility with this component unit. The State's Education Commissioner now appoints and supervises the CDS director. Therefore, the State reports CDS balances and transactions as though they were a non-major special revenue 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 Maine Turnpike Authority (MTA)* constructs, maintains and operates a turnpike at such a location approved by the State Highway Commission and to issue turnpike revenue bonds payable solely from revenues of the Authority. The Governor appoints MTA's board of directors. As a result of substantive legislative changes made in 2011, the State's relationship to MTA changed. The former related organization is now reported as a discrete component unit. See Note 3. The Authority's fiscal year ends December 31.

*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 293 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	Maine Health and Higher Ed. Facilities Authority PO Box 2268 Augusta, ME 04338	Maine Public Employees Retirement System 46 State House Station Augusta, ME 04333	Maine Turnpike Authority 2360 Congress Street Portland, ME 04102
Maine Community College System 323 State Street Augusta, ME 04330	Maine Municipal Bond Bank PO Box 2268 Augusta, ME 04338	Maine State Housing Authority 89 State House Station 353 Water Street Augusta, ME 04330	University of Maine System 16 Central Street Bangor, ME 04401

**Related Organizations**

Officials of the State’s primary government appoint a voting majority of the governing board of the Maine Veteran’s Home. The primary government has no material accountability for this organization 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 \$830.4 million of restricted net assets, of which \$112.0 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, Maine State Housing Authority and Maine Turnpike 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 \$116 million of Workers’ Compensation, \$51 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 non-road 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. The Maine Turnpike Authority (MTA) uses the modified approach for reporting its significant infrastructure assets. As long as MTA maintains and preserves its infrastructure assets at pre-determined condition levels, maintenance costs are expensed and depreciation is not reported.

**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 recorded at June 30, 2012 is \$227 million. The actuarial range of reasonable estimate is a low of \$227 million to a high of \$247 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, 2012 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. Legislative assignments include formal actions passed into law that lapse. Maine statute also set forth powers and duties of management. Assignments also include decisions made by management, including encumbrances. 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 \$356 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. Per Public Law 2011, Chapter 380, Part RRR \$4.0 million was transferred from General Fund unappropriated surplus to the Budget Stabilization Fund. Per Public Law 2011, Chapter 380, Part JJJJ, \$29.7 million was transferred from the Budget Stabilization Fund to the General Fund unappropriated surplus. Additionally, \$1.2 million was transferred to general purpose aid for local schools within the Department of Education in accordance with Title 5 MRSA C.142 Section 1532.

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 2012 actual General Fund revenue, the statutory cap at the close of fiscal year 2012 and during fiscal year 2012 was \$361.9 million. At the close of fiscal year 2012, the balance of the Maine Budget Stabilization Fund was \$44.8 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	\$	71,414
Decrease in fund balance		<u>(26,605)</u>
Balance, end of year	\$	<u><u>44,809</u></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 budgets or separate pieces of legislation. For the year ended June 30, 2012, the Legislature increased appropriations to the General Fund by \$86.6 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, 2012 are as follows:

**Governmental Fund Balances**  
(Expressed in Thousands)

	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
<b>General Fund:</b>			
Natural Resources Development & Protection	\$ 2,989	\$ -	\$ -
Total	<u>\$ 2,989</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Highway Fund:</b>			
Transportation Safety & Development	\$ 31,943	\$ -	\$ -
Justice and Protection	3,743	-	-
Governmental Support & Operations	375	-	-
Natural Resources Development & Protection	3	-	-
Total	<u>\$ 36,064</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Federal Fund:</b>			
Governmental Support & Operations	\$ 5,108	\$ -	\$ -
Health and Human Services	9,165	-	-
Justice and Protection	-	-	-
Natural Resources Development & Protection	-	-	-
Total	<u>\$ 14,273</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Other Special Revenue Fund:</b>			
Arts, Heritage & Cultural Enrichment	\$ 160	\$ 10	\$ 4
Business Licensing & Regulation	68,388	991	371
Economic Development & Workforce Training	6,927	4,417	1,174
Education	903	20	7
Governmental Support & Operations	85,421	17,407	35
Health and Human Services	21,301	10,597	9,650
Justice and Protection	3,992	1,719	765
Natural Resources Development & Protection	40,112	3,133	430
Transportation Safety & Development	164,488	142	53
Total	<u>\$ 391,692</u>	<u>\$ 38,436</u>	<u>\$ 12,489</u>
<b>Other Governmental Funds:</b>			
Capital Projects	\$ 26,735	\$ -	\$ -
Natural Resources Development & Protection	58,814	-	-
Education	75	-	-
Other	158	-	-
Total	<u>\$ 85,782</u>	<u>\$ -</u>	<u>\$ -</u>

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

Governmental Accounting Standards Board (GASB) Statement No. 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs became effective for the State for the year ended June 30, 2012 when the State acquired and became responsible for the closure and postclosure monitoring costs of the Dolby Landfills. This Statement established accounting and financial reporting for municipal solid waste landfill (MSWLF) closure and postclosure care costs. As a result of applying this Statement, the State's beginning net assets have been restated. Beginning net assets for Governmental Activities were reduced by \$7.4 million.

During fiscal year 2012, statute changes necessitated that an entity (CDS) that had once been reported as a discretely presented component unit to be reported as a blended component unit of the State. Accordingly, beginning fund balance for the non-major governmental funds decreased by \$4.3 million and beginning net assets for the governmental activities decreased by \$3.7 million.

Additional statute changes required that an entity (Maine Turnpike Authority) that had once been reported as a related party to be reported as a discretely presented component unit of the State. This required that beginning net assets for the component units to be increased by \$123.1 million.

**NOTE 4 - DEFICIT FUND BALANCES/NET ASSETS**

Three internal service funds showed deficit Net Assets for the fiscal year ended June 30, 2012. The Workers' Compensation Fund reported a deficit of \$14.5 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a fund balance deficit of \$3.8 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 \$25 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 \$349.9 million at June 30, 2012. 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.

The Child Development Services Special Revenue Fund shows a deficit of \$2.2 million. This deficit has accumulated through operating losses dating back to the year ended June 30, 2008.

**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, 2012:

**Primary Government Deposits and Investments**

(Expressed in Thousands)

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Private Purpose Trusts</b>	<b>Agency Funds</b>	<b>Total</b>
Equity in Treasurer's Cash Pool	\$ 353,409	\$ 23,464	\$ 1,632	\$ 13,574	\$ 392,079
Cash and Cash Equivalents	2,473	1,901	-	27	4,401
Cash with Fiscal Agent	151,337	-	-	-	151,337
Investments	73,281	-	11,501	-	84,782
Restricted Equity in Treasurer's Cash Pool	29,374	-	-	-	29,374
Restricted Deposits and Investments	3,694	269,597	-	11	273,302
Investments Held on Behalf of Others	-	-	6,013,272	70,180	6,083,452
Other Assets	-	-	-	-	-
<b>Total Primary Government</b>	<b>\$ 613,568</b>	<b>\$ 294,962</b>	<b>\$ 6,026,405</b>	<b>\$ 83,792</b>	<b>\$ 7,018,727</b>

*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, 2012:

	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	\$ 8,319	\$ 140,310	\$ -	\$ -	\$ -	\$ -	\$ 148,629
US Treasury Notes	-	7,673	-	-	-	-	7,673
Repurchase Agreements	45,742	-	-	-	-	-	45,742
Corporate Notes and Bonds	-	-	-	-	-	-	-
Commercial Paper	-	-	-	-	-	-	-
Certificates of Deposit	473	4,274	-	-	-	-	4,747
Money Market	-	-	-	-	-	-	-
Cash and Cash Equivalents	-	-	-	-	-	207,562	207,562
Unemployment Fund							
Deposits with US Treasury	-	-	-	-	-	269,597	269,597
<i>Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds</i>							
US Instrumentalities	255	5,879	130	232	971	-	7,467
US Treasury Notes	3,069	7,674	4,650	10,913	-	1,400	27,706
Repurchase Agreements	1,712	-	-	-	-	-	1,712
Corporate Notes and Bonds	3,239	3,515	865	197	1,258	5,978	15,052
Other Fixed Income							
Securities	9,514	89	5,643	-	-	-	15,246
Commercial Paper	-	-	-	-	-	-	-
Certificates of Deposit	10,808	14	-	-	-	-	10,822
Money Market	-	-	-	-	-	1,090	1,090
Cash and Cash Equivalents	-	-	-	-	-	23,951	23,951
Equities	-	-	-	-	-	41,511	41,511
Other	-	-	-	-	-	25,611	25,611
	\$ 83,131	\$ 169,428	\$ 11,288	\$ 11,342	\$ 2,229	\$ 576,700	\$ 854,118
NextGen College Investing Plan							6,013,272
Other Assets							-
Cash with Fiscal Agent							151,337
Total Primary Government							<u>\$ 7,018,727</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, 2012 are presented below:

	Standard & Poor’s Credit Rating (Expressed in Thousands)							Not Rated	Total
	<u>A1</u>	<u>A</u>	<u>AA</u>	<u>AA+</u>	<u>AAA</u>	<u>BB</u>	<u>BBB</u>		
<i>Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds</i>									
US Instrumentalities	\$ -	\$ -	\$ 148,629	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 148,629
US Treasury Notes	-	-	7,673	-	-	-	-	-	7,673
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	-	-	5,528	-	-	-	-	1,939	7,467
US Treasury Notes	-	-	1,133	-	-	-	-	26,574	27,707
Corporate Notes and Bonds	-	852	188	-	39	20	611	13,648	15,358
Commercial Paper	-	-	-	-	-	-	-	-	-
Money Market	-	-	-	-	-	-	-	-	-
Other Fixed Income Securities	-	-	-	-	5,727	-	-	9,519	15,246
Total Primary Government	<u>\$ -</u>	<u>\$852</u>	<u>\$163,151</u>	<u>\$ -</u>	<u>\$ 5,766</u>	<u>\$ 20</u>	<u>\$ 611</u>	<u>\$51,680</u>	<u>\$ 222,080</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, 2012, 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 \$6.2 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, 2012 was \$58.7 million and was comprised of the following:

U.S. Instrumentalities	\$ 1,232
US Treasury Notes	846
Corporate Notes and Bonds	1,710
Other Fixed Income Securities	9,603
Equities	41,205
Cash and Equivalents	1,135
Other	3,005
Total	<u>\$ 58,736</u>

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2012 these disbursements, on average, exceeded \$134.1 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. At June 30, 2012, no balances of the System's CMO and Asset-Backed Security holdings were outstanding. 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, 2012 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, 2012 was \$812.2 million and \$792.2 million, respectively.

The following table details the System's derivative investments at June 30, 2012:

(Expressed in Thousands)

	2012		Fair Value at June 30, 2012 Classification	Notional
	Changes in			
	Fair Value	Fair Value at June 30, 2012		
		Amount		
Futures:				
Equity Index Futures Contracts	\$ 1,181		OSIC*	\$ 56,417
		\$ 1,455		

\*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 59 different investment portfolios which are reported at fair value and total \$6.0 billion at June 30, 2012.

*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, 2012 was \$262.7 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 from FAME and the Treasurer. All Maine Certificate of Deposit's are FDIC insured or fully collateralized. The value of the Account at June 30, 2012 was \$271.7 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	\$ 262,698
Cash Allocation Account	271,747
Fixed Income Securities	<u>1,826,891</u>
Total Fair Value	<u><u>\$2,361,336</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 \$97.2 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 \$4.7 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>
<b>Governmental Funds:</b>					
General	\$554,720	\$124,608	\$1	(\$176,854)	\$502,475
Highway	31,396	3,630	27	(4,250)	30,803
Federal	-	102,605	-	(30,032)	72,573
Other Special Revenue	11,278	77,401	5,510	(10,783)	83,406
Other Governmental Funds	-	39	-	-	39
Total Governmental Funds	597,394	308,283	5,538	(221,919)	689,296
Allowance for Uncollectibles	(133,019)	(88,900)	-		
Net Receivables	<u>\$464,375</u>	<u>\$219,383</u>	<u>\$5,538</u>		<u>\$689,296</u>
<b>Proprietary Funds:</b>					
Employment Security	\$ -	\$50,641	\$ -	(\$19,175)	\$31,466
Nonmajor Enterprise	-	26,304	-	(1,074)	25,230
Internal Service	-	463	-	-	463
Total Proprietary Funds	-	77,408	-	(20,249)	57,159
Allowance for Uncollectibles	-	(20,249)	-		
Net Receivables	<u>\$ -</u>	<u>\$ 57,159</u>	<u>\$ -</u>		<u>\$57,159</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	\$692	\$ -	\$31,145	(\$6,018)	\$25,819
Maine Community College System	17,326	-	-	(1,186)	16,140
Maine Health and Educational Facilities Authority	676	1,145,111	-	(427)	1,145,360
Maine Municipal Bond Bank	877	-	-	-	877
Maine State Housing Authority	28,146	1,418,484	364	(11,273)	1,435,721
Maine Turnpike Authority	3,555	-	-	-	3,555
University of Maine System	56,600	-	41,585	(6,505)	91,680

**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, 2012 were:

<b>Interfund Receivables</b> (Expressed in Thousands)					
<b>Due to Other Funds</b>					
<b><u>Due from Other Funds</u></b>	<b><u>General</u></b>	<b><u>Highway</u></b>	<b><u>Federal</u></b>	<b><u>Other Special Revenue</u></b>	<b><u>Other Governmental</u></b>
General	\$ -	\$ -	\$ 1,348	\$ -	\$ -
Highway	1	1	7,171	-	-
Federal	16	1	106	1,292	-
Other Special Revenue	119,924	85	143	140	19
Other Governmental	214	-	-	-	-
Employment Security	-	-	24	-	-
Non-Major Enterprise	143	124	1	2	-
Internal Service	8,592	2,969	3,632	3,249	-
Fiduciary	30,195	-	-	-	-
<b>Total</b>	<b>\$ 159,085</b>	<b>\$ 3,180</b>	<b>\$ 12,425</b>	<b>\$ 4,683</b>	<b>\$ 19</b>

<b><u>Due from Other Funds</u></b>	<b><u>Employment Security</u></b>	<b><u>Non-Major Enterprise</u></b>	<b><u>Internal Service</u></b>	<b><u>Fiduciary</u></b>	<b><u>Total</u></b>
General	\$ -	\$ 4,989	\$ 5,479	\$ 2,647	\$ 14,463
Highway	-	-	-	-	7,173
Federal	-	-	-	-	1,415
Other Special Revenue	-	9	30	-	120,350
Other Governmental	-	-	-	-	214
Employment Security	-	-	-	-	24
Non-Major Enterprise	-	-	-	-	270
Internal Service	-	241	777	8	19,468
Fiduciary	-	-	-	-	30,195
<b>Total</b>	<b>\$ -</b>	<b>\$ 5,239</b>	<b>\$ 6,286</b>	<b>\$ 2,655</b>	<b>\$ 193,572</b>

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.

Included in the Due to/Due from other funds is \$15 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. Additionally, \$91 million due to the Other Special Revenue Fund from the General Fund relates to the interfund borrowing authorized in Public Law 2011, Chapter 655, Part DDD-1.



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 2012, the State of Maine, in accordance with the legislatively authorized budget, recorded the following non-routine, nonrecurring transfers.

The Dirigo Health Fund transferred \$10.5 million to the Department of Health and Human Services, Other Special Revenue Fund.

Interfund transfers for the year ended June 30, 2012, 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	\$ -	\$ -	\$ 4,810	\$ 73,745	\$ -
Highway	1,979	-	25,011	1,803	-
Federal	2,120	-	-	15,627	-
Other Special Revenue	171,895	5,300	9,984	-	2,549
Other Governmental Funds	32,927	-	-	-	1,522
Employment Security	-	-	-	-	-
Non-Major Enterprise	3,197	3,949	70	356	-
Internal Service	4,709	705	2,769	237	-
Fiduciary	-	-	-	1	671
<b>Total</b>	<b>\$ 216,827</b>	<b>\$ 9,954</b>	<b>\$ 42,644</b>	<b>\$ 91,769</b>	<b>\$ 4,742</b>

<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	\$ -	\$ 53,817	\$ 2,350	\$ -	\$ 134,722
Highway	-	-	535	-	29,328
Federal	1,420	-	509	-	19,676
Other Special Revenue	-	17,262	180	790	207,960
Other Governmental Funds	-	-	-	-	34,449
Employment Security	-	-	-	-	-
Non-Major Enterprise	-	-	141	-	7,713
Internal Service	-	185	616	-	9,221
Fiduciary	-	-	-	-	672
<b>Total</b>	<b>\$ 1,420</b>	<b>\$ 71,264</b>	<b>\$ 4,331</b>	<b>\$ 790</b>	<b>\$ 443,741</b>

**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, 2012:

<b>Primary Government – Capital Assets</b>				
(Expressed in Thousands)				
	<b>Beginning Balance (Restated)</b>	<b>Increases and Other Additions</b>	<b>Decreases and Other Deletions</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 488,197	\$ 9,996	\$ 300	\$ 497,893
Construction in progress	119,419	36,198	107,144	48,473
Infrastructure	<u>3,814,466</u>	<u>204,500</u>	<u>-</u>	<u>4,018,966</u>
Total capital assets not being depreciated	4,422,082	250,694	107,444	4,565,332
Capital assets being depreciated:				
Buildings	592,943	49,745	16,487	626,201
Equipment	255,915	19,679	19,966	255,628
Improvements other than buildings	19,796	1,051	4	20,843
Software	<u>9</u>	<u>58,720</u>	<u>-</u>	<u>58,729</u>
Total capital assets being depreciated	<u>868,663</u>	<u>129,195</u>	<u>36,457</u>	<u>961,401</u>
Less accumulated depreciation for:				
Buildings	239,590	19,723	9,592	249,721
Equipment	175,869	16,206	19,248	172,827
Improvements other than buildings	12,951	1,108	1	14,058
Software	<u>4</u>	<u>4,625</u>	<u>-</u>	<u>4,629</u>
Total accumulated depreciation	<u>428,414</u>	<u>41,662</u>	<u>28,841</u>	<u>441,235</u>
Total capital assets being depreciated, net	<u>440,249</u>	<u>87,533</u>	<u>7,616</u>	<u>520,166</u>
Governmental Activities Capital Assets, net	<u>\$ 4,862,331</u>	<u>\$ 338,227</u>	<u>\$ 115,060</u>	<u>\$ 5,085,498</u>
	<b>Beginning Balance</b>	<b>Net Additions</b>	<b>Net Deletions</b>	<b>Ending Balance</b>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 58,888	\$ -	\$ -	\$ 58,888
Construction in progress	32,024	7,109	20,578	18,555
Total capital assets not being depreciated	<u>90,912</u>	<u>7,109</u>	<u>20,578</u>	<u>77,443</u>
Capital assets being depreciated:				
Buildings	9,449	-	-	9,449
Equipment	67,037	18,815	4,960	80,892
Improvements other than buildings	<u>63,342</u>	<u>11,547</u>	<u>-</u>	<u>74,889</u>
Total capital assets being depreciated	<u>139,828</u>	<u>30,362</u>	<u>4,960</u>	<u>165,230</u>
Less accumulated depreciation for:				
Buildings	5,920	251	-	6,171
Equipment	49,603	5,863	2,763	52,703
Improvements other than buildings	<u>28,860</u>	<u>2,176</u>	<u>-</u>	<u>31,036</u>
Total accumulated depreciation	<u>84,383</u>	<u>8,290</u>	<u>2,763</u>	<u>89,910</u>
Total capital assets being depreciated, net	<u>55,445</u>	<u>22,072</u>	<u>2,197</u>	<u>75,320</u>
Business-Type Activities Capital Assets, net	<u>\$ 146,357</u>	<u>\$ 29,181</u>	<u>\$ 22,775</u>	<u>\$ 152,763</u>

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>
<b>Governmental Activities:</b>	
Arts, Heritage and Cultural Enrichment	\$ 16
Business Licensing and Regulation	429
Economic Development and Workforce Training	1,180
Education	621
Governmental Support and Operations	5,829
Health and Human Services	8,161
Justice and Protection	10,835
Natural Resources Development and Protection	3,156
Transportation Safety and Development	11,435
Total Depreciation Expense – Governmental Activities	<u>\$ 41,662</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 293 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, 2012 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, 2012, there were 57 employers participating in these plans. The 817 participants individually direct the \$16.5 million in net 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, 2012:

	State Employees and Teachers Plan	Consolidated Plan for PLD
Active vested and nonvested members	39,594	10,800
Terminated vested participants	6,378	1,220
Retirees and benefit recipients	<u>30,689</u>	<u>7,719</u>
Total	<u>76,661</u>	<u>19,739</u>
Number of participating employers/sponsors	1	293

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. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. 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; and, 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, 2012, 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	8,939,788	11,605,891	2,666,103	77.0%	1,727,667	154.3%
PLD's	2,136,653	2,405,708	269,055	88.8%	476,244	56.5%

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, 2012	June 30, 2012
Actuarial cost method	Entry age	Entry age
Version	Individual	Individual
Amortization method	Level percent closed	Level dollar open
Remaining amortization period	16	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%	3.50% - 9.50%
Includes inflation at	3.50%	3.50%
Cost of living adjustments	2.55%	3.12%
Most recent review of plan experience:	2011	2011
Former actuarial assumptions:		
Version of actuarial cost method	New entrant	New entrant
Retirement assumption	lowered to reflect the closing of the retirement window for early retiree health coverage	

<sup>1</sup> 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 5 years remained at June 30, 2012.

#### **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 2012, no amount was owed.

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 2012 for participating entities:

<u>State</u>		
Employees	1	7.65 - 8.65%
Employer	1	23.47 - 101.26%
<u>Teachers</u>		
Employees		7.65%
Employer		23.94%
<u>Participating Local Entities</u>		
Employees	1	3.0 - 8.0%
Employer	1	2.4 - 10.2%

<sup>1</sup> 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	\$	252,830
Interest on net pension obligation		147
Adjustment to annual required contribution		(165)
Annual pension cost		<u>252,812</u>
Contributions made		<u>252,830</u>
Increase (decrease) in net pension obligation		(18)
Net pension obligation beginning of year		<u>2,028</u>
Net pension obligation end of year	\$	<u><u>2,010</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>
2012	\$ 252,812	100.01%	\$ 2,010
2011	328,127	101.77%	2,028
2010	318,171	103.47%	7,845

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	12,419	28,375	741	63
Retirees	9,587	9,520	80	13
Total	<u>22,006</u>	<u>37,895</u>	<u>821</u>	<u>76</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 two 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 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)		
	<b>State Employees</b>	<b>Teachers</b>	<b>First Responders</b>
Annual required contribution	\$ 126,000	\$ 55,000	\$ 1,350
Interest on net OPEB obligation	2,000	6,000	114
Adjustment to annual required contribution	<u>(5,000)</u>	<u>(12,000)</u>	<u>(210)</u>
Annual OPEB cost	123,000	49,000	1,254
Contributions made	<u>73,000</u>	<u>22,000</u>	<u>434</u>
Increase (decrease) in net healthcare obligation	50,000	27,000	820
Net healthcare obligation beginning of year	<u>42,228</u>	<u>146,956</u>	<u>2,838</u>
Net healthcare obligation end of year	<u>\$ 92,228</u>	<u>\$ 173,956</u>	<u>\$ 3,658</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 Obligation</u>
State Employees	6/30/2012	123,000	59.35%	92,228
	6/30/2011	119,000	71.43%	42,228
	6/30/2010	92,000	59.78%	8,228
Teachers	6/30/2012	49,000	44.90%	173,956
	6/30/2011	58,000	31.03%	146,956
	6/30/2010	56,000	33.93%	106,956
First Responders	6/30/2012	1,254	34.61%	3,658
	6/30/2011	845	61.89%	2,838
	6/30/2010	1,051	35.01%	2,516

**FUNDED STATUS AND FUNDING PROGRESS**

The funded status of the plans as of June 30, 2012 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, 2012	136	1,316	1,180	10.33%	502	235.06%
	June 30, 2011	112	1,544	1,432	7.25%	567	252.56%
	June 30, 2010	103	1,450	1,347	7.10%	549	245.36%
Teachers (in millions)	June 30, 2012	0	665	665	0.00%	1,156	57.53%
	June 30, 2011	0	801	801	0.00%	1,098	72.95%
	June 30, 2010	0	994	994	0.00%	1,064	93.42%
First Responders (in thousands)	June 30, 2011	0	21,921	21,921	0.00%	42,242	51.89%
	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%

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	June 30, 2012	June 30, 2012	June 30, 2011
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	25	25	26
Plan changes	30-year fixed <sup>1</sup>	30-year fixed <sup>1</sup>	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	4.00%
Projected salary increases	3.25%	3.25%	3.00%
Inflation rate	3.00%	3.00%	3.00%
Healthcare inflation rate	initial - actual premiums <sup>2</sup> ultimate 5.00%	initial - actual premiums <sup>2</sup> ultimate 5.00%	8.50% ultimate 5.00%
Former actuarial assumptions:			
Investment rate of return			4.50%
Projected salary increases			3.75%
Inflation rate			3.75%
Healthcare inflation rate			8.00%

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

<sup>2</sup> 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 293 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, 2012 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

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 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)

	<u>State Employees</u>	<u>Teachers</u>
Annual required contribution	\$ 3,250	\$ 2,959
Interest on net OPEB obligation	(111)	-
Adjustment to annual required contribution	85	-
Annual OPEB cost	3,224	2,959
Contributions made	4,684	2,959
Increase (decrease) in net healthcare obligation	(1,460)	-
Net healthcare (asset) obligation beginning of year	(300)	-
Net healthcare (asset) obligation end of year	<u>\$ (1,760)</u>	<u>\$ -</u>

The State's OPEB cost, percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation 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>
State Employees	6/30/2012	3,224	145.29%	(1,760)
	6/30/2011	4,268	89.22%	(300)
	6/30/2010	4,383	89.98%	(761)
Teachers	6/30/2012	2,959	100.00%	-
	6/30/2011	2,532	100.00%	-
	6/30/2010	2,417	100.00%	-

**FUNDED STATUS AND FUNDING PROGRESS**

The funded status of the plan as of June 30, 2012 was as follows:

<u>Plan</u>	<u>Actuarial Valuation Date</u>	(Expressed in Thousands)					
		<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Liability (AAL)</u>	<u>(b-a) Unfunded AAL (UAAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>(b-a)/c UAAL (as a percentage of covered payroll)</u>
State Employees	June 30, 2012	24,700	80,900	56,200	30.53%	553,500	10.15%
	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%
Teachers	June 30, 2012	30,100	71,000	40,900	42.39%	630,800	6.48%
	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%

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, 2012
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	3.25%
Inflation rate	3.50%
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:	
Projected salary increases	3.50% - 10.50%

**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 and landfill closure and postclosure care costs.

**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 2012 were:

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

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Debt:					
General Fund	\$ 378,880	\$ 49,265	\$ 81,055	\$ 347,090	\$ 85,595
Special Revenue Fund	141,350	-	16,385	124,965	16,735
Total	<u>\$ 520,230</u>	<u>\$ 49,265</u>	<u>\$ 97,440</u>	<u>\$ 472,055</u>	<u>\$ 102,330</u>

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2012 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>
2013	\$ 102,330	\$ 18,076	\$ 120,406
2014	83,480	14,704	98,184
2015	69,650	11,886	81,536
2016	54,340	9,411	63,751
2017	49,105	7,102	56,207
2018 - 2022	113,150	10,611	123,761
Total	<u>\$ 472,055</u>	<u>\$ 71,790</u>	<u>\$ 543,845</u>

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2012 are as follows:

**Primary Government – General Obligation Bonds Outstanding**

(Expressed in Thousands)

	<u>Amounts</u> <u>Issued</u>	<u>Outstanding</u> <u>June 30, 2012</u>	<u>Fiscal Year</u> <u>Maturities</u>		<u>Interest</u> <u>Rates</u>
			<u>First</u> <u>Year</u>	<u>Last</u> <u>Year</u>	
General Fund:					
Series 2003	\$ 97,080	\$ 9,705	2003	2013	1.50% - 5.00%
Series 2004	117,275	19,560	2005	2014	2.00% - 5.27%
Series 2005	137,525	45,925	2006	2015	2.00% - 5.27%
Series 2006	52,390	20,945	2007	2016	4.00% - 5.51%
Series 2007	33,975	16,975	2008	2017	4.00% - 5.50%
Series 2008	46,525	27,905	2009	2018	3.00% - 5.13%
Series 2009	96,035	60,960	2011	2019	2.50% - 5.00%
Series 2010	31,755	23,055	2011	2020	1.41% - 4.00%
Series 2011	86,010	72,795	2012	2021	1.625% - 5.00%
Series 2012	49,265	49,265	2013	2022	1.00% - 5.00%
Total General Fund		<u>\$ 347,090</u>			
Special Revenue Fund:					
Series 2004	\$ 13,000	\$ 2,175	2005	2014	2.00% - 4.00%
Series 2007	27,000	13,500	2008	2017	4.00% - 5.50%
Series 2008	57,550	34,530	2009	2018	3.00% - 5.13%
Series 2009	37,310	32,375	2011	2019	2.50% - 5.00%
Series 2010	25,080	22,475	2011	2020	1.41% - 4.00%
Series 2011	22,125	19,910	2012	2021	1.625% - 5.00%
Total Special Revenue		<u>\$ 124,965</u>			

**AUTHORIZED UNISSUED BONDS**

Any bonds not issued within five years of the date of ratification may not be issued after that date. Within two years after expiration of the five-year period, the Legislature may extend, by a majority vote, the five-year period for an additional five years or may deauthorize the bonds. If the Legislature fails to take action within those two years, the bond issue shall be considered to be deauthorized and no further bonds may be issued. At June 30, 2012, general obligations bonds authorized and unissued totaled \$40.8 million.

**REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY**

The State included \$187.9 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, 2012, MGFA issued Series 2011A Bonds, which totaled \$33.0 million at an interest rate between 3.00 percent and 4.25 percent. At June 30, 2012, there were approximately \$3.2 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 did not issue or retire Bond Anticipation Notes during fiscal year 2012. Short term obligations are used to meet temporary operating cash flow needs. At June 30, 2012 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, pollution remediation landfill closure and postclosure care costs.

Changes in other long-term obligations for governmental and business-type activities for the fiscal year ended June 30, 2012, are summarized as follows:

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

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities:</b>					
MGFA Revenue Bonds	\$ 172,150	\$ 33,000	\$ 17,285	\$ 187,865	\$ 18,245
COP's and Other Financing	71,830	7,171	26,904	52,097	26,323
Compensated Absences	46,443	156	4,545	42,054	4,430
Claims Payable	62,869	202,872	201,418	64,323	25,767
Capital Leases	33,690	1,386	5,298	29,778	5,324
Loans Payable to Component					
Unit	290,919	58,726	21,514	328,131	24,085
Net Pension Obligation	2,028	252,812	252,830	2,010	-
Other Post-Employment					
Benefit Obligation	190,622	168,962	92,879	266,705	-
Pollution Remediation and Landfill	47,037 *		18,157	28,880	-
Total Governmental Activities	<u>\$ 917,588</u> *	<u>\$ 725,085</u>	<u>\$ 640,830</u>	<u>\$ 1,001,843</u>	<u>\$ 104,174</u>
* as restated					
<b>Business-Type Activities:</b>					
Compensated Absences	\$ 883	\$ 765	\$ 59	\$ 1,589	\$ 109
Other Post-Employment					
Benefit Obligation	1,400	4,292	2,555	3,137	-
Total Business-Type Activities	<u>\$ 2,283</u>	<u>\$ 5,057</u>	<u>\$ 2,614</u>	<u>\$ 4,726</u>	<u>\$ 109</u>

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2012 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>
2013	\$ 11,417	\$ 35	\$ 11,452	\$ 33,151	\$ 8,605	\$ 41,756
2014	1,157	18	1,175	29,337	7,452	36,789
2015	570	3	573	23,908	6,467	30,375
2016	-	-	-	21,876	5,571	27,447
2017	-	-	-	19,351	4,717	24,068
2018 - 2022	-	-	-	59,675	13,696	73,371
2023 - 2027	-	-	-	23,235	6,149	29,384
2028 - 2031	-	-	-	16,285	1,498	17,783
Total	<u>\$ 13,144</u>	<u>\$ 56</u>	<u>\$ 13,200</u>	<u>\$ 226,818</u>	<u>\$ 54,155</u>	<u>\$ 280,973</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 2012 were:

**Primary Government - Changes in GARVEE and TransCap Loans Payable**  
(Expressed in Thousands)

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>	<u>Due Within</u> <u>One Year</u>
Loans Payable to Component Unit:					
Federal Funds	\$ 119,346	\$ -	\$ 11,095	\$ 108,251	\$ 12,291
Special Revenue Fund	171,573	58,726	10,419	219,880	11,794
Total	<u>\$ 290,919</u>	<u>\$ 58,726</u>	<u>\$ 21,514</u>	<u>\$ 328,131</u>	<u>\$ 24,085</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, 2012 are as follows:

**GARVEE and TransCap Revenue Bonds Outstanding**

(Expressed in Thousands)

	<u>Amounts</u> <u>Issued</u>	<u>Outstanding</u> <u>June 30, 2012</u>	<u>Fiscal Year Maturities</u>		<u>Interest</u> <u>Rates</u>
			<u>First</u> <u>Year</u>	<u>Last</u> <u>Year</u>	
Federal Funds:					
Series 2004	\$ 48,395	\$ 20,005	2005	2015	2.50% - 5.00%
Series 2008	50,000	39,400	2009	2020	3.25% - 4.00%
Series 2010A	25,915	23,340	2011	2017	2.00% - 5.00%
Series 2010B	24,085	24,085	2018	2022	4.52% - 5.32%
Total Federal Funds		<u>\$ 106,830</u>			
Special Revenue Fund:					
Series 2008	\$ 50,000	\$ 42,800	2009	2023	3.00% - 5.50%
Series 2009A	105,000	93,405	2010	2023	2.50% - 5.00%
Series 2009B	30,000	28,350	2010	2024	2.00% - 5.00%
Series 2011A	55,000	55,000	2012	2026	2.00% - 5.00%
Total Special Revenue		<u>\$ 219,555</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 2012 were \$207 million. Current year payments to MMBB for GARVEE bonds were \$15.1 million (7.3 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 principal and interest requirements over the life of the 2011A TransCap Revenue Bond are \$84.2 million, with annual requirements up to \$20.3 million. Total revenue received for revenue sources used as pledged revenues were \$38.2 million in fiscal year 2012.

**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, 2012 capital assets include \$66.2 million of capitalized buildings in the internal service funds, net of related accumulated depreciation of \$40.7 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 \$2.4 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)**

<b>Fiscal Year</b>	<b>Capital Leases</b>	<b>Operating Leases</b>
2013	\$ 5,324	\$ 5,811
2014	4,656	5,414
2015	4,248	5,032
2016	3,734	4,439
2017	3,370	3,943
2018 - 2022	11,052	13,387
2023 - 2027	3,130	5,887
2028 - 2032	2	775
2033 - 2037	-	764
2038 - 2042	-	852
2043- 2047	-	762
2048 - 2051	-	892
Total Minimum Payments	35,516	\$ 47,958
Less: Amount Representing Interest	5,738	
Present Value of Future Minimum Payments	\$ 29,778	

#### **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 the 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, 2012 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%	1,513	2012 – 2025
Maine Community College System	3.0 - 5.0%	24,653	2012 - 2037
Maine Health and Higher Educational Facilities Authority			
debt	1.25 - 6.2%	1,263,465	2012 - 2040
conduit debt	3.42 - 7.5%	483,872	2012 - 2043
Maine Municipal Bond Bank	.7 - 6.1%	1,571,017	2012 – 2040
Maine State Housing Authority	0.1 - 5.75%	1,454,710	2012 – 2042
Maine Turnpike Authority	3.0 - 6.0%	397,056	2012 – 2038
University of Maine System	2.0 - 5.75%	190,617	2012 – 2037

On January 31, 2012, MHHEFA issued \$27.7 million general resolution tax-exempt bonds with an average interest rate of 3.56 percent. A portion of the proceeds was used to in-substance defease \$13.0 million in outstanding various bond obligations in prior years. The net proceeds of approximately \$13.7 million were used to purchase U.S. Government securities that will provide for future payment on the debt. The economic benefits associated with the refunding inure to the respective institutions. At June 30, 2012, there were approximately \$13.3 million of in-substance defeased bonds remaining outstanding with respect to advance refunded conduit debt of bond issues of the general resolution.

In periods of declining interest rates, MHHEFA has refunded its bond obligations, reducing aggregate debt service. The proceeds of the refunding bonds were principally used to purchase U.S. Government securities that will provide for future payment on the debt. During the current year, MHHEFA issued \$119.6 million of reserve resolution bonds with interest rates of 4.36 to 4.60 percent to in-substance defease \$127.1 million of various outstanding bonds. The net proceeds of \$129.8 million were used to purchase U.S. Government securities that will provide for future payment on the debt. The economic benefits associated with the refunding inure to the



respective institutions. At June 30, 2012 the remaining balances of the conduit debt reserve resolution in-substance defeased bonds total approximately \$141.2.

On February 23, 2012, UMS issued bonds to currently refund a \$30.0 million balloon payment and to fund a new capital project. Refunding proceeds were temporarily placed into an escrow account and were used to retire the 2002 bonds on March 1, 2012.

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. During the current year, MMBB issued \$26.1 million of General Tax-Exempt Bonds with an average interest rate of 3.90 percent; \$61.1 million of General Tax Exempt Series 2012 B and C Series Bonds with average interest rates of 4.85 percent and 1.58 percent, respectively; and \$17.8 million of Sewer and Water bonds with an average interest rate of 3.80 percent to in-substance defease \$105.9 million of various outstanding bonds. Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of approximately \$9.5 million, MMBB in effect reduced its aggregate debt service payments by approximately \$10.3 million over the next 13 to 21 years and obtained an economic gain of approximately \$6.5 million. Future debt service requirements were reduced \$6.1 million. At June 30, 2012 the remaining balances of the General Tax-Exempt Fund Group and Clean Water Revolving Loan Fund in-substance defeased bonds total approximately \$177.3 million and \$17.8 million, respectively.

For the period ended December 31, 2011, MSHA redeemed \$122.3 million of its Mortgage Purchase Fund Group bonds from reserve funds, mortgage prepayments, surplus revenues and the proceeds of refunding bonds and \$6.3 million of its Housing Finance Revenue Fund Group bonds from subsidy funds. Mortgage Purchase Fund losses of \$.5 million and Housing Finance Revenue Fund Group losses of \$42 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>MTA</u>	<u>UMS</u>	<u>MHHEFA</u>
2013	\$ 806	\$ 130,516	\$ 600	\$ 9,905	\$ 13,855	\$ 9,743	\$ 55,450
2014	57	123,199	622	45,860	15,560	10,167	56,845
2015	57	119,515	649	52,130	17,470	12,259	58,725
2016	57	112,832	671	54,035	18,275	8,697	53,840
2017	58	106,569	697	50,760	19,090	9,099	54,515
2018 - 2022	301	474,819	3,946	295,835	81,145	45,507	281,475
2023 - 2027	177	332,450	4,967	304,420	83,450	37,740	265,340
2028 - 2032	-	130,141	6,061	278,015	91,220	39,360	230,400
2033 - 2037	-	7,520	5,692	245,420	35,965	14,450	165,050
2038 - 2042	-	2,415	-	129,955	10,345	-	41,825
2043 - 2047	-	-	-	1,055	-	-	-
Net unamortized premium or (deferred amount)	-	31,041	668	(12,680)	10,681	3,595	-
Total Principal Payments	<u>\$ 1,513</u>	<u>\$ 1,571,017</u>	<u>\$ 24,573</u>	<u>\$ 1,454,710</u>	<u>\$ 397,056</u>	<u>\$ 190,617</u>	<u>\$ 1,263,465</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 * <sup>1</sup>	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 <sup>2</sup>	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.

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

<sup>2</sup> 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, 2012. 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, 2012 and 2011, the present value of the claims payable for the State's self-insurance plan was estimated at \$3.8 million and \$3.9 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>2012</u>	<u>2011</u>
Liability at Beginning of Year	\$ 3,872	\$ 3,872
Current Year Claims and Changes in Estimates	1,253	86
Claims Payments	1,355	86
Liability at End of Year	\$ 3,770	\$ 3,872

As of June 30, 2012, fund assets of \$24.4 million exceeded fund liabilities of \$4.4 million by \$20 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, 2012.

**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 \$2.2 million for the fiscal year ended June 30, 2012.

**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, 2012:

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

	<u>2012</u>	<u>2011</u>
Liability at Beginning of Year	\$ 39,282	\$ 38,673
Current Year Claims and		
Changes in Estimates	11,468	8,987
Claims Payments	8,637	8,378
Liability at End of Year	\$ 42,113	\$ 39,282

Based on the actuarial calculation as of June 30, 2012, the State is liable for unfunded claims, and incurred but not reported claims, of approximately \$50.3 million. The discounted amount is \$42.1 million and was calculated based on a 3.0 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 38,800 covered individuals. This total includes 27,000 active employees and dependents, 4,400 pre-Medicare retirees and dependents, and 7,400 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, 2012 the State recorded a payable of \$10.8 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 \$18.4 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2012 follows (in thousands):

	<u>Employee Health Fund</u>	<u>Retiree Health Fund</u>
Liability at Beginning of Year	\$ 14,786	\$ 4,929
Current Year Claims and Changes in Estimates	158,537	31,614
Claims Payments	159,493	31,933
Liability at End of Year	<u>\$ 13,830</u>	<u>\$ 4,610</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. \$44.6 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 2012, 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	\$ 22,517
Noncurrent Assets	46,265
Total Assets	<u>\$ 68,782</u>
Current Liabilities	\$ 18,711
Long-term Liabilities	36,459
Total Liabilities	<u>55,170</u>
Designated Prize Reserves	4,346
Reserve for Unrealized Gains	9,266
Total Net Assets	<u>13,612</u>
Total Liabilities and Net Assets	<u>\$ 68,782</u>
Total Revenue	\$ 61,355
Total Expenses	41,134
Allocation to Member States	20,221
Change in Unrealized Gain on Investments Held for Resale	1,008
Change in Net Assets	<u>\$ 1,008</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 2012, 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	\$ 106,685
Investments in US Government Securities	142,712
US Government Securities Held for Prize Annuities	300,465
Due from Party Lotteries	32,358
Other Assets	945
Total Assets	\$ 583,165
Amount Held for Future Prizes	\$ 268,775
Grand Prize Annuities Payable	310,847
Other Liabilities	3,388
	583,010
Net Assets, Unrestricted	155
Total Liabilities and Net Assets	\$ 583,165
Total Revenue	\$ 4,783
Total Expenses	4,869
Excess of revenue over expenses	(86)
Net assets, beginning	241
Net assets, ending	\$ 155

<b>NOTE 14 - RELATED PARTY TRANSACTIONS</b>
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**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. The NextGen had approximately \$6.0 billion in net assets at June 30, 2012, 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, \$237.6 million; Maine Community College System, \$65.6 million; Maine Municipal Bond Bank, \$39.1 million; Finance Authority of Maine, \$12.0 million; and Maine State Housing Authority, \$9.9 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total \$29.9 million at June 30, 2012, 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 2012, the State expended \$2.8 million to FAME for State revolving loan funds. The State also transferred \$1 million from its Loan Insurance Reserves to FAME. State statute required FAME to return \$5 million of the Loan Insurance Reserves. As of June 30, 2012, \$3 million was owed to the State.

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 \$6.8 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.

The Maine Turnpike Authority (MTA) pays the State for services rendered by the Maine State Police (MSP). MSP has a separate troop responsible for patrolling the Maine Turnpike. MTA pays all costs associated with that troop. For fiscal 2012, the amount billed totaled \$4.8 million.

### 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.

*Temporary Assistance for Needy Families (TANF) Program – DHHS.* This matter may result in a reduction of future payments to Maine. This dispute involves whether Maine met its two-parent work participation rate for the federal fiscal year 2007. The U.S. Department of Health and Human Services has assessed a penalty against Maine of just over \$1 million. The federal agency has not required Maine to pay the penalty yet. Maine has submitted a Corrective Action Plan that has resulted in meeting the participation rate by the end of FY 2012, and the federal agency does have the ability to reduce the amount of the 2007 penalty. There is a high probability that Maine can experience this loss, but so far the federal agency has not reduced Maine's payments.



*Food Supplement – DHHS.* The State received from the federal Food and Nutrition Service a “Bill for Collection” in the amount of \$2.8 million, representing an offset applying three performance bonus awards totaling \$2.1 million to an over-issuance claim of \$4.9 million. The State has administratively appealed this claim and should learn the result of our appeal within 30 days. There is a moderate probability that the State will experience this loss.

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, 2012 is \$21.4 million. Superfund sites account for approximately \$12.2 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 and maintenance and long-term monitoring costs.

*Eastern Surplus* – The State recorded a liability for pollution remediation activities of approximately \$5.2 million. Beginning in August of 2012, the State assumed 100 percent of the operation and maintenance and monitoring costs. As of June 30, 2012 the State has received \$2.2 million in recoveries from the Department of Defense. The State expects to recover additional costs of \$3.5 million.

*Callahan Mine* – The State recorded a liability for pollution remediation activities of approximately \$5.3 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 \$792 thousand) related to three of five uncontrolled hazardous substance sites. The State expects to recover \$860

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**

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

The State will recognize a portion of the estimated total current cost of closure and postclosure care as an expense and a liability on the Statement of Activities and Statement of Net Assets, respectively, in each period that the landfill accepts solid waste. The \$7.4 million reported as landfill closure and postclosure care liability at June 30, 2012, represents the cumulative amount reported to date based on the use of 94% of the estimated capacity of the landfill. The State will recognize the remaining estimated cost of closure and postclosure care of \$465 thousand as the remaining estimated capacity is filled. Based on estimated annual disposal volumes of 5,000 cubic yard to 8,000 cubic yards per year, the estimated remaining landfill life would be 38 to 60 years. Actual costs may be higher due to inflation, changes in technology or changes in applicable laws or regulations.

*Cost-Sharing Program*– 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 \$100 thousand for fiscal year 2012.

During the 2012 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. Recent changes to landfill legislation Title 38 MRSA §1310-F (1-B)(E) do obligate DEP to potential landfill closure expenses at a limited number of municipal landfills until 2015. No reimbursement applications for past closure costs are currently on file. No eligible municipalities have contacted DEP regarding potential closure cost sharing at this time. The DEP estimates that potential obligations related to municipal landfill closures could range from \$1.14 million to \$5.25 million by 2015.

During the 2012 fiscal year, the State expended \$85 thousand of general obligation bond funds and \$15 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 \$935 thousand,

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 could add to these future costs. 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 \$18.6 million. This consists of approximately \$12.6 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 2012 fiscal year, \$4.12 million of general obligation bond funds were expended for pollution abatement projects. As of June 30, 2012, amounts encumbered for pollution abatement projects totaled \$1.29 million; and general obligation bonds authorized for these projects, but not yet encumbered or expended, totaled \$2.05 million. As of June 30, 2012, 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 46.60 percent of the annual payments. As of June 30, 2012, outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled \$1.1 billion.

At June 30, 2012, the Department of Transportation had contractual commitments of approximately \$147.0 million for construction of various highway projects. The State's share of that amount is expected to be approximately \$31.8 million. Of these amounts, \$8.3 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. 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 PMs 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 2012, Maine received a total of \$51 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, 2012, the Fund included \$3.9 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2012 of approximately \$178.4 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, 2012, the amount reported in the Fund for claimant liability is \$34.6 million. The General Fund shows a \$30.2 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, 2012, loans outstanding pursuant to these authorizations are \$60.9 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, 2012.

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, 2012, 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, 2012.

### 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:

<b>Moral Obligation Bonds</b>				
(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	\$ 1,263,465	\$ 105,711	no limit	22 MRSA § 2075
conduit debt	483,872		no limit	22 MRSA § 2075
Finance Authority of Maine	35,026	-	\$ 642,000	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	1,201,387	142,437	no limit	30-A MRSA §6006
Maine Educational Loan Authority *	161,790	16,042	225,000	20-A MRSA §11424
Maine State Housing Authority	1,467,390	90,087	2,150,000	30-A MRSA §4906
University of Maine System	189,135	2,870	220,000	20-A MRSA §10952
Total	\$ 4,802,065	\$ 357,147		

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

**CONSTRUCTION CONTRACTS**

At June 30, 2012, UMS had outstanding commitments on uncompleted construction contracts that totaled \$14.6 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, 2011 Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately \$52.2 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2011, single-family loans being processed by lenders totaled \$7.4 million.

**INSURED LOAN COMMITMENTS**

The Finance Authority of Maine (FAME) insures loans made by financial institutions to qualifying businesses under various insurance programs. FAME is contingently liable for the insured portion of payments due on these loans. At June 30, 2012, FAME had insurance outstanding for commercial loans under the Loan Insurance Program totaling approximately \$83.4 million. At June 30, 2012, FAME was insuring loans with an aggregate outstanding principle balance approximating \$4.9 million which were 90 or more days delinquent. The aggregate insured balance of these loans was approximately \$2.6 million at June 30, 2012. In addition, FAME has entered into commitments to insure loans at some future date. At June 30, 2012, these commitments under the Loan Insurance Program were approximately \$13.0 million.

**NOTE 16 - SUBSEQUENT EVENTS**

**COMPONENT UNITS**

In January 2012, MSHA was awarded \$.5 million as part of a settlement in connection with an investigation by the United States Securities and Exchange Commission (SEC) into the bidding practices involving investment bond proceeds by a banking and financial services company. Proceeds from this settlement are to be distributed within 60 days of the final order. MSHA received \$1.4 million in 2011 as part of a similar SEC investigation and settlement with a different banking and financial services company.

On March 1, 2012 MSHA communicated to the Trustee its intention to redeem on April 10, 2012 at par \$44.0 million of bonds in the General Mortgage Purchase Bond Resolution.

Until June 30, 2012, the NextGen College Investing Plan is reported as a private purpose trust for the State. Pursuant to a change in Maine law which became effective September 28, 2011, beginning July 1, 2012, the 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. Once the law becomes effective, FAME will report the \$6.0 billion in assets in a private purpose trust fund.



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**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

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Required Supplementary Information - Budgetary Reporting

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

Fiscal Year Ended June 30, 2012  
(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
<b>Revenues</b>								
Taxes	\$ 2,829,762	\$ 2,865,232	\$ 2,900,672	\$ 35,440	\$ 220,061	\$ 218,089	\$ 219,474	\$ 1,385
Assessments and Other	102,673	101,488	102,887	1,399	87,823	88,027	88,957	930
Federal Grants	3,351	3,337	3,377	40	-	-	-	-
Service Charges	49,680	51,537	49,008	(2,529)	6,162	4,301	6,126	1,825
Income from Investments	258	107	403	296	32	122	141	19
Miscellaneous Revenue	41,969	47,726	15,203	(32,523)	192	131	693	562
<b>Total Revenues</b>	<u>3,027,693</u>	<u>3,069,427</u>	<u>3,071,550</u>	<u>2,123</u>	<u>314,270</u>	<u>310,670</u>	<u>315,391</u>	<u>4,721</u>
<b>Expenditures</b>								
Governmental Support and Operations	266,302	264,583	259,280	5,303	36,430	36,851	33,545	3,306
Economic Development & Workforce Training	34,722	34,666	33,529	1,137	-	-	-	-
Education	1,379,042	1,385,470	1,365,933	19,537	-	-	-	-
Health and Human Services	1,030,347	1,130,724	1,103,849	26,875	-	-	-	-
Business Licensing & Regulation	-	-	-	-	-	-	-	-
Natural Resources Development & Protection	68,727	68,528	65,763	2,765	33	33	33	-
Justice and Protection	276,970	280,632	261,702	18,930	31,106	30,845	28,634	2,211
Arts, Heritage & Cultural Enrichment	7,457	7,463	7,068	395	-	-	-	-
Transportation Safety & Development	-	-	-	-	253,379	300,621	274,829	25,792
<b>Total Expenditures</b>	<u>3,063,567</u>	<u>3,172,066</u>	<u>3,097,124</u>	<u>74,942</u>	<u>320,948</u>	<u>368,350</u>	<u>337,041</u>	<u>31,309</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(35,874)</u>	<u>(102,639)</u>	<u>(25,574)</u>	<u>77,065</u>	<u>(6,678)</u>	<u>(57,680)</u>	<u>(21,650)</u>	<u>36,030</u>
<b>Other Financing Sources (Uses)</b>								
Operating Transfers Net	(82,189)	(79,407)	49,044	128,451	(3,204)	(998)	19,374	20,372
Proceeds from Pledged Future Revenues	-	-	-	-	-	-	-	-
<b>Net Other Financing Sources (Uses)</b>	<u>(82,189)</u>	<u>(79,407)</u>	<u>49,044</u>	<u>128,451</u>	<u>(3,204)</u>	<u>(998)</u>	<u>19,374</u>	<u>20,372</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>\$ (118,063)</u>	<u>\$ (182,046)</u>	<u>\$ 23,470</u>	<u>\$ 205,516</u>	<u>\$ (9,882)</u>	<u>\$ (58,678)</u>	<u>\$ (2,276)</u>	<u>\$ 56,402</u>
Fund Balances at Beginning of Year			196,146				63,377	
Fund Balances at End of Year			<u>\$ 219,616</u>				<u>\$ 61,101</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
\$ -	\$ -	\$ -	\$ -	\$ 269,345	\$ 266,245	\$ 258,819	\$ (7,426)
4	4	1	(3)	163,842	166,651	137,546	(29,105)
2,704,172	3,371,127	2,702,662	(668,465)	17,620	25,286	10,789	(14,497)
504	462	451	(11)	210,494	211,040	188,256	(22,784)
-	-	18	18	1,461	1,460	324	(1,136)
-	-	883	883	144,419	164,735	135,210	(29,525)
<u>2,704,680</u>	<u>3,371,593</u>	<u>2,704,015</u>	<u>(667,578)</u>	<u>807,181</u>	<u>835,417</u>	<u>730,944</u>	<u>(104,473)</u>
10,335	25,428	13,258	12,170	130,548	143,729	132,305	11,424
123,590	270,180	219,550	50,630	77,341	82,152	68,995	13,157
251,711	320,053	221,739	98,314	17,742	17,941	11,864	6,077
1,955,928	2,265,383	1,891,851	373,532	508,669	560,274	423,638	136,636
1,202	1,399	441	958	74,184	73,496	63,526	9,970
60,923	70,075	47,657	22,418	125,104	133,864	83,371	50,493
122,012	134,408	47,869	86,539	38,407	44,946	35,133	9,813
4,106	4,342	3,585	757	1,768	1,756	881	875
188,544	266,487	213,675	52,812	82,502	119,096	86,918	32,178
<u>2,718,351</u>	<u>3,357,755</u>	<u>2,659,625</u>	<u>698,130</u>	<u>1,056,265</u>	<u>1,177,254</u>	<u>906,631</u>	<u>270,623</u>
<u>(13,671)</u>	<u>13,838</u>	<u>44,390</u>	<u>30,552</u>	<u>(249,084)</u>	<u>(341,837)</u>	<u>(175,687)</u>	<u>166,150</u>
(42,711)	(49,129)	(28,374)	20,755	183,163	212,732	28,723	(184,009)
				69,198	103,198	78,148	(25,050)
<u>(42,711)</u>	<u>(49,129)</u>	<u>(28,374)</u>	<u>20,755</u>	<u>252,361</u>	<u>315,930</u>	<u>106,871</u>	<u>(209,059)</u>
<u>\$ (56,382)</u>	<u>\$ (35,291)</u>	<u>\$ 16,016</u>	<u>\$ 51,307</u>	<u>\$ 3,277</u>	<u>\$ (25,907)</u>	<u>\$ (68,816)</u>	<u>\$ (42,909)</u>
		(9,614)				220,454	
		<u>\$ 6,402</u>				<u>\$ 151,638</u>	



# Required Supplementary Information - Budgetary Reporting

## STATE OF MAINE BUDGETARY COMPARISON SCHEDULE BUDGET TO GAAP RECONCILIATION

Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)

	<b>General Fund</b>	<b>Highway Fund</b>	<b>Federal Funds</b>	<b>Special Revenue Fund</b>
Fund Balances - Non-GAAP Budgetary Basis	\$ 219,616	\$ 61,101	\$ 6,402	\$ 151,638
<b>Basis Differences</b>				
Revenue Accruals/Adjustments:				
Taxes Receivable	240,065	5,917	-	9,825
Intergovernmental Receivables	-	-	530,316	-
Other Receivables	35,272	3,575	72,270	64,450
Inventories	1,411	-	483	-
Due from Component Units	3,000	-	-	45,547
Due from Other Funds	14,861	9,074	4,315	239,330
Other Assets	1,552	45	319	657
Deferred Revenues	(235,827)	(8,623)	(2,214)	(25,960)
Total Revenue Accruals/Adjustments	60,334	9,988	605,489	333,849
Expenditure Accruals/Adjustments:				
Accounts Payable	(296,601)	(25,120)	(502,735)	(25,100)
Due to Component Units	(1,409)	1	(4,749)	(2,134)
Accrued Liabilities	(16,746)	(6,673)	(6,315)	(8,050)
Taxes Payable	(167,252)	(8)	-	-
Intergovernmental Payables	(3,792)	-	(70,539)	-
Due to Other Funds	(144,085)	(3,180)	(12,425)	(6,953)
Total Expenditure Accruals/Adjustments	(629,885)	(34,980)	(596,763)	(42,237)
Fund Balances - GAAP Basis	\$ (349,935)	\$ 36,109	\$ 15,128	\$ 443,250

## **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 or separate pieces of legislation. For the year ended June 30, 2012, the legislature increased appropriations to the General Fund by \$86.6 million.

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 2012-2013, 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 June 20, 2011, 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, 2012 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.

## 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)
2012	8,939,788	11,605,891	2,666,103	77.0%	1,727,667	154.3%
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%

Major changes in actuarial assumptions include the following:

Valuation date	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2008
Former actuarial assumptions:				
Retirement assumption	Lowered to reflect the closing of the retirement window for early retiree health coverage			
Version of actuarial cost method	New entrant		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. 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, 2012 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 2012 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 5 years remained at June 30, 2012.

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, 2012.

## 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, 2012	136	1,316	1,180	10.33%	502	235.06%
	June 30, 2011	112	1,544	1,432	7.25%	567	252.56%
	June 30, 2010	103	1,450	1,347	7.10%	549	245.36%
Teachers (in millions)	June 30, 2012	0	665	665	0.00%	1,156	57.53%
	June 30, 2011	0	801	801	0.00%	1,098	72.95%
	June 30, 2010	0	994	994	0.00%	1,064	93.42%
First Responders (in thousands)	June 30, 2011	0	21,921	21,921	0.00%	42,242	51.89%
	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%

#### 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, 2012	24,700	80,900	56,200	30.53%	553,500	10.15%
	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%
Teachers	June 30, 2012	30,100	71,000	40,900	42.39%	630,800	6.48%
	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%



**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 - 2012	\$126,000	57.94%	\$55,000	40.00%	\$1,350	32.15%
Healthcare - 2011	120,000	70.84%	61,000	29.51%	916	57.10%
Healthcare - 2010	90,000	61.12%	58,000	32.76%	1,105	33.31%
Group Life - 2012	3,250	144.13%	2,959	100.00%	N/A	N/A
Group Life - 2011	4,268	89.20%	2,532	100.00%	N/A	N/A
Group Life - 2010	4,383	89.98%	2,417	100.00%	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 8,828 highway miles or 17,993 lane miles of roads and 2,963 bridges having a total deck area of 11.8 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
2012	75.4	79.0
2011	74.8	78.0
2010	76.2	79.0

**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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Highways .....	\$ 91.5	\$ 101.4	\$ 68.6	\$ 74.5	\$ 80.0
Bridges .....	13.2	9.3	9.2	1.6	1.6
<b>Total .....</b>	<b><u>\$ 104.7</u></b>	<b><u>\$ 110.7</u></b>	<b><u>\$ 77.8</u></b>	<b><u>\$ 76.1</u></b>	<b><u>\$ 81.6</u></b>

Estimated Preservation Costs (Amounts in millions)					
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Highways .....	\$ 155.0	\$ 86.1	\$ 48.5	\$ 55.8	\$ 97.7
Bridges .....	30.0	7.9	6.5	1.2	2.0
<b>Total .....</b>	<b><u>\$ 185.0</u></b>	<b><u>\$ 94.0</u></b>	<b><u>\$ 55.0</u></b>	<b><u>\$ 57.0</u></b>	<b><u>\$ 99.7</u></b>

**Transportation Bonds**

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 645, PL 2009, \$13.7 million in General fund bonds was spent during FY2012.



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

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

June 30, 2012  
(Expressed in Thousands)

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Permanent Funds</b>	<b>Totals Other Governmental Funds</b>
<b>Assets</b>				
Equity in Treasurer's Cash Pool	\$ 119	\$ -	\$ 1,900	\$ 2,019
Cash and Short-Term Investments	2,190	-	-	2,190
Investments	58,853	-	14,428	73,281
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	-	29,014	-	29,014
Other Receivable	39	-	-	39
Due from Other Funds	214	-	-	214
Due from Component Units	-	116	-	116
Other Assets	30	13	-	43
<b>Total Assets</b>	<b>\$ 61,445</b>	<b>\$ 29,143</b>	<b>\$ 16,328</b>	<b>\$ 106,916</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable	\$ 3,016	\$ 801	\$ -	\$ 3,817
Accrued Payroll	979	-	-	979
Due to Other Funds	-	19	-	19
Due to Component Units	-	1,585	-	1,585
Compensated Absences	350	-	-	350
Deferred Revenue	4	3	-	7
Other Accrued Liabilities	319	-	-	319
<b>Total Liabilities</b>	<b>4,668</b>	<b>2,408</b>	<b>-</b>	<b>7,076</b>
Fund Balances:				
Non-spendable Legal or Contractual	-	-	16,328	16,328
Non-spendable in Form	30	-	-	30
Restricted	59,047	26,735	-	85,782
Unassigned	(2,300)	-	-	(2,300)
<b>Total Fund Balances</b>	<b>56,777</b>	<b>26,735</b>	<b>16,328</b>	<b>99,840</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 61,445</b>	<b>\$ 29,143</b>	<b>\$ 16,328</b>	<b>\$ 106,916</b>

**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, 2012  
(Expressed in Thousands)

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Permanent Funds</b>	<b>Totals Other Governmental Funds</b>
<b>Revenues:</b>				
Charges for Services	\$ 1,388	\$ -	\$ -	\$ 1,388
Investment Income (Loss)	(2,083)	-	1,387	(696)
Miscellaneous Revenue	252	90	-	342
Total Revenues	<u>(443)</u>	<u>90</u>	<u>1,387</u>	<u>1,034</u>
<b>Expenditures:</b>				
Governmental Support & Operations	124	-	-	124
Economic Development & Workforce Training	-	17,206	-	17,206
Education	32,347	9,084	-	41,431
Health and Human Services	-	265	-	265
Natural Resources Development & Protection	-	4,931	-	4,931
Arts, Heritage, and Cultural Enrichment	-	83	-	83
Transportation, Safety & Development	-	1,786	-	1,786
<b>Debt Service:</b>				
Principal Payments	21	-	-	21
Capital Outlay	165	25,564	-	25,729
Total Expenditures	<u>32,657</u>	<u>58,919</u>	<u>-</u>	<u>91,576</u>
Revenue over (under) Expenditures	<u>(33,100)</u>	<u>(58,829)</u>	<u>1,387</u>	<u>(90,542)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from Other Funds	34,449	-	-	34,449
Transfers to Other Funds	(3,972)	(750)	(20)	(4,742)
Other	54	-	-	54
Bonds Issued	-	49,265	-	49,265
Premium on Bonds Issued	-	6,507	-	6,507
Net Other Finance Sources (Uses)	<u>30,531</u>	<u>55,022</u>	<u>(20)</u>	<u>85,533</u>
Net Change in Fund Balances	<u>(2,569)</u>	<u>(3,807)</u>	<u>1,367</u>	<u>(5,009)</u>
Fund Balances at Beginning of Year (as restated)	<u>59,346</u>	<u>30,542</u>	<u>14,961</u>	<u>104,849</u>
Fund Balances at End of Year	<u>\$ 56,777</u>	<u>\$ 26,735</u>	<u>\$ 16,328</u>	<u>\$ 99,840</u>





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# OTHER GOVERNMENTAL FUNDS

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## Special Revenue Funds

Child Development Services System – This Fund, a blended component unit, 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.

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, 2012  
(Expressed in Thousands)

	<u>Child Development Services</u>	<u>Baxter Park</u>	<u>Revenue on Permanent Funds</u>	<u>Totals Special Revenue Funds</u>
<b>Assets</b>				
Equity in Treasurer's Cash Pool	\$ -	\$ -	\$ 119	\$ 119
Cash and Short-Term Investments	2,190	-	-	2,190
Investments	-	58,814	39	58,853
Other Receivable	39	-	-	39
Due from Other Funds	214	-	-	214
Other Assets	30	-	-	30
	<u>2,473</u>	<u>58,814</u>	<u>158</u>	<u>61,445</u>
Total Assets	<u>2,473</u>	<u>58,814</u>	<u>158</u>	<u>61,445</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable	3,016	-	-	3,016
Accrued Payroll	979	-	-	979
Compensated Absences	350	-	-	350
Deferred Revenue	4	-	-	4
Other Accrued Liabilities	319	-	-	319
Total Liabilities	<u>4,668</u>	<u>-</u>	<u>-</u>	<u>4,668</u>
Fund Balances:				
Non-spendable in Form	30	-	-	30
Restricted	75	58,814	158	59,047
Unassigned	(2,300)	-	-	(2,300)
	<u>(2,195)</u>	<u>58,814</u>	<u>158</u>	<u>56,777</u>
Total Fund Balances	<u>(2,195)</u>	<u>58,814</u>	<u>158</u>	<u>56,777</u>
Total Liabilities and Fund Balances	<u>\$ 2,473</u>	<u>\$ 58,814</u>	<u>\$ 158</u>	<u>\$ 61,445</u>

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

Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)

	<u>Child Development Services</u>	<u>Baxter Park</u>	<u>Revenue on Permanent Funds</u>	<u>Totals Special Revenue Funds</u>
<b>Revenues:</b>				
Charges for Services	\$ 1,388	\$ -	\$ -	\$ 1,388
Investment Income (Loss)	2	(2,249)	164	(2,083)
Miscellaneous Revenue	252	-	-	252
Total Revenues	<u>1,642</u>	<u>(2,249)</u>	<u>164</u>	<u>(443)</u>
<b>Expenditures</b>				
Current:				
General Government	-	-	124	124
Education	32,347	-	-	32,347
Debt Service:				
Principal Payments	21	-	-	21
Capital Outlay	165	-	-	165
Total Expenditures	<u>32,533</u>	<u>-</u>	<u>124</u>	<u>32,657</u>
Revenue over (under) Expenditures	<u>(30,891)</u>	<u>(2,249)</u>	<u>40</u>	<u>(33,100)</u>
Other Financing Sources (Uses):				
Transfer from Other Funds	32,927	-	1,522	34,449
Transfer to Other Funds	-	(2,193)	(1,779)	(3,972)
COP's and Other	54	-	-	54
Net Other Finance Sources (Uses)	<u>32,981</u>	<u>(2,193)</u>	<u>(257)</u>	<u>30,531</u>
Net Change in Fund Balances	<u>2,090</u>	<u>(4,442)</u>	<u>(217)</u>	<u>(2,569)</u>
Fund Balances at Beginning of Year (as restated)	<u>(4,285)</u>	<u>63,256</u>	<u>375</u>	<u>59,346</u>
Fund Balances at End of Year	<u>\$ (2,195)</u>	<u>\$ 58,814</u>	<u>\$ 158</u>	<u>\$ 56,777</u>

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

June 30, 2012  
(Expressed in Thousands)

	<b>General Bond Fund</b>
<b>Assets</b>	
Restricted Assets:	
Restricted Equity in Treasurer's Cash Pool	\$ 29,014
Due from Component Units	116
Other Assets	13
Total Assets	\$ 29,143
<b>Liabilities and Fund Balances</b>	
Liabilities:	
Accounts Payable	\$ 801
Due to Other Funds	19
Due to Component Units	1,585
Deferred Revenue	3
Total Liabilities	2,408
Fund Balances:	
Restricted	26,735
Total Fund Balances	26,735
Total Liabilities and Fund Balances	\$ 29,143

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

Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)

	<b>General Bond Fund</b>
<b>Revenues:</b>	
Miscellaneous Revenue	\$ 90
Total Revenues	90
<b>Expenditures</b>	
Current:	
Economic Development & Workforce Training	17,206
Education	9,084
Health and Human Services	265
Natural Resources Development & Protection	4,931
Arts, Heritage & Cultural Enrichment	83
Transportation, Safety & Development	1,786
Capital Outlay	25,564
Total Expenditures	58,919
Revenue over (under) Expenditures	(58,829)
Other Financing Sources (Uses):	
Transfers to Other Funds	(750)
Bonds Issued	49,265
Premium on Bonds Issued	6,507
Net Other Finance Sources (Uses)	55,022
Net Change in Fund Balances	(3,807)
Fund Balances at Beginning of Year	30,542
Fund Balances at End of Year	\$ 26,735

**STATE OF MAINE**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR PERMANENT FUNDS**

June 30, 2012  
(Expressed in Thousands)

	<u>Baxter Trust</u>	<u>Other Trusts</u>	<u>Totals Permanent Funds</u>
<b>Assets</b>			
Equity in Treasurer's Cash Pool	\$ -	\$ 1,900	\$ 1,900
Investments	5,209	9,219	14,428
Total Assets	<u>\$ 5,209</u>	<u>\$ 11,119</u>	<u>\$ 16,328</u>
<b>Fund Balances</b>			
Non-spendable Legal or Contractual	<u>\$ 5,209</u>	<u>\$ 11,119</u>	<u>\$ 16,328</u>

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

Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)

	<u>Baxter Trust</u>	<u>Other Trusts</u>	<u>Totals Permanent Funds</u>
Revenues:			
Investment Income (Loss)	\$ (255)	\$ 1,642	\$ 1,387
Total Revenues	<u>(255)</u>	<u>1,642</u>	<u>1,387</u>
Expenditures			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) Expenditures	<u>(255)</u>	<u>1,642</u>	<u>1,387</u>
Transfers to Other Funds	<u>-</u>	<u>(20)</u>	<u>(20)</u>
Net Other Finance Sources (Uses)	<u>-</u>	<u>(20)</u>	<u>(20)</u>
Net Change in Fund Balances	<u>(255)</u>	<u>1,622</u>	<u>1,367</u>
Fund Balances at Beginning of Year	<u>5,464</u>	<u>9,497</u>	<u>14,961</u>
Fund Balances at End of Year	<u>\$ 5,209</u>	<u>\$ 11,119</u>	<u>\$ 16,328</u>



**STATE OF MAINE**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND EXPENDITURES BY AGENCY**

Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Department of Administrative and Financial Services</b>			
Administrative Services	\$ 13,917	\$ 13,317	\$ 600
Financial Services	102,936	102,365	571
Human Resources	1,919	1,851	68
Purchasing	668	613	55
Bureau of Information Services	11,109	11,109	(0)
State Employee Health Commission	799	780	19
	<u>131,348</u>	<u>130,035</u>	<u>1,313</u>
<b>Department of Agriculture</b>	<u>6,001</u>	<u>5,495</u>	<u>506</u>
<b>Attorney General</b>	<u>13,966</u>	<u>13,343</u>	<u>623</u>
<b>Department of Audit</b>	<u>1,233</u>	<u>1,160</u>	<u>73</u>
<b>Department of Corrections</b>			
Corrections	50,333	43,371	6,962
Maine State Prison	35,639	32,571	3,068
Maine Correctional Center	22,859	21,956	903
Downeast Correctional Facility	5,739	5,413	326
Charleston Correctional Facility	17,552	16,409	1,143
Long Creek Youth Development Center	15,315	13,669	1,646
	<u>147,437</u>	<u>133,389</u>	<u>14,048</u>
<b>Department of Conservation</b>	<u>22,425</u>	<u>21,492</u>	<u>933</u>
<b>Department of Economic and Community Development</b>	<u>11,993</u>	<u>11,141</u>	<u>852</u>
<b>Department of Environmental Protection</b>	<u>7,484</u>	<u>7,097</u>	<u>387</u>
<b>Department of Human Services</b>			
Human Services	836,250	820,811	15,439
Behavioral and Developmental Services	254,238	245,174	9,064
Riverview Psychiatric Center	13,393	12,646	747
Dorothea Dix Psychiatric Center	10,823	9,462	1,361
Office of Substance Abuse	15,769	15,505	264
	<u>1,130,473</u>	<u>1,103,598</u>	<u>26,875</u>
<b>Department of Labor</b>			
Labor	10,535	10,353	182
Labor Relations Board	456	425	31
	<u>10,991</u>	<u>10,778</u>	<u>213</u>
<b>Defense, Veterans and Emergency Management</b>	<u>7,125</u>	<u>6,305</u>	<u>820</u>
<b>Department of Education</b>			
Education	1,114,634	1,097,688	16,946
Education - Unorganized Territory	11,997	9,412	2,585
	<u>1,126,631</u>	<u>1,107,100</u>	<u>19,531</u>
<b>General Government</b>			
Office of the Governor	2,927	2,629	298
State Planning	1,327	1,228	99
Ombudsman Program	128	128	(0)
	<u>4,381</u>	<u>3,985</u>	<u>396</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Department of Inland Fisheries and Wildlife</b>	\$ 23,310	\$ 22,726	\$ 584
<b>Judicial Department</b>	55,208	53,956	1,252
<b>Legislative Department</b>			
Legislative	22,990	20,305	2,685
Law and Legislative Reference Library	1,485	1,264	221
Statehouse Preservation and Maintenance	1,100	996	104
Program Evaluation and Government Accountability	791	673	118
	<u>26,366</u>	<u>23,238</u>	<u>3,128</u>
<b>Department of Marine Resources</b>	9,186	8,830	356
<b>Department of Public Safety</b>	31,413	29,377	2,036
<b>Secretary of State</b>			
Secretary of State	2,597	2,411	186
Archives Services	741	706	35
	<u>3,338</u>	<u>3,117</u>	<u>221</u>
<b>Treasurer of State</b>	97,009	96,784	225
<b>Other Agencies</b>			
Museum	1,484	1,421	63
Maine State Cultural Affairs Council	58	41	17
Maine Historic Preservation Commission	282	277	5
Library	2,875	2,746	129
Maine Humanities Council	55	55	0
Finance Authority of Maine	11,073	11,073	0
Centers for Innovation	122	122	0
Com. On Governmental Ethics and Election Practices	130	126	4
Maine Indian Tribal State Council	85	85	-
Board of Property Tax Review	87	73	14
Maine Municipal Bond Bank	72	72	(0)
Maine State Retirement System	606	606	0
Human Rights Commission	514	500	14
Saco River Corridor Commission	49	49	(0)
NE International Water Pollution Control Commission	8	8	0
Downeast Institute Appl Marine	13	13	0
Atlantic States Marine Fisheries Commission	29	29	0
St. Croix International Waterway	23	23	(0)
Maine Public Broadcasting Corporation	1,954	1,954	0
Maine State Housing Authority	378	378	0
Board of Education	99	99	(0)
Maine Historical Society	47	47	(0)
Foundation for Blood Research	54	54	0
Pine Tree Legal	264	264	0
Maine Community College System	54,441	54,441	(0)
Maine Maritime Academy	8,612	8,612	(0)
University of Maine	195,677	195,677	(0)
Arts and Humanities Administration	709	526	183
Disability Rights Center	131	131	(0)
Maine Hospice Counsel	66	66	(0)
Maine Development Foundation	36	36	(0)
State Board of Corrections	12,650	12,595	55
Commission on Indigent Legal Services	12,055	11,973	82
State Charter School Commission	10	6	4
	<u>304,748</u>	<u>304,178</u>	<u>570</u>
<b>Grand Total</b>	\$ 3,172,066	\$ 3,097,124	\$ 74,942



**STATE OF MAINE**  
**BUDGETARY COMPARISON SCHEDULE**  
**HIGHWAY FUND EXPENDITURES BY AGENCY**

Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><i>Department of Administrative and Financial Services</i></b>			
Administrative Services	\$ 2,723	\$ 2,655	\$ 68
Financial Services	1,058	983	75
	<u>3,781</u>	<u>3,638</u>	<u>143</u>
<b><i>Department of Environmental Protection</i></b>			
	<u>33</u>	<u>33</u>	<u>-</u>
<b><i>Legislative Department</i></b>			
Legislative	<u>13</u>	<u>1</u>	<u>12</u>
<b><i>Department of Transportation</i></b>			
Transportation	300,017	274,225	25,792
Rail/Van Pool	604	604	-
	<u>300,621</u>	<u>274,829</u>	<u>25,792</u>
<b><i>Department of Public Safety</i></b>			
	<u>30,845</u>	<u>28,634</u>	<u>2,211</u>
<b><i>Secretary of State</i></b>			
Motor Vehicles	<u>33,057</u>	<u>29,906</u>	<u>3,151</u>
<b><i>Grand Total</i></b>	<b><u>\$ 368,350</u></b>	<b><u>\$ 337,041</u></b>	<b><u>\$ 31,309</u></b>

**STATE OF MAINE**  
**BUDGETARY COMPARISON SCHEDULE**  
**FEDERAL FUND EXPENDITURES BY AGENCY**

Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Department of Administrative and Financial Services</b>			
Bureau of Information Services	\$ 150	\$ 102	\$ 48
Financial Services	15	3	12
Financial and Personnel Services	497	494	3
State Employee Health Commission	8	-	8
	<u>670</u>	<u>599</u>	<u>71</u>
<b>Department of Agriculture</b>	<u>6,794</u>	<u>4,859</u>	<u>1,935</u>
<b>Attorney General</b>	<u>2,345</u>	<u>1,669</u>	<u>676</u>
<b>Department of Corrections</b>			
Corrections	4,429	1,106	3,323
Maine State Prison	20	-	20
Maine Correctional Center	77	38	39
Downeast Correctional Facility	48	-	48
Charleston Correctional Facility	225	109	116
Long Creek Youth Development Center	160	3	157
	<u>4,959</u>	<u>1,256</u>	<u>3,703</u>
<b>Department of Conservation</b>	<u>17,778</u>	<u>13,029</u>	<u>4,749</u>
<b>Department of Economic and Community Development</b>	<u>36,730</u>	<u>17,624</u>	<u>19,106</u>
<b>Department of Environmental Protection</b>	<u>21,463</u>	<u>13,490</u>	<u>7,973</u>
<b>Department of Human Services</b>			
Human Services	2,216,526	1,872,771	343,755
Behavioral and Developmental Services	16,192	9,715	6,477
Office of Substance Abuse	14,356	7,423	6,933
	<u>2,247,074</u>	<u>1,889,909</u>	<u>357,165</u>
<b>Department of Labor</b>	<u>233,450</u>	<u>201,926</u>	<u>31,524</u>
<b>Department of Transportation</b>			
Transportation	237,508	198,815	38,693
Air Transportation	7,063	1,757	5,306
Ferry Service/Ports and Marine	11,125	10,258	867
Rail/Van Pool	10,790	2,844	7,946
	<u>266,486</u>	<u>213,674</u>	<u>52,812</u>
<b>Defense, Veterans and Emergency Management</b>	<u>108,543</u>	<u>33,451</u>	<u>75,092</u>
<b>Department of Education</b>			
Education	317,081	218,861	98,220
Education - Unorganized Territory	463	384	79
	<u>317,544</u>	<u>219,245</u>	<u>98,299</u>
<b>General Government</b>			
Office of the Governor	11,399	6,795	4,604
State Planning	7,637	4,318	3,319
Ombudsman Program	62	62	-
	<u>19,098</u>	<u>11,175</u>	<u>7,923</u>
<b>Department of Inland Fisheries and Wildlife</b>	<u>14,377</u>	<u>8,601</u>	<u>5,776</u>
<b>Judicial Department</b>	<u>3,496</u>	<u>2,850</u>	<u>646</u>
<b>Department of Marine Resources</b>	<u>9,662</u>	<u>7,678</u>	<u>1,984</u>
<b>Department of Professional and Financial Regulation</b>			
Professional and Financial Regulation	999	126	873
Board of Nursing	134	124	10
	<u>1,133</u>	<u>250</u>	<u>883</u>
<b>Department of Public Safety</b>	<u>14,638</u>	<u>8,287</u>	<u>6,351</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Public Utilities Commission</b>	\$ 266	\$ 191	\$ 75
<b>Secretary of State</b>			
Secretary of State	3,923	777	3,146
Motor Vehicles	1,331	351	980
Archives Services	110	60	50
	<u>5,364</u>	<u>1,188</u>	<u>4,176</u>
<b>Treasurer of State</b>	<u>296</u>	<u>296</u>	<u>-</u>
<b>Other Agencies</b>			
Arts and Humanities Administration	1,041	915	126
Human Rights Commission	427	355	72
Library	2,386	2,049	337
Maine Health Data Organization	50	50	-
Maine Historic Preservation Commission	786	622	164
Museum	131	-	131
University of Maine	211	211	-
Maine Maritime Academy	1,023	1,023	-
Maine Community College System	1,276	1,260	16
Dirigo Health	<u>18,258</u>	<u>1,893</u>	<u>16,365</u>
	<u>25,589</u>	<u>8,378</u>	<u>17,211</u>
<b>Grand Total</b>	\$ <u>3,357,755</u>	\$ <u>2,659,625</u>	\$ <u>698,130</u>

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

Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Department of Administrative and Financial Services</b>			
Administrative Services	\$ 9,677	\$ 4,449	\$ 5,228
Financial Services	25,352	23,331	2,021
Human Resources	256	-	256
Financial and Personnel Services	30	-	30
State Employee Health Commission	75	-	75
Purchasing	4	1	3
	<u>35,394</u>	<u>27,781</u>	<u>7,613</u>
<b>Department of Agriculture</b>	<u>36,176</u>	<u>24,095</u>	<u>12,081</u>
<b>Attorney General</b>	<u>12,806</u>	<u>11,199</u>	<u>1,607</u>
<b>Department of Audit</b>	<u>1,809</u>	<u>1,709</u>	<u>100</u>
<b>Department of Corrections</b>			
Corrections	1,030	255	775
Maine State Prison	116	86	30
Maine Correctional Center	619	463	156
Downeast Correctional Facility	97	42	55
Charleston Correctional Facility	332	105	227
Long Creek Youth Development Center	86	22	64
	<u>2,280</u>	<u>973</u>	<u>1,307</u>
<b>Department of Conservation</b>	<u>25,109</u>	<u>15,859</u>	<u>9,250</u>
<b>Department of Economic and Community Development</b>	<u>13,491</u>	<u>9,167</u>	<u>4,324</u>
<b>Department of Environmental Protection</b>			
Environmental Protection	<u>54,818</u>	<u>31,398</u>	<u>23,420</u>
<b>Department of Human Services</b>			
Human Services	489,247	361,554	127,693
Behavioral and Developmental Services	26,372	24,417	1,955
Riverview Psychiatric Center	20,534	18,144	2,390
Dorothea Dix Psychiatric Center	16,317	12,700	3,617
Office of Substance Abuse	4,386	3,908	478
	<u>556,856</u>	<u>420,723</u>	<u>136,133</u>
<b>Department of Labor</b>			
Labor	9,593	7,407	2,186
Labor Relations Board	89	63	26
	<u>9,682</u>	<u>7,470</u>	<u>2,212</u>
<b>Department of Transportation</b>			
Transportation	117,862	85,787	32,075
Air Transportation	100	40	60
Rail/Van Pool	1,134	1,091	43
	<u>119,096</u>	<u>86,918</u>	<u>32,178</u>
<b>Defense, Veterans and Emergency Management</b>	<u>2,506</u>	<u>1,151</u>	<u>1,355</u>
<b>Department of Education</b>			
Education	14,222	8,469	5,753
Education - Unorganized Territory	8	-	8
	<u>14,230</u>	<u>8,469</u>	<u>5,761</u>
<b>General Government</b>			
Office of the Governor	6	-	6
State Planning	4,218	2,092	2,126
Public Advocate	1,851	1,519	332
	<u>6,075</u>	<u>3,611</u>	<u>2,464</u>
<b>Department of Inland Fisheries and Wildlife</b>	<u>7,025</u>	<u>4,132</u>	<u>2,893</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Judicial Department</b>	\$ 4,436	\$ 3,728	\$ 708
<b>Legislative Department</b>			
Legislative	11	3	8
<b>Department of Marine Resources</b>	7,053	4,516	2,537
<b>Department of Professional and Financial Regulation</b>			
Professional and Financial Regulation	26,134	20,828	5,306
Board of Dental Examiners	383	301	82
Board of Nursing	1,024	905	119
Board of Optometry	62	60	2
Board of Osteopathic Examination and Registration	263	263	-
Board of Professional Engineers	237	211	26
Board of Registration in Medicine	1,608	1,425	183
	<u>29,711</u>	<u>23,993</u>	<u>5,718</u>
<b>Department of Public Safety</b>	17,283	13,600	3,683
<b>Public Utilities Commission</b>	17,772	15,037	2,735
<b>Secretary of State</b>			
Secretary of State	411	307	104
Motor Vehicles	1,148	934	214
Archives Services	18	3	15
	<u>1,577</u>	<u>1,244</u>	<u>333</u>
<b>Treasurer of State</b>	97,022	96,876	146
<b>Other Agencies</b>			
Arts and Humanities Administration	102	30	72
Baxter State Park Authority	3,548	3,321	227
Board of Property Tax Review	3	-	3
Board of Water System Operators	92	8	84
Com. On Governmental Ethics and Election Practices	3,691	2,568	1,123
Commission on Indigent Legal Services	692	637	55
Dirigo Health	1,162	1,162	-
Finance Authority of Maine	5,363	3,182	2,181
Harness Racing Promotion Board	189	89	100
Human Rights Commission	6	3	3
Library	690	391	299
Lobster Promotion Council	436	380	56
Maine Community College System	1,694	1,447	247
Maine Health Data Organization	2,208	1,720	488
Maine Historic Preservation Commission	573	303	270
Maine Potato Board	1,418	786	632
Maine State Cultural Affairs Council	65	-	65
Maine State Housing Authority	11,501	8,366	3,135
Maine Children's Trust Incorporated	48	32	16
Museum	326	157	169
Saco River Corridor Commission	43	43	-
University of Maine	2,017	1,948	69
Worker's Compensation Board	10,015	9,074	941
Wild Blueberry Commission of Maine	1,595	1,364	231
Maine Municipal Bond Bank	38,478	38,223	255
Maine Efficiency Trust	14,145	13,903	242
State Board of Correction	4,936	3,842	1,094
	<u>105,036</u>	<u>92,979</u>	<u>12,057</u>
<b>Grand Total</b>	\$ 1,177,254	\$ 906,631	\$ 270,623





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# NON-MAJOR ENTERPRISE FUNDS

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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, 2012  
(Expressed in Thousands)

	<u>Lottery</u>	<u>Alcoholic Beverages</u>	<u>Maine Military Authority</u>	<u>Seed Potato</u>
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ -	\$ -	\$ -	\$ 1
Cash and Short-Term Investments	750	-	-	-
Inventories	-	-	1,586	-
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	19,349	-	1,856	-
Due from Other Funds	-	-	-	-
Other Current Assets	92	-	26	-
Total Current Assets	<u>20,191</u>	<u>-</u>	<u>3,468</u>	<u>1</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	-	-	-
Capital Assets - Net of Depreciation	-	-	5,615	-
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>5,615</u>	<u>-</u>
<b>Total Assets</b>	<u>20,191</u>	<u>-</u>	<u>9,083</u>	<u>1</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	820	-	46	-
Accrued Payroll	94	-	790	-
Due to Other Funds	4,886	1	190	1
Current Portion of Long-Term Obligations:				
Compensated Absences	7	-	62	-
Deferred Revenue	290	12,500	-	-
Other Accrued Liabilities	13,525	-	-	-
Total Current Liabilities	<u>19,622</u>	<u>12,501</u>	<u>1,088</u>	<u>1</u>
Long-Term Liabilities:				
Deferred Revenue	-	12,500	-	-
Compensated Absences	91	-	850	-
Other Post-Employment Benefit Obligation	166	-	1,776	-
Total Long-Term Liabilities	<u>257</u>	<u>12,500</u>	<u>2,626</u>	<u>-</u>
<b>Total Liabilities</b>	<u>19,879</u>	<u>25,001</u>	<u>3,714</u>	<u>1</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	-	-	5,615	-
Unrestricted	312	(25,001)	(246)	-
<b>Total Net Assets</b>	<u>\$ 312</u>	<u>\$ (25,001)</u>	<u>\$ 5,369</u>	<u>\$ -</u>

							<u>Totals</u>
<u>Marine Ports</u>	<u>Ferry Service</u>	<u>Prison Industries</u>	<u>Dirigo Health</u>	<u>Transit, Aviation, &amp; Rail Transportation</u>	<u>Consolidated Emergency Communications Fund</u>	<u>Other Enterprise Funds</u>	
\$ 40	\$ 1,014	\$ 155	\$ 9,419	\$ 4,660	\$ 1,337	\$ 16,626	
-	3	3	-	-	-	756	
-	288	623	-	-	-	2,497	
-	125	47	3,403	447	3	25,230	
-	5	-	-	-	265	270	
-	-	-	1,757	-	-	1,875	
<u>40</u>	<u>1,435</u>	<u>828</u>	<u>14,579</u>	<u>5,107</u>	<u>1,605</u>	<u>47,254</u>	
17	416	64	3,875	1,916	550	6,838	
12,668	38,032	-	-	96,413	35	152,763	
<u>12,685</u>	<u>38,448</u>	<u>64</u>	<u>3,875</u>	<u>98,329</u>	<u>585</u>	<u>159,601</u>	
12,725	39,883	892	18,454	103,436	2,190	206,855	
-	249	39	1,579	-	5	2,738	
-	203	7	54	-	272	1,420	
-	63	30	13	7	48	5,239	
-	22	-	5	-	13	109	
-	-	-	-	-	-	12,790	
-	-	3	-	-	-	13,528	
-	<u>537</u>	<u>79</u>	<u>1,651</u>	<u>7</u>	<u>338</u>	<u>35,824</u>	
-	-	-	-	-	-	12,500	
-	299	5	62	-	173	1,480	
-	537	14	101	24	519	3,137	
-	<u>836</u>	<u>19</u>	<u>163</u>	<u>24</u>	<u>692</u>	<u>17,117</u>	
-	1,373	98	1,814	31	1,030	52,941	
12,668	38,032	-	-	96,413	35	152,763	
57	478	794	16,640	6,992	1,125	1,151	
<u>\$ 12,725</u>	<u>\$ 38,510</u>	<u>\$ 794</u>	<u>\$ 16,640</u>	<u>\$ 103,405</u>	<u>\$ 1,160</u>	<u>\$ 153,914</u>	

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

Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)

	<u>Lottery</u>	<u>Alcoholic Beverages</u>	<u>Maine Military Authority</u>	<u>Seed Potato</u>
<b>Operating Revenues</b>				
Charges for Services	\$ 230,981	\$ 32	\$ 34,561	\$ -
Assessments	-	-	-	-
Miscellaneous Revenues	-	-	546	1
Total Operating Revenues	<u>230,981</u>	<u>32</u>	<u>35,107</u>	<u>1</u>
<b>Operating Expenses</b>				
General Operations	176,837	-	34,531	1
Depreciation	-	-	527	-
Total Operating Expenses	<u>176,837</u>	<u>-</u>	<u>35,058</u>	<u>1</u>
Operating Income (Loss)	<u>54,144</u>	<u>32</u>	<u>49</u>	<u>-</u>
<b>Nonoperating Revenues (Expenses)</b>				
Other Nonoperating Revenues (Expenses)- net	<u>34</u>	<u>12,500</u>	<u>(3)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>34</u>	<u>12,500</u>	<u>(3)</u>	<u>-</u>
Income (Loss) Before Capital Contributions and Transfers	<u>54,178</u>	<u>12,532</u>	<u>46</u>	<u>-</u>
<b>Capital Contributions and Transfers</b>				
Capital Contributions from Other Funds	-	-	-	-
Transfers from Other Funds	-	-	101	1
Transfers to Other Funds	<u>(54,316)</u>	<u>(32)</u>	<u>(133)</u>	<u>(1)</u>
Total Capital Contributions and Transfers In (Out)	<u>(54,316)</u>	<u>(32)</u>	<u>(32)</u>	<u>-</u>
Change in Net Assets	(138)	12,500	14	-
Total Net Assets - Beginning of Year	<u>450</u>	<u>(37,501)</u>	<u>5,355</u>	<u>-</u>
Total Net Assets - End of Year	<u>\$ 312</u>	<u>\$ (25,001)</u>	<u>\$ 5,369</u>	<u>\$ -</u>

						<u>Totals</u>	
<u>Marine Ports</u>	<u>Ferry Service</u>	<u>Prison Industries</u>	<u>Dirigo Health</u>	<u>Transit, Aviation, &amp; Rail Transportation</u>	<u>Consolidated Emergency Communications Fund</u>	<u>Other Enterprise Funds</u>	
\$ 14	\$ 4,682	\$ 1,363	\$ 70,296	\$ 1,984	\$ 4,566	\$ 348,479	
-	-	-	-	1,717	-	1,717	
-	-	-	-	-	-	547	
<u>14</u>	<u>4,682</u>	<u>1,363</u>	<u>70,296</u>	<u>3,701</u>	<u>4,566</u>	<u>350,743</u>	
84	9,077	1,214	56,702	4,305	5,836	288,587	
522	2,231	-	-	5,005	5	8,290	
<u>606</u>	<u>11,308</u>	<u>1,214</u>	<u>56,702</u>	<u>9,310</u>	<u>5,841</u>	<u>296,877</u>	
<u>(592)</u>	<u>(6,626)</u>	<u>149</u>	<u>13,594</u>	<u>(5,609)</u>	<u>(1,275)</u>	<u>53,866</u>	
-	13	1	-	991	-	13,536	
-	13	1	-	991	-	13,536	
<u>(592)</u>	<u>(6,613)</u>	<u>150</u>	<u>13,594</u>	<u>(4,618)</u>	<u>(1,275)</u>	<u>67,402</u>	
4,676	2,888	-	-	2,439	-	10,003	
-	3,968	1	359	3,228	55	7,713	
-	(25)	(46)	(16,688)	(1)	(22)	(71,264)	
<u>4,676</u>	<u>6,831</u>	<u>(45)</u>	<u>(16,329)</u>	<u>5,666</u>	<u>33</u>	<u>(53,548)</u>	
4,084	218	105	(2,735)	1,048	(1,242)	13,854	
<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>	
<u>\$ 12,725</u>	<u>\$ 38,510</u>	<u>\$ 794</u>	<u>\$ 16,640</u>	<u>\$ 103,405</u>	<u>\$ 1,160</u>	<u>\$ 153,914</u>	

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

June 30, 2012  
(Expressed in Thousands)

	Lottery	Alcoholic Beverages	Maine Military Authority	Seed Potato
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 229,873	\$ 32	\$ 37,944	\$ 1
Other Operating Cash Receipts (Payments)				
Payments to Prize Winners	(144,018)	-	-	-
Payments to Suppliers	(30,067)	-	(20,817)	(1)
Payments to Employees	(1,506)	-	(13,889)	-
Net Cash Provided (Used) by Operating Activities	<u>54,282</u>	<u>32</u>	<u>3,238</u>	<u>-</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from Other Funds	-		101	-
Transfers to Other Funds	(54,316)	(32)	(133)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(54,316)</u>	<u>(32)</u>	<u>(32)</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	-	-	(3,203)	-
Proceeds from Sale of Capital Assets	-	-	-	-
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>-</u>	<u>(3,203)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>				
Interest Revenue	34	-	(3)	-
Net Cash Provided (Used) by Investing Activities	<u>34</u>	<u>-</u>	<u>(3)</u>	<u>-</u>
Net Increase (Decrease) in Cash/Cash Equivalents	-	-	-	-
Cash/Cash Equivalents - Beginning of Year	750	-	-	1
Cash/Cash Equivalents - End of Year	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>				
Operating Income (Loss)	\$ 54,144	\$ 32	\$ 49	\$ -
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>				
Depreciation Expense	-	-	527	-
Decrease (Increase) in Assets:				
Accounts Receivable	(1,108)	-	2,837	-
Interfund Balances	1,630	-	(564)	-
Inventories	-	-	(84)	-
Increase (Decrease) in Liabilities:				
Accounts Payable	474	-	(1,545)	-
Accrued Payroll Expenses	33	-	292	-
Change in Compensated Absences	(16)	-	802	-
Other Accruals	(875)	-	924	-
Total Adjustments	<u>138</u>	<u>-</u>	<u>3,189</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 54,282</u>	<u>\$ 32</u>	<u>\$ 3,238</u>	<u>\$ -</u>
<b>Non Cash Investing, Capital and Financing Activities</b>				
Contributed Capital Assets	-	-	-	-
Decrease of Deferred Revenue from the Sale of Liquor Operations	-	12,500	-	-

<u>Marine Ports</u>	<u>Ferry Service</u>	<u>Prison Industries</u>	<u>Dirigo Health</u>	<u>Transit, Aviation, &amp; Rail Transportation</u>	<u>Consolidated Emergency Communications</u>	<u>Totals Other Enterprise Funds</u>
\$ 14	\$ 4,692	\$ 1,355	\$ 68,697	\$ 3,705	\$ 4,833	\$ 351,146
-	-	-	-	-	-	(144,018)
(85)	(4,029)	(1,045)	(53,963)	(4,449)	1,167	(113,289)
-	(4,940)	(127)	(887)	(218)	(4,609)	(26,176)
<u>(71)</u>	<u>(4,277)</u>	<u>183</u>	<u>13,847</u>	<u>(962)</u>	<u>1,391</u>	<u>67,663</u>
-	3,968	1	359	3,228	55	7,712
-	(25)	(46)	(16,688)	(1)	(22)	(71,263)
-	3,943	(45)	(16,329)	3,227	33	(63,551)
-	(13)	-	-	(1,438)	(40)	(4,694)
1	3	-	-	966	-	970
1	(10)	-	-	(472)	(40)	(3,724)
-	10	1	-	25	-	67
-	10	1	-	25	-	67
(70)	(334)	139	(2,482)	1,818	1,384	455
127	1,767	83	15,776	4,758	503	23,765
<u>\$ 57</u>	<u>\$ 1,433</u>	<u>\$ 222</u>	<u>\$ 13,294</u>	<u>\$ 6,576</u>	<u>\$ 1,887</u>	<u>\$ 24,220</u>
<u>\$ (592)</u>	<u>\$ (6,626)</u>	<u>\$ 149</u>	<u>\$ 13,594</u>	<u>\$ (5,609)</u>	<u>\$ (1,275)</u>	<u>\$ 53,866</u>
522	2,231	-	-	5,005	5	8,290
-	10	(8)	(1,599)	4	267	403
-	(169)	9	-	178	2,029	3,113
-	(12)	(14)	-	-	-	(110)
(1)	96	39	1,456	(547)	2	(26)
-	(100)	(2)	21	(6)	98	336
-	(35)	(2)	-	(1)	(41)	707
-	328	12	375	14	306	1,084
<u>521</u>	<u>2,349</u>	<u>34</u>	<u>253</u>	<u>4,647</u>	<u>2,666</u>	<u>13,797</u>
<u>\$ (71)</u>	<u>\$ (4,277)</u>	<u>\$ 183</u>	<u>\$ 13,847</u>	<u>\$ (962)</u>	<u>\$ 1,391</u>	<u>\$ 67,663</u>
4,676	2,888	-	-	2,439	-	10,003
-	-	-	-	-	-	12,500





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# INTERNAL SERVICE FUNDS

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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, 2012  
(Expressed in Thousands)

	Motor Transport Service	Postal Printing & Supply	Information Services	Risk Management
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 5,990	\$ -	\$ 11,412	\$ 16,693
Cash and Short-Term Investments	1	1	-	-
Cash with Fiscal Agent	101	-	2,766	-
Restricted Assets:				
Restricted Deposits and Investments	-	-	-	-
Inventories	3,625	476	21	-
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	29	48	89	109
Due from Other Funds	308	1,856	14,734	307
Other Current Assets	-	146	978	408
Total Current Assets	<u>10,054</u>	<u>2,527</u>	<u>30,000</u>	<u>17,517</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	2,464	-	4,694	6,866
Capital Assets - Net of Depreciation	55,717	4	22,125	-
Total Noncurrent Assets	<u>58,181</u>	<u>4</u>	<u>26,819</u>	<u>6,866</u>
Total Assets	<u>68,235</u>	<u>2,531</u>	<u>56,819</u>	<u>24,383</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	145	83	3,176	1
Accrued Payroll	376	114	2,093	23
Due to Other Funds	103	4,038	200	28
Due to Component Units	-	-	-	-
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	695	-	6,095	-
Revenue Bonds Payable	-	-	-	-
Obligations Under Capital Leases	-	-	-	-
Claims Payable	-	-	-	-
Compensated Absences	31	4	155	2
Deferred Revenue	-	-	-	540
Other Accrued Liabilities	16	-	153	-
Total Current Liabilities	<u>1,366</u>	<u>4,239</u>	<u>11,872</u>	<u>594</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	754	-	7,736	-
Revenue Bonds Payable	-	-	-	-
Obligations Under Capital Leases	-	-	-	-
Claims Payable	-	-	-	3,770
Compensated Absences	427	62	2,134	26
Total Long-Term Liabilities	<u>1,181</u>	<u>173</u>	<u>9,870</u>	<u>3,796</u>
Total Liabilities	<u>2,547</u>	<u>4,412</u>	<u>21,742</u>	<u>4,390</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	54,369	4	18,067	-
Restricted for:				
Other Purposes	-	-	-	-
Unrestricted	11,319	(1,885)	17,010	19,993
Total Net Assets	<u>\$ 65,688</u>	<u>\$ (1,881)</u>	<u>\$ 35,077</u>	<u>\$ 19,993</u>

Workers' Compensation	Central Fleet Management	Leased Space	Revenue Services	Retiree Health Insurance	Employee Health Insurance	Statewide Radio & Network Systems
\$ 19,513	\$ -	\$ 312	\$ 50	\$ 22,528	\$ 32,505	\$ 124
-	1	-	-	-	-	-
-	2,806	-	-	-	-	8,980
-	-	-	-	-	-	-
-	42	-	-	-	-	-
-	30	-	-	-	1	-
639	1,342	128	-	-	-	-
24	-	-	-	-	-	5
<u>20,176</u>	<u>4,221</u>	<u>440</u>	<u>50</u>	<u>22,528</u>	<u>32,506</u>	<u>9,109</u>
8,027	-	128	20	9,266	13,370	51
-	15,196	25,461	-	-	-	21,090
<u>8,027</u>	<u>15,196</u>	<u>25,589</u>	<u>20</u>	<u>9,266</u>	<u>13,370</u>	<u>21,141</u>
<u>28,203</u>	<u>19,417</u>	<u>26,029</u>	<u>70</u>	<u>31,794</u>	<u>45,876</u>	<u>30,250</u>
461	196	111	-	8,787	10,042	-
58	55	15	-	-	45	-
46	1,658	4	-	-	12	-
-	-	-	-	3,725	-	-
-	4,476	-	-	-	-	3,640
-	-	-	-	-	-	-
-	-	5,298	-	-	-	-
7,327	-	-	-	4,610	13,830	-
2	4	1	-	-	2	-
-	-	-	-	-	-	-
-	38	-	-	-	-	-
<u>7,894</u>	<u>6,427</u>	<u>5,429</u>	<u>-</u>	<u>17,122</u>	<u>23,931</u>	<u>3,640</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6,770	-	-	-	-	8,787
-	-	-	-	-	-	-
-	-	24,412	-	-	-	-
34,786	-	-	-	-	-	-
28	49	21	-	-	29	-
<u>34,814</u>	<u>6,819</u>	<u>24,433</u>	<u>-</u>	<u>-</u>	<u>29</u>	<u>8,787</u>
<u>42,708</u>	<u>13,246</u>	<u>29,862</u>	<u>-</u>	<u>17,122</u>	<u>23,960</u>	<u>12,427</u>
-	6,756	(4,249)	-	-	-	17,643
-	-	-	-	-	-	-
<u>(14,505)</u>	<u>(585)</u>	<u>416</u>	<u>70</u>	<u>14,672</u>	<u>21,916</u>	<u>180</u>
<u>\$ (14,505)</u>	<u>\$ 6,171</u>	<u>\$ (3,833)</u>	<u>\$ 70</u>	<u>\$ 14,672</u>	<u>\$ 21,916</u>	<u>\$ 17,823</u>

(continued)

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

June 30, 2012  
(Expressed in Thousands)

	<b>Financial &amp; Personnel Services</b>	<b>Transportation Facilities Fund</b>	<b>Governmental Facilities Authority</b>	<b>Totals Internal Service Funds</b>
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 1,842	\$ 1,737	\$ -	\$ 112,706
Cash and Short-Term Investments	-	-	-	3
Cash with Fiscal Agent	-	-	-	14,653
Restricted Assets:				
Restricted Deposits and Investments	-	-	3,694	3,694
Inventories	-	-	-	4,164
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	-	-	157	463
Due from Other Funds	154	-	-	19,468
Other Current Assets	-	-	-	1,561
Total Current Assets	<u>1,996</u>	<u>1,737</u>	<u>3,851</u>	<u>156,712</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	757	715	-	46,358
Capital Assets - Net of Depreciation	15	16,171	-	155,779
Total Noncurrent Assets	<u>772</u>	<u>16,886</u>	<u>-</u>	<u>202,137</u>
Total Assets	<u>2,768</u>	<u>18,623</u>	<u>3,851</u>	<u>358,849</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	10	27	10	23,049
Accrued Payroll	1,015	-	-	3,794
Due to Other Funds	196	1	-	6,286
Due to Component Units	-	-	-	3,725
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	14,906
Revenue Bonds Payable	-	-	-	-
Obligations Under Capital Leases	-	-	-	5,298
Claims Payable	-	-	-	25,767
Compensated Absences	70	-	-	271
Deferred Revenue	-	-	106	646
Other Accrued Liabilities	-	-	598	805
Total Current Liabilities	<u>1,291</u>	<u>28</u>	<u>714</u>	<u>84,547</u>
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Deferred Revenue	-	-	664	664
Non-Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	24,047
Revenue Bonds Payable	-	-	-	-
Obligations Under Capital Leases	-	-	-	24,412
Claims Payable	-	-	-	38,556
Compensated Absences	962	-	-	3,738
Total Long-Term Liabilities	<u>962</u>	<u>-</u>	<u>664</u>	<u>91,528</u>
Total Liabilities	<u>2,253</u>	<u>28</u>	<u>1,378</u>	<u>176,075</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	15	16,171	-	108,776
Restricted for:				
Other Purposes	-	-	39	39
Unrestricted	500	2,424	2,434	73,959
Total Net Assets	<u>\$ 515</u>	<u>\$ 18,595</u>	<u>\$ 2,473</u>	<u>\$ 182,774</u>



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

Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)

	Motor Transport Service	Postal Printing & Supply	Information Services	Risk Management
<b>Operating Revenues</b>				
Charges for Services	\$ 36,016	\$ 43,734	\$ 72,797	\$ 4,756
Miscellaneous Revenues	-	-	323	1
Total Operating Revenues	<u>36,016</u>	<u>43,734</u>	<u>73,120</u>	<u>4,757</u>
<b>Operating Expenses</b>				
General Operations	23,759	43,710	72,581	2,630
Depreciation	6,871	1	2,068	-
Claims/Fees Expense	-	-	-	1,355
Other Operating Expenses	-	-	-	-
Total Operating Expenses	<u>30,630</u>	<u>43,711</u>	<u>74,649</u>	<u>3,985</u>
Operating Income (Loss)	<u>5,386</u>	<u>23</u>	<u>(1,529)</u>	<u>772</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Revenue (Expense) - net	36	(15)	680	90
Interest Expense	(22)	-	(132)	-
Other Nonoperating Revenues (Expenses) - net	<u>(684)</u>	<u>-</u>	<u>(3)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(670)</u>	<u>(15)</u>	<u>545</u>	<u>90</u>
Income (Loss) Before Capital Contributions and Transfers	<u>4,716</u>	<u>8</u>	<u>(984)</u>	<u>862</u>
<b>Capital Contributions and Transfers</b>				
Capital Contributions from Other Funds	40	-	-	-
Transfers from (to) Other Funds	<u>(15)</u>	<u>(3)</u>	<u>2,725</u>	<u>(1)</u>
Total Capital Contributions and Transfers In (Out)	<u>25</u>	<u>(3)</u>	<u>2,725</u>	<u>(1)</u>
Change in Net Assets	4,741	5	1,741	861
Total Net Assets - Beginning of Year	<u>60,947</u>	<u>(1,886)</u>	<u>33,336</u>	<u>19,132</u>
Total Net Assets - End of Year	<u>\$ 65,688</u>	<u>\$ (1,881)</u>	<u>\$ 35,077</u>	<u>\$ 19,993</u>

<b>Workers' Compensation</b>	<b>Central Fleet Management</b>	<b>Leased Space</b>	<b>Revenue Services</b>	<b>Retiree Health Insurance</b>	<b>Employee Health Insurance</b>	<b>Statewide Radio &amp; Network Systems</b>
\$ 12,688	\$ 12,717	\$ 24,673	\$ 300	\$ 28,081	\$ 140,673	\$ 836
179	47	2	-	-	1	-
<u>12,867</u>	<u>12,764</u>	<u>24,675</u>	<u>300</u>	<u>28,081</u>	<u>140,674</u>	<u>836</u>
6,490	8,987	12,862	-	34,280	144,045	-
-	3,036	4,641	-	-	-	-
11,467	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>17,957</u>	<u>12,023</u>	<u>17,503</u>	<u>-</u>	<u>34,280</u>	<u>144,045</u>	<u>-</u>
(5,090)	741	7,172	300	(6,199)	(3,371)	836
109	(3)	8	1	117	206	5
-	(207)	(6,922)	-	-	-	-
-	(146)	-	-	-	-	-
<u>109</u>	<u>(356)</u>	<u>(6,914)</u>	<u>1</u>	<u>117</u>	<u>206</u>	<u>5</u>
(4,981)	385	258	301	(6,082)	(3,165)	841
-	-	-	-	-	-	847
(1)	(1)	-	(450)	23	(1,385)	4,020
(1)	(1)	-	(450)	23	(1,385)	4,867
(4,982)	384	258	(149)	(6,059)	(4,550)	5,708
(9,523)	5,787	(4,091)	219	20,731	26,466	12,115
<u>\$ (14,505)</u>	<u>\$ 6,171</u>	<u>\$ (3,833)</u>	<u>\$ 70</u>	<u>\$ 14,672</u>	<u>\$ 21,916</u>	<u>\$ 17,823</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, 2012  
(Expressed in Thousands)

	<b>Financial &amp; Personnel Services</b>	<b>Transportation Facilities Fund</b>	<b>Governmental Facilities Authority</b>	<b>Totals Internal Service Funds</b>
<b>Operating Revenues</b>				
Charges for Services	\$ 18,247	\$ 2,038	\$ 300	\$ 397,856
Miscellaneous Revenues	-	-	-	553
Total Operating Revenues	<u>18,247</u>	<u>2,038</u>	<u>300</u>	<u>398,409</u>
<b>Operating Expenses</b>				
General Operations	19,421	1,402	297	370,464
Depreciation	-	3,462	-	20,079
Claims/Fees Expense	-	-	-	12,822
Other Operating Expenses	-	-	755	755
Total Operating Expenses	<u>19,421</u>	<u>4,864</u>	<u>1,052</u>	<u>404,120</u>
Operating Income (Loss)	<u>(1,174)</u>	<u>(2,826)</u>	<u>(752)</u>	<u>(5,711)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Revenue (Expense) - net	-	5	5	1,244
Interest Expense	-	-	-	(7,283)
Other Nonoperating Revenues (Expenses) - net	-	(5,154)	-	(5,987)
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>(5,149)</u>	<u>5</u>	<u>(12,026)</u>
Income (Loss) Before Capital Contributions and Transfers	<u>(1,174)</u>	<u>(7,975)</u>	<u>(747)</u>	<u>(17,737)</u>
<b>Capital Contributions and Transfers</b>				
Capital Contributions from Other Funds	-	530	-	1,417
Transfers from (to) Other Funds	(22)	-	-	4,890
Total Capital Contributions and Transfers In (Out)	<u>(22)</u>	<u>530</u>	<u>-</u>	<u>6,307</u>
Change in Net Assets	(1,196)	(7,445)	(747)	(11,430)
Total Net Assets - Beginning of Year	<u>1,711</u>	<u>26,040</u>	<u>3,220</u>	<u>194,204</u>
Total Net Assets - End of Year	<u>\$ 515</u>	<u>\$ 18,595</u>	<u>\$ 2,473</u>	<u>\$ 182,774</u>



**STATE OF MAINE**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**

June 30, 2012  
(Expressed in Thousands)

	<u>Motor Transport Service</u>	<u>Postal Printing &amp; Supply</u>	<u>Information Services</u>	<u>Risk Management</u>
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 35,270	\$ 43,672	\$ 74,853	\$ 4,540
Other Operating Cash Receipts (Payments)				
Payments to Suppliers	(14,094)	(41,748)	(32,723)	(3,504)
Payments to Employees	(9,953)	(1,906)	(37,647)	(370)
Net Cash Provided (Used) by Operating Activities	<u>11,223</u>	<u>18</u>	<u>4,483</u>	<u>666</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from Other Funds	47	10	2,893	1
Transfers to Other Funds	(62)	(13)	(168)	(2)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(15)</u>	<u>(3)</u>	<u>2,725</u>	<u>(1)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	(11,319)	-	(272)	-
Proceeds From Financing Arrangements	-	-	-	-
Principal and Interest Paid on Financing Arrangements	(352)	-	(5,110)	-
Net Cash Provided (Used) by Capital Financing Activities	<u>(11,671)</u>	<u>-</u>	<u>(5,382)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>				
Interest Revenue	36	(15)	680	90
Net Cash Provided (Used) by Investing Activities	<u>36</u>	<u>(15)</u>	<u>680</u>	<u>90</u>
Net Increase (Decrease) in Cash/Cash Equivalents	(427)	-	2,506	755
Cash/Cash Equivalents - Beginning of Year	8,983	1	16,366	22,804
Cash/Cash Equivalents - End of Year	<u>\$ 8,556</u>	<u>\$ 1</u>	<u>\$ 18,872</u>	<u>\$ 23,559</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>				
Operating Income (Loss)	\$ 5,386	\$ 23	\$ (1,529)	\$ 772
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>				
Depreciation Expense	6,871	1	2,068	-
Decrease (Increase) in Assets:				
Accounts Receivable	(15)	(7)	95	41
Interfund Balances	(36)	24	1,510	(296)
Inventories	(697)	(7)	(4)	-
Other Assets	-	(51)	190	19
Increase (Decrease) in Liabilities:				
Accounts Payable	(44)	13	1,826	(3)
Accrued Payroll Expenses	(201)	47	704	10
Due to Other Governments	-	-	-	-
Change in Compensated Absences	(34)	(25)	(296)	2
Other Accruals	(7)	-	(81)	121
Total Adjustments	<u>5,837</u>	<u>(5)</u>	<u>6,012</u>	<u>(106)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 11,223</u>	<u>\$ 18</u>	<u>\$ 4,483</u>	<u>\$ 666</u>
<b>Non Cash Investing, Capital and Financing Activities</b>				
Property Leased, Accrued, or Acquired	-	-	-	-
Contributed Capital Assets	40	-	-	-

<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 &amp; Network System</u>
\$ 13,053	\$ 12,520	\$ 24,583	\$ 300	\$ 28,081	\$ 140,673	\$ 831
(15,029)	(7,863)	(12,602)	-	(28,191)	(136,875)	(165)
(878)	(912)	(255)	-	-	(826)	-
(2,854)	3,745	11,726	300	(110)	2,972	666
5	5	1	-	23	2,146	4,020
(6)	(6)	(1)	(450)	-	(3,531)	-
(1)	(1)	-	(450)	23	(1,385)	4,020
-	(5,427)	-	-	-	-	(6,837)
-	4,600	-	-	-	-	-
-	(4,190)	(11,669)	-	-	-	(3,522)
-	(5,017)	(11,669)	-	-	-	(10,359)
109	(3)	8	1	117	206	5
109	(3)	8	1	117	206	5
(2,746)	(1,276)	65	(149)	30	1,793	(5,668)
30,286	4,083	375	219	31,764	44,082	14,823
<u>\$ 27,540</u>	<u>\$ 2,807</u>	<u>\$ 440</u>	<u>\$ 70</u>	<u>\$ 31,794</u>	<u>\$ 45,875</u>	<u>\$ 9,155</u>
\$ (5,090)	\$ 741	\$ 7,172	\$ 300	\$ (6,199)	\$ (3,371)	\$ 836
-	3,036	4,641	-	-	-	-
-	18	-	-	-	(1)	-
76	(268)	(93)	-	-	(15)	-
-	(1)	-	-	-	-	-
105	-	-	-	-	-	(5)
(801)	191	1	-	6,295	7,308	-
30	24	6	-	-	16	-
-	-	-	-	-	-	-
(5)	5	(1)	-	-	(9)	-
2,831	(1)	-	-	(206)	(956)	(165)
2,236	3,004	4,554	-	6,089	6,343	(170)
<u>\$ (2,854)</u>	<u>\$ 3,745</u>	<u>\$ 11,726</u>	<u>\$ 300</u>	<u>\$ (110)</u>	<u>\$ 2,972</u>	<u>\$ 666</u>

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(continued)

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

June 30, 2012  
(Expressed in Thousands)

	Financial & Personnel Services	Transportation Facilities Fund	Governmental Facilities Authority	Totals Internal Service Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 18,914	\$ 2,038	\$ 241	\$ 399,569
Other Operating Cash Receipts (Payments)				
Payments to Suppliers	(1,683)	(1,398)	(523)	(296,398)
Payments to Employees	(17,429)	-	-	(70,176)
Net Cash Provided (Used) by Operating Activities	(198)	640	(282)	32,995
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from Other Funds	70	-	-	9,221
Transfers to Other Funds	(92)	-	-	(4,331)
Net Cash Provided (Used) by Noncapital Financing Activities	(22)	-	-	4,890
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	2	-	-	(23,853)
Proceeds From Financing Arrangements	-	-	-	4,600
Principal and Interest Paid on Financing Arrangements	-	-	-	(24,843)
Net Cash Provided (Used) by Capital Financing Activities	2	-	-	(44,096)
<b>Cash Flows from Investing Activities</b>				
Interest Revenue	-	5	5	1,244
Net Cash Provided (Used) by Investing Activities	-	5	5	1,244
Net Increase (Decrease) in Cash/Cash Equivalents	(218)	645	(277)	(4,967)
Cash/Cash Equivalents - Beginning of Year	2,817	1,807	3,971	182,381
Cash/Cash Equivalents - End of Year	\$ 2,599	\$ 2,452	\$ 3,694	\$ 177,414
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>				
Operating Income (Loss)	\$ (1,174)	\$ (2,826)	\$ (752)	\$ (5,711)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>				
Depreciation Expense	-	3,462	-	20,079
Decrease (Increase) in Assets:				
Accounts Receivable	-	-	(67)	64
Interfund Balances	645	1	-	1,548
Inventories	-	-	-	(709)
Other Assets	-	-	8	266
Increase (Decrease) in Liabilities:				
Accounts Payable	(3)	3	2	14,788
Accrued Payroll Expenses	390	-	-	1,026
Due to Other Governments	-	-	(3)	(3)
Change in Compensated Absences	(56)	-	-	(419)
Other Accruals	-	-	530	2,066
Total Adjustments	976	3,466	470	38,706
Net Cash Provided (Used) by Operating Activities	\$ (198)	\$ 640	\$ (282)	\$ 32,995
<b>Non Cash Investing, Capital and Financing Activities</b>				
Property Leased, Accrued, or Acquired	-	-	-	1,401
Contributed Capital Assets	-	530	-	1,417

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# FIDUCIARY FUNDS

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## 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, 2012  
(Expressed in Thousands)

	Defined Benefit Pension Plan	Healthcare OPEB	Group Life Insurance OPEB	Defined Contribution Plans	Total Pension (and Other Employee Benefit) Trusts
<b>Assets</b>					
Cash and Short-Term Investments	\$ 53,405	\$ -	\$ 7,738	\$ 25	\$ 61,168
Receivables, Net of Allowance for Uncollectibles:					
State and Local Agency Contributions	-	6,000	-	-	6,000
Interest and Dividends	4,818	-	-	-	4,818
Due from Brokers for Securities Sold	74,942	-	-	-	74,942
Other	27,453	-	558	64	28,075
Investments at Fair Value:					
Debt Securities	972	-	-	-	972
Equity Securities	3,637,612	-	-	-	3,637,612
Common/Collective Trusts	6,753,251	133,984	68,093	16,433	6,971,761
Securities Lending Collateral	812,174	-	-	-	812,174
Capital Assets - Net of Depreciation	10,459	-	390	-	10,849
Total Assets	<u>11,375,086</u>	<u>139,984</u>	<u>76,779</u>	<u>16,522</u>	<u>11,608,371</u>
<b>Liabilities</b>					
Accounts Payable	5,684	-	31	-	5,715
Obligations Under Securities Lending	812,174	-	-	-	812,174
Other Accrued Liabilities	13,165	87	10,358	5	23,615
Total Liabilities	<u>831,023</u>	<u>87</u>	<u>10,389</u>	<u>5</u>	<u>841,504</u>
<b>Net Assets</b>					
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	<u>10,544,063</u>	<u>139,897</u>	<u>66,390</u>	<u>16,517</u>	<u>10,766,867</u>
Total Net Assets	<u>\$ 10,544,063</u>	<u>\$ 139,897</u>	<u>\$ 66,390</u>	<u>\$ 16,517</u>	<u>\$ 10,766,867</u>

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

Fiscal Year Ended June 30, 2012  
(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	\$ 154,299	\$ -	\$ 4,504	\$ 2,889	\$ 161,692
State and Local Agencies	275,749	72,607	7,006	43	355,405
Investment Income (Loss):					
Net Increase (Decrease) in the Fair Value of Investments	(24,731)	1,001	497	383	(22,850)
Interest and Dividends	100,783	-	-	1	100,784
Securities Lending Income	1,709	-	-	-	1,709
Less Investment Expense:					
Investment Activity Expense	24,201	42	30	65	24,338
Securities Lending Expense	(740)	-	-	-	(740)
Net Investment Income (Loss)	<u>54,300</u>	<u>959</u>	<u>467</u>	<u>319</u>	<u>56,045</u>
Total Additions	<u>484,348</u>	<u>73,566</u>	<u>11,977</u>	<u>3,251</u>	<u>573,142</u>
Deductions:					
Benefits Paid to Participants or Beneficiaries	727,214	66,607	8,197	-	802,018
Refunds and Withdrawals	44,142	-	4	1,055	45,201
Claims Processing Expenses	-	-	722	-	722
Administrative Expenses	9,598	69	314	46	10,027
Total Deductions	<u>780,954</u>	<u>66,676</u>	<u>9,237</u>	<u>1,101</u>	<u>857,968</u>
Net Increase (Decrease)	(296,606)	6,890	2,740	2,150	(284,826)
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:					
Beginning of Year	<u>10,840,669</u>	<u>133,007</u>	<u>63,650</u>	<u>14,367</u>	<u>11,051,693</u>
End of Year	<u>\$ 10,544,063</u>	<u>\$ 139,897</u>	<u>\$ 66,390</u>	<u>\$ 16,517</u>	<u>\$ 10,766,867</u>



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

June 30, 2012  
(Expressed in Thousands)

	Abandoned Property	Revenue on Private Purpose Trusts	Lands Reserved	Permanent School	NextGen College Investing Plan	Total Private Purpose Trusts
<b>Assets</b>						
Equity in Treasurer's Cash Pool	\$ 501	\$ 53	\$ 1,078	\$ -	\$ -	\$ 1,632
Investments at Fair Value:						
Other	-	17	8,872	2,612	-	11,501
Investments Held on Behalf of Others	-	-	-	-	6,013,272	6,013,272
Receivables, Net of Allowance for Uncollectibles:						
Interest and Dividends	-	-	-	-	4,176	4,176
Due from Brokers for Securities Sold	-	-	-	-	12,525	12,525
Due from Other Funds	30,195	-	-	-	-	30,195
Other Assets	3,887	-	-	-	-	3,887
Total Assets	<u>34,583</u>	<u>70</u>	<u>9,950</u>	<u>2,612</u>	<u>6,029,973</u>	<u>6,077,188</u>
<b>Liabilities</b>						
Accounts Payable	69	-	-	-	3,778	3,847
Due to Brokers for Securities Purchased	-	-	-	-	12,525	12,525
Due to Other Funds	6	-	-	-	-	6
Total Liabilities	<u>75</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,303</u>	<u>16,378</u>
<b>Net Assets</b>						
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	<u>34,508</u>	<u>70</u>	<u>9,950</u>	<u>2,612</u>	<u>6,013,670</u>	<u>6,060,810</u>
Total Net Assets	<u>\$ 34,508</u>	<u>\$ 70</u>	<u>\$ 9,950</u>	<u>\$ 2,612</u>	<u>\$ 6,013,670</u>	<u>\$ 6,060,810</u>

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

Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)

	Abandoned Property	Revenue on Private Purpose Trusts	Lands Reserved	Permanent School	NextGen College Investing Plan	Total Private Purpose Trusts
<b>Additions:</b>						
Contributions:						
Members	\$ -	\$ -	\$ -	\$ -	\$ 1,726,338	\$ 1,726,338
Investment Income (Loss):						
Net Increase (Decrease) in the Fair Value of Investments	-	-	(472)	(133)	(217,224)	(217,829)
Capital Gains Distributions from Investments	-	-	-	-	41,162	41,162
Interest and Dividends	21	72	250	34	113,641	114,018
Net Investment Income (Loss)	21	72	(222)	(99)	(62,421)	(62,649)
Miscellaneous Revenues	7,295	-	-	-	-	7,295
Transfers In	-	671	-	-	-	671
Total Additions	7,316	743	(222)	(99)	1,663,917	1,671,655
<b>Deductions:</b>						
Benefits Paid to Participants or Beneficiaries	-	54	-	33	1,587,075	1,587,162
Administrative Expenses	192	-	12	-	45,936	46,140
Transfers Out	-	784	-	-	-	784
Total Deductions	192	838	12	33	1,633,011	1,634,086
Net Increase (Decrease)	7,124	(95)	(234)	(132)	30,906	37,569
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:						
Beginning of Year	27,384	165	10,184	2,744	5,982,764	6,023,241
End of Year	\$ 34,508	\$ 70	\$ 9,950	\$ 2,612	\$ 6,013,670	\$ 6,060,810



**STATE OF MAINE**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**

June 30, 2012  
(Expressed in Thousands)

	<u>Payroll Withholding</u>	<u>Private Trusts</u>	<u>Other Agency</u>	<u>Treasurer's Agency</u>	<u>Total Agency Funds</u>
<b>Assets</b>					
Equity in Treasurer's Cash Pool	\$ -	\$ 8,715	\$ 4,859	\$ -	\$ 13,574
Cash and Short-Term Investments	-	27	-	-	27
Restricted Deposits and Investments	-	-	11	-	11
Investments Held on Behalf of Others	-	68,778	1,402	-	70,180
Other Assets	2,692	551	-	-	3,243
Total Assets	<u>\$ 2,692</u>	<u>\$ 78,071</u>	<u>\$ 6,272</u>	<u>\$ -</u>	<u>\$ 87,035</u>
<b>Liabilities</b>					
Accounts Payable	\$ 1	-	-	-	\$ 1
Agency Liabilities	-	78,071	6,270	-	84,341
Due to Other Funds	2,647	-	2	-	2,649
Other Accrued Liabilities	44	-	-	-	44
Total Liabilities	<u>\$ 2,692</u>	<u>\$ 78,071</u>	<u>\$ 6,272</u>	<u>\$ -</u>	<u>\$ 87,035</u>

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

Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Payroll Withholding</b>				
<b>Assets</b>				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 14	\$ 234,950	\$ 234,964	\$ -
Other Assets	-	2,692	-	2,692
Total Assets	<u>\$ 14</u>	<u>\$ 237,642</u>	<u>\$ 234,964</u>	<u>\$ 2,692</u>
<b>Liabilities</b>				
Accounts Payable & Other Accrued Liabilities Due to Other Funds	\$ 14	\$ 541,538	\$ 541,507	\$ 45
	-	2,647	-	2,647
Total Liabilities	<u>\$ 14</u>	<u>\$ 544,185</u>	<u>\$ 541,507</u>	<u>\$ 2,692</u>
<b>Private Trusts</b>				
<b>Assets</b>				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 5,961	\$ 41,538	\$ 38,757	\$ 8,742
Other Assets	520	65	34	551
Investments Held on Behalf of Others	60,151	32,087	23,460	68,778
Total Assets	<u>\$ 66,632</u>	<u>\$ 73,690</u>	<u>\$ 62,251</u>	<u>\$ 78,071</u>
<b>Liabilities</b>				
Accounts Payable & Other Accrued Liabilities Agency Liabilities	\$ -	\$ 468	\$ 468	\$ -
	66,632	39,530	28,091	78,071
Total Liabilities	<u>\$ 66,632</u>	<u>\$ 39,998</u>	<u>\$ 28,559</u>	<u>\$ 78,071</u>

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Other Agency</b>				
<b>Assets</b>				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 4,792	\$ 10,479	\$ 10,401	\$ 4,870
Investments Held on Behalf of Others	<u>-</u>	<u>1,402</u>	<u>-</u>	<u>1,402</u>
Total Assets	\$ <u><u>4,792</u></u>	\$ <u><u>11,881</u></u>	\$ <u><u>10,401</u></u>	\$ <u><u>6,272</u></u>
<b>Liabilities</b>				
Accounts Payable & Other Accrued Liabilities	\$ 2	\$ 8,505	\$ 8,507	\$ -
Agency Liabilities	<u>4,790</u>	<u>13,972</u>	<u>12,490</u>	<u>6,272</u>
Total Liabilities	\$ <u><u>4,792</u></u>	\$ <u><u>22,477</u></u>	\$ <u><u>20,997</u></u>	\$ <u><u>6,272</u></u>
<b>Treasurer's Agency</b>				
<b>Assets</b>				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ -	\$ 3,288	\$ 3,288	\$ -
Total Assets	\$ <u><u>-</u></u>	\$ <u><u>3,288</u></u>	\$ <u><u>3,288</u></u>	\$ <u><u>-</u></u>
<b>Liabilities</b>				
Agency Liabilities	\$ -	\$ 2,034	\$ 2,034	\$ -
Total Liabilities	\$ <u><u>-</u></u>	\$ <u><u>2,034</u></u>	\$ <u><u>2,034</u></u>	\$ <u><u>-</u></u>
<b>Totals - All Agency Funds</b>				
<b>Assets</b>				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 10,767	\$ 290,255	\$ 287,410	\$ 13,612
Investments Held on Behalf of Others	60,151	33,489	23,460	70,180
Other Assets	<u>520</u>	<u>2,757</u>	<u>34</u>	<u>3,243</u>
Total Assets	\$ <u><u>71,438</u></u>	\$ <u><u>326,501</u></u>	\$ <u><u>310,904</u></u>	\$ <u><u>87,035</u></u>
<b>Liabilities</b>				
Accounts Payable & Other Accrued Liabilities	\$ 16	\$ 550,511	\$ 550,482	\$ 45
Agency Liabilities	71,422	55,536	42,615	84,343
Due to Other Funds	<u>-</u>	<u>2,647</u>	<u>-</u>	<u>2,647</u>
Total Liabilities	\$ <u><u>71,438</u></u>	\$ <u><u>608,694</u></u>	\$ <u><u>593,097</u></u>	\$ <u><u>87,035</u></u>



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# NON-MAJOR COMPONENT UNIT FINANCIAL STATEMENTS

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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 implementing 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, 2012  
(Expressed in Thousands)

	ConnectME Authority	Efficiency Maine Trust	Loring Development Authority	Maine Educational Center for the Deaf and Hard of Hearing	Maine Educational Loan Authority
<b>Assets</b>					
Current Assets:					
Equity in Treasurer's Cash Pool	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and Cash Equivalents	-	18,116	784	2,016	19,813
Investments	-	-	-	-	-
Restricted Assets:					
Restricted Deposits and Investments	-	17,206	-	-	-
Inventories	-	-	-	-	-
Receivables, Net of Allowance for Uncollectibles:					
Loans Receivable	-	-	-	-	17,504
Notes Receivable	-	3,356	-	-	-
Other Receivables	334	4,614	902	25	1,865
Due from Other Governments	198	165	-	-	-
Due from Primary Government	-	444	965	3,597	-
Other Current Assets	-	71	24	13	25
Total Current Assets	<u>532</u>	<u>43,972</u>	<u>2,675</u>	<u>5,651</u>	<u>39,207</u>
Noncurrent Assets:					
Equity in Treasurer's Cash Pool	-	-	-	-	-
Assets Held in Trust	-	-	-	-	-
Restricted Assets:					
Restricted Deposits and Investments	3,335	-	-	-	-
Investments	-	-	-	850	-
Receivables, Net of Current Portion:					
Loans Receivable	-	-	-	-	121,407
Notes Receivable	-	-	3,926	-	-
Other Receivables	-	-	-	-	3,046
Due from Primary Government	-	-	-	-	-
Capital Assets - Net of Depreciation	-	110	61,760	615	1
Other Noncurrent Assets	-	-	-	-	1,202
Total Noncurrent Assets	<u>3,335</u>	<u>110</u>	<u>65,686</u>	<u>1,465</u>	<u>125,656</u>
Total Assets	<u>3,867</u>	<u>44,082</u>	<u>68,361</u>	<u>7,116</u>	<u>164,863</u>
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable	331	3,261	420	202	193
Accrued Payroll	-	-	-	287	-
Compensated Absences	-	38	28	103	-
Due to Other Governments	-	-	830	-	-
Due to Primary Government	-	-	116	-	-
Bonds Payable	-	-	-	-	7,532
Notes Payable	-	-	869	-	-
Obligations under Capital Leases	-	5	-	-	-
Accrued Interest Payable	-	-	-	-	691
Deferred Revenue	14	526	201	1,436	520
Other Current Liabilities	-	38	59	-	-
Total Current Liabilities	<u>345</u>	<u>3,868</u>	<u>2,523</u>	<u>2,028</u>	<u>8,936</u>
Long-Term Liabilities:					
Due to Other Governments	-	-	-	-	-
Bonds Payable	-	-	-	-	151,510
Notes Payable	-	-	1,189	-	-
Obligations under Capital Leases	-	4	-	-	-
Deferred Revenue	-	-	2,000	-	1,397
Other Noncurrent Liabilities	-	-	-	-	-
Total Long-Term Liabilities	<u>-</u>	<u>4</u>	<u>3,189</u>	<u>-</u>	<u>152,907</u>
Total Liabilities	<u>345</u>	<u>3,872</u>	<u>5,712</u>	<u>2,028</u>	<u>161,843</u>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	-	101	58,914	615	-
Restricted	3,522	40,109	-	667	2,601
Unrestricted	-	-	3,735	3,806	419
Total Net Assets	<u>\$ 3,522</u>	<u>\$ 40,210</u>	<u>\$ 62,649</u>	<u>\$ 5,088</u>	<u>\$ 3,020</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
\$ 3	\$ -	\$ -	\$ -	\$ -	\$ 1,001	\$ 1,004
8,695	1,771	1,338	30,780	1,255	3,688	88,256
5,209	-	-	174	-	-	5,383
-	-	-	-	-	-	17,206
697	-	-	-	-	-	697
586	-	-	344	-	215	18,649
-	200	-	-	-	-	3,556
1,075	133	442	322	-	23	9,735
-	-	504	-	2,412	-	3,279
-	-	353	-	-	-	5,359
199	-	87	24	799	7	1,249
<u>16,464</u>	<u>2,104</u>	<u>2,724</u>	<u>31,644</u>	<u>4,466</u>	<u>4,934</u>	<u>154,373</u>
2	-	-	-	-	411	413
-	-	-	2	-	-	2
4,622	-	7,689	-	452	-	16,098
14,632	-	-	-	-	2,522	18,004
2,191	-	-	326	-	-	123,924
-	-	-	-	-	253	4,179
-	-	-	-	-	1	3,047
-	-	-	-	128	-	128
19,811	18,714	127,426	56	3,276	3	231,772
814	-	104	-	-	-	2,120
<u>42,072</u>	<u>18,714</u>	<u>135,219</u>	<u>384</u>	<u>3,856</u>	<u>3,190</u>	<u>399,687</u>
<u>58,536</u>	<u>20,818</u>	<u>137,943</u>	<u>32,028</u>	<u>8,322</u>	<u>8,124</u>	<u>554,060</u>
2,991	215	498	6,465	2,297	-	16,873
-	-	-	-	-	-	287
-	-	85	-	25	-	279
-	-	-	-	-	-	830
-	-	-	-	-	-	116
153	-	84	-	-	-	7,769
-	-	-	-	-	-	869
-	-	1	5	-	-	11
-	-	-	-	-	-	691
226	-	325	24,485	293	-	28,026
170	-	321	2	55	26	671
<u>3,540</u>	<u>215</u>	<u>1,314</u>	<u>30,957</u>	<u>2,670</u>	<u>26</u>	<u>56,422</u>
1,710	-	-	-	-	-	1,710
1,768	-	17,265	-	-	-	170,543
-	-	-	-	-	-	1,189
-	-	-	10	-	-	14
-	-	-	-	-	-	3,397
-	-	-	-	105	-	105
<u>3,478</u>	<u>-</u>	<u>17,265</u>	<u>10</u>	<u>105</u>	<u>-</u>	<u>176,958</u>
<u>7,018</u>	<u>215</u>	<u>18,579</u>	<u>30,967</u>	<u>2,775</u>	<u>26</u>	<u>233,380</u>
17,897	18,714	117,642	-	1,915	3	215,801
19,243	1,166	-	-	2,187	-	69,495
<u>14,378</u>	<u>723</u>	<u>1,722</u>	<u>1,061</u>	<u>1,445</u>	<u>8,095</u>	<u>35,384</u>
<u>\$ 51,518</u>	<u>\$ 20,603</u>	<u>\$ 119,364</u>	<u>\$ 1,061</u>	<u>\$ 5,547</u>	<u>\$ 8,098</u>	<u>\$ 320,680</u>

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

Fiscal Year Ended June 30, 2012  
(Expressed in Thousands)

	ConnectME Authority	Efficiency Maine Trust	Loring Development Authority	Maine Educational Center for the Deaf and Hard of Hearing	Maine Educational Loan Authority
<b>Expenses</b>	\$ 2,899	\$ 38,064	\$ 3,414	\$ 6,622	\$ 11,770
<b>Program Revenues</b>					
Charges for Services	-	-	1,515	352	11,981
Program Investment Income	-	-	-	-	8
Operating Grants and Contributions	2,585	34,184	-	64	-
Capital Grants and Contributions	-	-	1,637	-	-
Net Revenue (Expense)	(314)	(3,880)	(262)	(6,206)	219
<b>General Revenues</b>					
Unrestricted Investment Earnings	-	-	47	15	-
Non-program Specific Grants, Contributions and Appropriations	-	-	1,165	6,480	-
Miscellaneous Income	2	-	29	-	-
Gain (Loss) on Assets Held for Sale	-	-	6	-	-
Total General Revenues	2	-	1,247	6,495	-
Change in Net Assets	(312)	(3,880)	985	289	219
Net Assets, Beginning of the Year (as restated)	3,834	44,090	61,664	4,799	2,801
Net Assets, End of Year	\$ 3,522	\$ 40,210	\$ 62,649	\$ 5,088	\$ 3,020

<b>Maine Maritime Academy</b>	<b>Maine Port Authority</b>	<b>Midcoast Regional Development Authority</b>	<b>Maine Technology Institute</b>	<b>Northern New England Passenger Rail Authority</b>	<b>Small Enterprise Growth Fund</b>	<b>Totals</b>
\$ 32,688	\$ 1,784	\$ 10,914	\$ 20,501	\$ 27,314	\$ 866	\$ 156,836
18,244	965	-	27	8,417	-	41,501
-	-	-	-	-	94	102
4,557	2	4,244	20,059	7,677	950	74,322
1,171	4,739	125,819	-	11,281	-	144,647
(8,716)	3,922	119,149	(415)	61	178	103,736
28	5	-	260	7	67	429
10,125	-	-	-	-	-	17,770
644	-	-	5	50	11	741
-	-	-	-	-	-	6
10,797	5	-	265	57	78	18,946
2,081	3,927	119,149	(150)	118	256	122,682
49,437	16,676	215	1,211	5,429	7,842	197,998
<u>\$ 51,518</u>	<u>\$ 20,603</u>	<u>\$ 119,364</u>	<u>\$ 1,061</u>	<u>\$ 5,547</u>	<u>\$ 8,098</u>	<u>\$ 320,680</u>



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# STATISTICAL SECTION

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## 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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These schedules contain trend information to help the reader understand how the State’s financial performance and fiscal health have changed over time. Fund perspective schedules are presented for the last Ten years, except where GASB Statement No. 44 was prospectively implemented. Schedules included are:

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# STATE OF MAINE NET ASSETS BY ACTIVITIES

Last Ten Fiscal Years  
(Expressed in Thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Primary Government</b>				
<b>Governmental Activities</b>				
Invested in Capital Assets, Net of Related Debt	\$ 4,408,377	\$ 4,165,760	<sup>1</sup> \$ 3,945,510	<sup>1</sup> \$ 3,767,895
Restricted	534,806	496,261	<sup>1</sup> 535,216	<sup>1</sup> 162,240
Unrestricted	<u>(651,504)</u>	<u>(444,682)</u>	<sup>1</sup> <u>(498,286)</u>	<sup>1</sup> <u>(150,054)</u>
Total Governmental Activities Net Assets	<u>\$ 4,291,679</u>	<u>\$ 4,217,339</u>	<sup>1</sup> <u>\$ 3,982,440</u>	<sup>1</sup> <u>\$ 3,780,081</u>
<b>Business-Type Activities</b>				
Invested in Capital Assets, Net of Related Debt	\$ 152,763	\$ 146,357	\$ 97,635	\$ 96,667
Restricted	295,632	300,287	320,648	383,970
Unrestricted	<u>675</u>	<u>(6,623)</u>	<u>(35,010)</u>	<u>(67,030)</u>
Total Business-Type Activities Net Assets	<u>\$ 449,070</u>	<u>\$ 440,021</u>	<u>\$ 383,273</u>	<u>\$ 413,607</u>
<b>Total Primary Government</b>				
Invested in Capital Assets, Net of Related Debt	\$ 4,561,140	\$ 4,312,117	<sup>1</sup> \$ 4,043,145	<sup>1</sup> \$ 3,864,562
Restricted	830,438	796,548	<sup>1</sup> 855,864	<sup>1</sup> 546,210
Unrestricted	<u>(650,829)</u>	<u>(451,305)</u>	<sup>1</sup> <u>(533,296)</u>	<sup>1</sup> <u>(217,084)</u>
Total Primary Government Activities Net Assets	<u>\$ 4,740,749</u>	<u>\$ 4,657,360</u>	<sup>1</sup> <u>\$ 4,365,713</u>	<sup>1</sup> <u>\$ 4,193,688</u>

<sup>1</sup>

As restated. See Note 3 for additional information.

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

## SCHEDULE 1

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 3,632,073	\$ 3,519,371	\$ 3,347,672	\$ 3,061,098	\$ 2,878,596	\$ 2,628,197
200,888	198,786	172,449	290,385	214,026	184,809
<u>(98,830)</u>	<u>50,153</u>	<u>(67,588)</u>	<u>(171,074)</u>	<u>(37,519)</u>	<u>(123,477)</u>
<u>\$ 3,734,131</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>
\$ 95,905	\$ 90,361	\$ 79,030	\$ 49,961	\$ 51,434	\$ 72,375
493,733	489,677	476,832	459,538	450,475	459,127
<u>(89,400)</u>	<u>(74,054)</u>	<u>(74,098)</u>	<u>(71,445)</u>	<u>(71,419)</u>	<u>2,179</u>
<u>\$ 500,238</u>	<u>\$ 505,984</u>	<u>\$ 481,764</u>	<u>\$ 438,054</u>	<u>\$ 430,490</u>	<u>\$ 533,681</u>
\$ 3,727,978	\$ 3,609,732	\$ 3,426,702	\$ 3,111,059	\$ 2,930,030	\$ 2,700,572
694,621	688,463	649,281	749,923	664,501	643,936
<u>(188,230)</u>	<u>(23,901)</u>	<u>(141,686)</u>	<u>(242,519)</u>	<u>(108,938)</u>	<u>(121,298)</u>
<u>\$ 4,234,369</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>

**STATE OF MAINE**  
**CHANGES IN NET ASSETS BY ACTIVITIES**

Last Ten Fiscal Years  
(Expressed in Thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Expenses</b>				
Governmental Activities:				
Governmental Support & Operations <sup>1</sup>	\$ 456,622	\$ 448,917	\$ 451,246	\$ 506,726
Arts, Heritage & Cultural Enrichment	11,507	11,807	11,761	13,430
Business Licensing & Regulation	68,697	69,288	74,243	66,155
Economic Development & Workforce Training	302,614	374,473	400,166	229,838
Education	1,610,095	1,706,305	1,752,041	1,689,036
Health & Human Services	3,750,402	3,522,341	3,511,572	3,428,680
Labor	-	-	-	-
Justice & Protection	401,740	415,450	412,263	419,027
Natural Resources Development & Protection	208,463	204,379	196,780	224,609
Transportation, Safety & Development <sup>1</sup>	376,689	371,374	334,236	363,977
Interest Expense	45,551	43,202	48,594	40,148
Total Governmental Activities	<u>7,232,380</u>	<u>7,167,536</u>	<u>7,192,902</u>	<u>6,981,626</u>
Business-Type Activities:				
Employment Security	187,703	203,693	235,301	225,181
Alcoholic Beverages	-	-	1	-
Lottery	176,837	167,956	166,721	163,030
Transportation	9,310	11,082	8,173	8,473
Airport	-	-	-	-
Ferry Services	11,458	12,711	10,817	10,210
Military Equipment Maintenance	35,058	44,765	45,004	71,380
Dirigo Health	56,702	47,980	50,952	58,861
Other	7,662 <sup>1</sup>	7,597	9,749	8,877
Total Business-Type Activities	<u>484,730</u>	<u>495,784</u>	<u>526,718</u>	<u>546,012</u>
Total Primary Government Expenses	<u><u>7,717,110</u></u>	<u><u>7,663,320</u></u>	<u><u>7,719,620</u></u>	<u><u>7,527,638</u></u>
<b>Program Revenues</b>				
Governmental Activities:				
Charges for Services:				
Governmental Support & Operations	80,534	105,851	106,164	82,738
Arts, Heritage & Cultural Enrichment	1,006	749	1,075	1,172
Business Licensing & Regulation	75,633	57,772	71,592	56,042
Economic Development & Workforce Training	7,175	5,972	6,846	4,531
Education	6,897	4,470	7,487	2,053
Health & Human Services	20,018	18,252	11,844	12,573
Justice & Protection	86,583	83,093	88,166	90,497
Natural Resources Development & Protection	93,991	102,084	95,318	91,562
Transportation, Safety & Development	116,995	110,401	103,759	111,429
Operating Grants and Contributions	3,160,241	3,355,823	3,525,858	3,081,827
Capital Grants and Contributions	-	-	-	-
Total Governmental Activities Program Revenues	<u>3,649,073</u>	<u>3,844,467</u>	<u>4,018,109</u>	<u>3,534,424</u>
Business-Type Activities:				
Employment Security	176,645	173,416	127,438	97,362
Alcoholic Beverages	12,532	12,533	12,528	12,530
Lottery	231,015	218,081	219,966	213,073
Transportation	4,692	4,182	1,929	3,961
Ferry Services	4,695	4,649	4,951	4,347
Military Equipment Maintenance	35,104	42,473	49,487	75,784
Dirigo Health	70,296	71,396	65,609	68,704
Other	5,945	8,619	7,126	7,150
Operating Grants and Contributions	7,823	11,253	44,629	20,170
Capital Grants and Contributions	-	-	-	-
Total Business-Type Activities Program Revenues	<u>548,747</u>	<u>546,602</u>	<u>533,663</u>	<u>503,081</u>
<b>Net (Expense)/Revenue</b>				
Governmental Activities	(3,583,307)	(3,323,069)	(3,174,793)	(3,447,202)
Business-Type Activities	64,017	50,818	6,945	(42,931)
Total Primary Governmental Net (Expense)/Revenue	<u>(3,519,290)</u>	<u>(3,272,251)</u>	<u>(3,167,848)</u>	<u>(3,490,133)</u>

<sup>1</sup> Marine Ports was combined into "Other".

**SCHEDULE 2**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$	427,752	\$ 498,542	\$ 449,578	\$ 441,545	\$ 373,181	\$ 403,488
	12,406	12,994	12,191	13,273	12,498	13,012
	63,417	60,506	53,547	49,553	46,249	34,447
	149,970	161,427	160,093	171,092	191,868	206,586
	1,669,353	1,622,653	1,494,438	1,412,524	1,357,080	1,340,614
	3,290,482	2,989,001	3,167,521	3,051,822	2,775,008	2,522,643
	-	-	-	-	-	-
	407,879	358,718	340,281	322,072	297,619	301,575
	186,214	179,670	166,358	171,307	166,167	163,606
	300,557	353,904	278,096	232,105	270,610	269,587
	35,524	36,246	36,873	32,530	31,324	32,120
	<u>6,543,554</u>	<u>6,273,661</u>	<u>6,158,976</u>	<u>5,897,823</u>	<u>5,521,604</u>	<u>5,287,678</u>
	122,518	120,215	103,867	113,642	118,965	124,452
	-	-	-	7	61,958	59,412
	178,419	180,722	179,628	161,691	146,214	125,641
	7,432	4,218	-	-	-	-
	-	-	22	892	819	-
	9,292	9,405	6,707	7,876	7,296	-
	80,306	35,140	65,013	50,908	25,923	-
	76,860	65,178	47,122	13,587	-	-
	8,598	8,972	5,238	3,936	3,522	11,918
	<u>483,425</u>	<u>423,850</u>	<u>407,597</u>	<u>352,539</u>	<u>364,697</u>	<u>321,423</u>
	<u>7,026,979</u>	<u>6,697,511</u>	<u>6,566,573</u>	<u>6,250,362</u>	<u>5,886,301</u>	<u>5,609,101</u>
	86,178	76,507	71,507	67,067	148,707	46,501
	1,303	818	920	816	1,308	712
	69,845	52,033	65,588	51,374	54,920	35,159
	2,361	3,202	2,966	3,355	2,242	3,552
	3,653	4,865	8,605	1,362	924	465
	11,694	9,656	15,097	13,649	14,722	57,627
	89,580	80,435	75,035	63,274	63,475	52,009
	92,737	81,305	76,921	72,450	78,870	75,312
	102,729	97,761	95,394	97,172	9,919	104,780
	2,559,533	2,361,828	2,536,857	2,324,723	2,265,857	1,952,069
	-	6,434	24,268	174,140	200,754	164,927
	<u>3,019,613</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>
	106,536	112,482	102,611	100,136	86,143	119,327
	12,527	12,525	12,525	12,582	89,087	85,985
	228,980	231,628	230,962	211,965	188,671	166,903
	2,089	2,169	-	-	-	-
	4,116	3,837	3,464	3,642	3,168	-
	77,229	30,656	70,427	46,476	27,336	-
	54,507	63,339	25,886	5,216	-	-
	7,213	6,882	4,242	2,730	2,039	5,340
	22,950	21,386	20,663	23,915	25,927	-
	-	4,143	-	194	1,771	9,000
	<u>516,147</u>	<u>489,047</u>	<u>470,780</u>	<u>406,856</u>	<u>424,142</u>	<u>386,555</u>
	(3,523,941)	(3,498,817)	(3,185,818)	(3,028,441)	(2,679,906)	(2,794,565)
	<u>32,722</u>	<u>65,197</u>	<u>63,183</u>	<u>54,317</u>	<u>59,445</u>	<u>65,132</u>
	<u>(3,491,219)</u>	<u>(3,433,620)</u>	<u>(3,122,635)</u>	<u>(2,974,124)</u>	<u>(2,620,461)</u>	<u>(2,729,433)</u>

(continued)

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

Last Ten Fiscal Years  
(Expressed in Thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>General Revenues and Other Changes in Net Assets:</b>				
Governmental Activities:				
Taxes:				
Corporate	\$ 334,818	\$ 310,693	\$ 282,998	\$ 266,551
Individual Income	1,459,039	1,455,959	1,297,568	1,374,681
Fuel	245,815	241,710	223,953	228,438
Property	45,902	45,882	46,627	39,120
Sales & Use	1,113,952	1,097,900	1,090,578	1,142,485
Other	273,062	283,715	258,775	250,297
Unrestricted Investment Earnings	2,543	17,051	12,378	6,417
Miscellaneous Income	76,360	107,017	92,536	91,528
Loss on Assets Held for Sale	-	-	-	(57)
Tobacco Settlement	51,188	48,554	51,601	61,388
Special Items	-	(36,931)	(11,728)	-
Transfers - Internal Activities	54,968	(13,016)	37,279	43,700
Total Governmental Activities	<u>3,657,647</u>	<u>3,558,534</u>	<u>3,382,565</u>	<u>3,504,548</u>
Business-Type Activities:				
Miscellaneous Income	-	-	-	-
Loss on Assets Held for Sale	-	-	-	-
Special Items	-	(7,086)	-	-
Transfers - Internal Activities	(54,968)	13,016	(37,279)	(43,700)
Total Business-Type Activities	<u>(54,968)</u>	<u>5,930</u>	<u>(37,279)</u>	<u>(43,700)</u>
Total Primary Government	<u>3,602,679</u>	<u>3,564,464</u>	<u>3,345,286</u>	<u>3,460,848</u>
<b>Change in Net Assets</b>				
Governmental Activities	74,340	235,465	207,772	57,346
Business-Type Activities	9,049	56,748	(30,334)	(86,631)
Total Change in Net Assets - Primary Government	<u>\$ 83,389</u>	<u>\$ 292,213</u>	<u>\$ 177,438</u>	<u>\$ (29,285)</u>

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

**SCHEDULE 2 (continued)**

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$	291,463	\$ 292,255	\$ 305,872	\$ 244,842	\$ 216,366	\$ 182,554
	1,552,412	1,478,542	1,403,790	1,296,606	1,149,109	1,095,143
	231,727	226,744	224,474	209,569	200,637	188,530
	43,672	48,339	53,272	50,962	28,412	38,179
	1,141,714	1,107,361	1,001,436	1,042,654	973,449	937,281
	254,297	255,550	263,506	223,326	117,168	90,769
	5,857	39,599	28,881	20,650	17,049	8,521
	120,109	123,036	104,272	92,851	124,043	119,825
	(1,016)	(445)	(217)	(112)	(3,035)	-
	64,399	48,978	41,573	50,006	49,018	43,587
	(100,000)	-	(31,212)	30,881	75,000	-
	38,470	40,979	51,708	50,211	68,132	56,790
	<u>3,643,104</u>	<u>3,660,938</u>	<u>3,447,355</u>	<u>3,312,446</u>	<u>3,015,348</u>	<u>2,761,179</u>
	2	2	448	-	-	-
	-	-	-	-	-	-
	-	-	31,787	(50,000)	(85,703)	-
	<u>(38,470)</u>	<u>(40,979)</u>	<u>(51,708)</u>	<u>(50,211)</u>	<u>(68,132)</u>	<u>(56,790)</u>
	<u>(38,468)</u>	<u>(40,977)</u>	<u>(19,473)</u>	<u>(100,211)</u>	<u>(153,835)</u>	<u>(56,790)</u>
	<u>3,604,636</u>	<u>3,619,961</u>	<u>3,427,882</u>	<u>3,212,235</u>	<u>2,861,513</u>	<u>2,704,389</u>
	119,163	162,121	261,537	284,005	335,442	(33,386)
	<u>(5,746)</u>	<u>24,220</u>	<u>43,710</u>	<u>(45,894)</u>	<u>(94,390)</u>	<u>8,342</u>
\$	<u>113,417</u>	<u>186,341</u>	<u>305,247</u>	<u>238,111</u>	<u>241,052</u>	<u>(25,044)</u>

## STATE OF MAINE FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years  
(Expressed in Thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>General Fund</b>				
Nonspendable:				
Permanent Fund Principal	\$ -	\$ -	\$ -	\$ -
Inventories and Prepaid Items	2,965	3,846	-	-
Restricted	2,989	3,344	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>(355,889)</u>	<u>(243,559)</u>	<u>-</u>	<u>-</u>
<b>Total General Fund</b>	<u>\$ (349,935)</u>	<u>\$ (236,369)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>All Other Governmental Funds:</b>				
Nonspendable:				
Permanent Fund Principal	\$ 16,328	\$ 14,961	\$ -	\$ -
Inventories and Prepaid Items	1,563	1,578 <sup>1</sup>	-	-
Restricted	527,811	493,094 <sup>1</sup>	-	-
Committed	38,436	38,444	-	-
Assigned	12,489	17,149	-	-
Unassigned (deficit)	<u>(2,300)</u>	<u>(4,374) <sup>1</sup></u>	<u>-</u>	<u>-</u>
<b>Total All Other Governmental Funds</b>	<u>\$ 594,327</u>	<u>\$ 560,852 <sup>1</sup></u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Governmental Fund Balances</b>	<u>\$ 244,392</u>	<u>\$ 324,483 <sup>1</sup></u>	<u>\$ -</u>	<u>\$ -</u>
<hr/>				
<b>General Fund</b>				
Reserved	\$	\$	\$ 102,770	\$ 116,986
Unreserved	<u>                    </u>	<u>                    </u>	<u>(411,018)</u>	<u>(390,379)</u>
<b>Total General Fund</b>	<u>\$</u>	<u>\$</u>	<u>\$ (308,248)</u>	<u>\$ (273,393)</u>
<b>All Other Governmental Funds</b>				
Reserved	\$	\$	\$ 547,669 <sup>1</sup>	\$ 442,613 <sup>1</sup>
Unreserved, reported in:				
Special revenue funds	<u>                    </u>	<u>                    </u>	<u>67,964 <sup>1</sup></u>	<u>32,736</u>
<b>Total All Other Governmental Funds</b>	<u>\$</u>	<u>\$</u>	<u>\$ 615,633 <sup>1</sup></u>	<u>\$ 475,349</u>
<b>Total Governmental Fund Balances</b>	<u>\$</u>	<u>\$</u>	<u>\$ 307,385 <sup>1</sup></u>	<u>\$ 201,956</u>

<sup>1</sup> As restated. See Note 3 for additional information.

**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>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</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>
\$ 165,402	\$ 127,136	\$ 177,796	\$ 192,684	\$ 122,440	\$ 60,946
<u>(403,874)</u>	<u>(283,485)</u>	<u>(355,427)</u>	<u>(146,328)</u>	<u>(124,706)</u>	<u>(81,361)</u>
<u>\$ (238,472)</u>	<u>\$ (156,349)</u>	<u>\$ (177,631)</u>	<u>\$ 46,356</u>	<u>\$ (2,266)</u>	<u>\$ (20,415)</u>
\$ 458,238	\$ 424,965	\$ 460,257	\$ 521,984	\$ 487,506	\$ 449,667
<u>(31,858)</u>	<u>4,270</u>	<u>(67,148)</u>	<u>(30,605)</u>	<u>(38,886)</u>	<u>(80,578)</u>
<u>\$ 426,380</u>	<u>\$ 429,235</u>	<u>\$ 393,109</u>	<u>\$ 491,379</u>	<u>\$ 448,620</u>	<u>\$ 369,089</u>
<u>\$ 187,908</u>	<u>\$ 272,886</u>	<u>\$ 215,478</u>	<u>\$ 537,735</u>	<u>\$ 446,354</u>	<u>\$ 348,674</u>



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

Last Ten Fiscal Years  
(Expressed in Thousands)

	2012	2011	2010	2009
<b>Revenues:</b>				
Taxes	\$ 3,469,925	\$ 3,398,030	\$ 3,215,299	\$ 3,240,269
Assessments and Other Revenue	331,862	314,447	334,656	322,239
Federal Grants and Reimbursements	3,162,059	3,366,618	3,535,224	3,092,757
Service Charges	147,379	155,491	159,854	148,904
Investment Income (Loss)	1,299	16,250	11,273	(264)
Miscellaneous Revenue	127,327	132,411	144,509	138,740
Total Revenues	<u>7,239,851</u>	<u>7,383,247</u>	<u>7,400,815</u>	<u>6,942,645</u>
<b>Expenditures</b>				
Current:				
Governmental Support & Operations <sup>1</sup>	408,730	400,580	410,269	433,723
Economic Development & Workforce Training	301,827	375,234	401,839	229,090
Education	1,616,987	1,717,991	1,776,207	1,702,917
Health and Human Services	3,771,099	3,571,466	3,608,645	3,448,401
Labor	-	-	-	-
Business Licensing & Regulation	65,876	67,700	73,807	65,235
Natural Resources Development & Protection	204,353	211,168	224,598	222,947
Justice and Protection	383,123	398,911	415,689	445,389
Arts, Heritage & Cultural Enrichment	10,981	11,544	11,613	13,208
Transportation Safety & Development <sup>1</sup>	566,540	657,528	568,639	557,684
Debt Service:				
Principal Payments	134,886	121,995	120,087	85,759
Interest Payments	40,133	38,131	39,332	23,271
Capital Outlays	25,729	-	-	-
Total Expenditures	<u>7,530,264</u>	<u>7,572,248</u>	<u>7,650,725</u>	<u>7,227,624</u>
Revenue over (under) Expenditures	<u>(290,413)</u>	<u>(189,001)</u>	<u>(249,910)</u>	<u>(284,979)</u>
Other Financing Sources (Uses):				
Transfer from Other Funds	426,135	395,679	352,719	315,508
Transfer to Other Funds	(365,936)	(332,250)	(309,596)	(254,300)
COPS and Other	2,625	5,244	40,520	4,474
Proceeds from Component Unit Loan Payable	58,726	51,710	142,857	100,000
Bonds Issued	82,265	108,135	70,110	133,345
Premium on Bonds Issued	6,507	-	-	-
Net Other Finance Sources (Uses)	<u>210,322</u>	<u>228,518</u>	<u>296,610</u>	<u>299,027</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>-</u>	<u>(22,520)</u>	<u>63,115</u>	<u>-</u>
Change in Fund Balance	<u>\$ (80,091)</u>	<u>\$ 16,997</u>	<u>\$ 109,815</u>	<u>\$ 14,048</u>

Debt Service as a Percentage of NonCapital Expenditures	2.20%	1.67%	1.63%	1.23%
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<sup>1</sup> 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>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$	3,510,637	\$ 3,430,669	\$ 3,344,803	\$ 3,035,988	\$ 2,764,684	\$ 2,585,456
	320,363	289,301	290,455	256,690	260,225	212,339
	2,569,632	2,386,317	2,625,354	2,500,523	2,461,204	2,169,919
	145,091	123,249	135,815	119,996	131,871	128,148
	2,356	26,740	24,140	16,740	15,247	6,396
	134,110	161,676	115,800	130,609	148,537	165,242
	<u>6,682,189</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>
	469,060	411,803	497,996	430,386	446,036	353,108
	152,403	162,003	162,326	173,919	194,379	207,732
	1,681,096	1,637,848	1,510,662	1,425,244	1,367,414	1,327,936
	3,356,683	3,066,272	3,364,164	3,097,852	2,830,069	2,597,851
	-	-	-	-	-	-
	65,470	61,540	56,064	50,883	47,702	35,282
	195,330	204,204	191,612	184,171	200,428	175,348
	415,645	372,674	362,394	346,849	303,659	323,326
	12,717	13,215	12,655	13,471	12,715	13,074
	550,819	494,586	605,780	501,237	486,816	486,806
	81,015	83,680	75,090	66,790	72,325	85,165
	19,575	20,334	18,998	15,972	15,480	16,957
	<u>6,999,813</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>(317,624)</u>	<u>(110,207)</u>	<u>(321,374)</u>	<u>(246,228)</u>	<u>(195,255)</u>	<u>(355,085)</u>
	312,154	352,896	282,739	342,965	434,934	376,005
	(225,695)	(279,691)	(235,505)	(288,865)	(349,799)	(323,827)
	50,542	35,543	10,727	6,061	11,246	10,546
	-	-	22,111	49,423	-	-
	104,075	60,975	52,390	140,025	133,815	103,580
	-	-	-	-	-	-
	<u>241,076</u>	<u>169,723</u>	<u>132,462</u>	<u>249,609</u>	<u>230,196</u>	<u>166,304</u>
	-	-	-	105,711	-	-
	-	-	-	(19,119)	-	-
	-	-	-	-	(26,000)	-
	-	-	-	-	26,000	-
	-	-	-	50,000	75,000	-
	-	-	-	136,592	75,000	-
\$	<u>(76,548)</u>	<u>\$ 59,516</u>	<u>\$ (188,912)</u>	<u>\$ 139,973</u>	<u>\$ 109,941</u>	<u>\$ (188,781)</u>
	1.19%	1.32%	1.13%	1.10%	1.28%	1.60%

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

Last Ten Fiscal Years  
(Expressed in Thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Revenues:</b>				
Taxes	\$ 2,990,353	\$ 2,926,972	\$ 2,756,435	\$ 2,808,997
Assessments and Other Revenue	103,292	107,878	117,119	120,682
Federal Grants and Reimbursements	3,377	11,832	11,047	14,844
Service Charges	49,008	46,206	50,852	44,211
Investment Income (Loss)	1,413	(54)	567	8,425
Miscellaneous Revenue	17,047	15,805	12,284	9,892
Total Revenues	<u>3,164,490</u>	<u>3,108,639</u>	<u>2,948,304</u>	<u>3,007,051</u>
<b>Expenditures</b>				
Current:				
Governmental Support & Operations	255,191	238,729	257,093	273,595
Economic Development & Workforce Training	33,561	34,504	35,646	35,751
Education	1,335,736	1,389,383	1,419,891	1,451,223
Health and Human Services	1,126,805	933,047	758,808	786,512
Labor	-	-	-	-
Business Licensing & Regulation	-	-	22	6
Natural Resources Development & Protection	65,332	64,972	67,324	67,669
Justice and Protection	253,226	264,792	270,581	270,594
Arts, Heritage & Cultural Enrichment	7,117	7,081	7,311	8,096
Transportation Safety & Development	-	7,000	-	1
Debt Service:				
Principal Payments	98,340	89,835	92,035	65,685
Interest Payments	21,714	21,425	24,103	15,179
Capital Outlay	-	-	-	-
Total Expenditures	<u>3,197,022</u>	<u>3,050,768</u>	<u>2,932,814</u>	<u>2,974,311</u>
Revenue over (under) Expenditures	<u>(32,532)</u>	<u>57,871</u>	<u>15,490</u>	<u>32,740</u>
Other Financing Sources (Uses):				
Transfer from Other Funds	134,722	179,795	106,694	87,178
Transfer to Other Funds	(216,827)	(167,274)	(205,768)	(155,566)
Other	1,071	1,487	382	727
Bonds Issued	-	-	-	-
Net Other Finance Sources (Uses)	<u>(81,034)</u>	<u>14,008</u>	<u>(98,692)</u>	<u>(67,661)</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>-</u>	<u>48,347</u>	<u>-</u>
Change in Fund Balance	<u>\$ (113,566)</u>	<u>\$ 71,879</u>	<u>\$ (34,855)</u>	<u>\$ (34,921)</u>

Debt Service as a Percentage of NonCapital Expenditures	3.3%	3.2%	3.5%	2.4%
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**SOURCE:** State of Maine Comprehensive Annual Financial Reporting System.  
Modified accrual basis of accounting.

## SCHEDULE 5

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$	3,079,706	\$ 3,003,382	\$ 2,926,835	\$ 2,653,628	\$ 2,453,800	\$ 2,307,439
	116,742	109,336	105,371	88,514	81,852	62,010
	11,041	16,762	17,334	28,894	25,230	25,580
	47,262	36,717	41,395	38,351	44,049	35,356
	2,562	9,653	12,299	6,877	5,837	2,346
	7,872	25,099	14,993	12,437	45,008	5,660
	<u>3,265,185</u>	<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>
	280,871	262,721	327,529	270,370	263,839	172,344
	39,360	40,280	45,324	42,278	47,095	54,292
	1,478,192	1,438,605	1,283,214	1,201,008	1,144,907	1,143,982
	1,063,499	972,875	1,097,456	957,371	777,074	813,105
	-	-	-	-	-	-
	-	-	-	3	-	37
	72,709	70,373	70,878	67,310	66,692	67,315
	267,117	245,592	227,588	220,141	203,360	202,653
	8,632	8,958	8,504	8,521	8,352	9,017
	-	-	178	831	3,338	1,603
	66,250	69,350	57,985	53,510	56,310	63,950
	16,058	17,369	15,263	12,541	12,458	12,953
	<u>3,292,688</u>	<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>(27,503)</u>	<u>74,826</u>	<u>(15,692)</u>	<u>(5,183)</u>	<u>72,351</u>	<u>(102,860)</u>
	101,092	115,292	90,912	101,813	127,525	197,119
	(152,813)	(190,074)	(164,923)	(168,173)	(238,637)	(135,000)
	5,531	23,346	666	-	-	-
	-	-	-	1,681	2,335	-
	<u>(46,190)</u>	<u>(51,436)</u>	<u>(73,345)</u>	<u>(64,679)</u>	<u>(108,777)</u>	<u>62,119</u>
	-	-	-	68,484	-	-
	-	-	-	-	(26,000)	-
	-	-	-	-	26,000	-
	-	-	-	50,000	75,000	-
	-	-	-	118,484	75,000	-
\$	<u>(73,693)</u>	<u>23,390</u>	<u>(89,037)</u>	<u>48,622</u>	<u>38,574</u>	<u>(40,741)</u>
	2.1%	2.4%	2.0%	2.1%	2.5%	2.8%

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

Last Ten Calendar Years  
(Expressed in Thousands)

	2011	2010	2009	2008
Individual Income Tax Liability \$	1,343,096	1,310,748	1,231,328	1,327,007
Personal Income \$	50,868,518	48,620,161	47,840,170	48,469,425
Average Effective Tax Rate	2.6%	2.7%	2.6%	2.7%

	2011	2010	2009	2008
Income Bracket	\$0 - \$5,000	\$0 - \$4,950	\$0 - \$5,049	\$0 - \$4,849
Tax Rate	2.0%	2.0%	2.0%	2.0%
Income Bracket	\$5,000 - \$9,949	\$4,950 - \$9,849	\$5,050 - \$10,049	\$4,850 - \$9,699
Tax Rate	4.5%	4.5%	4.5%	4.5%
Income Bracket	\$9,950 - \$19,950	\$9,850 - \$19,750	\$10,050 - \$20,149	\$9,700 - \$19,449
Tax Rate	7.0%	7.0%	7.0%	7.0%
Income Bracket	\$19,950+	\$19,750+	\$20,150+	\$19,450+
Tax Rate	8.5%	8.5%	8.5%	8.5%

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

<sup>1</sup> 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>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$ 1,441,838	\$ 1,364,514	\$ 1,286,375	\$ 1,200,138	\$ 1,079,587	\$ 1,020,675
\$ 46,353,508	\$ 44,307,181	\$ 41,981,794	\$ 41,164,305	\$ 39,000,530	\$ 37,383,244
3.1%	3.1%	3.1%	2.9%	2.8%	2.7%

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
\$0 - \$4,749 2.0%	\$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%
\$4,750 - \$9,450 4.5%	\$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%
\$9,450 - \$18,950 7.0%	\$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%
\$18,950+ 8.5%	\$18,250+ 8.5%	\$17,700+ 8.5%	\$17,350+ 8.5%	\$16,950+ 8.5%	\$16,700+ 8.5%



**SCHEDULE 7**

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

(Tax Liability Expressed in Millions)

**2011 Tax Year**

<b>Income Level</b>	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>
\$0 and below	9,240	1.4%	\$ 0.11	0.0%
\$1 - \$ 10,000	98,549	15.3%	0.54	0.0%
\$10,001 - \$ 20,000	105,862	16.4%	11.04	0.8%
\$20,001 - \$ 30,000	93,339	14.5%	40.40	3.0%
\$30,001 - \$ 50,000	123,840	19.2%	144.91	10.8%
\$50,001 - \$ 75,000	90,732	14.1%	220.21	16.4%
\$75,001 - \$100,000	50,834	7.9%	203.80	15.2%
\$100,001 - \$200,000	53,281	8.3%	361.22	26.9%
\$200,001 and higher	18,663	2.9%	360.87	26.9%
<b>Total</b>	<b>644,340</b>	<b>100.0%</b>	<b>\$ 1,343.10</b>	<b>100.0%</b>

**2002 Tax Year**

<b>Income Level</b>	<b>Number of Filers</b>	<b>Percentage of Total</b>	<b>Tax Liability</b>	<b>Percentage of Total</b>
\$0 and below	7,794	1.2%	\$ 0.07	0.0%
\$1 - \$ 10,000	116,180	18.6%	1.28	0.1%
\$10,001 - \$ 20,000	116,499	18.6%	17.69	1.7%
\$20,001 - \$ 30,000	99,504	15.9%	53.92	5.2%
\$30,001 - \$ 50,000	125,625	20.1%	159.10	15.5%
\$50,001 - \$ 75,000	84,371	13.5%	212.29	20.6%
\$75,001 - \$100,000	36,794	5.9%	151.59	14.7%
\$100,001 - \$200,000	27,642	4.4%	188.62	18.3%
\$200,001 and higher	10,834	1.7%	243.83	23.7%
<b>Total</b>	<b>625,243</b>	<b>100.0%</b>	<b>\$ 1,028.39</b>	<b>100.0%</b>

**SOURCE:** Maine Revenue Services.



## STATE OF MAINE TAXABLE SALES AND SALES TAX RATES

Last Ten Calendar Years

(Expressed in Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Business Operating	\$ 2,049,006	\$ 1,918,822	\$ 1,844,137	\$ 2,215,203
Building Supply	2,077,286	1,952,223	1,935,594	2,310,974
Food Store	1,573,350	1,549,236	1,524,322	1,487,816
General Merchandise	3,023,999	3,035,357	2,961,519	3,072,726
Other Retail	2,085,879	2,017,406	1,954,976	1,987,758
Auto/Transportation	3,474,079	3,301,710	3,236,393	3,462,852
Restaurant/Lodging	2,748,285	2,668,214	2,544,180	2,595,692
Total	<u>\$ 17,031,884</u>	<u>\$ 16,442,968</u>	<u>\$ 16,001,121</u>	<u>\$ 17,133,019</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

2007	2006	2005	2004	2003	2002
\$ 2,192,901	\$ 2,099,287	\$ 1,974,352	\$ 1,875,710	\$ 1,714,115	\$ 1,611,253
2,423,398	2,526,623	2,464,352	2,344,687	2,013,655	1,846,797
1,451,156	1,404,216	1,343,160	1,278,427	1,253,829	1,215,792
3,140,117	3,097,387	2,986,708	3,001,887	2,897,803	2,795,288
1,941,346	1,936,040	1,824,692	1,708,180	1,587,861	1,497,463
3,639,346	3,613,741	3,695,730	3,744,219	3,698,571	3,519,874
2,573,052	2,451,376	2,319,463	2,238,980	2,146,647	2,093,837
\$ 17,361,316	\$ 17,128,670	\$ 16,608,457	\$ 16,192,090	\$ 15,312,481	\$ 14,580,304

5%	5%	5%	5%	5%	5%
7%	7%	7%	7%	7%	7%
10%	10%	10%	10%	10%	10%



## SCHEDULE 9

### STATE OF MAINE CALCULATION OF LEGAL DEBT MARGIN FOR THE TEN YEARS ENDED JUNE 30, 2012

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
2012	\$ -	\$6,947,865	.-%	\$694,787	\$163,424,200	.-%	\$1,634,242
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

## STATE OF MAINE RATIOS OF OUTSTANDING DEBT BY TYPE

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

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Governmental Activities Debt</b>				
General Obligation Bonds	\$ 472,055	\$ 520,230	\$ 500,100	\$ 529,990
MGFA Revenue Bonds	187,865	172,150	189,080	192,935
COPS and Other Financing Arrangements	52,097	71,830	76,291	50,079
Obligations Under Capital Leases	29,778	33,690	33,329	37,634
Loans Payable to Component Unit <sup>1</sup>	<u>328,131</u>	<u>290,919</u>	<u>258,394</u>	<u>131,769</u>
Total Governmental Activities Debt	<u>1,069,926</u>	<u>1,088,819</u>	<u>1,057,194</u>	<u>942,407</u>
<b>Business-Type Activities Debt</b>				
	-	-	-	-
<b>Total Primary Government Debt</b>	<u>\$ 1,069,926</u>	<u>\$ 1,088,819</u>	<u>\$ 1,057,194</u>	<u>\$ 942,407</u>
<b>Debt Ratios</b>				
Ratio of Total Debt to Personal Income <sup>2</sup>	2.0%	2.2%	2.1%	2.0%
Per Capita <sup>3</sup>	\$ 780	\$ 798	\$ 779	\$ 698
<b>Net General Obligation Bonded Debt</b>				
Gross Bonded Debt	\$ 659,920	\$ 692,380	\$ 689,180	\$ 722,925
Less: Debt Service Funds	-	-	-	-
Net Bonded Debt	<u>\$ 659,920</u>	<u>\$ 692,380</u>	<u>\$ 689,180</u>	<u>\$ 722,925</u>
Ratio of Net Bonded Debt to Estimated Property Value <sup>4</sup>	0.4%	0.4%	0.4%	0.4%
Per Capita <sup>3</sup>	\$ 481	\$ 508	\$ 508	\$ 536

<sup>1</sup> 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.

<sup>2</sup> Personal income data can be found in Schedule 12.

<sup>3</sup> Population data can be found in Schedule 12.

<sup>4</sup> Estimated property value can be found on Schedule 9

## SCHEDULE 10

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$	475,835	\$ 448,760	\$ 467,550	\$ 487,095	\$ 416,360	\$ 358,410
	208,560	182,605	186,215	189,570	197,950	196,383
	66,493	79,886	36,581	36,865	45,346	48,658
	37,522	41,751	40,091	39,905	40,137	34,916
	<u>38,338</u>	<u>42,353</u>	<u>46,268</u>	<u>49,423</u>	<u>-</u>	<u>-</u>
	<u>826,748</u>	<u>795,355</u>	<u>776,705</u>	<u>802,858</u>	<u>699,793</u>	<u>638,367</u>
	-	-	-	-	-	-
\$	<u>826,748</u>	<u>\$ 795,355</u>	<u>\$ 776,705</u>	<u>\$ 802,858</u>	<u>\$ 699,793</u>	<u>\$ 638,367</u>
	1.8%	1.8%	1.8%	1.9%	1.8%	1.7%
\$	611	\$ 592	\$ 582	\$ 606	\$ 532	\$ 489
\$	684,395	\$ 631,365	\$ 653,765	\$ 676,665	\$ 614,310	\$ 554,793
	-	-	5,824	11,657	12,002	12,343
\$	<u>684,395</u>	<u>\$ 631,365</u>	<u>\$ 647,941</u>	<u>\$ 665,008</u>	<u>\$ 602,308</u>	<u>\$ 542,450</u>
	0.4%	0.4%	0.5%	0.6%	0.6%	0.6%
\$	506	\$ 470	\$ 486	\$ 502	\$ 458	\$ 415

## STATE OF MAINE PLEGGED FUTURE REVENUE COVERAGE

Last Ten Fiscal Years  
(Expressed in Thousands)

	2012	2011	2010	2009
Grant Anticipation Revenue Vehicle (GARVEE) Bonds <sup>1</sup>				
Federal Aid Revenues	\$ 208,236	\$ 186,326	\$ 150,868	\$ 147,530
Annual Debt Service	\$ 15,100	\$ 11,191	\$ 10,650	\$ 6,384
Debt Service Coverage	7.25%	6.01%	7.06%	4.33%

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) Bonds<sup>2</sup>

Pledged Revenue Stream	\$ 38,171	\$ 38,136	\$ 38,124	\$ 5,000
Annual Debt Service	\$ 17,467	\$ 16,951	\$ 7,567	\$ 658
Debt Service Coverage	45.76%	44.45%	19.85%	13.16%

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.

<sup>1</sup> Based on Federal Fiscal Year End

<sup>2</sup> Based on State Fiscal Year End

**SOURCE:** Department of Transportation.

# SCHEDULE 11

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
\$ 146,454	\$ 168,499	\$ 167,405	\$ 174,989	N/A	\$ N/A
\$ 5,521	\$ 5,579	\$ 4,867	\$ 366	N/A	\$ N/A
3.77%	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



# STATE OF MAINE DEMOGRAPHIC INFORMATION

Last Ten Fiscal Years

	2012	2011	2010	2009
<b>Maine:</b>				
Population (in thousands) <sup>1</sup>	1,371	1,364	1,357	1,350
Total Personal Income (in millions) <sup>2</sup>	52,363	50,578	49,301	47,738
Per Capita Personal Income <sup>1</sup>	38,193	37,081	36,331	35,361
Unemployment Rate <sup>3</sup>	7.5%	7.8%	8.0%	8.6%
<b>United States:</b>				
Population (in thousands) <sup>4</sup>	not available	311,601	309,629	306,803
Total Personal Income (in millions) <sup>2</sup>	13,370,344	12,975,924	12,462,673	11,959,177
Per Capita Personal Income <sup>1</sup>	not available	41,643	40,250	38,980
Unemployment Rate <sup>3</sup>	8.2%	8.9%	9.5%	9.2%

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

<sup>2</sup> Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce.

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

<sup>4</sup> 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

<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
1,353	1,344	1,334	1,322	1,315	1,308
46,594	44,240	42,819	41,300	39,510	37,281
34,438	32,917	32,098	31,252	30,046	28,497
5.0%	4.5%	4.4%	4.6%	4.3%	4.9%
304,060	302,633	299,103	296,410	293,657	290,850
12,146,939	11,595,412	10,882,821	10,251,639	9,705,504	9,157,257
39,949	38,315	36,385	34,586	33,050	31,484
5.5%	4.6%	4.6%	5%	5.6%	6.3%



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

Current Year and Ten Years Ago

<b>Employer</b>	<b>2012</b>			<b>2003</b>		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
Maine State Government	14,001 - 14,500	1	2.4%	15,001 - 15,500	1	2.6%
Hannaford Brothers Co.	7,501 - 8,000	2	1.3%	7,001 - 7,500	2	1.2%
Wal Mart/Sam's Club	7,001 - 7,500	3	1.2%	5,501 - 6,000	5	1.0%
Department of Defense	6,501 - 7,000	4	1.2%	6,001 - 6,500	3	1.1%
Maine Medical Center	6,001 - 6,500	5	1.1%	5,001 - 5,500	7	0.9%
Bath Iron Works Corporation	5,001 - 5,500	6	0.9%	6,001 - 6,500	4	1.1%
L L Bean, Inc	4,001 - 4,500	7	0.7%	5,501 - 6,000	6	1.0%
Eastern Maine Medical Center	3,501 - 4,000	8	0.6%	-	13	-
US Post Office	3,001 - 3,500	9	0.6%	4,001 - 4,500	8	0.7%
University of Maine at Orono	3,001 - 3,500	10	0.6%	-	12	-
MBNA Marketing Systems	-	-	-	3,501 - 4,000	9	0.6%
UNUMPROVIDENT	-	-	-	3,001 - 3,500	10	0.5%
<b>Total</b>	<b>59,501 - 64,500</b>		<b>10.6%</b>	<b>60,501 - 65,500</b>		<b>10.7%</b>

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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Arts, Heritage & Cultural Enrichment	90.3	92.1	94.1	95.9
Business Licensing & Regulation	395.6	406.0	413.0	411.5
Economic Development & Workforce Training	555.0	593.6	594.6	604.6
Education	185.6	194.3	195.3	201.6
Governmental Support & Operations	2,162.4	2,214.3	2,217.8	2,239.5
Health and Human Services	3,477.4	3,645.1	3,718.1	3,691.6
Justice and Protection	2,969.8	2,986.6	2,988.6	2,986.1
Labor	*	*	*	*
Natural Resources Development & Protection	1,446.4	1,481.8	1,490.9	1,498.4
Transportation Safety & Development	<u>2,072.4</u>	<u>2,123.2</u>	<u>2,123.2</u>	<u>2,277.5</u>
Total Full Time Equivalents	<u>13,354.9</u>	<u>13,737.1</u>	<u>13,835.8</u>	<u>14,006.7</u>

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

**SOURCE:** Maine Bureau of Budget.

## SCHEDULE 14

<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
105.4	107.4	107.4	109.5	109.5	*
420.0	413.2	413.2	417.2	417.2	*
614.6	624.1	624.1	892.5	892.5	834.6
207.9	209.6	209.6	215.0	215.0	343.7
2,246.0	2,247.5	2,222.5	1,696.3	1,754.3	2,531.9
3,777.4	3,738.9	3,767.4	4,025.5	4,047.5	5,483.2
2,990.6	2,937.6	2,909.6	2,969.7	2,971.2	840.5
*	*	*	*	*	851.0
1,530.0	1,523.2	1,522.3	1,615.3	1,620.8	1,294.4
<u>2,277.5</u>	<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>14,169.5</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>

**STATE OF MAINE**  
**OPERATING INDICATORS AND CAPITAL INFORMATION**

Fiscal Years Ended June 30

Operating Indicators by Function:	2012	2011	2010	2009	2008	2007	2006
Business Licensing & Regulation							
Number of licenses issued	109,930	101,853	96,439 *	88,794 *	95,847 *	86,770 *	101,664 *
Education							
Students enrolled in the free/reduced lunch program <sup>4</sup>	84,717	83,625	82,372	75,358	73,130	71,536	69,125
Economic Development & Workforce Training							
Unemployed persons	52,900	52,500	54,200	59,100	36,400	30,700	32,100
Governmental Support & Operations							
Return on investments	0.35%	0.24%	0.59%	1.52%	4.19%	5.16%	4.10%
Lottery tickets sales, in millions	228	216	217	211	229	234	229
Health and Human Services							
Percentage of population enrolled in MaineCare <sup>1</sup>	26%	26%	27%	26%	25%	26%	26%
Number of TANF cases <sup>2</sup>	13,260	14,151	13,686	12,849	12,479	12,631	12,821
Number of members served by Dirigo Health	38,070	35,105	31,323	29,936	28,745	24,110	18,067
Justice and Protection							
Average Number of Adult Inmates	2,043	2,124	2,167	2,177	2,038	2,060	2,078
Average Number of Juvenile Inmates	170	186	195	184	199	203	275
Number of guard troops	3,124	3,065	3,070	3,199	3,277	3,168	3,131
Number of cases tried in the court system	242,710	260,171	285,567	292,295	282,980	278,088	281,006
Natural Resources and Development							
Number of park passes purchased	13,707	12,700	11,443	10,073	10,963	10,092	9,016
Number of visitors to State parks	2,648,484	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 <sup>3</sup>	497,712	503,487	503,425	499,821	500,367	494,231	485,794
Transportation Safety & Development							
Number of construction projects	194	238	173	124	116	271	195

\* As restated

<sup>1</sup> Based on the average enrollees over the fiscal year.

<sup>2</sup> Based on the average number of cases over the fiscal year.

<sup>3</sup> As of December.

<sup>4</sup> As of October of the school year.

**STATE OF MAINE  
CAPITAL ASSETS BY FUNCTION**

Fiscal Years Ended June 30

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Capital Assets by Function:							
Governmental Support & Operations							
Vehicles controlled by Central Fleet Management	2,037	1,922	1,977	1,596	1,665	1,738	1,675
Health and Human Services							
Number of regional offices	17	18	18	18	18	18	18
Justice and Protection							
Number of correctional facilities	9	9	9	9	9	8	8
Number of armories and AFR's	18	16	16	16	16	17	17
Number of State police barracks	8	8	8	8	8	8	8
Number of vehicles in Public Safety	439	504	515	605	654	541	521
Natural Resources and Development							
Total acreage of State parks	97,948	97,942	97,387	97,300	100,540	100,092	99,935
Number of State park buildings	556	553	552	533	530	526	519
Transportation Safety & Development							
Number of DOT vehicles and equipment	1,457	1,193	1,308	1,268	1,446	1,625	1,163
Number of regional DOT active buildings	564	577	587	586	574	612	647