

# MAINE



*Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2014*

---

---

**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

---

---

**STATE OF MAINE**



**FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

**PAUL R. LEPAGE**  
*Governor*

**RICHARD W. ROSEN**  
*Acting Commissioner*  
*Department of Administrative & Financial Services*

**DOUGLAS E. COTNOIR, CPA, CIA**  
*State Controller*

*Prepared by the Office of the State Controller*

The State of Maine Comprehensive Annual Financial Report can be made available in alternative formats upon request, to ensure that it is accessible to people with disabilities. This notice is provided as required by Title II of the Americans with Disabilities Act of 1990.

If you wish to be deleted from our mailing list, or your address has changed, please contact the Office of the State Controller at (207) 626-8420 or write to:

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](mailto: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, 2014**

---

**TABLE OF CONTENTS**

**INTRODUCTORY SECTION**

Letter of Transmittal.....	ii
Officials of State Government.....	xi
Organization Chart.....	xii
Certificate of Achievement.....	xiii

**FINANCIAL SECTION**

Independent Auditor's Report.....	2
Management's Discussion and Analysis.....	5

**Basic Financial Statements:**

Government-wide Financial Statements	
Statement of Net Position.....	18
Statement of Activities.....	20
Governmental Fund Financial Statements	
Balance Sheet.....	24
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position.....	25
Statement of Revenues, Expenditures and Changes in Fund Balances.....	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities.....	27
Proprietary Fund Financial Statements	
Statement of Net Position.....	30
Statement of Revenues, Expenses and Changes in Net Position.....	31
Statement of Cash Flows.....	32
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position.....	34
Statement of Changes in Fiduciary Net Position.....	35
Component Unit Financial Statements	
Statement of Net Position.....	38
Statement of Activities.....	40
Index for Notes to the Financial Statements.....	44
Notes to the Financial Statements.....	45

**Required Supplementary Information:**

Budgetary Comparison Schedule – Major Governmental Funds.....	108
Budgetary Comparison Schedule – Budget to GAAP Reconciliation.....	111
Notes to Required Supplementary Information – Budgetary Reporting.....	112
Required Supplementary Information – State Retirement Plan.....	114
Required Supplementary Information – Other Post-Employment Benefits Plans.....	116
Information About Infrastructure Assets Reported Using the Modified Approach.....	118

---

---

## TABLE OF CONTENTS (CONTINUED)

### Combining and Individual Fund Financial Statements and Schedules:

Non-Major Governmental Funds.....	121
Combining Balance Sheet.....	122
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	123
Other Governmental Funds.....	125
Combining Balance Sheet – Non-Major Special Revenue Funds.....	126
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Special Revenue Funds.....	127
Combining Balance Sheet – Non-Major Permanent Funds.....	128
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Permanent Funds.....	129
Budgetary Comparison Schedule – General Fund by Agency.....	130
Budgetary Comparison Schedule – Highway Fund by Agency.....	133
Budgetary Comparison Schedule – Federal Fund by Agency.....	134
Budgetary Comparison Schedule – Other Special Revenue Fund by Agency.....	136
Non-Major Enterprise Funds.....	139
Combining Statement of Net Position.....	140
Combining Statement of Revenues, Expenses and Changes in Net Position.....	142
Combining Statement of Cash Flows.....	144
Internal Service Funds.....	147
Combining Statement of Net Position.....	148
Combining Statement of Revenues, Expenses and Changes in Net Position.....	152
Combining Statement of Cash Flows.....	156
Fiduciary Funds.....	159
Combining Statement of Fiduciary Net Position – Pension (and Other Employee Benefit) Trusts.....	160
Combining Statement of Changes in Fiduciary Net Position – Pension (and Other Employee Benefit) Trusts.....	161
Combining Statement of Fiduciary Net Position – Private Purpose Trust Funds.....	162
Combining Statement of Changes in Fiduciary Net Position – Private Purpose Trust Funds.....	163
Combining Statement of Fiduciary Net Position – Agency Funds.....	165
Combining Statement of Changes in Assets and Liabilities – Agency Funds.....	166
Non-Major Component Units.....	169
Combining Statement of Net Position – Non-Major Component Units.....	170
Combining Statement of Activities – Non-Major Component Units.....	172

---

---

**TABLE OF CONTENTS (CONTINUED)**

**STATISTICAL SECTION**

Statistical Section Narrative and Table of Contents.....	177
Schedule 1 – Net Position by Activities, Last Ten Fiscal Years.....	178
Schedule 2 – Changes in Net Position by Activities, Last Ten Fiscal Years.....	180
Schedule 3 – Fund Balances, Governmental Funds, Last Ten Fiscal Years.....	184
Schedule 4 – Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years.....	186
Schedule 5 – Changes in Fund Balances, General Fund, Last Ten Fiscal Years.....	188
Schedule 6 – Individual Income Tax and Tax Rates on Taxable Income, Last Ten Calendar Years.....	190
Schedule 7 – Individual Income Tax Filers and Tax Liability by Maine Adjusted Gross Income, Tax Years 2013 and 2004.....	193
Schedule 8 – Taxable Sales and Sales Tax Rates, Last Ten Calendar Years.....	194
Schedule 9 – Calculation of Legal Debt Margin, Last Ten Fiscal Years.....	197
Schedule 10 – Ratios of Outstanding Debt by Type, Last Ten Fiscal Years.....	198
Schedule 11 – Pledged Future Revenue Coverage, Last Ten Fiscal Years.....	200
Schedule 12 – Demographic Information, Last Ten Fiscal Years.....	202
Schedule 13 – Principal Employers – Top 10, Current Year and Ten Years Ago.....	205
Schedule 14 – Schedule of State Government Full Time Equivalent Employees by Policy Area, Last Ten Fiscal Years.....	206
Schedule 15 – Operating Indicators and Capital Information, Last Nine Fiscal Years.....	208
Schedule 16 – Capital Assets by Function, Last Nine Fiscal Years.....	210



---

---

# **INTRODUCTORY SECTION**

---

---



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

RICHARD W. ROSEN  
ACTING COMMISSIONER



DOUGLAS E. COTNOIR, CPA, CIA  
STATE CONTROLLER

December 31, 2014

**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 2014 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.

OFFICE LOCATED ON 4TH FLOOR, BURTON M. CROSS BUILDING  
PHONE: (207) 626-8420

FAX: (207) 626-8422

[WWW.MAINE.GOV](http://WWW.MAINE.GOV)

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 Office of the State Auditor 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 and GASB Statement No. 61. 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. 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. 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, fund balance is classified based on existing resources, if any, which will liquidate the encumbrances outstanding at June 30 (shown as restrictions, commitments or assignments of fund balance).

#### **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 2014, a net \$8.5 million was transferred into the fund.

## ECONOMIC CONDITIONS AND OUTLOOK

In their November 2014 economic forecast, the Consensus Economic Forecasting Commission (CEFC) reported that the Maine and U.S. economies continued to show signs of improvement. Maine's Gross Domestic Product for 2013 was slightly higher than 2012, with all of the growth coming from private industry, but total GDP growth for the state was below the national rate of growth. Nationwide, consumer sentiment in September 2014 was higher than one year ago and small business optimism also increased over the previous year's level. Personal income in Maine grew 3.4 percent year-over-year in the first half of 2014, while wage and salary income, which makes up around half of total personal income, grew 2.7 percent over the same period. The Consumer Price Index was 1.7 percent higher in August 2014 than it was in August 2013.

As part of the December 2014 revenue forecast, General Fund revenue estimates were revised upward by \$45.5 million in fiscal year 2015 and by \$67.5 million over the 2016-2017 biennium. Upward revisions to the Sales and Use Tax, the Individual Income Tax, the Corporate Income Tax, and the Estate Tax account for most of the net changes to the General Fund revenue forecast.

Sales and Use Tax is projected upward in fiscal year 2015 by \$6.3 million and by \$14.2 million in the 2016-2017 biennium. Year-over-year taxable sales were up 2.5% for the 12 months ending in September. The general merchandise sectors have been especially weak over the past year. Lower energy prices and an improving labor market should help improve this line in the months ahead.

Individual Income Tax estimates are projected upward by \$6.2 million in fiscal year 2015 and \$15.6 million in fiscal year 2016. This revenue forecast can be thought of as the product of fiscal year 2014 revenue and the cumulative revenue growth rate after fiscal year 2014.

Corporate Income tax receipts were \$5.7 million over budget through the first four months of fiscal year 2015. The forecast of Corporate Income tax revenue was increased by \$12.6 million in fiscal year 2015 and \$8.1 million for the 2016-2017 biennium. The new forecast reflects changes to the economic forecast for pre-tax corporate profits. Corporate profits are now estimated to grow slightly slower in calendar year 2014, but significantly stronger in calendar years 2015 and 2016. The forecast also accounts for several temporary state level tax law changes that will continue to have an impact on corporate income tax revenues in next two biennia.

Estate tax revenues were \$13.1 million over budget through the first four months of fiscal year 2015. A number of moderately large estates accounted for the year-to-date surplus. The fiscal year 2015 projection for estate tax receipts was increased by \$11.4 million to account for the strong performance through October. A new forecast of household net-worth contributed to an increase of \$2.8 million in the 2016-2017 biennium.

There were other adjustments to revenue lines, both positive and negative. The net effect of these other offsetting adjustments was an increase of \$9 million in fiscal year 2015.

## 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.

### **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 2014 General Fund Unassigned Fund Balance negative position increased from fiscal year 2013 to fiscal year 2014 ending at negative \$221.3 million. The Fiscal Year 2013 General Fund Unassigned Fund Balance was negative \$151.3 million. This is due, primarily, to a decrease in tax revenue and an increase in expenditures for health and human services. Prior to fiscal year 2013, the General Fund reflected an accrual for the State's share of the settlement of the State's hospital debt. In fiscal year 2013, \$183.5 million of the State's share was recorded in the Other Special Revenue Fund to reflect the payment of the debt that occurred in fiscal year 2014.

There are several factors that adversely affect our General Fund Balance Sheet that we should strive to improve over the next several years. The primary 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, 2013. This is the seventh 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.

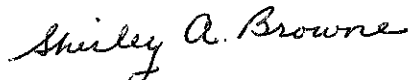
State government continues to have many accomplishments of which it can be proud. Consistent with the vision of Governor LePage to improve and enhance the fiscal administration of governmental operations, the Office of the State Controller continues to improve and refine its skills to meet the challenges of financial management in the 21<sup>st</sup> century. The Office provides assistance to many State agencies to help ensure the integrity and accountability of the programs they deliver to Maine's citizens. We partner with financial and program managers to find the best solutions to the State's financial 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,



Douglas E. Cotnoir, CPA, CIA  
State Controller



Shirley A. Browne, CIA  
Acting Deputy State Controller



Sandra Royce, CPA  
Director, Financial Reporting & Analysis







# STATE OF MAINE

## OFFICIALS OF STATE GOVERNMENT

AS OF JUNE 30, 2014

### EXECUTIVE

**Paul R. LePage**, *Governor*

### LEGISLATIVE

**Justin Alford**, *President of the Senate*

**Mark W. Eves**, *Speaker of the House*

#### Constitutional/Statutory Officers

**Janet T. Mills**, *Attorney General*

**Pola Buckley**, *State Auditor*

**Matthew Dunlap**, *Secretary of State*

**Neria R. Douglass**, *State Treasurer*

### JUDICIAL

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



# STATE OF MAINE ORGANIZATION CHART AS OF JUNE 30, 2014

## 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  
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, Conservation and Forestry  
Corrections  
Defense, Veterans and Emergency Management  
Economic and Community Development  
Education  
Environmental Protection  
Governor's Office of Policy and Management  
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



Government Finance Officers Association

**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, 2013**

Executive Director/CEO



---

---

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

---

---

**STATE OF MAINE  
OFFICE OF THE STATE AUDITOR**

66 STATE HOUSE STATION  
AUGUSTA, MAINE 04333-0066

TEL: (207) 624-6250  
FAX: (207) 624-6273



**POLA A. BUCKLEY, CPA, CISA**  
STATE AUDITOR

**MARY GINGROW-SHAW, CPA**  
DEPUTY STATE AUDITOR  
**MICHAEL J. POULIN, CIA**  
DIRECTOR OF AUDIT and ADMINISTRATION

**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Michael D. Thibodeau, President of the Senate and  
the Honorable Mark W. Eves, 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, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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, Connect ME 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 the University of Maine System. These financial statements reflect 100% of the assets and net position of the Aggregate Discretely Presented Component Units, 95% of assets and 97% of net position/fund balance of the Aggregate Remaining Fund Information, and 7% of liabilities of the Governmental Activities. These statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it related 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 the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Efficiency Maine Trust, Loring Development Authority, Maine Educational Loan Authority, Maine Port Authority, Maine Technology Institute, and the Small Enterprise Growth Fund were not audited in accordance with *Government Auditing Standards*.

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

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

## **Opinions**

In our opinion, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5-16, Budgetary Comparison information, State Retirement Plan and Other Post-Employment Benefit Plans and Information about Infrastructure Assets Reported Using the Modified Approach on pages 108-120, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Maine's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements on pages 122-173 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States



of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of other auditors, the combining and individual nonmajor fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subject to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, our report on our consideration of the State's internal control over financial reporting and our test 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.

A handwritten signature in black ink that reads "Pola Buckley". The signature is written in a cursive, flowing style.

Pola A. Buckley, CPA, CISA  
State Auditor  
Office of the State Auditor

December 31, 2014

## 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, 2014. 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 position decreased by 0.8 percent from the previous fiscal year. Net position of Governmental Activities increased by \$147.5 million, while net position of Business-Type Activities decreased by \$174.8 million. The State's assets exceeded its liabilities by \$3.6 billion at the close of fiscal year 2014. Component units reported net position of \$2.9 billion, an increase of \$120.8 million (4.4 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 \$416.0 million, an increase of \$171.4 million from the previous year. The General Fund's total fund balance was a negative \$215.4 million, a decline of \$71.1 million from the previous year. The Highway Fund total fund balance was \$37.8 million, an improvement of \$3.5 million from the prior year.
- The proprietary funds reported net position at year end of \$412.1 million, a decrease of \$162.5 million from the previous year. This decrease is due primarily to a decrease in the Alcoholic Beverages Fund of \$171.0 million.

#### Long-term Debt:

- The State's liability for general obligation bonds increased by \$29.4 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State issued \$112.9 million in bonds and made principal payments of \$83.5 million.

Additional information regarding the government-wide, fund level, and long-term debt activities can be found beginning on page 8.

### 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.

#### 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 Position presents all of the State's assets, deferred outflows, liabilities and deferred inflows with the difference between the two reported as *net position*. Over time, increases and decreases in net position are an indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position 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 and human services, education, governmental support and operations, justice and 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, alcoholic beverages, ferry 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 inflows on the governmental fund statements.
- Other long-term assets that are not available to pay for current period expenditures are recorded as deferred outflows in governmental fund statements, but not deferred on the government-wide statements.
- Internal service funds are reported as Governmental Activities in the government-wide statements, 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 position balances are allocated as follows:

*Net Investment in Capital Assets* 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 Position* 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.

*Unrestricted Net Position* is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 and 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 position decreased by 0.8 percent to \$3.6 billion at June 30, 2014, as detailed in Tables A-1 and A-2.

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

	Governmental		Business-Type		Total	
	Activities		Activities		Primary Government	
	2014	2013 *	2014	2013	2014	2013
Current and other noncurrent assets	\$ 1,860,634	\$ 1,937,953	\$ 188,740	\$ 362,402	\$ 2,049,374	\$ 2,300,355
Capital assets	4,004,210	3,940,296	44,462	55,340	4,048,672	3,995,636
<b>Total Assets</b>	<b>5,864,844</b>	<b>5,878,249</b>	<b>233,202</b>	<b>417,742</b>	<b>6,098,046</b>	<b>6,295,991</b>
Current liabilities	1,037,500	1,444,030	23,577	33,778	1,061,077	1,477,808
Long-term liabilities	1,478,277	1,232,666	5,394	4,981	1,483,671	1,237,647
<b>Total Liabilities</b>	<b>2,515,777</b>	<b>2,676,696</b>	<b>28,971</b>	<b>38,759</b>	<b>2,544,748</b>	<b>2,715,455</b>
<b>Net position (deficit):</b>						
Net investment in capital assets	3,326,970	3,262,047	44,462	55,340	3,371,432	3,317,387
Restricted	523,133	404,218	331,799	321,112	854,932	725,330
Unrestricted (deficit)	(501,036)	(464,712)	(172,030)	2,531	(673,066)	(462,181)
<b>Total Net Position</b>	<b>\$ 3,349,067</b>	<b>\$3,201,553</b>	<b>\$ 204,231</b>	<b>\$ 378,983</b>	<b>\$ 3,553,298</b>	<b>\$3,580,536</b>

\* As restated

## Changes in Net Position

The State's fiscal year 2014 revenues totaled \$7.5 billion. (See Table A-2) Taxes and operating grants and contributions accounted for most of the State's revenue by contributing 46.7 percent and 37.6 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 \$7.6 billion for the year 2014. (See Table A-2) These expenses are predominantly (70.6 percent) related to health & human services and education activities. The

State's governmental support & operations activities accounted for 5.0 percent of total costs. Total net position decreased by \$27.2 million.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2013 *	2014	2013	2014	2013
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 528,673	\$ 508,039	\$ 457,147	\$ 543,926	\$ 985,820	\$ 1,051,965
Operating Grants/Contributions	2,831,956	3,047,714	7,036	7,032	2,838,992	3,054,746
General Revenues:						
Taxes	3,523,533	3,540,712	-	-	3,523,533	3,540,712
Other	195,689	161,340	-	-	195,689	161,340
<b>Total Revenues</b>	<u>7,079,851</u>	<u>7,257,805</u>	<u>464,183</u>	<u>550,958</u>	<u>7,544,034</u>	<u>7,808,763</u>
<b>Expenses</b>						
Governmental Activities:						
Governmental Support	377,269	428,011			377,269	428,011
Education	1,676,908	1,581,556			1,676,908	1,581,556
Health & Human Services	3,669,552	3,657,573			3,669,552	3,657,573
Justice & Protection	410,641	401,656			410,641	401,656
Transportation Safety	524,024	521,638 *			524,024	521,638
Other	468,725	516,398			468,725	516,398
Interest	47,271	46,541			47,271	46,541
Business-Type Activities:						
Employment Security			159,058	169,334	159,058	169,334
Lottery			180,087	176,094	180,087	176,094
Military Equip. Maint.			11,466	36,971	11,466	36,971
Dirigo Health			26,863	56,229	26,863	56,229
Other			19,408	19,213	19,408	19,213
<b>Total Expenses</b>	<u>7,174,390</u>	<u>7,153,373</u>	<u>396,882</u>	<u>457,841</u>	<u>7,571,272</u>	<u>7,611,214</u>
<b>Excess (Deficiency) before Special Items and Transfers</b>	(94,539)	104,432	67,301	93,117	(27,238)	197,549
Special Items	193,192	92,401	(193,192)	(108,288)	-	(15,887)
Transfers	48,861	54,916	(48,861)	(54,916)	-	-
Increase (Decrease) in Net Position	147,514	251,749	(174,752)	(70,087)	(27,238)	181,662
Net Position, beginning of year (As Restated)	3,201,553	2,949,804	378,983	449,070	3,580,536	3,398,874
Ending Net Position	<u>\$ 3,349,067</u>	<u>\$ 3,201,553</u>	<u>\$ 204,231</u>	<u>\$ 378,983</u>	<u>\$ 3,553,298</u>	<u>\$ 3,580,536</u>

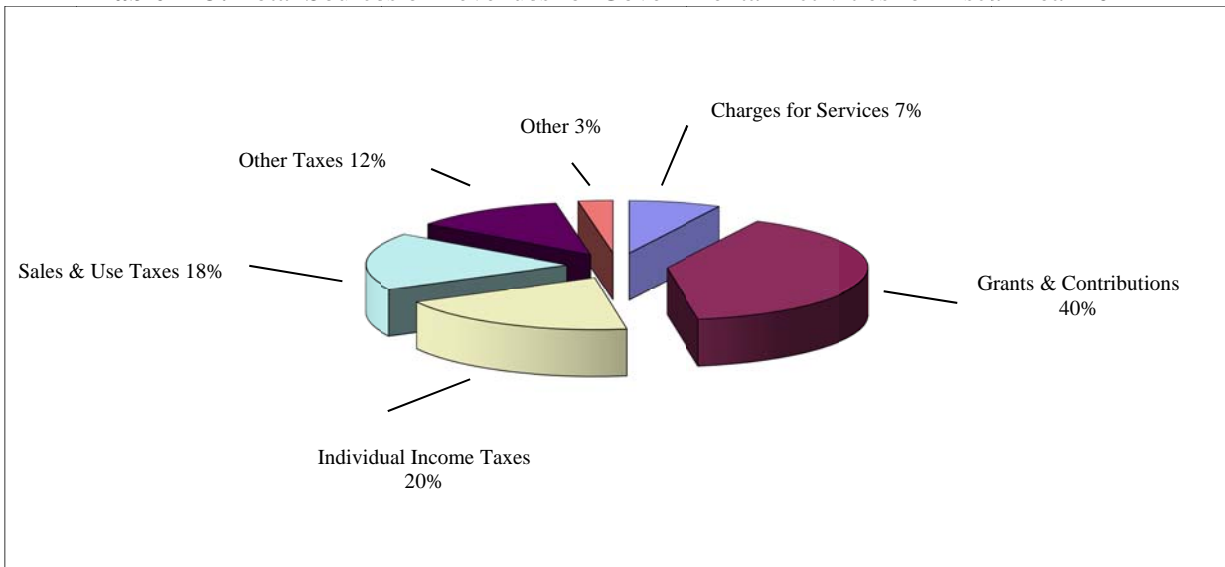
\* As restated

## Governmental Activities

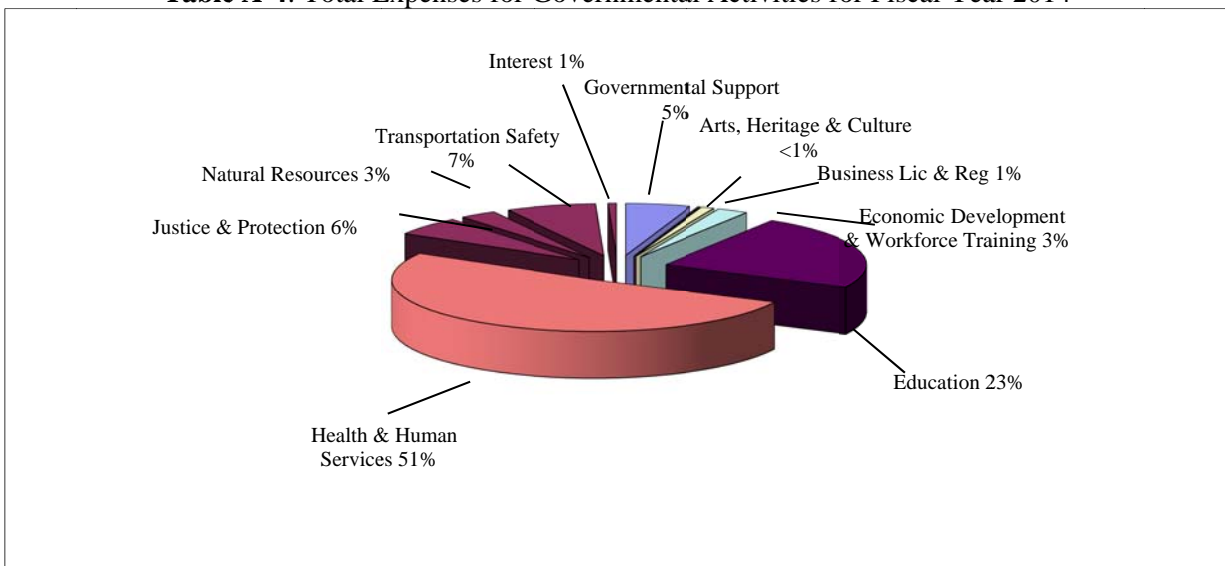
Revenues for the State's Governmental Activities totaled \$7.1 billion while total expenses equaled \$7.2 billion. The increase in net position for Governmental Activities was \$147.5 million in 2014, much of which was the result of transfers from the State's Business-Type Activities discussed below. 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 decreased by \$17.2 million from the prior year, primarily in the Individual Income and Corporate Tax lines. Net expenses supported by tax revenue increased by approximately \$216.1 million (as restated), primarily in the Health and Human Services and Education areas. Additionally, the State's Business-Type Activities transferred \$242.1 million (net) to the Governmental Activities, which included statutorily required profit transfers, capital contributions, and the pledged profit of the Alcoholic Beverages Fund to finance the payment of the Liquor Revenue Bonds. These transfers are discussed further on page 11.

The users of the State's programs financed \$528.7 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of \$2.8 billion. \$3.7 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 2014**



**Table A-4: Total Expenses for Governmental Activities for Fiscal Year 2014**



## Business-Type Activities

Revenues for the State's Business-Type Activities totaled \$464.2 million while expenses totaled \$396.9 million. However, due to the conversion of the Marine Ports Enterprise Fund to an Other Special Revenue Fund of \$9.7 million and the transfer recorded for the Healthcare Liability Retirement Fund (for payments due to healthcare providers for services prior to December 1, 2012) totaling \$183.5 million (see Note 17), the net position for Business-Type Activities decreased by \$174.8 million in 2014.

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	
	2014	2013	2014	2013
Employment Security	\$ 159,058	\$ 169,334	\$ 11,330	\$ 26,531
Alcoholic Beverages	19	-	12,520	12,533
Lottery	180,087	176,094	52,333	53,471
Military Equip. Maint.	11,466	36,971	(1,364)	(1,157)
Dirigo Health	26,863	56,229	(1,061)	9,225
Other	19,389	19,213	(6,457)	(7,486)
Total	<u>\$ 396,882</u>	<u>\$ 457,841</u>	<u>\$ 67,301</u>	<u>\$ 93,117</u>

The cost of all Business-Type Activities this year was \$396.9 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-Type Activities was \$67.3 million, with the Lottery making up \$52.3 million of the total. The State's Business-Type Activities transferred \$242.1 million (net) to the Governmental Activities, which included statutorily required profit transfers of \$52.4 million, the transfer of balances totaling \$9.7 million from the Marine Ports Enterprise Fund and the transfer of \$183.5 million recorded for the Healthcare Liability Retirement Fund discussed above. Additionally, the Governmental Activities contributed \$2.2 million to purchase capital assets that are recorded in the Business-Type activities.



## FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

Fund	2014	2013	Change
General	\$ (215,436)	\$ (144,375)	\$ (71,061)
Highway	37,790	34,324	3,466
Federal	9,291	24,751	(15,460)
Other Special Revenue	416,273	247,223	169,050
Other Governmental	168,094	82,713	85,381
<b>Total</b>	<b>\$ 416,012</b>	<b>\$ 244,636</b>	<b>\$ 171,376</b>

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$416.0 million, an increase of \$171.4 million in comparison with the prior year. Of this total amount, \$27.2 million (6.5 percent) is classified as non-spendable, either due to its form or legal constraints, and \$546.0 million (131.2 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. At the end of the current fiscal year, the unassigned fund balance of the General Fund was a deficit of \$221.3 million, a decline of \$70.1 million.

General Fund expenditures and other uses surpassed General Fund revenues and other sources resulting in an decrease in the fund balance by \$71.1 million. Revenues and other sources of the General Fund decreased by approximately \$12.3 million (.36 percent) which is mainly attributed to an decrease in tax revenue (\$50.2 million primarily from Individual Income and Corporate Tax). General Fund expenditures and other financing uses increased by \$264 million (8.2 percent). This is due, primarily, to an increase in expenditures for health and human services and an increase in education expense.

The fund balance of the Highway Fund increased \$3.5 million from fiscal year 2013, due mainly to the Highway Fund's decrease in other expenses from the prior year, of \$5.6 million.

### **Budgetary Highlights**

For the 2014 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to \$3.3 billion, an increase of about \$46.8 million from the original legally adopted budget of approximately \$3.2 billion. Actual expenditures on a budgetary basis amounted to approximately \$85.6 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2015, including the budgeted starting balance for Fiscal Year 2014, there were funds remaining of \$49.1 million to distribute in Fiscal Year 2014. Actual revenues exceeded final budget forecasts by \$54.4 million. In addition, the year-end cascade transferred \$8.5 million to the Budget Stabilization Fund. Interest earnings along with the legislatively and statutorily approved transfers increased the balance in the Budget Stabilization Fund to \$68.3 million as of June 30, 2014. 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 2014, the State had roughly \$4.0 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2014, the State acquired or constructed more than \$133.4 million of capital assets. The most significant impact on capital assets during the year resulted from a \$1.5 billion write down of infrastructure due to a correction of the capitalization policy. 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	
	2014	2013	2014	2013	2014	2013
Land	\$ 575,382	\$ 571,268	\$ 2,255	\$ 7,292	\$ 577,637	\$ 578,560
Buildings	666,425	660,538	4,395	4,395	670,820	664,933
Equipment	268,621	265,956	32,268	36,339	300,889	302,295
Improvements	71,875	52,251	41,124	48,767	112,999	101,018
Software	74,670	72,551	-	-	74,670	72,551
Infrastructure	2,761,257	2,719,346 *	-	-	2,761,257	2,719,346
Construction in Progress	109,989	83,273 *	1,869	1,138	111,858	84,411
Total Capital Assets	4,528,219	4,425,183	81,911	97,931	4,610,130	4,523,114
Accumulated Depreciation	524,009	484,887	37,449	42,591	561,458	527,478
Capital Assets, net	<u>\$ 4,004,210</u>	<u>\$ 3,940,296</u>	<u>\$ 44,462</u>	<u>\$ 55,340</u>	<u>\$ 4,048,672</u>	<u>\$ 3,995,636</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 8,827 highway miles or 17,951 lane miles within the State. Bridges have a deck area of 11.8 million square feet among 2,964 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2014, the actual average condition was 75.5. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 78 at June 30, 2014. Preservation costs for fiscal year 2014 totaled \$234 million compared to estimated preservation costs of \$27.8 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 697, PL 2011, \$26 million in General fund bonds was spent during FY2014.

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 \$1.7 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	
	2014	2013	2014	2013	2014	2013
General Obligation						
Bonds	\$ 399,190	\$ 369,725	\$ -	\$ -	\$ 399,190	\$ 369,725
Other Long-Term						
Obligations	<u>1,285,279</u>	<u>1,035,226</u>	<u>5,522</u>	<u>5,147</u>	<u>1,290,801</u>	<u>1,040,373</u>
Total	<u>\$ 1,684,469</u>	<u>\$ 1,404,951</u>	<u>\$ 5,522</u>	<u>\$ 5,147</u>	<u>\$ 1,689,991</u>	<u>\$ 1,410,098</u>

During the year, the State reduced outstanding long-term obligations by \$83.5 million for outstanding general obligation bonds and \$686.0 million for other long-term debt. Also during fiscal year 2014, the State incurred \$1,049.4 million of additional long-term obligations.

### Credit Ratings

The State's credit was rated during fiscal year 2014 by Moody's Investors Service as Aa2 with a stable outlook and by Standard & Poor's as AA with a stable outlook.

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

The Maine and U.S. economies continued to show signs of improvement since the Consensus Economic Forecasting Commission (CEFC) last met in January 2014. Maine's Gross Domestic Product for 2013 was slightly higher than 2012, with all of the growth coming from private industry, but total GDP growth for the state was half the national growth. Personal income in Maine grew 3.4 percent year-over-year in the first half of 2014, while wage and salary income, which makes up around half of total personal income, grew 2.7 percent over the same period. The Consumer Price Index was 1.7 percent higher in August 2014 than it was in August 2013.

The price of crude oil decreased 5.8 percent in the third quarter of 2014 to around \$103 per barrel. Heating oil prices were considerably lower at the start of the current heating season compared to the past three years and gasoline prices have also declined recently. The number of new automobile titles issued by the Maine Bureau of Motor Vehicles increased 7 percent in fiscal year 2013 compared to fiscal year 2012, while the number of used auto titles decreased just 0.3 percent. Existing single-family home sales in Maine were up 6.6 percent in September 2014 compared to September 2013 and housing permits for the September 2013-August 2014 year were 6.6 percent higher than the previous 12-month period. The median home price in the Portland Metropolitan Statistical Area (York, Cumberland, and Sagadahoc Counties) decreased 2.6 percent year-over-year in the second quarter of 2014. Mortgage delinquency rates in Maine have been declining but at a slower pace than nationally. The foreclosure rate in Maine was 0.57 percent in the second quarter of 2014 and remained above the national rate for an eighth straight quarter.

Overall, while the Commission continues to forecast slow growth for Maine's economy, the demographic situation in the state is of great concern, as the aging population and lack of population growth will limit employment growth and income growth going forward.

The 2014 wage and salary employment forecast was revised downwards slightly, while the 2014-2017 employment forecast was revised upward slightly, projecting a return to Maine's pre-recession employment levels in 2017. Wage and salary income growth was revised upwards for 2015-2017. Total personal income was also revised downwards for 2014-2017, reflecting the lower wage and salary income growth. Inflation, as measured by the Consumer Price Index (CPI), was adjusted upward for 2014-2017.

General Fund revenue estimates were revised upward by \$45.5 million in fiscal year 2015 and by \$67.5 million over the 2016-2017 biennium. Upward revisions to the Sales and Use Tax, the Individual Income Tax, the Corporate Income Tax, and the Estate Tax account for most of the net changes to the General Fund revenue forecast.

At June 30, 2014, the deficit in the State of Maine's Unassigned Fund Balance Account in the General Fund has increased to \$221.3 million (from a deficit unassigned balance of \$151.3 for fiscal year 2013). This increase is primarily due to a decrease in tax revenue and an increase in expenditures for health and human services as described on page 12.

There are several factors that adversely affect our General Fund Balance Sheet that we should continue to strive to improve over the next several years. The primary 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 items 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. This combined with the lack of significant reserves weakens the General Fund equity position.

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)

---

---

# **BASIC FINANCIAL STATEMENTS**

---

---

**STATE OF MAINE  
STATEMENT OF NET POSITION**

June 30, 2014  
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
<b>Current Assets:</b>				
Equity in Treasurer's Cash Pool	\$ 293,824	\$ 11,226	\$ 305,050	\$ 49,336
Cash and Cash Equivalents	4,820	3,443	8,263	106,831
Cash with Fiscal Agent	77,785	-	77,785	-
Investments	95,706	-	95,706	607,831
<b>Restricted Assets:</b>				
Restricted Equity in Treasurer's Cash Pool	55,795	-	55,795	-
Restricted Deposits and Investments	3,662	297,686	301,348	114,748
Inventories	5,051	2,866	7,917	3,874
<b>Receivables, Net of Allowance for Uncollectibles:</b>				
Taxes Receivable	381,290	-	381,290	-
Loans Receivable	3,960	-	3,960	96,584
Notes Receivable	-	-	-	8,080
Other Receivables	233,372	61,661	295,033	72,842
Internal Balances	192,631	(192,631)	-	-
Due from Other Governments	257,250	-	257,250	159,002
Due from Primary Government	-	-	-	15,674
Loans receivable from primary government	-	-	-	45,333
Due from Component Units	46,217	-	46,217	-
Other Current Assets	5,325	195	5,520	52,542
<b>Total Current Assets</b>	<b>1,656,688</b>	<b>184,446</b>	<b>1,841,134</b>	<b>1,332,677</b>
<b>Noncurrent Assets:</b>				
Equity in Treasurer's Cash Pool	112,375	4,294	116,669	18,870
<b>Restricted Assets:</b>				
Restricted Equity in Treasurer's Cash Pool	21,340	-	21,340	-
Restricted Deposits and Investments	-	-	-	560,533
Investments	-	-	-	521,098
<b>Receivables, Net of Current Portion:</b>				
Taxes Receivable	62,279	-	62,279	-
Loans Receivable	-	-	-	2,117,249
Notes Receivable	-	-	-	67,897
Other Receivables	2,593	-	2,593	8,609
Due from Other Governments	4,049	-	4,049	1,308,309
Loans receivable from primary government	-	-	-	427,643
Due From Primary Government	-	-	-	482
Post-Employment Benefit Asset	1,310	-	1,310	12,333
Other Noncurrent Assets	-	-	-	19,627
<b>Capital Assets:</b>				
Land, Infrastructure and Other Non-Depreciable Assets	3,446,628	4,124	3,450,752	567,406
Buildings, Equipment and Other Depreciable Assets, Net	557,582	40,338	597,920	1,029,346
<b>Total Noncurrent Assets</b>	<b>4,208,156</b>	<b>48,756</b>	<b>4,256,912</b>	<b>6,659,402</b>
<b>Total Assets</b>	<b>5,864,844</b>	<b>233,202</b>	<b>6,098,046</b>	<b>7,992,079</b>
<b>Deferred Outflows of Resources</b>				
Accumulated Decrease in Fair Value of Hedging Derivatives	-	-	-	15,152
Deferred Loss on Refunding	-	-	-	41,533
<b>Total Deferred Outflows of Resources</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 56,685</b>

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

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 463,315	\$ 3,313	\$ 466,628	\$ 52,359
Accrued Payroll	48,232	1,009	49,241	2,705
Tax Refunds Payable	194,063	-	194,063	-
Due to Component Units	15,829	-	15,829	-
Due to Primary Government	-	-	-	46,217
Current Portion of Long-Term Obligations:				
Compensated Absences	6,236	128	6,364	2,154
Due to Other Governments	87,292	-	87,292	1,115
Amounts Held under State & Federal Loan Programs	-	-	-	34,213
Claims Payable	28,103	-	28,103	-
Bonds and Notes Payable	80,945	-	80,945	217,014
Revenue Bonds Payable	19,205	-	19,205	53,053
Obligations under Capital Leases	5,571	-	5,571	374
Certificates of Participation and Other Financing Arrangements	33,333	-	33,333	-
Loans Payable to Component Unit	45,333	-	45,333	-
Accrued Interest Payable	4,991	-	4,991	38,824
Unearned Revenue	1,260	210	1,470	57,029
Other Current Liabilities	3,792	18,917	22,709	72,476
Total Current Liabilities	1,037,500	23,577	1,061,077	577,533
Long-Term Liabilities:				
Compensated Absences	37,276	930	38,206	-
Due to Component Units	327	-	327	-
Due to Other Governments	-	-	-	4,071
Amounts Held under State & Federal Loan Programs	-	-	-	39,770
Claims Payable	41,646	-	41,646	-
Bonds and Notes Payable	318,245	-	318,245	3,479,824
Revenue Bonds Payable	167,970	-	167,970	921,636
Obligations under Capital Leases	29,644	-	29,644	5,311
Certificates of Participation and Other Financing Arrangements	73,477	-	73,477	-
Loans Payable to Component Unit	427,643	-	427,643	-
Unearned Revenue	12,207	-	12,207	-
Pension Obligation	1,959	-	1,959	-
Other Post-Employment Benefit Obligation	340,198	4,464	344,662	2,129
Pollution Remediation and Landfill Obligations	27,685	-	27,685	-
Other Noncurrent Liabilities	-	-	-	134,755
Total Long-Term Liabilities	1,478,277	5,394	1,483,671	4,587,496
Total Liabilities	2,515,777	28,971	2,544,748	5,165,029
<b>Deferred Inflows of Resources</b>				
Deferred Inflow of Grant Income	-	-	-	5,538
Deferred Inflow of Loan Origination Points	-	-	-	66
Total Deferred Inflows of Resources	-	-	-	5,604
<b>Net Position</b>				
Net Investment in Capital Assets	3,326,970	44,462	3,371,432	1,007,914
Restricted:				
Transportation Purposes	171,695	-	171,695	-
Business Licensing & Regulation	53,467	-	53,467	-
Justice and Protection	40,832	-	40,832	-
Natural Resources	50,453	-	50,453	-
Health and Human Services	13,075	-	13,075	-
Education	17,151	-	17,151	-
Government Support & Operations	42,988	-	42,988	-
Employment Security	-	331,799	331,799	-
Other Purposes	37,633	-	37,633	1,214,821
Funds Held as Permanent Investments:				
Expendable	73,944	-	73,944	-
Nonexpendable	21,895	-	21,895	228,008
Unrestricted	(501,036)	(172,030)	(673,066)	427,388
Total Net Position	\$ 3,349,067	\$ 204,231	\$ 3,553,298	\$ 2,878,131



# STATE OF MAINE STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
Governmental Support & Operations	\$ 377,269	\$ 96,712	\$ 3,969	\$ -
Arts, Heritage & Cultural Enrichment	11,401	1,315	2,501	-
Business Licensing & Regulation	73,016	74,799	250	-
Economic Development & Workforce Training	175,338	7,410	99,433	-
Education	1,676,908	37,467	200,560	-
Health & Human Services	3,669,552	11,953	2,211,452	-
Justice & Protection	410,641	82,347	44,249	-
Natural Resources Development & Protection	208,970	88,035	41,289	-
Transportation Safety & Development	524,024	128,635	228,253	-
Interest Expense	47,271	-	-	-
Total Governmental Activities	7,174,390	528,673	2,831,956	-
Business-Type Activities:				
Employment Security	159,058	163,352	7,036	-
Alcoholic Beverages	19	12,539	-	-
Lottery	180,087	232,420	-	-
Ferry Services	11,849	4,912	-	-
Military Equipment Maintenance	11,466	10,102	-	-
Dirigo Health	26,863	25,802	-	-
Other	7,540	8,020	-	-
Total Business-Type Activities	396,882	457,147	7,036	-
Total Primary Government	\$ 7,571,272	\$ 985,820	\$ 2,838,992	\$ -
<b>Component Units:</b>				
Finance Authority of Maine	32,703	18,038	17,971	-
Maine Community College System	135,765	18,384	60,265	7,001
Maine Health & Higher Educational Facilities Authority	45,042	41,552	6,347	-
Maine Municipal Bond Bank	71,561	60,518	7,557	22,526
Maine State Housing Authority	220,707	72,099	132,459	-
Maine Turnpike Authority	90,746	121,817	-	-
University of Maine System	693,209	297,293	214,962	7,403
All Other Non-Major Component Units	146,773	50,359	69,143	21,210
Total Component Units	\$ 1,436,506	\$ 680,060	\$ 508,704	\$ 58,140
General Revenues:				
Taxes:				
Corporate				
Individual Income				
Fuel				
Property				
Sales & Use				
Other				
Unrestricted Investment Earnings				
Non-Program Specific Grants, Contributions & Appropriations				
Miscellaneous Income				
Loss on Assets Held for Sale				
Tobacco Settlement				
Special Items				
Transfers - Internal Activities				
Total General Revenues and Transfers				
Change in Net Position				
Net Position - Beginning (As Restated)				
Net Position - Ending				

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

<b>Net (Expenses) Revenues and Changes in Net Position</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (276,588)	\$ -	\$ (276,588)	\$ -
(7,585)	-	(7,585)	-
2,033	-	2,033	-
(68,495)	-	(68,495)	-
(1,438,881)	-	(1,438,881)	-
(1,446,147)	-	(1,446,147)	-
(284,045)	-	(284,045)	-
(79,646)	-	(79,646)	-
(167,136)	-	(167,136)	-
(47,271)	-	(47,271)	-
<u>(3,813,761)</u>	<u>-</u>	<u>(3,813,761)</u>	<u>-</u>
-	11,330	11,330	-
-	12,520	12,520	-
-	52,333	52,333	-
-	(6,937)	(6,937)	-
-	(1,364)	(1,364)	-
-	(1,061)	(1,061)	-
-	480	480	-
-	67,301	67,301	-
<u>\$ (3,813,761)</u>	<u>\$ 67,301</u>	<u>\$ (3,746,460)</u>	<u>\$ -</u>
-	-	-	3,306
-	-	-	(50,115)
-	-	-	2,857
-	-	-	19,040
-	-	-	(16,149)
-	-	-	31,071
-	-	-	(173,551)
-	-	-	(6,061)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (189,602)</u>
194,770	-	194,770	-
1,399,238	-	1,399,238	-
237,439	-	237,439	-
51,684	-	51,684	-
1,257,376	-	1,257,376	-
383,026	-	383,026	-
19,950	-	19,950	21,126
-	-	-	287,643
118,043	-	118,043	10,948
(53)	-	(53)	(2,143)
57,749	-	57,749	-
193,192	(193,192)	-	(7,220)
48,861	(48,861)	-	-
<u>3,961,275</u>	<u>(242,053)</u>	<u>3,719,222</u>	<u>310,354</u>
147,514	(174,752)	(27,238)	120,752
3,201,553	378,983	3,580,536	2,757,379
<u>\$ 3,349,067</u>	<u>\$ 204,231</u>	<u>\$ 3,553,298</u>	<u>\$ 2,878,131</u>



---

---

# GOVERNMENTAL FUND FINANCIAL STATEMENTS

---

---

## MAJOR FUNDS

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

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

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

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

## NON-MAJOR FUNDS

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

Other governmental funds are presented, by fund type, beginning on page 122.

**STATE OF MAINE  
BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2014  
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Treasurer's Cash Pool	\$ 6,363	\$ 28,872	\$ 15,587	\$ 188,955	\$ 133	\$ 239,910
Cash and Short-Term Investments	106	117	1	44	4,549	4,817
Cash with Fiscal Agent	1,622	734	-	63,684	-	66,040
Investments	-	-	-	-	95,706	95,706
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	-	-	-	-	77,135	77,135
Inventories	2,050	-	689	-	-	2,739
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	410,074	22,028	-	11,467	-	443,569
Loans Receivable	1	9	-	3,950	-	3,960
Other Receivable	79,603	2,768	65,838	74,734	6	222,949
Due from Other Funds	18,536	18,363	9,969	286,050	566	333,484
Due from Other Governments	-	-	256,666	-	-	256,666
Due from Component Units	1,000	-	25	40,330	107	41,462
Other Assets	1,946	55	380	127	180	2,688
Working Capital Advances Receivable	111	-	-	-	-	111
<b>Total Assets</b>	<b>\$ 521,412</b>	<b>\$ 72,946</b>	<b>\$ 349,155</b>	<b>\$ 669,341</b>	<b>\$ 178,382</b>	<b>\$ 1,791,236</b>
<b>Liabilities, Deferred Inflows and Fund Balances</b>						
<b>Liabilities</b>						
Accounts Payable	\$ 145,343	\$ 16,275	\$ 231,382	\$ 18,325	\$ 4,160	\$ 415,485
Accrued Payroll	20,352	7,414	5,606	9,701	965	44,038
Tax Refunds Payable	194,055	8	-	-	-	194,063
Due to Other Governments	12,972	-	73,598	-	-	86,570
Due to Other Funds	146,622	3,930	23,554	5,262	24	179,392
Due to Component Units	2,593	1,881	3,098	498	4,055	12,125
Compensated Absences	-	-	-	-	456	456
Unearned Revenue	-	4,916	689	6,785	230	12,620
Other Accrued Liabilities	1,679	1	1,215	1,701	398	4,994
<b>Total Liabilities</b>	<b>523,616</b>	<b>34,425</b>	<b>339,142</b>	<b>42,272</b>	<b>10,288</b>	<b>949,743</b>
<b>Deferred Inflow of Resources</b>						
Tax and Assessment Revenue	213,232	731	722	27,314	-	241,999
Pledged Revenue Transfer from Enterprise Fund	-	-	-	183,482	-	183,482
<b>Total Deferred Inflows of Resources</b>	<b>213,232</b>	<b>731</b>	<b>722</b>	<b>210,796</b>	<b>-</b>	<b>425,481</b>
<b>Fund Balances</b>						
Nonspendable:						
Permanent Fund Principal	-	-	-	-	21,895	21,895
Inventories and Prepaid Items	3,807	55	1,071	214	181	5,328
Restricted	2,064	37,735	8,220	351,691	146,265	545,975
Committed	-	-	-	48,381	-	48,381
Assigned	-	-	-	15,987	-	15,987
Unassigned	(221,307)	-	-	-	(247)	(221,554)
<b>Total Fund Balances</b>	<b>(215,436)</b>	<b>37,790</b>	<b>9,291</b>	<b>416,273</b>	<b>168,094</b>	<b>416,012</b>
<b>Total Liabilities, Deferred Inflows and Fund Balances</b>	<b>\$ 521,412</b>	<b>\$ 72,946</b>	<b>\$ 349,155</b>	<b>\$ 669,341</b>	<b>\$ 178,382</b>	<b>\$ 1,791,236</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 POSITION

June 30, 2014  
(Expressed in Thousands)

Total fund balances for governmental funds		\$ 416,012
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	*	4,151,442
Less: Accumulated depreciation		(324,340)
		3,827,102
Other post-employment benefit assets are not financial resources		1,310
Pollution remediation receivable		2,914
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 Position. This is the net effect of these balances on the statement:		
Bonds payable		(586,365)
Interest payable related to long-term financing		(3,435)
Certificates of participation and other financing arrangements		(64,031)
Capital leases		(3,809)
Other accrued		(9)
Loans payable to component unit		(472,976)
Due from component unit debt service interest reserve		4,755
Compensated absences		(39,451)
Pension obligation		(1,959)
Other post-employment benefit obligation		(340,198)
Pollution remediation and landfill obligations		(27,685)
		(1,535,163)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		245,589
Special Item - Liquor bond funds owed by the Alcoholic Beverages Enterprise Fund will be paid from the profits of the fund.		183,482
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 Position.		207,821
Net position of governmental activities		\$ 3,349,067

\* As restated. - See footnote 3 for further detail.

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, 2014  
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 3,027,088	\$ 214,119	\$ -	\$ 289,150	\$ -	\$ 3,530,357
Assessments and Other Revenue	97,622	94,240	-	158,896	-	350,758
Federal Grants and Reimbursements	1,988	-	2,818,388	9,707	-	2,830,083
Service Charges	50,580	4,188	352	108,682	659	164,461
Investment Income	716	80	9	740	16,222	17,767
Miscellaneous Revenue	23,706	3,688	4	125,247	1,574	154,219
<b>Total Revenues</b>	<b>3,201,700</b>	<b>316,315</b>	<b>2,818,753</b>	<b>692,422</b>	<b>18,455</b>	<b>7,047,645</b>
<b>Expenditures</b>						
Current:						
Governmental Support & Operations	219,125	2,596	4,905	105,442	112	332,180
Economic Development & Workforce Training	32,635	-	96,699	38,808	5,726	173,868
Education	1,404,149	-	199,595	66,984	30,520	1,701,248
Health and Human Services	1,159,000	-	2,208,900	307,348	5,756	3,681,004
Business Licensing & Regulation	3,797	-	99	68,124	-	72,020
Natural Resources Development & Protection	66,684	33	39,358	85,561	3,890	195,526
Justice and Protection	283,477	25,151	47,015	62,179	74	417,896
Arts, Heritage & Cultural Enrichment	7,459	-	2,796	852	47	11,154
Transportation Safety & Development	-	274,375	195,386	63,904	3,330	536,995
Debt Service:						
Principal Payments	85,735	16,035	12,465	11,065	25	125,325
Interest Payments	18,163	4,274	3,331	9,052	-	34,820
Capital Outlay	-	-	-	-	35,227	35,227
<b>Total Expenditures</b>	<b>3,280,224</b>	<b>322,464</b>	<b>2,810,549</b>	<b>819,319</b>	<b>84,707</b>	<b>7,317,263</b>
Revenue over (under) Expenditures	(78,524)	(6,149)	8,204	(126,897)	(66,252)	(269,618)
Other Financing Sources (Uses):						
Transfer from Other Funds	169,095	25,200	15,490	189,083	27,856	426,724
Transfer to Other Funds	(206,907)	(16,320)	(39,154)	(113,974)	(3,412)	(379,767)
COP's and Other	45,275	735	-	31,742	69	77,821
Loan Proceeds from Component Units	-	-	-	183,482	-	183,482
Bonds Issued	-	-	-	10,055	112,945	123,000
Bonds Defeased	-	-	-	(4,500)	-	(4,500)
Premium on Bonds Issued	-	-	-	-	14,175	14,175
<b>Net Other Finance Sources (Uses)</b>	<b>7,463</b>	<b>9,615</b>	<b>(23,664)</b>	<b>295,888</b>	<b>151,633</b>	<b>440,935</b>
Special Item	-	-	-	59	-	59
<b>Net Change in Fund Balances</b>	<b>(71,061)</b>	<b>3,466</b>	<b>(15,460)</b>	<b>169,050</b>	<b>85,381</b>	<b>171,376</b>
Fund Balances at Beginning of Year	(144,375)	34,324	24,751	247,223	82,713	244,636
Fund Balances at End of Year	\$ (215,436)	\$ 37,790	\$ 9,291	\$ 416,273	\$ 168,094	\$ 416,012

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, 2014  
(Expressed in Thousands)

Net change in fund balances - total governmental funds	\$	171,376
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		71,926
Capital assets transfer, net		27,188
Depreciation expense		(31,056)
		68,058
The net effect of various transactions involving capital assets (i.e. sales, trade-ins and contributions) is to increase net position.		621
Post-employment benefit asset funding, net		(561)
Pollution Remediation Receivable		(5,937)
The issuance of long-term debt provides current financial resources to governmental funds which increases long-term debt in the Statement of Net Position. 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 Position. This is the amount that proceeds exceed repayments:		
Bond proceeds		(123,000)
Proceeds from other financing arrangements		(77,752)
Loan proceeds from component unit		(193,816)
Changes in component unit debt service interest reserve		4,755
Loan proceeds from capitalized leases		(69)
Repayment of bond principal		106,270
Repayment of other financing debt		21,444
Repayment of pledged revenue principal		24,885
Repayment of capitalized lease principal		554
Accrued interest		313
		(236,416)
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported as expenditures on the Statement of Net Position and have been eliminated from the Statement of Position as follows:		
Pension obligation		30
Other post-employment benefit obligation		(42,137)
Pollution remediation and landfill obligations		4,447
Compensated absences		(1,847)
		(39,507)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		(5,826)
Special Item - Liquor bond funds owed by the Alcoholic Beverages Enterprise Fund will be paid from profits of the fund.		183,482
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.		12,224
Changes in net position of governmental activities	<u>\$</u>	<u>147,514</u>

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





---

---

# PROPRIETARY FUND

# FINANCIAL STATEMENTS

---

---

## MAJOR FUND

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

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. Fiscal year 2014 was the final year of the contract.

## NON-MAJOR FUNDS

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

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

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

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

June 30, 2014  
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Total	Governmental Activities Internal Service Funds
	Major	Major	Non-Major		
	Employment Security	Alcoholic Beverages	Other Enterprise		
<b>Assets</b>					
Current Assets:					
Equity in Treasurer's Cash Pool	\$ -	\$ 361	\$ 10,865	\$ 11,226	\$ 120,284
Cash and Short-Term Investments	2,687	-	756	3,443	3
Cash with Fiscal Agent	-	-	-	-	11,745
Restricted Assets:					
Restricted Deposits and Investments	297,686	-	-	297,686	3,662
Inventories	-	-	2,866	2,866	2,312
Receivables, Net of Allowance for Uncollectibles:					
Other Receivable	34,334	-	27,327	61,661	7,092
Due from Other Funds	22	-	307	329	24,622
Other Current Assets	-	-	195	195	2,637
Total Current Assets	<u>334,729</u>	<u>361</u>	<u>42,316</u>	<u>377,406</u>	<u>172,357</u>
Noncurrent Assets:					
Equity in Treasurer's Cash Pool	-	138	4,156	4,294	46,005
Capital Assets - Net of Depreciation	-	-	44,462	44,462	177,108
Total Noncurrent Assets	<u>-</u>	<u>138</u>	<u>48,618</u>	<u>48,756</u>	<u>223,113</u>
Total Assets	<u>334,729</u>	<u>499</u>	<u>90,934</u>	<u>426,162</u>	<u>395,470</u>
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable	1,942	6	1,365	3,313	23,812
Accrued Payroll	-	13	996	1,009	4,194
Due to Other Funds	-	183,482	9,562	193,044	6,675
Due to Component Units	-	-	-	-	4,031
Current Portion of Long-Term Obligations:					
Certificates of Participation and Other Financing Arrangements	-	-	-	-	11,484
Obligations Under Capital Leases	-	-	-	-	5,016
Claims Payable	-	-	-	-	28,103
Compensated Absences	-	-	128	128	435
Unearned Revenue	-	-	210	210	344
Accrued Interest Payable	-	-	-	-	345
Other Accrued Liabilities	988	500	17,429	18,917	-
Total Current Liabilities	<u>2,930</u>	<u>184,001</u>	<u>29,690</u>	<u>216,621</u>	<u>84,439</u>
Long-Term Liabilities:					
Working Capital Advances Payable	-	-	-	-	111
Unearned Revenue	-	-	-	-	503
Certificates of Participation and Other Financing Arrangements	-	-	-	-	31,295
Obligations Under Capital Leases	-	-	-	-	26,390
Claims Payable	-	-	-	-	41,646
Compensated Absences	-	-	930	930	3,181
Other Post-Employment Benefit Obligation	-	-	4,464	4,464	-
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>5,394</u>	<u>5,394</u>	<u>103,126</u>
Total Liabilities	<u>2,930</u>	<u>184,001</u>	<u>35,084</u>	<u>222,015</u>	<u>187,565</u>
<b>Net Position</b>					
Net Investment in Capital Assets	-	-	44,462	44,462	117,237
Restricted for:					
Employment Security	331,799	-	-	331,799	-
Other Purposes	-	-	-	-	468
Unrestricted	<u>-</u>	<u>(183,502)</u>	<u>11,388</u>	<u>(172,114)</u>	<u>90,200</u>
Total Net Position	<u>\$ 331,799</u>	<u>\$ (183,502)</u>	<u>\$ 55,850</u>	<u>\$ 204,147</u>	<u>\$ 207,905</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

84

Net Position of Business-Type Activities

\$ 204,231

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

**STATE OF MAINE**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**

Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)

	Business-Type Activities			Total	Governmental Activities Internal Service Funds
	Enterprise Funds				
	Major Employment Security	Major Alcoholic Beverages	Non-Major Other Enterprise		
<b>Operating Revenues</b>					
Charges for Services	\$ -	\$ 39	\$ 280,991	\$ 281,030	\$ 440,328
Assessments	163,341	-	-	163,341	-
Miscellaneous Revenues	11	-	214	225	441
<b>Total Operating Revenues</b>	<u>163,352</u>	<u>39</u>	<u>281,205</u>	<u>444,596</u>	<u>440,769</u>
<b>Operating Expenses</b>					
General Operations	-	19	234,762	234,781	390,270
Depreciation	-	-	3,456	3,456	17,082
Claims/Fees Expense	159,058	-	-	159,058	10,755
Other Operating Expenses	-	-	-	-	48
<b>Total Operating Expenses</b>	<u>159,058</u>	<u>19</u>	<u>238,218</u>	<u>397,295</u>	<u>418,155</u>
<b>Operating Income (Loss)</b>	<u>4,294</u>	<u>20</u>	<u>42,987</u>	<u>47,301</u>	<u>22,614</u>
<b>Nonoperating Revenues (Expenses)</b>					
Investment Revenue (Expense) - net	7,036	-	-	7,036	443
Interest Expense	-	-	-	-	(8,291)
Other Nonoperating Revenues (Expenses)- net	-	12,500	51	12,551	(18,483)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>7,036</u>	<u>12,500</u>	<u>51</u>	<u>19,587</u>	<u>(26,331)</u>
<b>Income (Loss) Before Capital Contributions, Transfers and Special Items</b>	<u>11,330</u>	<u>12,520</u>	<u>43,038</u>	<u>66,888</u>	<u>(3,717)</u>
<b>Capital Contributions, Transfers and Special Items</b>					
Capital Contributions from (to) Other Funds	-	-	2,231	2,231	1,693
Transfers from Other Funds	-	-	4,672	4,672	18,002
Transfers to Other Funds	(643)	(39)	(55,082)	(55,764)	(3,341)
Special Items	-	(183,482)	(9,710)	(193,192)	-
<b>Total Capital Contributions, Transfers In (Out) and Special Items</b>	<u>(643)</u>	<u>(183,521)</u>	<u>(57,889)</u>	<u>(242,053)</u>	<u>16,354</u>
<b>Change in Net Position</b>	<u>10,687</u>	<u>(171,001)</u>	<u>(14,851)</u>	<u>(175,165)</u>	<u>12,637</u>
<b>Net Position - Beginning of Year</b>	<u>321,112</u>	<u>(12,501)</u>	<u>70,701</u>	<u>379,312</u>	<u>195,268</u>
<b>Net Position - End of Year</b>	<u>\$ 331,799</u>	<u>\$ (183,502)</u>	<u>\$ 55,850</u>		<u>\$ 207,905</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				413	
<b>Changes in Business-Type Net Position</b>				<u>\$ (174,752)</u>	

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

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

June 30, 2014  
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Totals	Governmental Activities Internal Service Funds
	Major	Major	Non-Major		
	Employment	Alcoholic	Other		
	Security	Beverages	Enterprise		
<b>Cash Flows from Operating Activities</b>					
Receipts from Customers and Users	\$ 170,388	\$ 39	\$ 278,376	\$ 448,803	\$ 440,099
Payments of Benefits	(158,974)	-	-	(158,974)	-
Payments to Prize Winners	-	-	(148,077)	(148,077)	-
Payments to Suppliers	-	499	(58,640)	(58,141)	(316,783)
Payments to Employees	-	-	(21,139)	(21,139)	(68,934)
Net Cash Provided (Used) by Operating Activities	<u>11,414</u>	<u>538</u>	<u>50,520</u>	<u>62,472</u>	<u>54,382</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers from Other Funds	-	-	4,672	4,672	18,002
Transfers to Other Funds	(643)	(39)	(55,082)	(55,764)	(3,341)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(643)</u>	<u>(39)</u>	<u>(50,410)</u>	<u>(51,092)</u>	<u>14,661</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Payments for Acquisition of Capital Assets	-	-	(76)	(76)	(28,252)
Proceeds from Financing Arrangements	-	-	-	-	16,300
Principal and Interest Paid on Financing Arrangements	-	-	-	-	(26,223)
Proceeds from Sale of Capital Assets	-	-	61	61	65
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>-</u>	<u>(15)</u>	<u>(15)</u>	<u>(38,110)</u>
<b>Cash Flows from Investing Activities</b>					
Interest Revenue	7,036	-	9	7,045	443
Net Cash Provided (Used) by Investing Activities	<u>7,036</u>	<u>-</u>	<u>9</u>	<u>7,045</u>	<u>443</u>
Net Increase (Decrease) in Cash/Cash Equivalents	17,807	499	104	18,410	31,376
Cash/Cash Equivalents - Beginning of Year	282,566	-	15,673	298,239	150,322
Cash/Cash Equivalents - End of Year	<u>\$ 300,373</u>	<u>\$ 499</u>	<u>\$ 15,777</u>	<u>\$ 316,649</u>	<u>\$ 181,698</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>					
Operating Income (Loss)	\$ 4,294	\$ 20	\$ 42,987	\$ 47,301	\$ 22,614
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>					
Depreciation Expense	-	-	3,456	3,456	17,082
Decrease (Increase) in Assets					
Accounts Receivable	6,827	-	(2,829)	3,998	3,544
Interfund Balances	209	(1)	3,503	3,711	(3,580)
Inventories	-	-	(557)	(557)	(246)
Other Assets	-	-	-	-	(48)
Increase (Decrease) in Liabilities					
Accounts Payable	(148)	6	(563)	(705)	15,651
Accrued Payroll Expenses	-	13	(561)	(548)	205
Change in Compensated Absences	-	-	(322)	(322)	(62)
Other Accruals	232	500	5,406	6,138	(778)
Total Adjustments	<u>7,120</u>	<u>518</u>	<u>7,533</u>	<u>15,171</u>	<u>31,768</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 11,414</u>	<u>\$ 538</u>	<u>\$ 50,520</u>	<u>\$ 62,472</u>	<u>\$ 54,382</u>
<b>Non Cash Investing, Capital and Financing Activities</b>					
Property Leased, Accrued or Acquired	-	-	-	-	921
Contributed Capital Assets	-	-	2,231	2,231	1,693
Decrease of deferred revenue from the sale of liquor operations	-	12,500	-	12,500	-
Special Item	-	(183,482)	(9,710)	(193,192)	-

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

---

---

# FIDUCIARY FUND FINANCIAL STATEMENTS

---

---

Pension (and Other Employee Benefit) Trusts – accounts for funds held by the Maine Public Employees Retirement System (the System), a component unit included with Fiduciary Funds per GASB Statement No. 34. The System provides pension, death, and disability benefits to its members, including State employees, some public school employees, and employees of approximately 300 local municipalities and other public entities in Maine.

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.

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

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

June 30, 2014  
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts	Agency Funds
<b>Assets</b>			
Equity in Treasurer's Cash Pool	\$ -	\$ 1,982	\$ 18,310
Cash and Short-Term Investments	31,272	-	27
Receivables, Net of Allowance for Uncollectibles:			
Interest and Dividends	4,389	-	-
Due from Brokers for Securities Sold	99	-	-
Other	19,369	-	-
Investments at Fair Value:			
Equity Securities	3,967,803	-	-
Common/Collective Trusts	9,211,945	-	-
Other	-	14,900	-
Restricted Deposits and Investments	-	-	11
Securities Lending Collateral	260,224	-	-
Due from Other Funds	-	24,007	-
Investments Held on Behalf of Others	-	-	52,641
Capital Assets - Net of Depreciation	8,719	-	-
Other Assets	-	4,621	4,416
Total Assets	<u>13,503,820</u>	<u>45,510</u>	<u>75,405</u>
<b>Liabilities</b>			
Accounts Payable	6,213	88	1,064
Due to Other Funds	-	4	3,327
Due to Brokers for Securities Purchased	534	-	-
Agency Liabilities	-	-	70,983
Obligations Under Securities Lending	260,224	-	-
Other Accrued Liabilities	20,801	-	31
Total Liabilities	<u>287,772</u>	<u>92</u>	<u>75,405</u>
<b>Net Position</b>			
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	<u>13,216,048</u>	<u>45,418</u>	<u>-</u>
Total Net Position	<u>\$ 13,216,048</u>	<u>\$ 45,418</u>	<u>\$ -</u>

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

**STATE OF MAINE**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**

Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)

	<b>Pension (and Other Employee Benefit) Trusts</b>	<b>Private Purpose Trusts</b>
Additions:		
Contributions:		
Members	\$ 163,219	\$ -
State and Local Agencies	268,581	-
Other Contributing Entity	142,303	-
Investment Income (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	1,855,602	2,090
Interest and Dividends	126,528	319
Securities Lending Income	1,494	-
Less Investment Expense:		
Investment Activity Expense	41,310	-
Securities Lending Expense	(1,201)	-
Net Investment Income (Loss)	<u>1,943,515</u>	<u>2,409</u>
Miscellaneous Revenues	-	9,714
Transfers In	<u>-</u>	<u>738</u>
Total Additions	<u>2,517,618</u>	<u>12,861</u>
Deductions:		
Benefits Paid to Participants or Beneficiaries	869,133	69
Refunds and Withdrawals	31,225	-
Administrative Expenses	10,624	157
Claims Processing Expense	835	-
Transfers Out	<u>-</u>	<u>7,834</u>
Total Deductions	<u>911,817</u>	<u>8,060</u>
Net Increase (Decrease)	1,605,801	4,801
Net Position:		
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:		
Beginning of Year, as Restated	<u>11,610,247</u>	<u>40,617</u>
End of Year	<u>\$ 13,216,048</u>	<u>\$ 45,418</u>

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





---

---

# COMPONENT UNIT FINANCIAL STATEMENTS

---

---

Finance Authority of Maine (FAME) – The Authority provides commercial financing and loan guarantees to Maine businesses and educational financing to Maine students and their parents; administers several revolving loan programs on behalf of the State; and administers the Maine College Savings Program Fund.

Maine Community College System – is Maine’s comprehensive two-year college system and offers certificate, diploma and associate degree programs. The financial statements of the system include the activity of seven colleges, the central administrative office and the Center for Career Development.

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 administers various housing and energy related state and federal programs and collects and disburses 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 universities, eight centers, and a central administrative office.

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

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

June 30, 2014  
(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	\$ 18,740	\$ 10,725	\$ 3,662	\$ -
Cash and Cash Equivalents	3,541	15,093	3,783	246
Investments	46,348	45,188	36,309	21,249
Restricted Assets:				
Restricted Deposits and Investments	-	-	-	-
Inventories	-	1,394	-	-
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	-	-	47,286	-
Notes Receivable	-	-	-	-
Other Receivables	1,313	6,766	211	1,020
Due from Other Governments	315	-	-	135,630
Due from Primary Government	-	1,437	-	-
Loans Receivable from Primary Government	-	-	-	45,333
Other Current Assets	1,648	1,903	796	40,512
Total Current Assets	<u>71,905</u>	<u>82,506</u>	<u>92,047</u>	<u>243,990</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	7,167	4,102	1,401	-
Restricted Assets:				
Restricted Deposits and Investments	-	1,637	132,093	375,842
Investments	-	14,835	-	-
Receivables, Net of Current Portion:				
Loans Receivable	-	-	827,231	-
Notes Receivable	22,584	-	-	-
Other Receivables	-	-	-	-
Due from Other Governments	-	-	-	1,308,309
Due from Primary Government	-	-	-	-
Loans Receivable from Primary Government	-	-	-	427,643
Post-Employment Benefit Asset	-	12,333	-	-
Capital Assets - Net of Depreciation	1,473	161,462	-	550
Other Noncurrent Assets	-	-	-	-
Total Noncurrent Assets	<u>31,224</u>	<u>194,369</u>	<u>960,725</u>	<u>2,112,344</u>
Total Assets	<u>103,129</u>	<u>276,875</u>	<u>1,052,772</u>	<u>2,356,334</u>
<b>Deferred Outflows of Resources</b>				
Accumulated Decrease in Fair Value of Hedging Derivatives	-	-	-	-
Deferred Loss on Refunding	-	-	-	22,555
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,555</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	2,989	4,718	174	730
Accrued Payroll	-	-	-	-
Compensated Absences	-	1,965	-	-
Due to Other Governments	-	-	-	724
Due to Primary Government	1,000	-	-	44,458
Amounts Held Under State & Federal Loan Programs	-	-	-	34,213
Bonds and Notes Payable	807	649	51,505	151,070
Obligations Under Capital Leases	-	10	-	-
Accrued Interest Payable	-	-	20,393	12,385
Deferred Revenue	1,130	2,414	2,805	273
Other Current Liabilities	21,034	8,894	-	-
Total Current Liabilities	<u>26,960</u>	<u>18,650</u>	<u>74,877</u>	<u>243,853</u>
Long-Term Liabilities:				
Due to Other Governments	-	-	435	1,005
Amounts Held Under State & Federal Loan Programs	39,770	-	-	-
Bonds and Notes Payable	593	22,647	921,605	1,485,890
Obligations Under Capital Leases	-	2,199	-	-
Other Post-Employment Benefits Obligation	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-
Total Long-Term Liabilities	<u>40,363</u>	<u>24,846</u>	<u>922,040</u>	<u>1,486,895</u>
Total Liabilities	<u>67,323</u>	<u>43,496</u>	<u>996,917</u>	<u>1,730,748</u>
<b>Deferred Inflows of Resources</b>				
Deferred Inflow of Grant Income	-	-	-	-
Deferred Inflow of Loan Origination Points	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>				
Net Investment in Capital Assets	1,473	137,594	-	548
Restricted	17,054	40,303	34,283	577,447
Unrestricted	17,279	55,482	21,572	70,146
Total Net Position	<u>\$ 35,806</u>	<u>\$ 233,379</u>	<u>\$ 55,855</u>	<u>\$ 648,141</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	Total
\$ -	\$ -	\$ 15,132	\$ 1,077	\$ 49,336
1,307	17,779	886	64,196	106,831
227,989	-	221,902	8,846	607,831
-	81,809	-	32,939	114,748
-	1,604	-	876	3,874
30,920	-	-	18,378	96,584
8	-	63	8,009	8,080
18,027	4,425	35,023	6,057	72,842
3,959	-	13,069	6,029	159,002
-	-	5,658	8,579	15,674
-	-	-	-	45,333
-	875	5,338	1,470	52,542
282,210	106,492	297,071	156,456	1,332,677
-	-	5,788	412	18,870
-	34,100	400	16,461	560,533
103,490	14,301	365,529	22,943	521,098
1,184,850	-	-	105,168	2,117,249
86	-	41,820	3,407	67,897
1,062	14	4,490	3,043	8,609
-	-	-	-	1,308,309
-	-	327	155	482
-	-	-	-	427,643
-	-	-	-	12,333
1,492	497,236	698,219	236,320	1,596,752
5,640	12,515	-	1,472	19,627
1,296,620	558,166	1,116,573	389,381	6,659,402
1,578,830	664,658	1,413,644	545,837	7,992,079
15,152	-	-	-	15,152
6,348	7,652	3,957	1,021	41,533
\$ 21,500	\$ 7,652	\$ 3,957	\$ 1,021	\$ 56,685
8,423	6,819	13,137	15,369	52,359
-	2,298	-	407	2,705
-	-	-	189	2,154
391	-	-	-	1,115
-	-	-	759	46,217
-	-	-	-	34,213
29,360	17,820	9,346	9,510	270,067
-	-	359	5	374
5,477	-	-	569	38,824
1,181	7,243	11,049	30,934	57,029
-	10,797	30,340	1,411	72,476
44,832	44,977	64,231	59,153	577,533
-	-	-	2,631	4,071
-	-	-	-	39,770
1,244,268	430,975	155,767	139,715	4,401,460
-	-	3,112	-	5,311
-	-	-	2,129	2,129
15,152	15,361	104,081	161	134,755
1,259,420	446,336	262,960	144,636	4,587,496
1,304,252	491,313	327,191	203,789	5,165,029
2,984	-	-	2,554	5,538
66	-	-	-	66
3,050	-	-	2,554	5,604
1,492	117,417	531,742	217,648	1,007,914
267,236	49,832	371,458	85,216	1,442,829
24,300	13,748	187,210	37,651	427,388
\$ 293,028	\$ 180,997	\$ 1,090,410	\$ 340,515	\$ 2,878,131

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

Fiscal Year Ended June 30, 2014  
(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>	\$ 32,703	\$ 135,765	\$ 45,042	\$ 71,561
<b>Program Revenues</b>				
Charges for Services	18,038	18,384	41,552	60,518
Program Investment Income	196	3,505	6,347	7,050
Operating Grants and Contributions	17,775	56,760	-	507
Capital Grants and Contributions	-	7,001	-	22,526
Net Revenue (Expense)	<u>3,306</u>	<u>(50,115)</u>	<u>2,857</u>	<u>19,040</u>
<b>General Revenues</b>				
Unrestricted Investment Earnings	458	2,799	71	64
Non-program Specific Grants, Contributions and Appropriations	-	57,086	-	-
Miscellaneous Income	230	1,413	127	2,735
Gain (Loss) on Assets Held for Sale	-	-	-	-
Special Item	-	-	-	-
Total General Revenues	<u>688</u>	<u>61,298</u>	<u>198</u>	<u>2,799</u>
Change in Net Position	3,994	11,183	3,055	21,839
Net Position, Beginning of the Year (as restated)	<u>31,812</u>	<u>222,196</u>	<u>52,800</u>	<u>626,302</u>
Net Position, End of Year	<u>\$ 35,806</u>	<u>\$ 233,379</u>	<u>\$ 55,855</u>	<u>\$ 648,141</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>Total</b>
\$ 220,707	\$ 90,746	\$ 693,209	\$ 146,773	\$ 1,436,506
72,099	121,817	297,293	50,359	680,060
(10,969)	-	38,692	65	44,886
143,428	-	176,270	69,078	463,818
-	-	7,403	21,210	58,140
<u>(16,149)</u>	<u>31,071</u>	<u>(173,551)</u>	<u>(6,061)</u>	<u>(189,602)</u>
17	(475)	13,081	5,111	21,126
-	-	213,278	17,279	287,643
-	5,283	-	1,160	10,948
-	(2,509)	-	366	(2,143)
-	-	-	(7,220)	(7,220)
<u>17</u>	<u>2,299</u>	<u>226,359</u>	<u>16,696</u>	<u>310,354</u>
(16,132)	33,370	52,808	10,635	120,752
<u>309,160</u>	<u>147,627</u>	<u>1,037,602</u>	<u>329,880</u>	<u>2,757,379</u>
<u>\$ 293,028</u>	<u>\$ 180,997</u>	<u>\$ 1,090,410</u>	<u>\$ 340,515</u>	<u>\$ 2,878,131</u>



---

---

# **NOTES TO THE FINANCIAL STATEMENTS**

---

---



---

---

**INDEX**  
**NOTES TO THE FINANCIAL STATEMENTS**

	<u>Page</u>
Note 1 - Summary of Significant Accounting Policies	
A. Reporting Entity .....	45
B. Government-Wide and Fund Financial Statements .....	47
C. Measurement Focus, Basis of Accounting and Financial Statement Presentation .....	48
D. Fiscal Year-Ends .....	50
E. Assets, Liabilities, and Net Position/Fund Balance.....	50
F. Revenues and Expenditures/Expenses .....	54
Note 2 – Budgeting and Budgetary Control, and Legal Compliance .....	55
Note 3 – Accounting Changes and Restatements .....	58
Note 4 – Deficit Fund Balances/Net Position.....	59
Note 5 – Deposits and Investments .....	60
Note 6 – Receivables .....	66
Note 7 – Interfund Transactions .....	67
Note 8 – Capital Assets .....	69
Note 9 – Maine Public Employees Retirement System.....	70
Note 10 – Other Postemployment Benefits .....	75
Note 11 – Long-Term Obligations .....	83
Note 12 – Self-Insurance	
A. Risk Management.....	93
B. Unemployment Insurance.....	94
C. Workers’ Compensation.....	94
D. Employee Health Insurance.....	95
Note 13 – Joint Ventures .....	96
Note 14 – Related Party Transactions .....	98
Note 15 – Commitments and Contingencies .....	99
Note 16 – Subsequent Events .....	105
Note 17 – Special Items.....	106

**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.

Financial accountability is defined in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. 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 and there exists a financial benefit or burden relationship with the State. Entities that do not meet the specific criteria for inclusion may still be included 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.

Under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units, an Amendment of GASB Statement No. 14*, individually significant legally separate, tax-exempt entities that should be reported as component units if their resources are for the direct benefit of the State and the State can access those resources. 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 they do 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 GASB, 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. The State's Education Commissioner 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 whose boards of directors or boards of trustees are appointed by the Governor:

*The Maine Community College System* is Maine's comprehensive two-year college system and offers certificate, diploma and associate degree programs. The combined financial statements of the System include the activity of seven colleges, the central administrative office and 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 Authority's fiscal year ends December 31.

*The University of Maine System* is the State University governed by a single Board of Trustees. The combined financial statements of the System include the activity of seven universities, eight 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 NextGen College Investing Plan, 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. 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 a 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 300 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 Position 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 Position* presents the reporting entity's non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three components:

**Net investment in capital assets** component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**Restricted component of net position** consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Constraints placed on restricted components of net position 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 position reports \$854.9 million of restricted net position, of which \$144.2 million is restricted by enabling legislation.

**Unrestricted component of net position** consists of the net amount of assets, deferred outflow of resources, liabilities, and deferred inflows of resources that do not meet the definition of the two preceding categories. The unrestricted component of net position often is designated, to indicate that management does not consider it to be available for general operations and 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.

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 March 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.

The *Alcoholic Beverages Fund* licenses and regulates the sale of alcoholic beverages. 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. Fiscal year 2014 was the final year of the contract.

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 and for MPERS' retiree healthcare benefits. The investment trusts, managed by the Maine Public Employees Retirement System, hold the long-term investments. The trustees of the Healthcare 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 and the Permanent School funds.

*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 POSITION/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 Position 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 \$107 million of Workers' Compensation, \$51 million of Bureau of Insurance, and \$30 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 Position.



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. Three 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, 2014 is \$219 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, 2014 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 Inflows of Resources**

In addition to liabilities, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate element represents an acquisition of fund equity that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The government funds report unavailable revenues, which arise only under the modified accrual basis of accounting, from two sources: tax and assessment revenue and pledged revenue transfer from an Enterprise Fund.

**Loans Payable to Component Unit**

In the Statement of Net Position, 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." In fiscal year 2014 a Liquor Revenue Bond was issued by the Component Unit. The bond, including debt service reserves, totaled \$220.7 million. See Note 11 for additional information on the Liquor Bond.

**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 Position/Fund Balances**

The difference between fund assets, deferred outflows of resources, liabilities and deferred inflows of resources is "Net Position" 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 classified in accordance with GASB Statement No. 54.

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 \$221 million unassigned General Fund fund balance. Amounts in the stabilization fund may be expended only to offset a General Fund revenue shortfall. The Governor may also allocate funds for payment of death benefits for law enforcement officers, firefighters and emergency medical services personnel.

Balances in the fund do not lapse, but carry forward each year. Money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. As the fifth priority before any other transfer, the State Controller is required to transfer 48 percent of the unappropriated surplus of the General Fund when the fund is not at its statutory cap. In accordance with the statute, the State Controller made the required transfer for fiscal year 2014.

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 2014 actual General Fund revenue, the statutory cap at the close of fiscal year 2014 and during fiscal year 2014 was \$373.6 million. At the close of fiscal year 2014, the balance of the Maine Budget Stabilization Fund was \$68.3 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	\$	59,701
Increase in fund balance		8,570
Balance, end of year	\$	68,271

**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, 2014, the Legislature increased appropriations to the General Fund by \$26.3 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, 2014 are detailed on the following page.

**Governmental Fund Balances**

(Expressed in Thousands)

	NSIF	Restricted	Committed	Assigned
<b>General Fund:</b>				
Public Safety	\$ -	\$ 1,365	\$ -	\$ -
All Other	3,807	699	-	-
Total	<u>\$ 3,807</u>	<u>\$ 2,064</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Highway Fund:</b>				
Light Highway & Bridge Capital	\$ -	\$ 20,522	\$ -	\$ -
Highway and Bridge Construction		14,319		
Department of Motor Vehicles	-	847	-	-
All Other	55	2,047	-	-
Total	<u>\$ 55</u>	<u>\$ 37,735</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Federal Fund:</b>				
HHS Office of Family Independence	\$ -	\$ 1,739	\$ -	\$ -
HHS Office of Child and Family Services	-	2,443	-	-
HHS Substance & Mental Health	-	1,989	-	-
Other General Support and Operations	-	619	-	-
Other Justice and Protection	-	1,430	-	-
All Other	1,071	-	-	-
Total	<u>\$ 1,071</u>	<u>\$ 8,220</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Other Special Revenue Fund:</b>				
Agriculture & Conservation	\$ -	\$ 18,049	\$ 3,673	\$ -
Bonds for Highway & Bridge Construction	-	73,537	-	-
Environmental Protection	-	19,242	-	-
Fund for a Healthy Maine	-	-	8,351	-
GSO Other	-	42,882	8,864	-
HHS Centers for Disease Control	-	-	4,614	-
HHS COM	-	-	-	-
HHS MaineCare (Medicaid Program)	-	-	3,241	-
HHS Office of Family Independence	-	-	-	6,963
HHS Other	-	26,434	1,672	2,967
Highway & Bridge Construction	-	14,110	-	-
Inland Wildlife & Fisheries	-	10,032	-	-
Multimodal Transportation	-	-	6,862	-
Natural Resources Other	-	9,585	-	-
Professional & Financial Regulation	-	50,692	-	-
Public Safety	-	43,609	-	-
Workers Compensation Board	-	13,853	-	-
All Other	214	29,666	11,104	6,057
Total	<u>\$ 214</u>	<u>\$ 351,691</u>	<u>\$ 48,381</u>	<u>\$ 15,987</u>
<b>Other Governmental Funds:</b>				
	NSIF	Restricted	Permanent	
Permanent Funds - Baxter Park	\$ -	\$ -	\$ 6,814	
Permanent Funds - All Others	-	-	15,081	
Capital Projects - Highway & Bridge Construction	-	30,455	-	
Capital Projects - Multimodal Transportation	-	17,883	-	
Capital Projects - Higher Education	-	16,669	-	
Capital Projects - Agriculture & Conservation	-	3,091	-	
Capital Projects - Community & Economic Develop	-	2,361	-	
Capital Projects - All Other	-	1,787	-	
Special Revenue Funds - Baxter Park	-	73,772	-	
Special Revenue Funds - CDS	181	75	-	
Special Revenue Funds - All Other	-	172	-	
Total	<u>\$ 181</u>	<u>\$ 146,265</u>	<u>\$ 21,895</u>	

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

During fiscal year ended June 30, 2014, the State implemented the following accounting standards:

GASB issued *Codification of Governmental Accounting and Financial Reporting Standards*. This integration includes GASB pronouncements issued and effective through December 31, 2013 and is intended to provide authoritative accounting and financial reporting guidance for state and local governmental entities. GASB pronouncements issued before December 31, 2013, but not effective at that date, may alter, amend, supplement, revoke, or supersede the guidance contained in this Codification. The State's current financial statement disclosures may refer to specific codification sections instead of GASB Standards.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. As a result of implementing this new standard, presentation and terminology changes were made to the government-wide and fund financial statements as necessary.

GASB Statement No. 66, *Technical Corrections – 2012 an amendment of GASB Statements No. 10 and No. 62*. This Statement resolves conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. There was no impact on the State's financial statements as a result of implementing GASB 66.

GASB Statement No. 67, *Financial Reporting for Pension Plans an amendment of GASB Statement No. 25*. This Statement improves financial reporting by state and local governmental pension plans by providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. There was no impact on the State's financial statements as a result of implementing GASB 67.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. As a result of implementing this new standard, slight changes were made to the disclosures of State constitutional obligations.

**Restatements – Primary Government**

The beginning net position for Governmental Activities in the Statement of Net Position were decreased by \$1.5 billion to correct an overstatement of Infrastructure assets that had been incorrectly capitalized in prior years and increased by \$14.9 million for construction in progress assets that should have been capitalized in the prior year.

**Restatements - Component Units**

The cumulative effect of implementing GASB #65 reduced beginning net position of discretely presented component units for a total of \$25.2 million. The net position reductions result primarily from the change in accounting of deferred bond issuance costs and certain deferred loan costs and fees that are no longer reported as assets. The net position of the Maine Community College System, Maine Municipal Bond Bank, Maine State Housing Authority, Maine Turnpike Authority and the University of Maine decreased by: \$0.2 million, \$6.5 million, \$9.7 million, \$6.0 million and \$2.7 million, respectively.

Three non-major discretely presented component units reduced their beginning net position as a result of correcting errors. Maine Educational Loan Authority reduced its beginning net position \$.5 as a correction of an error in the calculation of its arbitrage rebatable liability. Maine Educational Center for the Deaf and Hard of Hearing reduced its beginning net position \$1.9 million as a result of recognizing its Other Post Employment Benefit Obligation. Midcoast Regional Redevelopment Authority increased its beginning net position \$0.8 million since certain construction and engineering costs had been excluded from the calculation of construction in progress.

A fiduciary component unit, Maine Public Employees Retirement System, restated its beginning net position as a result of changing how it reports results of pension plans and OPEB Trusts. As a result, fiduciary net position increased \$9.1 million.

#### **NOTE 4 - DEFICIT FUND BALANCES/NET POSITION**

Three internal service funds showed deficits for the fiscal year ended June 30, 2014. The Workers' Compensation Fund reported a deficit of \$20.8 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a deficit of \$3.9 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of \$2.8 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 \$183.5 million. During fiscal year 2014, Maine Municipal Bond Bank (MMBB) issued Liquor Operation Revenue Bonds on behalf of the State of Maine. The bonds are special, limited obligations of MMBB. The proceeds from the bonds were used for the purpose of making payments to health care providers for services provided prior to December 1, 2012. The bonds do not constitute a debt or liability of the State and neither the faith and credit nor the taxing power of the State is pledged to the payment of any amount due pursuant to the bonds. The bonds are secured by revenues received from the Bureau of Alcoholic Beverages and Lottery Operations from the operations of the State's liquor program pursuant to 28-A MRSA §90. A Due To the Other Special Revenue Fund has been recorded.

The General Fund shows a deficit fund balance of \$215.4 million at June 30, 2014. This deficit is primarily due to the full recognition of the State's share of Medicaid liabilities at fiscal year end. The federal portion of these liabilities is also fully accrued, with an offsetting receivable from the federal government as allowed under Governmental Accounting Standards Board (GASB) Statement No. 33. Per GASB 33, revenue associated with government mandated non-exchange transactions should be recognized when applicable eligibility requirements have been met and the resources are available. Medicaid is an entitlement program. Therefore, the funds are available when the payments for these liabilities are processed.



**NOTE 5 - DEPOSITS AND INVESTMENTS**

Title 5 MRSA § 135 governs the deposit and investment policies of the State of Maine Office of the Treasurer. The Treasurer may deposit State funds, including trust funds of the State, in any of the banking institutions (including trust companies, State or federal savings and loan associations, and mutual savings banks) organized under the laws of this State and any national bank or federal savings and loan association located in the State.

The State follows the practice of pooling cash and cash equivalents for a variety of State agencies and public sector entities. The Treasurer may invest funds that exceed current obligations, with the concurrence of the State Controller or the Commissioner of Administrative and Financial Services and the consent of the Governor.

Approved investments include bonds, notes, certificates of indebtedness, other obligations of the United States that mature not more than 36 months from the date of investment; repurchase agreements secured by obligations of the United States that mature within the succeeding 12 months; prime commercial paper; tax-exempt obligations that mature not more than 36 months from the date of investment and have a long-term rating of no less than “AA” or the equivalent; corporate bonds rated “AAA” that mature within 36 months from the date of investment; banker’s acceptances with an original maturity not exceeding 180 days and rated in the highest short-term category by at least one nationally recognized securities rating organization (NRSRO); and “no-load” shares of an investment company registered under the Federal Investment Company Act of 1940, which are rated “AAAm” or “AAAm-G” by Standard & Poor’s, or the equivalent by another NRSRO. 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. This program earmarks \$4 million 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, 2014:

**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	\$ 406,199	\$ 15,520	\$ 1,982	\$18,310	\$ 442,011
Cash and Cash Equivalents	4,820	3,443	-	27	8,290
Cash with Fiscal Agent	77,785	-	-	-	77,785
Investments	95,706	-	14,900	-	110,606
Restricted Equity in Treasurer's Cash Pool	77,135	-	-	-	77,135
Restricted Deposits and Investments	3,662	297,686	-	11	301,359
Investments Held on Behalf of Others	-	-	-	52,641	52,641
Other Assets	-	-	-	-	-
<b>Total Primary Government</b>	<b>\$ 665,307</b>	<b>\$ 316,649</b>	<b>\$ 16,882</b>	<b>\$70,989</b>	<b>\$1,069,827</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, 2014:

	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	\$ 29,963	\$ 95,833	\$ -	\$ -	\$ -	\$ -	\$ 125,796
US Treasury Notes	-	57,912	-	-	-	-	57,912
Repurchase Agreements	-	-	-	-	-	-	-
Corporate Notes and Bonds	-	-	-	-	-	-	-
Commercial Paper	72,564	-	-	-	-	-	72,564
Certificates of Deposit	2,099	2,680	-	-	-	-	4,779
Money Market	-	-	-	-	-	-	-
Cash and Cash Equivalents	903	-	-	-	-	248,825	249,728
Unemployment Fund	-	-	-	-	-	-	-
Deposits with US Treasury	-	-	-	-	-	297,686	297,686
<i>Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds</i>							
US Instrumentalities	1,178	3,926	2	359	907	-	6,372
US Treasury Notes	-	12,877	3,092	2,834	-	-	18,803
Repurchase Agreements	-	-	-	-	-	-	-
Corporate Notes and Bonds	196	1,254	1,898	7,278	1,034	-	11,660
Other Fixed Income							
Securities	10,696	20	7,349	-	-	-	18,065
Commercial Paper	2,952	-	-	-	-	-	2,952
Certificates of Deposit	6,290	112	-	-	-	3,642	10,044
Money Market	13	-	-	-	-	2,396	2,409
Cash and Cash Equivalents	920	-	-	-	-	23,074	23,994
Equities	-	-	-	-	-	84,852	84,852
Other	-	-	-	-	-	4,426	4,426
	<u>\$127,774</u>	<u>\$174,614</u>	<u>\$12,341</u>	<u>\$10,471</u>	<u>\$ 1,941</u>	<u>\$ 664,901</u>	<u>\$ 992,042</u>
Other Assets							
Cash with Fiscal Agent							<u>77,785</u>
Total Primary Government							<u><u>\$1,069,827</u></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 the fixed income credit quality at the time of purchase is a minimum bond rating of "A" by either Standard & Poor's or Moody's rating service. Fixed income holdings thereafter shall maintain a minimum bond rating of "BBB".

The Primary Government's total investments by credit quality rating as of June 30, 2014 are presented below:

	Standard & Poor's Credit Rating (Expressed in Thousands)							Not Rated	Total
	A1	A	AA	AA+	AAA	BB	BBB		
<i>Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds</i>									
US Instrumentalities	\$ -	\$ -	\$ 125,796	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 125,796
US Treasury Notes	-	-	57,912	-	-	-	-	-	57,912
Corporate Notes and Bonds	-	-	-	-	-	-	-	-	-
Commercial Paper	72,564	-	-	-	-	-	-	-	72,564
Money Market	-	-	-	-	-	-	-	-	-
<i>Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds</i>									
US Instrumentalities	-	-	5,005	-	-	-	-	1,367	6,372
US Treasury Notes	-	-	3,456	-	-	-	-	15,347	18,803
Corporate Notes and Bonds	-	859	300	-	-	-	495	10,006	11,660
Commercial Paper	2,952	-	-	-	-	-	-	-	2,952
Money Market	-	-	-	-	-	-	-	-	-
Other Fixed Income Securities	-	-	-	-	7,369	-	-	10,696	18,065
Total Primary Government	<u>\$ 75,516</u>	<u>\$ 859</u>	<u>\$ 192,469</u>	<u>\$ -</u>	<u>\$ 7,369</u>	<u>\$ -</u>	<u>\$ 495</u>	<u>\$ 37,416</u>	<u>\$ 314,124</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 7 percent of the total portfolio. There is no concentration of credit risk policy for the Treasurer's Cash Pool. At June 30, 2014, there were no investments that exceeded five percent of the Treasurer's Cash Pool.

*Custodial Credit Risk* - For investments, custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The State limits its custodial credit risk for the Treasurer's Cash Pool by maintaining a file of the most recent credit rating analysis reports performed for each approved financial institution. The State also requires that all securities be perfected in the name of the State and held in third party safekeeping by a state approved custodian. Of the cash pool's \$5.9 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, 2014 was \$73.7 million and was comprised of the following (expressed in thousands):

U.S. Instrumentalities	\$ 1,268
US Treasury Notes	1,100
Corporate Notes and Bonds	1,713
Other Fixed Income Securities	10,716
Equities	56,599
Cash and Equivalents	973
Other	1,344
Total	<u>\$ 73,713</u>

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2014 these disbursements, on average, exceeded \$125 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 Collateralized Mortgage Obligations (CMOs) and Asset-Backed Securities to improve the yield or adjust the duration of the fixed income portfolio. At June 30, 2014, the System held no CMO and Asset-Backed Securities. 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, 2014 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, 2014 was \$260.2 million and \$253.6 million, respectively.

The following table details the System’s derivative investments at June 30, 2014:

(Expressed in Thousands)

	2014	Fair Value at June 30, 2014		Notional
	Changes in Fair Value	Classification	Amount	Amount
Futures:				
Equity Index Futures Contracts	\$ 305	Investments	\$ 95	\$ 75,920

**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 14 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 \$68.2 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 \$11.5 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	\$ 538,762	\$ 137,536	\$ 1	\$ (186,621)	\$ 489,678
Highway	22,910	2,798	9	(912)	24,805
Federal	-	110,903	-	(45,065)	65,838
Other Special Revenue	11,941	88,801	3,982	(14,573)	90,151
Other Governmental Funds	-	6	-	-	6
Total Governmental Funds	573,613	340,044	3,992	(247,171)	670,478
Allowance for Uncollectibles	(130,044)	(117,095)	(32)		
Net Receivables	<u>\$ 443,569</u>	<u>\$ 222,949</u>	<u>\$ 3,960</u>		<u>\$ 670,478</u>
<b>Proprietary Funds:</b>					
Employment Security	\$ -	\$ 58,954	\$ -	\$ (24,620)	\$ 34,334
Nonmajor Enterprise	-	27,982	-	(655)	27,327
Internal Service	-	7,092	-	-	7,092
Total Proprietary Funds	-	94,028	-	(25,275)	68,753
Allowance for Uncollectibles	-	(25,275)	-		
Net Receivables	<u>\$ -</u>	<u>\$ 68,753</u>	<u>\$ -</u>		<u>\$ 68,753</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	\$ 1,313	\$ -	\$ 28,397	\$ (5,813)	\$ 23,897
Maine Community College System	7,853	-	-	(1,087)	6,766
Maine Health and Educational Facilities Authority	327	874,517	-	(116)	874,728
Maine Municipal Bond Bank	1,020	-	-	-	1,020
Maine State Housing Authority	19,089	1,227,182	121	(11,439)	1,234,953
Maine Turnpike Authority	4,439	-	-	-	4,439
University of Maine System	44,667	-	43,230	(6,501)	81,396

**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, 2014 were:

**Interfund Receivables**  
(Expressed in Thousands)

		<b>Due to Other Funds</b>				
<b>Due from Other Funds</b>		<b>General</b>	<b>Highway</b>	<b>Federal</b>	<b>Other Special Revenue</b>	<b>Other Governmental</b>
General	\$	-	-	\$ 1,302	\$ -	\$ -
Highway		31	2	18,316	2	-
Federal		9,217	2	121	629	-
Other Special Revenue		101,984	102	180	219	24
Other Governmental		437	-	129	-	-
Employment Security		-	-	22	-	-
Alcoholic Beverages		-	-	-	-	-
Non-Major Enterprise		165	135	2	4	-
Internal Service		10,781	3,689	3,482	4,408	-
Fiduciary		24,007	-	-	-	-
<b>Total</b>		<b>\$ 146,622</b>	<b>\$ 3,930</b>	<b>\$ 23,554</b>	<b>\$ 5,262</b>	<b>\$ 24</b>

<b>Due from Other Funds</b>	<b>Employment Security</b>	<b>Alcoholic Beverages</b>	<b>Non-Major Enterprise</b>	<b>Internal Service</b>	<b>Fiduciary</b>	<b>Total</b>
General	\$ -	\$ -	\$ 9,103	\$ 4,811	\$ 3,320	\$ 18,536
Highway	-	-	-	12	-	18,363
Federal	-	-	-	-	-	9,969
Other Special Revenue	-	183,482	16	43	-	286,050
Other Governmental	-	-	-	-	-	566
Employment Security	-	-	-	-	-	22
Alcoholic Beverages	-	-	-	-	-	-
Non-Major Enterprise	-	-	1	-	-	307
Internal Service	-	-	442	1,809	11	24,622
Fiduciary	-	-	-	-	-	24,007
<b>Total</b>	<b>\$ -</b>	<b>\$ 183,482</b>	<b>\$ 9,562</b>	<b>\$ 6,675</b>	<b>\$ 3,331</b>	<b>\$ 382,442</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 \$183.5 due to the Other Special Revenue Fund that relates to the future profit due from the Alcoholic Beverages Fund. These profits will be used solely to make payments on the Liquor Revenue Bonds until the bonds are paid in full. Additionally, \$98.5 million due to the Other Special Revenue Fund from the General Fund relates to the interfund borrowing authorized in Public Law 2013, Chapter 368, Part KKK-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 2014, the State of Maine, in accordance with the legislatively authorized budget, recorded the following non-routine, nonrecurring transfers.

The Other Special Revenue Fund transferred \$6.7 million to the unappropriated surplus of the General Fund.

Interfund transfers for the year ended June 30, 2014, consisted of the following:

**Interfund Transfers**  
(Expressed in Thousands)

Transferred To	Transferred From				
	General	Highway	Federal	Other Special Revenue	Other Governmental
General	\$ -	\$ -	\$ 8,092	\$ 97,820	\$ -
Highway	2,016	-	21,838	1,346	-
Federal	465	-	-	14,377	-
Other Special Revenue	169,822	5,211	9,224	-	1,567
Other Governmental Funds	26,749	-	-	-	1,107
Employment Security	-	-	-	-	-
Alcoholic Beverages	-	-	-	-	-
Non-Major Enterprise	-	4,302	-	370	-
Internal Service	7,855	6,807	-	-	-
Fiduciary	-	-	-	61	738
Total	\$ 206,907	\$ 16,320	\$ 39,154	\$ 113,974	\$ 3,412

Transferred To	Transferred From					
	Employment Security	Alcoholic Beverages	Non-Major Enterprise	Internal Service	Fiduciary	Total
General	\$ -	\$ 39	\$ 52,646	\$ 1	\$ 10,497	\$ 169,095
Highway	-	-	-	-	-	25,200
Federal	643	-	-	-	5	15,490
Other Special Revenue	-	-	2,436	-	823	189,083
Other Governmental Funds	-	-	-	-	-	27,856
Employment Security	-	-	-	-	-	-
Alcoholic Beverages	-	-	-	-	-	-
Non-Major Enterprise	-	-	-	-	-	4,672
Internal Service	-	-	-	3,340	-	18,002
Fiduciary	-	-	-	-	-	799
Total	\$ 643	\$ 39	\$ 55,082	\$ 3,341	\$ 11,325	\$ 450,197

**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, 2014:

<b>Primary Government – Capital Assets</b>				
(Expressed in Thousands)				
	<b>Beginning Balance</b>	<b>Increases and Other Additions</b>	<b>Decreases and Deletions</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 571,268	\$ 11,498	\$ 7,384	\$ 575,382
Construction in progress	83,273 **	41,283	14,567	109,989
Infrastructure	2,719,346 **	41,911	-	2,761,257
Total capital assets not being depreciated	<u>3,373,887</u>	<u>94,692 *</u>	<u>21,951</u>	<u>3,446,628</u>
Capital assets being depreciated:				
Buildings	660,538	6,929	1,042	666,425
Equipment	265,956	24,933	22,268	268,621
Improvements other than buildings	52,251	19,740	116	71,875
Software	72,551	2,119	-	74,670
Total capital assets being depreciated	<u>1,051,296</u>	<u>53,721 *</u>	<u>23,426</u>	<u>1,081,591</u>
Less accumulated depreciation for:				
Buildings	261,722	17,553	1,495	277,780
Equipment	177,461	22,896	15,846	184,511
Improvements other than buildings	34,681	9,239	41	43,879
Software	11,023	6,816	-	17,839
Total accumulated depreciation	<u>484,887</u>	<u>56,504 *</u>	<u>17,382</u>	<u>524,009</u>
Total capital assets being depreciated, net	<u>566,409</u>	<u>(2,783)</u>	<u>6,044</u>	<u>557,582</u>
Governmental Activities Capital Assets, net	<u>\$ 3,940,296 **</u>	<u>\$ 91,909</u>	<u>\$ 27,995</u>	<u>\$ 4,004,210</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	\$ 7,292	\$ -	\$ 5,037	\$ 2,255
Construction in progress	1,138	1,433	702	1,869
Total capital assets not being depreciated	<u>8,430</u>	<u>1,433</u>	<u>5,739</u>	<u>4,124</u>
Capital assets being depreciated:				
Buildings	4,395	8	8	4,395
Equipment	36,339	821	4,892	32,268
Improvements other than buildings	48,767	702	8,345	41,124
Total capital assets being depreciated	<u>89,501</u>	<u>1,531</u>	<u>13,245</u>	<u>77,787</u>
Less accumulated depreciation for:				
Buildings	2,176	132	-	2,308
Equipment	16,991	1,600	8,605	9,986
Improvements other than buildings	23,424	1,731	-	25,155
Total accumulated depreciation	<u>42,591</u>	<u>3,463</u>	<u>8,605</u>	<u>37,449</u>
Total capital assets being depreciated, net	<u>46,910</u>	<u>(1,932)</u>	<u>4,640</u>	<u>40,338</u>
Business-Type Activities Capital Assets, net	<u>\$ 55,340</u>	<u>\$ (499)</u>	<u>\$ 10,379</u>	<u>\$ 44,462</u>

\* The total Increase and Other Additions for Governmental Activities and Net Deletions for Business-Type Activities includes \$18.0 million in assets net of \$8.3 million in accumulated depreciation related to the transfer of assets from an Enterprise Fund in FY 2014. See Footnote 17 - Special Items disclosure for additional information.

\*\* As restated. Infrastructure assets were decrease by approximately \$1.5 billion due to a correction in the capitalization policy.

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)

	<b>Amount</b>
<b>Governmental Activities:</b>	
Arts, Heritage and Cultural Enrichment	\$ 16
Business Licensing and Regulation	430
Economic Development and Workforce Training	1,502
Education	524
Governmental Support and Operations	9,344
Health and Human Services	8,963
Justice and Protection	12,361
Natural Resources Development and Protection	3,569
Transportation Safety and Development	11,427
Total Depreciation Expense – Governmental Activities	\$ 48,136

**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. Title 5 MRSA C. 421, 423, and 425 authorized the establishment and administration of the defined benefit plans. The System administers 2 cost sharing multiple-employer defined benefit plans which provide pension, disability, and death benefits to its members. The State Employees and Teachers Plan (SETP) is a multiple-employer cost sharing plan with a special funding situation. The plan covers employees of the State and public school employees (defined by Maine law as teachers). State of Maine is also a non-employer contributing entity in that the State pays the unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members. The Participating Local Districts Plan (Consolidated PLD) covers employees of approximately 300 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 also administers a closed agent, multiple-employer defined benefit plan (Agent PLD) which covers PLD's who previously withdrew from the plan and single employers that could not join the Consolidated PLD Plan. 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, 2014 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

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, 2014, there were 66 employers participating in these plans. The 914 participants individually direct the \$25.0 million 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 2 Retiree Health Insurance Post-Employment Benefits Investment Trust Funds. 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 common collective trusts is based on unit values reported by the funds. The fair value of other investments, including private market partnerships, is based on third-party appraisals and valuations provided by the sponsor of the partnerships. 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, 2014:

	State Employees and Teachers Plan	Consolidated Plan for PLD	Agent Plan for PLD
Active vested and nonvested members	39,910	10,848	24
Terminated vested participants	7,571	2,071	14
Retirees and benefit recipients	<u>32,611</u>	<u>8,333</u>	<u>191</u>
Total	<u>80,092</u>	<u>21,252</u>	<u>229</u>
Number of participating employers	229	286	13
Number of non-employer contributors	1	-	-

Contributions from members, employers and non-employer contributors and earnings from investments fund retirement benefits. Disability and death benefits are funded by employer normal cost contributions and investment earnings. Member and employer normal cost contributions are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the plan under which a member is covered. Employers' contribution rates are determined by actuarial valuations.

The Maine Constitution, Maine statutes and the System's funding policy provide for periodic employer contributions in addition to the normal cost contributions for the SETP. These are actuarially determined amounts that, based on certain actuarial assumptions are sufficient to fully fund, on an actuarial basis, the SETP by the year 2028 (Unfunded Actuarial Accrued Liability (UAAL) payments). Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial funding method. The System also uses the level percentage of payroll method to amortize the unfunded liability of the State employee and Teacher Retirement Program. For participating employers in the PLD Agent Plan, the level percentage of payroll method is also used.

The UAAL rate as applied to State employee members' compensation is first established through the annual valuation process as an amount that will meet the required unfunded actuarial accrued liability payment

amount; it is then adjusted in the State's budget process to take into account differences in salary growth projections of the State Budget Office. This adjusted rate, expressed as a percentage of payroll, is the actual rate paid by the State as payment of the required UAAL payment amount for State employees. For teachers, the actuarially determined UAAL amount is paid in 12 equal monthly installments. PLD employer contribution rates are the actuarially determined rates.

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 of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The 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 member of the Consolidated PLD Plan withdraws from the System, its individual employee-members can terminate membership or remain contributing members of the Agency PLD plan. 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**

Prior to fiscal year 2014, the State was legally responsible for contributions to the Teacher Group that covers retirees of other governmental entities. The State was the sole "employer" contributor for the teachers; and, therefore, was acting as the employer. Beginning in 2014, the State pays the unfunded actuarial liability on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members.

**FUNDED STATUS AND FUNDING PROGRESS – DEFINED BENEFIT PENSION PLANS**

The funded status of each plan as of June 30, 2014, the most recent biennial actuarial valuation date, is as follows:

Plans	(Expressed in Thousands)					
	(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	10,083,707	12,382,225	2,298,518	81.4%	1,711,516	134.3%
PLD's <sup>1</sup>	2,415,219	2,649,405	234,186	91.2%	461,243	50.8%

<sup>1</sup> combined Agency and Consolidated PLD Plans

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>SEIP</u>	<u>PLD's</u>
Valuation date	June 30, 2014	June 30, 2014
Actuarial cost method	Entry age	Entry age
Version	Individual	Individual
Amortization method	Level percent closed	Level dollar open
Remaining amortization period	14	15
Asset valuation method	3 - Year smoothed market	3 - Year smoothed market
	additional recognition of past investment gains in the asset smoothing balance	
Asset valuation	FY14 37.5%	
	The State is responsible for funding all costs for its employees and the UAAL for teachers. School districts pay the normal costs for teachers.	
Funding		
Actuarial assumptions:		
Investment rate of return	7.125%	7.25%
Projected salary increases	3.50%	3.50% - 9.50%
Includes inflation at	3.50%	3.50%
Cost of living adjustments	no change	3.12%
Former actuarial assumptions:		
Investment rate of return	7.25%	no change
Cost of living adjustments	no change	2.55%
Funding	the State paid all costs for State employees and teachers	
Most recent review of plan experience:	2011	2011

<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 3 years remained at June 30, 2014.

**CONTRIBUTION RATES – DEFINED BENEFIT PENSION PLANS**

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

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

Contribution rates<sup>1</sup> in effect for 2014 for participating entities:

<u>State</u>		
Employees	<sup>2</sup>	7.65 - 8.65%
Employer	<sup>2</sup>	13.25 - 40.43%
<u>Teachers</u>		
Employees		7.65%
Employer		2.65%
Non-employer entity		13.03%
<u>Participating Local Entities</u>		
Employees	<sup>2</sup>	3.0 - 8.0%
Employer	<sup>2</sup>	3.4 - 12.8%

<sup>1</sup> Employer contribution rates include normal cost and UAAL required payment, expressed as a percentage of payroll.

<sup>2</sup> Employer and employee retirement contribution rates vary depending on specific terms of plan benefits for certain classes of employees or, in the case of participating local districts (PLDs), on benefit plan options selected by a particular PLD. 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 and to the UAAL for the teacher members. 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	\$ 264,275
Interest on net pension obligation	144
Adjustment to annual required contribution	<u>(174)</u>
Annual pension cost	264,245
Contributions made	<u>264,275</u>
Increase (decrease) in net pension obligation	(30)
Net pension obligation beginning of year	<u>1,989</u>
Net pension obligation end of year	<u><u>\$ 1,959</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>
2014	\$ 264,245	100.01%	\$ 1,959
2013	264,360	100.01%	1,989
2012	252,812	100.01%	2,010

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 of Maine funds postretirement 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 postretirement 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 was 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	12,416	27,733	902	77
Retirees	<u>11,056</u>	<u>9,933</u>	<u>87</u>	<u>38</u>
Total	<u><u>23,472</u></u>	<u><u>37,666</u></u>	<u><u>989</u></u>	<u><u>115</u></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. Public Law 2013, Chapter 368 Pt. H §2 amended the starting date for funding teachers. As amended, annually, beginning with the fiscal year starting July 1, 2015, 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 38 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)		
	<u>State Employees</u>	<u>Teachers</u>	<u>First Responders</u>
Annual required contribution	\$ 99,000	\$ 45,000	\$ 1,769
Interest on net OPEB obligation	6,000	8,000	186
Adjustment to annual required contribution	<u>(13,000)</u>	<u>(15,000)</u>	<u>(344)</u>
Annual OPEB cost	92,000	38,000	1,611
Contributions made	<u>63,228</u>	<u>24,956</u>	<u>593</u>
Increase (decrease) in net healthcare obligation	28,772	13,044	1,018
Net healthcare obligation beginning of year	<u>111,228</u>	<u>185,956</u>	<u>4,644</u>
Net healthcare obligation end of year	<u>\$ 140,000</u>	<u>\$ 199,000</u>	<u>\$ 5,662</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	6/30/2014	92,000	68.73%	140,000
	6/30/2013	87,000	78.16%	111,228
	6/30/2012	123,000	59.35%	92,228
Teachers	6/30/2014	38,000	65.67%	199,000
	6/30/2013	37,000	67.57%	185,956
	6/30/2012	49,000	44.90%	173,956
First Responders	6/30/2014	1,611	36.81%	5,662
	6/30/2013	1,563	36.92%	4,644
	6/30/2012	1,254	34.61%	3,658

**FUNDED STATUS AND FUNDING PROGRESS**

The funded status of the plans as of June 30, 2014 was as follows:

<u>Plan</u>	<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Assets</u>	<u>(b) Actuarial Accrued Liability</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 (in millions)	June 30, 2014	167	1,224	1,057	13.64%	543	194.66%
	June 30, 2013	150	1,166	1,016	12.86%	518	196.14%
	June 30, 2012	136	1,316	1,180	10.33%	502	235.06%
Teachers (in millions)	June 30, 2014	0	684	684	0.00%	1,106	61.84%
	June 30, 2013	0	685	685	0.00%	1,194	57.37%
	June 30, 2012	0	665	665	0.00%	1,156	57.53%
First Responders (in thousands)	June 30, 2013	0	22,369	22,369	0.00%	53,366	41.92%
	June 30, 2012	0	23,442	23,442	0.00%	43,510	53.88%
	June 30, 2011	0	21,921	21,921	0.00%	42,242	51.89%

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, 2014	June 30, 2014	June 30, 2013
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	23	23	24
Plan changes	30-year fixed	30-year fixed	rolling 15 year period
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%	4.00%	4.00%
	7.25% ultimate	7.25% ultimate	
Projected salary increases	3.25%	3.25%	3.5% - 9.5%
Inflation rate	3.00%	3.00%	3.00%
Healthcare inflation rate	initial - actual premiums ultimate 5.00% <sup>1</sup>	initial - actual premiums ultimate 5.00% <sup>2</sup>	7.5% at 2014 ultimate 5.00% at 2024
Former actuarial assumptions:			
Healthcare inflation rate			8.5% in 2011 ultimate 5.00% at 2019

<sup>1</sup> Total premium increases for FY14 and FY15 are limited to no more than 1.5 percentage points per year. The total premium increase for fiscal years ending after 6/30/15 is limited to CPI plus 3%.

<sup>2</sup> The State's total cost for retired teachers' health insurance premiums for FY14 and FY15 is budgeted at the FY11 funding level adjusted for projected membership growth. The increase in the State's total cost for fiscal years ending after June 30, 2015 is limited to CPI plus 3%.

## 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), 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 approximately 400 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, 2014 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 percent per year to the greater of 40 percent 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 63 cents 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 cents 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)

	<b>State</b>	
	<b>Employees</b>	<b>Teachers</b>
Annual required contribution	\$ 4,768	\$ 3,440
Interest on net OPEB obligation	\$ (136)	\$ -
Adjustment to annual required contribution	\$ 128	\$ -
Annual OPEB cost	\$ 4,760	\$ 3,440
Contributions made	\$ 4,199	\$ 3,440
Increase (decrease) in net healthcare obligation	\$ 561	\$ -
Net healthcare (asset) obligation beginning of year	\$ (1,871)	\$ -
Net healthcare (asset) obligation end of year	<u>\$ (1,310)</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	6/30/2014	4,760	88.21%	(1,310)
	6/30/2013	4,562	102.43%	(1,871)
	6/30/2012	3,224	145.29%	(1,760)
Teachers	6/30/2014	3,440	100.00%	-
	6/30/2013	3,099	100.00%	-
	6/30/2012	2,959	100.00%	-

## FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of June 30, 2014 was as follows:

Plan	Actuarial Valuation Date	(Expressed in Thousands)			(a/b)	(c)	(b-a)/c
		(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)			
State Employees	June 30, 2014	31,800	87,300	55,500	36.43%	563,500	9.85%
	June 30, 2013	27,000	83,800	56,800	32.22%	572,800	9.92%
	June 30, 2012	24,700	80,900	56,200	30.53%	553,500	10.15%
Teachers	June 30, 2014	45,100	75,600	30,500	59.66%	666,200	4.58%
	June 30, 2013	36,000	74,200	38,200	48.52%	652,800	5.85%
	June 30, 2012	30,100	71,000	40,900	42.39%	630,800	6.48%

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, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percent
	open
Asset valuation method	market
Actuarial assumptions:	
Investment rate of return	7.25% PLD's all others 7.125%
Projected salary increases	3.5% - 10.50%
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:	
Investment rate of return	7.25% for all plans

**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 Position. 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 and the Healthcare Liability Retirement Fund; compensated employee absences; and the State's net pension obligation; other post-employment benefits; and obligations for pollution remediation and landfill closure and post-closure 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 2014 were:

**Primary Government - Changes in General Obligation Bonds**

(Expressed in Thousands)

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Debt:					
General Fund	\$ 261,495	\$ 112,945	\$ 67,445	\$ 306,995	\$ 65,670
Special Revenue Fund	108,230	-	16,035	92,195	15,275
Total	<u>\$ 369,725</u>	<u>\$ 112,945</u>	<u>\$ 83,480</u>	<u>\$ 399,190</u>	<u>\$ 80,945</u>

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2014 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>
2015	\$ 80,945	\$ 15,589	\$ 96,534
2016	65,635	13,344	78,979
2017	60,400	10,972	71,372
2018	54,290	8,619	62,909
2019	43,885	6,374	50,259
2020 - 2024	94,035	11,216	105,251
Total	<u>\$ 399,190</u>	<u>\$ 66,114</u>	<u>\$ 465,304</u>

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2014 are as follows:

**Primary Government – General Obligation Bonds Outstanding**

(Expressed in Thousands)

	Amounts Issued	Outstanding June 20, 2014	Fiscal Year Maturities		
			First Year	Last Year	Interest Rates
General Fund:					
Series 2004	\$ 117,275	\$ -	2005	2014	2.00% - 5.27%
Series 2005	137,525	15,310	2006	2015	2.00% - 5.27%
Series 2006	52,390	10,470	2007	2016	4.00% - 5.51%
Series 2007	33,975	10,185	2008	2017	4.00% - 5.50%
Series 2008	46,525	18,600	2009	2018	3.00% - 5.13%
Series 2009	96,035	43,545	2011	2019	2.50% - 5.00%
Series 2010	31,755	11,670	2011	2020	1.41% - 4.00%
Series 2011	86,010	46,375	2012	2021	1.625% - 5.00%
Series 2012	49,265	37,895	2013	2022	1.00% - 5.00%
Series 2014	112,945	112,945	2015	2024	0.20% - 5.00%
Total General Fund		<u>\$ 306,995</u>			
Special Revenue Fund:					
Series 2004	\$ 13,000	\$ -	2005	2014	2.00% - 4.00%
Series 2007	27,000	8,100	2008	2017	4.00% - 5.50%
Series 2008	57,550	23,020	2009	2018	3.00% - 5.13%
Series 2009	37,310	23,120	2011	2019	2.50% - 5.00%
Series 2010	25,080	22,475	2011	2020	1.41% - 4.00%
Series 2011	22,125	15,480	2012	2021	1.625% - 5.00%
Total Special Revenue		<u>\$ 92,195</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, 2014, general obligations bonds authorized and unissued totaled \$127.0 million.

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

The State included \$187.2 million in other financing arrangements to reflect revenue bonds issued by the Maine Governmental Facilities Authority (MGFA), a blended component unit. Payment of the bonds is subject to, and dependent upon, biennial appropriations being made by the State Legislature. Debt issued by MGFA is not debt of the State or any political subdivision within the State. The State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. MGFA may not issue securities in excess of \$347.8 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2014, MGFA issued Series 2014A Bonds, which totaled \$10.1 million at an interest rate of 1.98 percent. A portion of the 2014A bonds totaling \$4.6 million were used to in-substance defease \$4.5 million in certain maturities of outstanding 2002 and 2003 bonds with an average interest rate of 4.75 percent. The net proceeds of approximately \$4.6 million, after payment of underwriting fees and other issuance costs, were used to purchase U.S. government securities which will provide for all future debt service payments on the defeased bonds. The economic benefits associated with the refunding inure to the lessee. The Authority reduced its aggregate debt service payments and the lessee's aggregate debt service payments by approximately \$0.3 million over the next nine years, resulting in an economic gain to the lessee of approximately \$0.3 million. At June 30, 2014, the remaining balance of in-substance defeased bonds total approximately \$4.5 million.

#### **CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS**

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

Neither COP's nor the other financing arrangements constitute a legal debt, liability, or contractual obligation in excess of amounts appropriated. The State's obligation to make minimum payments or any other obligation under agreements is subject to, and dependent upon, appropriations being made by the Legislature. The Legislature has no obligation to appropriate the money for future minimum payments or other obligations under any agreement.

#### **SHORT-TERM OBLIGATIONS**

The State of Maine issued and retired \$65 million of Bond Anticipation Notes during fiscal year 2014. Short-term obligations are used to meet temporary operating cash flow needs. At June 30, 2014 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 Position, 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 post-closure care costs.

Changes in other long-term obligations for governmental and business-type activities for the fiscal year ended June 30, 2014, are summarized as follows:

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

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Due Within One Year
<b>Governmental Activities:</b>					
MGFA Revenue Bonds	\$ 199,910	\$ 10,055	\$ 22,790	\$ 187,175	\$ 19,205
COP's and Other Financing	47,938	94,052	35,180	106,810	33,333
Compensated Absences	41,712	7,769	5,969	43,512	6,236
Claims Payable	70,464	191,217	191,932	69,749	28,103
Capital Leases	38,975	1,888	5,648	35,215	5,571
Loans Payable to Component Unit	304,045	193,816	24,885	472,976	45,333
Net Pension Obligation	1,989	264,245	264,275	1,959	-
Other Post-Employment Benefit Obligation	298,061	129,218	87,081	340,198	-
Pollution Remediation and Landfill	32,132	953	5,400	27,685	-
Total Governmental Activities	<u>\$ 1,035,226</u>	<u>\$ 893,213</u>	<u>\$ 643,160</u>	<u>\$ 1,285,279</u>	<u>\$ 137,781</u>
<b>Business-Type Activities:</b>					
Compensated Absences	\$ 1,380		\$ 322	\$ 1,058	\$ 128
Other Post-Employment Benefit Obligation	3,767	2,209	1,512	4,464	-
Total Business-Type Activities	<u>\$ 5,147</u>	<u>\$ 2,209</u>	<u>\$ 1,834</u>	<u>\$ 5,522</u>	<u>\$ 128</u>

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2014 until maturity, are summarized as follows:

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

Fiscal Year	Governmental Funds			Internal Service Funds		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 21,850	\$ 88	\$ 21,938	\$ 30,688	\$ 8,098	\$ 38,786
2016	20,987	69	21,056	29,709	7,147	36,856
2017	20,157	37	20,194	27,278	6,190	33,468
2018	1,038	9	1,047	22,701	5,299	28,000
2019	-	-	-	21,515	4,479	25,994
2020 - 2024	-	-	-	49,237	14,407	63,644
2025 - 2029	-	-	-	31,310	7,090	38,400
2030 - 2034	-	-	-	17,515	1,550	19,065
2035 - 2039	-	-	-	-	-	-
Total	<u>\$ 64,032</u>	<u>\$ 203</u>	<u>\$ 64,235</u>	<u>\$ 229,953</u>	<u>\$ 54,260</u>	<u>\$ 284,213</u>

**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.

In 2014 the State of Maine pledged the profit from the Alcoholic Beverages Enterprise Fund as security for \$220.6 million (\$193.8 million net of the debt service reserve) of bonds issued by MMBB. The bonds are special, limited obligations of the MMBB. The proceeds of the bonds were used for the purpose of making payments to health care providers for services provided prior to December 1, 2012 under the MaineCare program. A Due To Other Special Revenue Fund from the Alcoholic Beverages Enterprise Fund was recorded for \$183.5 million.

Changes in GARVEE, TransCap and Liquor revenue bonds during fiscal year 2014 were:

**Primary Government - Changes in GARVEE, Trans Cap and Liquor Revenue Bond Payable**  
(Expressed in Thousands)

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Loans Payable to Components Unit:					
Federal Funds	\$ 95,960	\$ -	\$ 12,713	\$ 83,247	\$ 13,137
Special Revenue Fund	208,085	193,816	12,172	389,729	32,196
Total	<u>\$ 304,045</u>	<u>\$ 193,816</u>	<u>\$ 24,885</u>	<u>\$ 472,976</u>	<u>\$ 45,333</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.

Payment of principal and interest on the Liquor bonds shall be made solely from the profit of the Alcoholic Beverages Enterprise Fund. The bonds do not constitute a debt or obligation of the State.

GARVEE, TransCap and Liquor Revenue bonds issued and outstanding at June 30, 2014 are as follows:

**GARVEE, TransCap and Liquor Revenue Bonds Outstanding**  
(Expressed in Thousands)

	Amounts Issued	Outstanding June 30, 2014	Fiscal Year Maturities		Interest Rates
			First Year	Last Year	
Federal Funds:					
Series 2004	\$ 48,395	\$ 10,410	2005	2015	2.50% - 5.00%
Series 2008	50,000	31,690	2009	2020	3.25% - 4.00%
Series 2010A	25,915	16,175	2011	2017	2.00% - 5.00%
Series 2010B	24,085	24,085	2018	2022	4.52% - 5.32%
Total Federal Funds		<u>\$ 82,360</u>			
Special Revenue Fund:					
Series 2008	\$ 50,000	\$ 37,205	2009	2023	3.00% - 5.50%
Series 2009A	105,000	80,890	2010	2023	2.50% - 5.00%
Series 2009B	30,000	26,635	2010	2024	2.00% - 5.00%
Series 2011A	55,000	53,130	2012	2026	2.00% - 5.00%
Series 2013	220,660	220,660	2015	2024	1.07% - 4.35%
Total Special Revenue Funds		<u>\$ 418,520</u>			

Total principal and interest requirements over the life of the 2004 GARVEE bonds are \$60.2 million, with annual requirements of up to \$5.5 million; for the 2008 GARVEE bonds total principal and interest requirements are \$63.1 million, with annual requirements of up to \$5.2 million; for 2010 GARVEE bonds total principal and interest requirements are \$66.3 million, with annual requirements of up to \$5.6 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 2014 were \$211 million. Current year payments to MMBB for GARVEE bonds were \$16.0 million (7.6 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 \$10.2 million; for the 2009B TransCap Revenue Bonds total principal and interest requirements are \$46.2 million, with annual requirements up to \$15.9 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 \$38.6 million in fiscal year 2014.

Total principal and interest requirements over the life of the Liquor Operation Bond are \$273.8 million, with annual requirements up to \$26.8 million. There were no principal payments paid to MMBB for the Liquor Operation Bond in fiscal year 2014.

**OBLIGATIONS UNDER CAPITAL LEASES**

The State leases various assets under non-cancelable 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, 2014 capital assets include capitalized buildings of \$74.1 million in Governmental Activities, net of related accumulated depreciation of \$42.7 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 \$2.8 million during the year.

A summary of the operating and non-cancelable capital lease commitments to maturity follows:

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

Fiscal Year	<u>Capital Leases</u>	<u>Operating Leases</u>
2015	\$ 5,576	\$ 3,298
2016	5,030	2,655
2017	4,666	2,069
2018	4,569	1,668
2019	3,830	1,446
2020 - 2024	11,198	3,674
2025 - 2029	3,885	823
2030 - 2034	1,658	580
2035 - 2039	-	548
2040 - 2044	-	628
2045- 2049	-	721
2050 - 2054	-	414
Total Minimum Payments	40,412	<u>\$ 18,524</u>
Less: Amount Representing Interest	5,197	
Present Value of Future Minimum Payments	<u>\$ 35,215</u>	

**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, 2014 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%	1,400	2014 – 2025
Maine Community College System	3.0 - 5.0%	23,296	2014 - 2037
Maine Health and Higher Educational Facilities Authority	1.25 - 6.0%	973,110	2014 - 2040
Maine Municipal Bond Bank	.5 - 6.12%	1,636,960	2014 - 2044
Maine State Housing Authority	0.70 - 5.55%	1,273,628	2014 – 2042
Maine Turnpike Authority	2.0 - 6.0%	448,795	2014 – 2042
University of Maine System	2.0 - 5.0%	165,113	2014 – 2037

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. At June 30, 2014 there were approximately \$118.0 million of in-substance defeased bonds remaining outstanding with respect to all advance-refunding issues within the reserve fund resolution.

On May 23, 2013, UMS issued \$65.3 million in revenue bonds to currently refund \$10.8 million in revenue bonds and to advance refund \$61.3 million in revenue bonds. UMS completed the refunding to reduce its total debt service payments over the following 22 years by \$10.5 million and to obtain economic gain (difference between the present values of the old and new debt service payments) of \$7.5 million. The principal amount of debt refunded through in-substance defeasance was \$72.0 million. The amount still outstanding at June 30, 2014 was \$48.3 million. Refunding proceeds of \$77.0 million were placed in an escrow account to pay the interest due on the refunded bonds and to retire the bonds on their respective maturity dates which range from fiscal year 2013 through fiscal year 2015. The escrow is invested to yield enough earnings to pay required



future payments, which are \$50.6 million as of June 30, 2014. The refunding resulted in a deferred amount of refunding of \$3.9 million which represents the difference between the reacquisition price and the carrying value of the refunded bonds. The unamortized portion of the deferred amount on refunding is \$3.7 million at June 30, 2014. This amount is included in deferred outflows.

In periods of declining interest rates, MMBB has refunded certain of 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. The U.S. Treasury obligations are deposited with the trustees of the in-substance defeased bonds. At June 30, 2014 the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately \$132.9 million.

For the period ended December 31, 2013, MSHA redeemed prior to maturity \$435.1 million of its Mortgage Purchase Fund Group bonds from surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund losses of \$0.7 million were attributed 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:

<b>Component Units Principal Maturities</b>							
(Expressed in Thousands)							
Fiscal Year Ending	FAME	MMBB	MCCS	MSHA	MTA	UMS	MHHEFA
2015	\$ 807	\$ 122,825	\$ 649	\$ 29,360	\$ 17,820	\$ 7,741	\$ 51,505
2016	58	136,407	671	35,965	18,655	7,837	46,515
2017	58	130,604	698	42,485	19,445	8,140	46,835
2018	59	127,434	729	51,215	20,365	9,122	46,765
2019	59	126,805	756	47,690	21,315	8,557	47,855
2020 - 2024	307	534,115	4,305	246,845	80,410	41,749	242,925
2025 - 2029	52	312,821	5,440	322,300	102,540	35,105	216,200
2030 - 2034	-	79,510	6,488	243,470	81,975	32,055	161,210
2035 - 2039	-	8,125	2,947	220,285	44,660	4,136	100,655
2040 - 2044	-	3,575	-	35,975	15,950	-	12,645
2045 - 2049	-	560	-	-	-	-	-
Net unamortized premium or (deferred amount)	-	54,179	613	(1,962)	25,660	10,671	-
Total Principal Payments	<u>\$ 1,400</u>	<u>\$1,636,960</u>	<u>\$ 23,296</u>	<u>\$1,273,628</u>	<u>\$ 448,795</u>	<u>\$ 165,113</u>	<u>\$ 973,110</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. These plans have limits of liability of as much as \$2 million per occurrence.

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
Aircraft Liability* <sup>3</sup>	3 million	none	3 million

\* 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.

<sup>3</sup> \$3 million is the maximum limit for per occurrence coverage. Some agencies have chosen \$500 thousand.

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, 2014.

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, 2014 and 2013, the present value of the claims payable for the State's self-insurance plan was estimated at \$4.3 million and \$4.0 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>2014</u>	<u>2013</u>
Liability at Beginning of Year	\$ 4,032	\$ 3,770
Current Year Claims and		
Changes in Estimates	1,706	686
Claims Payments	<u>1,444</u>	<u>424</u>
Liability at End of Year	<u>\$ 4,294</u>	<u>\$ 4,032</u>

As of June 30, 2014, fund assets of \$26.1 million exceeded fund liabilities of \$4.6 million by \$21.5 million. The portion of this amount that may be reserved for catastrophic losses has not been determined.

**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 \$1.3 million for the fiscal year ended June 30, 2014.

**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, 2014:

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

	<b>2014</b>	<b>2013</b>
Liability at Beginning of Year	\$ 43,847	\$ 42,113
Current Year Claims and Changes in Estimates	9,311	11,069
Claims Payments	8,409	9,335
Liability at End of Year	\$ 44,749	\$ 43,847

Based on the actuarial calculation as of June 30, 2014, the State is liable for unfunded claims, and incurred but not reported claims, of approximately \$54.1 million. The discounted amount is \$44.7 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 Aetna 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. POS II 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 37,800 covered individuals. This total includes 30,000 active employees and dependents and 7,800 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, 2014 the State recorded a receivable of \$6.9 million for an overpayment 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 \$20.7 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2014 follows (in thousands):

	<u>Employee Health Fund</u>	<u>Retiree Health Fund</u>
Liability at Beginning of Year	\$ 16,939	\$ 5,646
Current Year Claims and Changes in Estimates	154,540	25,660
Claims Payments	<u>155,949</u>	<u>26,130</u>
Liability at End of Year	<u>\$ 15,530</u>	<u>\$ 5,176</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. Retiree healthcare costs of \$48.3 million were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, \$15.0 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 2014, 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	\$ 15,777
Noncurrent Assets	<u>33,794</u>
Total Assets	<u>\$ 49,571</u>
Current Liabilities	\$ 13,165
Long-term Liabilities	<u>26,634</u>
Total Liabilities	<u>39,799</u>
Designated Prize Reserves	4,346
Reserve for Unrealized Gains	<u>5,426</u>
Total Net Position	<u>9,772</u>
Total Liabilities and Net Position	<u>\$ 49,571</u>
Total Revenue	\$ 56,123
Total Expenses	37,658
Allocation to Member States	18,465
Change in Unrealized Gain on Investments Held for Resale	<u>(1,381)</u>
Change in Net Position	<u>\$ (1,381)</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 36 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 parties' lottery 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 2014 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	\$ 469,342
Investments in US Government Securities	69,335
US Government Securities Held for Prize Annuities	140,912
Due from Party Lotteries	15,717
Patent, net of accumulated amortization	10,140
Other Assets	705
Total Assets	<u>\$ 706,151</u>
Amount Held for Future Prizes	\$ 552,055
Grand Prize Annuities Payable	141,057
Other Liabilities	2,836
	<u>695,948</u>
Net Position, Unrestricted	<u>10,203</u>
Total Liabilities and Net Position	<u>\$ 706,151</u>
Total Revenue	\$ 3,170
Total Expenses	4,991
Excess of revenue over expenses	<u>(1,821)</u>
Net Position, beginning	12,024
Net Position, ending	<u>\$ 10,203</u>

**NOTE 14 - RELATED PARTY TRANSACTIONS**

**PRIMARY GOVERNMENT**

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 Parks and Lands. 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 2013 to 2018.

**COMPONENT UNITS**

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, \$224.2 million; Maine Community College System, \$64.2 million; Maine Municipal Bond Bank, \$43.0 million; Finance Authority of Maine, \$11.0 million; and Maine State Housing Authority, \$14.2 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total \$29.7 million at June 30, 2014, 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 2014, the State expended \$2.6 million to FAME for State revolving loan funds. The State also transferred \$1 million from its Loan Insurance Reserves to FAME. In fiscal year 2014, State statute required FAME to return \$1 million of the Loan Insurance Reserves. As of June 30, 2014, \$1 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 \$5.8 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 year 2014, the amount billed totaled \$6.0 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.

*Aldrich v. LePage.* This matter involves the provision of home- and community-based services to persons with intellectual disabilities and/or autism. The case is before the Superior Court of Maine. The case has just been settled. It will cost the State more than \$1 million in the provision of services.

*John F. Murphy Homes v. State of Maine (Me. Superior Court).* The claim is in the amount of \$7+ million for payments allegedly due for educational services over the last dozen years. Discovery is ongoing. We estimate a low-medium chance of losing more than \$1 million.

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



**ENCUMBRANCES**

Encumbrances are reported in the restricted, committed, and assigned fund balances of the governmental funds. General fund, highway fund, federal fund, other special revenue fund and other governmental funds balances are \$28.2 million, \$2.3 million, \$115.0 million, \$23.6 million and \$1.8 million, respectively.

**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, 2014 is \$20.3 million. Superfund sites account for approximately \$9.4 million. Superfund is the federal government program to clean up hazardous waste sites.

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

*Eastland Woolen Mill* – The State recorded a liability for pollution remediation activities of approximately \$1.1 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 \$1.4 million. Beginning in August of 2012, the State assumed 100 percent of the operation and maintenance and monitoring costs. As of June 30, 2014 the State has received \$2 million in recoveries from the Department of Defense. The State expects to recover additional costs of \$321 thousand.

*Callahan Mine* – The State recorded a liability for pollution remediation activities of approximately \$6.9 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 \$11.5 million (net of unrealized recoveries of \$671 thousand) related five uncontrolled hazardous substance sites. The State expects to recover \$2.9 million 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 Landfill, a solid waste disposal facility, located in the Town of 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 Position, 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, 2014, represents the cumulative amount reported to date based on the use of 94 percent 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 500 cubic yard to 1,000 cubic yards per year, the estimated remaining landfill life would be 400 to 800 years. Actual costs may be higher due to inflation, changes in technology or changes in applicable laws or regulations.

*Cost-Sharing Program* – Title 38 M.R.S.A., §1310-F establishes within the Department of Environmental Protection (DEP) a cost-sharing program for the closure and remediation of municipal solid waste landfills that pose an actual or potential hazard to the environment and public health.

The State has an obligation to provide cost sharing for remediation and closure activities to municipalities; however this obligation is subject to the availability of funds approved for that purpose. Until fiscal year 2013, there was no solid waste funding available to reimburse municipalities for closure or remediation activities. In 2013, a fee on disposal of Construction and Demolition Debris (CDD) earmarked for landfill closure and remediation came into effect under 38 MRSA §2203-A for these obligations as discussed below. The fee effective January 1, 2013 was \$1.00 per ton of CDD and doubled to \$2.00 effective January 1, 2014. In fiscal year 2014, during which both rates applied, the CDD fee generated \$530 thousand. A full year of that fee at \$2.00 per ton is expected to generate \$770 thousand.

Regarding landfill closures, changes per PL 2011, c.544 to landfill legislation at 38 MRSA §1310-F(1-B)(E) extended DEP's obligation to reimburse 75% of landfill closure expenses at municipal landfills that incur eligible closure costs until 2015. In fiscal year 2014, \$203 thousand was reimbursed to municipalities for closure expenses. As of the end of fiscal year 2014, the DEP has received applications from four municipalities and has a total outstanding obligation, after fiscal year 2014 payments, of \$5.2 million in closure expenses. This closure obligation will increase in fiscal year 2015 as one landfill is still undergoing closure construction and will incur additional costs and several other municipalities have landfills that will be eligible for reimbursement of closure costs if they elect to close by the 2015 deadline.

Regarding landfill remediation, under the law the State is obligated to pay up to 90% of the cost of remediation for threats posed by municipal landfills to the public health and the environment after closure. Remediation expenses are ongoing and have no specific timeframe. In fiscal year 2014, \$256 thousand was reimbursed to municipalities in remediation expenses. As of the end of fiscal year 2014, the DEP obligation for remediation expenses after fiscal year 2014 payments, total \$2.6 million. In light of ongoing investigations at closed landfills that show additional work is necessary and the increasing frequency of residential development near closed municipal landfills, the State's obligation for landfill remediation is expected to increase.

As of June 30, 2014, the DEP's total landfill closure and remediation obligation to municipalities is \$7.8 million. A full year of the CDD fee at \$2.00 per ton is estimated to generate \$770 thousand, indicating that at the current funding rate and obligation, it will take approximately 10 year for the DEP to fully fund its closure and remediation obligation. However, the financial obligation is expected to increase as additional eligible landfills close prior to the 2015 deadline; and as remediation expenses at closed landfills continue, extending this timeline for repayment.

**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 \$6.4 million. This consists of approximately \$2.1 million for State-owned facilities and approximately \$4.3 million for the State's share, under a cost sharing arrangement, for municipal facilities.

**POLLUTION ABATEMENT PROGRAM**

Title 38 MRSA § 411, § 411-A, § 412 establishes within DEP cost-sharing programs for pollution abatement projects. Subject to funding by the Legislature and the approval of the Commissioner, the State may contribute to the planning of municipal pollution abatement facilities; the design, engineering and construction of private, commercial and municipal pollution abatement facilities; and make payments to the Maine Municipal Bond Bank to supply the State's share of the revolving loan fund established by Title 30-A §6006-A. During the 2014 fiscal year, \$5.6 million of general obligation bond funds were expended for pollution abatement projects. As of June 30, 2014, amounts encumbered for pollution abatement projects totaled \$620 thousand; and general obligation bonds authorized for these projects, but not yet encumbered or expended, totaled \$320 thousand. As of June 30, 2014, 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 46.8 percent of the annual payments. As of June 30, 2014, outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled \$904.3 million.

At June 30, 2014, the Department of Transportation had contractual commitments of approximately \$182.8 million for construction of various highway projects. The State's share of that amount is expected to be approximately \$40.3 million. Of these amounts, \$5.2 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 2014, Maine received a total of \$56.4 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, 2014, the Fund included \$4.6 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2014 of approximately \$200.6 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, 2014, the amount reported in the Fund for claimant liability is \$29.1 million. The General Fund shows a \$24 million payable to the Escheat Fund.

#### **CONSTITUTIONAL OBLIGATIONS**

The State of Maine's constitutional obligations represent nonexchange financial guarantees, as defined by GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The State acts as the guarantor for these ongoing insurance and loan programs operated by 2 discrete component units. The Finance Authority of Maine's mission covers commercial financing and loan insurance to Maine businesses and assistance to Maine students and their parents to finance costs of attendance at institutions of higher education. Maine State Housing Authority's mission encompasses loans to Maine veterans and members of Indian tribes or reservations. Details of the nonexchange financial guarantees are provided below.

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, 2014, loans outstanding pursuant to these authorizations are \$74.4 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, 2014.

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, 2014, 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, 2014.

#### MORAL OBLIGATIONS

The State of Maine, through statute, enables certain Authorities to establish capital reserve funds. These funds may be used to secure a variety of financial undertakings including the issuance of bonds. The minimum amount of the capital reserve fund may be determined by statute or set by the Authority. The statutes may also limit the amount of debt that may be secured by the capital reserve funds, and allow the Authority to issue debt that is not secured by these funds.

On or before December first of each year, the Authority is required to certify to the Governor the amount, if any, necessary to restore any capital reserve fund to its required minimum. If there is a shortfall, the Governor is required to pay first from the "Contingent Account" the amounts necessary for restoration. The Governor shall certify any remaining unpaid amounts to the Legislature, which is then required to appropriate and pay the remaining amounts to the Authority during the then-current State fiscal year.

These moral obligations are not considered to be "full faith and credit" obligations of the State, and voter approval of the underlying bonds is not required. No capital reserve fund restorations have been made in the current or previous years.

The following summarizes information regarding outstanding moral obligations:

#### Moral Obligation Bonds (Expressed in Thousands)

Issuer	Bonds Outstanding	Required Debt Reserve	Obligation Debt Limit	Legal Citation
Maine Health and Higher Educational Facilities Authority	\$ 973,110	\$ 86,316	no limit	22 MRSA § 2075
Finance Authority of Maine	38,043	-	\$ 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	1,269,716	148,529	no limit	30-A MRSA §6006
Maine Educational Loan Authority *	132,635	13,848	225,000	20-A MRSA §11424
Maine State Housing Authority	1,275,590	98,147	2,150,000	30-A MRSA §4906
Total	<u>\$ 3,689,094</u>	<u>\$ 346,840</u>		

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

**COMPONENT UNITS****CONSTRUCTION CONTRACTS**

At June 30, 2014, UMS had outstanding commitments on uncompleted construction contracts that totaled \$9.2 million.

At June 30, 2014, MCCA had \$5 million remaining in construction commitments primarily to improve existing academic buildings.

At December 31, 2013, the Maine Turnpike Authority had \$19.5 million remaining in on outstanding construction projects for improvements and maintenance.

**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, 2013 Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately \$24.0 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2013, single-family loans being processed by lenders totaled \$18.1 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, 2014, FAME had insurance outstanding for commercial loans under the Loan Insurance Program totaling approximately \$101.3 million. At June 30, 2014, FAME was insuring loans with an aggregate outstanding principle balance approximating \$4.7 million which were 90 or more days delinquent. The aggregate insured balance of these loans was approximately \$2.7 million at June 30, 2014. In addition, FAME has entered into commitments to insure loans at some future date. At June 30, 2014, these commitments under the Loan Insurance Program were approximately \$8.5 million.

**NOTE 16 - SUBSEQUENT EVENTS****PRIMARY GOVERNMENT**

In September 2014 the State issued \$38.1 million of Bond Anticipation Notes which mature in June 2015.

On November 14, 2014, the Maine Municipal Bond Bank issued \$44.8 million of GARVEE grant anticipation revenue bonds on behalf of the Maine Department of Transportation. The bonds bear interest rates from 2.0% to 5.0%, and maturities from 2015 to 2026. The bonds are secured by future receipt of federal transportation funds, subject to continuing federal appropriations of those funds. The bonds do not constitute a debt or obligation of the State.

**COMPONENT UNITS**

Through March 20, 2014, Maine State Housing Authority (MSHA) redeemed at par \$65.2 million of bonds in the General Mortgage Purchase Bond Resolution. On February 27, 2014, MSHA issued, at par \$51.6 million of bonds in the General Mortgage Purchase Bond Resolution.

On July 24, 2014, Maine Health and Higher Educational Facilities Authority issued series 2014A reserve resolution tax-exempt bonds in the amount of \$43.2 million with an average interest rate of 4.43%. A portion of the bonds was used to in-substance defease \$47.6 million of outstanding reserve fund maturities within the

1997B, 1998C, 2003A, 2003D and 2004A reserve bond series. The net proceeds of approximately \$48.0 million were used to purchase U.S. Government securities that will provide for all future debt service payments on the defeased bonds. The economic benefits associated with the refunding inure to the respective institutions.

**NOTE 17 – SPECIAL ITEMS**

Pursuant to Public Law 2011, Chapter 649 Part A, the Marine Ports Enterprise Fund was converted to an Other Special Revenue Fund. Accordingly, the State transferred balances totaling \$9.7 million from the Marine Ports Enterprise Fund to the Other Special Revenue Fund. These transfers are recorded as Special Items in the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position (\$9.7 million), the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances (\$59 thousand), and the Entity-wide Statement of Activities (\$9.7 million).

Pursuant to Public Law 2013, Chapter 269, the State of Maine authorized the Maine Municipal Bond Bank (MMBB) to issue Liquor Operation Revenue Bonds on behalf of the State for the purpose of making payments to healthcare providers for services provided prior to December 1, 2012 under the Maine Care program. These bonds were secured by the State of Maine's pledge of the profits from the Alcoholic Beverages Enterprise Fund and the proceeds were deposited into the Health Care Liability Retirement Fund, an Other Special Revenue Fund. The resulting loans payable to MMBB is recorded as a liability in the Governmental Activities column in the Statement of Net Position. The transfer of the future pledged profits from the Enterprise Fund to reduce this liability is recorded as a Special Item in the Proprietary Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Statement of Activities for \$183.5 million.

---

---

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

---

---



Required Supplementary Information - Budgetary Reporting

STATE OF MAINE  
BUDGETARY COMPARISON SCHEDULE  
MAJOR GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2014  
(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	\$ 2,924,349	\$ 2,929,821	\$ 2,976,515	\$ 46,694	\$ 210,011	211,815	\$ 217,503	\$ 5,688
Assessments and Other	95,956	97,666	100,317	2,651	88,699	89,384	90,202	818
Federal Grants	1,594	1,987	1,988	1	-	-	-	-
Service Charges	41,118	47,767	48,564	797	6,314	6,045	6,204	159
Income from Investments	78	133	469	336	122	53	80	27
Miscellaneous Revenue	67,570	66,949	70,871	3,922	2,712	8,066	3,692	(4,374)
<b>Total Revenues</b>	<u>3,130,665</u>	<u>3,144,323</u>	<u>3,198,724</u>	<u>54,401</u>	<u>307,858</u>	<u>315,363</u>	<u>317,681</u>	<u>2,318</u>
<b>Expenditures</b>								
Governmental Support and Operations	259,663	261,184	253,172	8,012	37,206	38,011	34,760	3,251
Economic Development & Workforce Training	32,230	32,138	31,656	482	-	-	-	-
Education	1,422,651	1,424,825	1,409,592	15,233	-	-	-	-
Health and Human Services	1,108,521	1,143,735	1,103,755	39,980	-	-	-	-
Business Licensing & Regulation	1,562	4,210	4,200	10	-	-	-	-
Natural Resources Development & Protection	69,493	68,681	66,450	2,231	33	33	33	-
Justice and Protection	302,144	308,239	288,890	19,349	25,927	25,742	24,103	1,639
Arts, Heritage & Cultural Enrichment	7,664	7,668	7,405	263	-	-	-	-
Transportation Safety & Development	-	-	-	-	242,357	297,516	287,295	10,221
<b>Total Expenditures</b>	<u>3,203,928</u>	<u>3,250,680</u>	<u>3,165,120</u>	<u>85,560</u>	<u>305,523</u>	<u>361,302</u>	<u>346,191</u>	<u>15,111</u>
<b>Revenues Over (Under) Expenditures</b>	<u>(73,263)</u>	<u>(106,357)</u>	<u>33,604</u>	<u>139,961</u>	<u>2,335</u>	<u>(45,939)</u>	<u>(28,510)</u>	<u>17,429</u>
<b>Other Financing Sources (Uses)</b>								
Operating Transfers Net	(81,105)	(83,401)	21,934	105,335	-	(5,096)	17,969	23,065
Proceeds from Pledged Future Revenues	-	-	-	-	-	-	-	-
<b>Net Other Financing Sources (Uses)</b>	<u>(81,105)</u>	<u>(83,401)</u>	<u>21,934</u>	<u>105,335</u>	<u>-</u>	<u>(5,096)</u>	<u>17,969</u>	<u>23,065</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>\$ (154,368)</u>	<u>\$ (189,758)</u>	<u>\$ 55,538</u>	<u>\$ 245,296</u>	<u>\$ 2,335</u>	<u>\$ (51,035)</u>	<u>\$ (10,541)</u>	<u>\$ 40,494</u>
Fund Balances at Beginning of Year			190,661				58,774	
Fund Balances at End of Year			<u>\$ 246,199</u>				<u>\$ 48,233</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
\$ -	\$ -	\$ -	\$ -	\$ 293,507	\$ 292,826	\$ 288,785	\$ (4,041)
4	4	-	(4)	171,172	180,115	158,057	(22,058)
3,236,042	3,541,143	2,761,743	(779,400)	11,373	11,448	9,707	(1,741)
434	435	352	(83)	205,083	231,839	219,650	(12,189)
-	-	9	9	1,196	1,201	324	(877)
5,553	5,479	9,406	3,927	363,832	363,366	293,198	(70,168)
<u>3,242,033</u>	<u>3,547,061</u>	<u>2,771,510</u>	<u>(775,551)</u>	<u>1,046,163</u>	<u>1,080,795</u>	<u>969,721</u>	<u>(111,074)</u>
6,293	8,819	5,432	3,387	138,349	148,300	138,174	10,126
112,064	142,932	97,372	45,560	46,145	50,654	38,115	12,539
279,940	291,457	193,762	97,695	38,334	45,670	38,208	7,462
2,464,369	2,606,691	2,100,903	505,788	734,559	746,890	674,891	71,999
244	203	101	102	76,735	77,908	66,931	10,977
53,739	60,741	36,134	24,607	126,263	141,952	84,538	57,414
148,699	153,579	45,550	108,029	43,249	49,753	38,929	10,824
3,258	3,669	2,726	943	1,861	1,942	838	1,104
192,685	283,304	198,839	84,465	53,305	119,671	73,351	46,320
<u>3,261,291</u>	<u>3,551,395</u>	<u>2,680,819</u>	<u>870,576</u>	<u>1,258,800</u>	<u>1,382,740</u>	<u>1,153,975</u>	<u>228,765</u>
<u>(19,258)</u>	<u>(4,334)</u>	<u>90,691</u>	<u>95,025</u>	<u>(212,637)</u>	<u>(301,945)</u>	<u>(184,254)</u>	<u>117,691</u>
<u>(76,353)</u>	<u>(77,137)</u>	<u>(89,158)</u>	<u>(12,021)</u>	<u>(11,864)</u>	<u>(11,703)</u>	<u>(112,259)</u>	<u>(100,556)</u>
				<u>220,035</u>	<u>275,035</u>	<u>230,884</u>	<u>(44,151)</u>
<u>(76,353)</u>	<u>(77,137)</u>	<u>(89,158)</u>	<u>(12,021)</u>	<u>208,171</u>	<u>263,332</u>	<u>118,625</u>	<u>(144,707)</u>
<u>\$ (95,611)</u>	<u>\$ (81,471)</u>	<u>\$ 1,533</u>	<u>\$ 83,004</u>	<u>\$ (4,466)</u>	<u>\$ (38,613)</u>	<u>\$ (65,629)</u>	<u>\$ (27,016)</u>
		<u>15,174</u>				<u>255,342</u>	
		<u>\$ 16,707</u>				<u>\$ 189,713</u>	



# Required Supplementary Information - Budgetary Reporting

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

Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Federal Funds</u>	<u>Special Revenue Fund</u>
Fund Balances - Non-GAAP Budgetary Basis	\$ 246,199	\$ 48,233	\$ 16,707	\$ 189,713
<b>Basis Differences</b>				
Revenue Accruals/Adjustments:				
Taxes Receivable	209,068	778	-	9,982
Intergovernmental Receivables	-	-	256,452	-
Other Receivables	42,756	2,650	65,140	64,027
Inventories	2,048	-	689	-
Due from Component Units	1,000	-	25	40,330
Due from Other Funds	16,854	21,690	9,796	398,336
Other Assets	1,759	55	330	214
Unearned Revenues	-	(4,916)	(689)	-
Deferred Inflows - Taxes and Assessment Revenues	(213,232)	(731)	(722)	(27,314)
Deferred Inflows - Unearned Revenue from Enterprise Fund	-	-	-	(183,482)
Total Revenue Accruals/Adjustments	<u>60,253</u>	<u>19,526</u>	<u>331,021</u>	<u>302,093</u>
Expenditure Accruals/Adjustments:				
Accounts Payable	(145,594)	(16,705)	(232,871)	(17,829)
Due to Component Units	(2,293)	(1,618)	(1,597)	(321)
Accrued Liabilities	(20,352)	(7,414)	(6,817)	(9,701)
Taxes Payable	(194,055)	(8)	-	-
Intergovernmental Payables	(12,972)	-	(73,598)	-
Due to Other Funds	(146,622)	(4,224)	(23,554)	(47,682)
Total Expenditure Accruals/Adjustments	<u>(521,888)</u>	<u>(29,969)</u>	<u>(338,437)</u>	<u>(75,533)</u>
Fund Balances - GAAP Basis	<u>\$ (215,436)</u>	<u>\$ 37,790</u>	<u>\$ 9,291</u>	<u>\$ 416,273</u>

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY REPORTING**

### **Statutory/Budgetary Presentation**

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

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

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

Detailed budgetary control is maintained at the program and line category level at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers. Except in specific instances, only the Legislature may transfer appropriations between departments. Increases in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget or separate pieces of legislation. For the year ended June 30, 2014, the legislature increased appropriations to the General Fund by \$26.3 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, fund balance is classified based on existing resources, if any, which will liquidate the encumbrances outstanding at June 30 (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 2014-2015, 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 26, 2013, 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, 2014 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	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
June 30,						
2014	10,083,707	12,382,225	2,298,518	81.4%	1,711,516	134.3%
2013	9,238,577	11,889,897	2,651,320	77.7%	1,671,668	158.6%
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%

Major changes in actuarial assumptions include the following:

Valuation date	June 30, 2014	June 30, 2012	June 30, 2011	June 30, 2008
Major actuarial assumption changes:				
Retirement assumption	The State is responsible for funding all costs for its employees and the UAAL for teachers. School districts pay the normal costs for teachers.	Lowered to reflect the closing of the retirement window for early retiree health coverage		
Version of actuarial cost method		New entrant		
Asset valuation method	Additional recognition of past investment gains in the asset smoothing balance FY14 37.5%			
Investment rate of return	7.125%		7.25%	7.75%
Projected salary increases			3.50%	4.75% - 10.00%
Includes inflation at			3.50%	4.50%
Cost of living adjustments			2.25%	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 percent across the board increase at each year of service. The first 2 fiscal years assume a flat 1.5 percent pay increase across the board. The cap on annual cost of living adjustments was lowered from 4 percent per year to 3 percent 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 2 large cost sharing multiple-employer defined benefit plans and an agent multiple-employer defined benefit plan covering public employees. The June 30, 2014 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 2014 was determined by the 2012 valuation, and reflects the relengthened amortization period. The unfunded actuarial accrual liability of the judicial plan is amortized over a period of which 3 years remained at June 30, 2014.

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, 2014.



## 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, 2014	167	1,224	1,057	13.64%	543	194.66%
	June 30, 2013	150	1,166	1,016	12.86%	518	196.14%
	June 30, 2012	136	1,316	1,180	10.33%	502	235.06%
Teachers (in millions)	June 30, 2014	0	684	684	0.00%	1,106	61.84%
	June 30, 2013	0	685	685	0.00%	1,194	57.37%
	June 30, 2012	0	665	665	0.00%	1,156	57.53%
First Responders (in thousands)	June 30, 2013	0	22,369	22,369	0.00%	53,366	41.92%
	June 30, 2012	0	23,442	23,442	0.00%	43,510	53.88%
	June 30, 2011	0	21,921	21,921	0.00%	42,242	51.89%

#### Group Life Insurance Plans

Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(Expressed in Thousands)		(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c UAAL (as a percentage of covered payroll)
			(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)			
State Employees	June 30, 2014	31,800	87,300	55,500	36.43%	563,500	9.85%
	June 30, 2013	27,000	83,800	56,800	32.22%	572,800	9.92%
	June 30, 2012	24,700	80,900	56,200	30.53%	553,500	10.15%
Teachers	June 30, 2014	45,100	75,600	30,500	59.66%	666,200	4.58%
	June 30, 2013	36,000	74,200	38,200	48.52%	652,800	5.85%
	June 30, 2012	30,100	71,000	40,900	42.39%	630,800	6.48%

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

**Schedule of Employer Contributions**

(Expressed in Thousands)

Fiscal Year Ended June 30,	State Employees		Teachers		First Responders	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
Healthcare - 2014	\$99,000	63.87%	\$45,000	55.46%	\$1,769	33.52%
Healthcare - 2013	94,000	72.34%	44,000	56.82%	1,689	34.16%
Healthcare - 2012	126,000	57.94%	55,000	40.00%	1,350	32.15%
Group Life - 2014	4,768	88.07%	3,440	100.00%	N/A	N/A
Group Life - 2013	4,591	101.79%	3,099	100.00%	N/A	N/A
Group Life - 2012	3,250	144.13%	2,959	100.00%	N/A	N/A

<p><b>Required Supplementary Information – Information about Infrastructure Assets Reported Using the Modified Approach</b></p>
---

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 8,827 highway miles or 17,951 lane miles of roads and 2,964 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 vs. 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.

<b>Data Element</b>	<b>Point Rating (%)</b>	<b>Description</b>
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.

<b>Adequacy Rating</b>	<b>Total</b>
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.

<b>Fiscal Year</b>	<b>Highways</b>	<b>Bridges</b>
2014	75.5	78.0
2013	76.0	78.0
2012	75.4	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 (Expressed in millions)				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Highways	\$ 163.0 <sup>1</sup>	\$ 90.5	\$ 91.5	\$ 101.4	\$ 68.6
Bridges	71.0 <sup>1</sup>	14.7	13.2	9.3	9.2
Total	<u>\$ 234.0</u>	<u>\$ 105.2</u>	<u>\$ 104.7</u>	<u>\$ 110.7</u>	<u>\$ 77.8</u>

	Estimated Preservation Costs (Expressed in millions)				
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Highways	\$ 24.7	\$ 84.1	\$ 155.0	\$ 86.1	\$ 48.5
Bridges	3.1	13.7	30.0	7.9	6.5
Total	<u>\$ 27.8</u>	<u>\$ 97.8</u>	<u>\$ 185.0</u>	<u>\$ 94.0</u>	<u>\$ 55.0</u>

<sup>1</sup> As restated

In 2014 it was determined that preservation costs were understated due to an incorrect process for determining the associated cost. The actual costs have been restated. The 2014 Estimated Preservation Costs are understated due to the incorrect process.

### Transportation Bonds

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 697, PL 2011, \$26 million in General fund bonds were spent during FY2014.

---

---

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

---

---

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

June 30, 2014  
(Expressed in Thousands)

	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Permanent Funds</b>	<b>Total Other Governmental Funds</b>
<b>Assets</b>				
Equity in Treasurer's Cash Pool	\$ 133	\$ -	\$ -	\$ 133
Cash and Short-Term Investments	4,549	-	-	4,549
Investments	73,811	-	21,895	95,706
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	-	77,135	-	77,135
Other Receivable	6	-	-	6
Due from Other Funds	566	-	-	566
Due from Component Units	-	107	-	107
Other Assets	180	-	-	180
<b>Total Assets</b>	<b>\$ 79,245</b>	<b>\$ 77,242</b>	<b>\$ 21,895</b>	<b>\$ 178,382</b>
<b>Liabilities and Fund Balances</b>				
Accounts Payable	\$ 3,246	\$ 914	\$ -	\$ 4,160
Accrued Payroll	965	-	-	965
Due to Other Funds	-	24	-	24
Due to Component Units	-	4,055	-	4,055
Compensated Absences	456	-	-	456
Unearned Revenue	227	3	-	230
Other Accrued Liabilities	398	-	-	398
<b>Total Liabilities</b>	<b>5,292</b>	<b>4,996</b>	<b>-</b>	<b>10,288</b>
<b>Fund Balances:</b>				
Non-spendable Legal or Contractual	-	-	21,895	21,895
Non-spendable in Form	181	-	-	181
Restricted	74,019	72,246	-	146,265
Unassigned	(247)	-	-	(247)
<b>Total Fund Balances</b>	<b>73,953</b>	<b>72,246</b>	<b>21,895</b>	<b>168,094</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 79,245</b>	<b>\$ 77,242</b>	<b>\$ 21,895</b>	<b>\$ 178,382</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, 2014  
(Expressed in Thousands)

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Funds</u>	<u>Total Other Governmental Funds</u>
Revenues:				
Charges for Services	\$ 659	\$ -	\$ -	\$ 659
Investment Income (Loss)	11,734	-	4,488	16,222
Miscellaneous Revenue	1,574	-	-	1,574
<b>Total Revenues</b>	<u>13,967</u>	<u>-</u>	<u>4,488</u>	<u>18,455</u>
Expenditures:				
Governmental Support & Operations	104	8	-	112
Economic Development & Workforce Training	-	5,726	-	5,726
Education	26,696	3,824	-	30,520
Health and Human Services	-	5,756	-	5,756
Natural Resources Development & Protection	-	3,890	-	3,890
Justice and Protection	-	74	-	74
Arts, Heritage, and Cultural Enrichment	-	47	-	47
Transportation, Safety & Development	-	3,330	-	3,330
Debt Service:				
Principal Payments	25	-	-	25
Capital Outlay	28	35,199	-	35,227
<b>Total Expenditures</b>	<u>26,853</u>	<u>57,854</u>	<u>-</u>	<u>84,707</u>
Revenue over (under) Expenditures	<u>(12,886)</u>	<u>(57,854)</u>	<u>4,488</u>	<u>(66,252)</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	27,856	-	-	27,856
Transfers to Other Funds	(3,025)	-	(387)	(3,412)
Bonds Issued	-	112,945	-	112,945
Premium on Bonds Issued	-	14,175	-	14,175
Other	69	-	-	69
<b>Net Other Finance Sources (Uses)</b>	<u>24,900</u>	<u>127,120</u>	<u>(387)</u>	<u>151,633</u>
<b>Net Change in Fund Balances</b>	<u>12,014</u>	<u>69,266</u>	<u>4,101</u>	<u>85,381</u>
Fund Balances at Beginning of Year	<u>61,939</u>	<u>2,980</u>	<u>17,794</u>	<u>82,713</u>
Fund Balances at End of Year	<u>\$ 73,953</u>	<u>\$ 72,246</u>	<u>\$ 21,895</u>	<u>\$ 168,094</u>





---

---

# OTHER GOVERNMENTAL FUNDS

---

---

## 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.

## 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, 2014  
(Expressed in Thousands)

	<u>Child Development Services</u>	<u>Baxter Park</u>	<u>Revenue on Permanent Funds</u>	<u>Total Special Revenue Funds</u>
<b>Assets</b>				
Equity in Treasurer's Cash Pool	\$ -	\$ -	\$ 133	\$ 133
Cash and Short-Term Investments	4,549	-	-	4,549
Investments	-	73,772	39	73,811
Other Receivable	6	-	-	6
Due from Other Funds	566	-	-	566
Other Assets	180	-	-	180
	<u>180</u>	<u>-</u>	<u>-</u>	<u>180</u>
Total Assets	<u>\$ 5,301</u>	<u>\$ 73,772</u>	<u>\$ 172</u>	<u>\$ 79,245</u>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable	\$ 3,246	\$ -	\$ -	\$ 3,246
Accrued Payroll	965	-	-	965
Compensated Absences	456	-	-	456
Unearned Revenue	227	-	-	227
Other Accrued Liabilities	398	-	-	398
Total Liabilities	<u>5,292</u>	<u>-</u>	<u>-</u>	<u>5,292</u>
Fund Balances:				
Nonspendable in Form	181	-	-	181
Restricted	75	73,772	172	74,019
Unassigned	(247)	-	-	(247)
	<u>(247)</u>	<u>-</u>	<u>-</u>	<u>(247)</u>
Total Fund Balances	<u>9</u>	<u>73,772</u>	<u>172</u>	<u>73,953</u>
Total Liabilities and Fund Balances	<u>\$ 5,301</u>	<u>\$ 73,772</u>	<u>\$ 172</u>	<u>\$ 79,245</u>

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

Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)

	<u>Child Development Services</u>	<u>Baxter Park</u>	<u>Revenue on Permanent Funds</u>	<u>Total Special Revenue Funds</u>
<b>Revenues:</b>				
Charges for Services	\$ 659	\$ -	\$ -	\$ 659
Investment Income (Loss)	1	11,549	184	11,734
Miscellaneous Revenue	1,574	-	-	1,574
Total Revenues	<u>2,234</u>	<u>11,549</u>	<u>184</u>	<u>13,967</u>
<b>Expenditures</b>				
Current:				
General Government	-	-	104	104
Education	26,696	-	-	26,696
Debt Service:				
Principal Payments	25	-	-	25
Capital Outlay	28	-	-	28
Total Expenditures	<u>26,749</u>	<u>-</u>	<u>104</u>	<u>26,853</u>
Revenue over (under) Expenditures	<u>(24,515)</u>	<u>11,549</u>	<u>80</u>	<u>(12,886)</u>
Other Financing Sources (Uses):				
Transfer from Other Funds	26,749	-	1,107	27,856
Transfer to Other Funds	-	(1,845)	(1,180)	(3,025)
COP's and Other	69	-	-	69
Net Other Finance Sources (Uses)	<u>26,818</u>	<u>(1,845)</u>	<u>(73)</u>	<u>24,900</u>
Net Change in Fund Balances	<u>2,303</u>	<u>9,704</u>	<u>7</u>	<u>12,014</u>
Fund Balances at Beginning of Year	<u>(2,294)</u>	<u>64,068</u>	<u>165</u>	<u>61,939</u>
Fund Balances at End of Year	<u>\$ 9</u>	<u>\$ 73,772</u>	<u>\$ 172</u>	<u>\$ 73,953</u>

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

June 30, 2014  
(Expressed in Thousands)

	<u>Baxter Trust</u>	<u>Other Trusts</u>	<u>Total Permanent Funds</u>
<b>Assets</b>			
Investments	\$ 6,814	\$ 15,081	\$ 21,895
Total Assets	<u>\$ 6,814</u>	<u>\$ 15,081</u>	<u>\$ 21,895</u>
<b>Fund Balances</b>			
Non-spendable Legal or Contractual	<u>\$ 6,814</u>	<u>\$ 15,081</u>	<u>\$ 21,895</u>

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

Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)

	<u>Baxter Trust</u>	<u>Other Trusts</u>	<u>Total Permanent Funds</u>
Revenues:			
Investment Income (Loss)	\$ 957	\$ 3,531	\$ 4,488
Total Revenues	<u>957</u>	<u>3,531</u>	<u>4,488</u>
Expenditures			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) Expenditures	<u>957</u>	<u>3,531</u>	<u>4,488</u>
Transfers to Other Funds	<u>-</u>	<u>(387)</u>	<u>(387)</u>
Net Other Finance Sources (Uses)	<u>-</u>	<u>(387)</u>	<u>(387)</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	<u>957</u>	<u>3,144</u>	<u>4,101</u>
Fund Balances at Beginning of Year	<u>5,857</u>	<u>11,937</u>	<u>17,794</u>
Fund Balances at End of Year	<u>\$ 6,814</u>	<u>\$ 15,081</u>	<u>\$ 21,895</u>

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

Fiscal Year Ended June 30, 2014  
(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	\$ 14,239	\$ 13,380	\$ 859
Financial Services	111,921	111,834	86
Human Resources	1,976	1,797	179
Liquor and Lottery	804	801	3
Purchasing	749	717	33
Bureau of Information Services	11,951	10,902	1,049
State Employee Health Commission	791	789	2
	<u>142,433</u>	<u>140,221</u>	<u>2,212</u>
<b>Department of Agriculture, Conservation and Forestry</b>			
	<u>28,877</u>	<u>27,740</u>	<u>1,137</u>
<b>Attorney General</b>			
	<u>15,198</u>	<u>15,092</u>	<u>106</u>
<b>Department of Audit</b>			
	<u>1,280</u>	<u>1,121</u>	<u>159</u>
<b>Department of Corrections</b>			
Corrections	63,064	54,077	8,987
Maine State Prison	34,474	31,582	2,891
Maine Correctional Center	22,648	21,229	1,419
Downeast Correctional Facility	5,408	4,925	483
Charleston Correctional Facility	18,064	16,012	2,052
Long Creek Youth Development Center	13,975	13,055	920
	<u>157,633</u>	<u>140,881</u>	<u>16,752</u>
<b>Department of Economic and Community Development</b>			
	<u>10,949</u>	<u>10,654</u>	<u>295</u>
<b>Department of Environmental Protection</b>			
	<u>6,433</u>	<u>6,300</u>	<u>133</u>
<b>Department of Human Services</b>			
Human Services	828,090	803,646	24,444
Behavioral and Developmental Services	271,709	259,807	11,901
Riverview Psychiatric Center	18,090	17,598	492
Dorothea Dix Psychiatric Center	9,131	7,855	1,276
Office of Substance Abuse	16,472	14,607	1,864
	<u>1,143,493</u>	<u>1,103,514</u>	<u>39,978</u>
<b>Department of Labor</b>			
Labor	9,372	9,187	185
Labor Relations Board	446	443	3
	<u>9,818</u>	<u>9,631</u>	<u>187</u>
<b>Defense, Veterans and Emergency Management</b>			
	<u>6,282</u>	<u>6,114</u>	<u>168</u>
<b>Department of Education</b>			
Education	1,152,971	1,138,822	14,149
Education - Unorganized Territory	12,147	11,098	1,049
	<u>1,165,118</u>	<u>1,149,921</u>	<u>15,198</u>
<b>General Government</b>			
Office of the Governor	3,920	3,622	298
Ombudsman Program	123	81	42
	<u>4,043</u>	<u>3,704</u>	<u>339</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Department of Inland Fisheries and Wildlife</b>	\$ 23,953	\$ 23,319	\$ 634
<b>Judicial Department</b>	62,638	61,730	908
<b>Legislative Department</b>			
Legislative	24,353	21,855	2,498
Law and Legislative Reference Library	1,452	1,363	88
Statehouse Preservation and Maintenance	800	591	209
Program Evaluation and Government Accountability	875	692	183
	<u>27,480</u>	<u>24,501</u>	<u>2,979</u>
<b>Department of Marine Resources</b>	9,328	9,001	327
<b>Department of Public Safety</b>	38,878	37,742	1,136
<b>Public Utilities Commission</b>	4,210	4,200	10
<b>Secretary of State</b>			
Secretary of State	2,588	2,498	90
Archives Services	1,511	765	746
	<u>4,100</u>	<u>3,263</u>	<u>836</u>
<b>Treasurer of State</b>	80,702	79,255	1,447
<b>Other Agencies</b>			
Museum	1,620	1,613	7
Maine State Cultural Affairs Council	41	31	10
Maine Historic Preservation Commission	288	287	0
Library	3,134	2,944	189
Maine Humanities Council	53	53	-
Finance Authority of Maine	10,670	10,670	-
Centers for Innovation	118	118	-
Com. on Governmental Ethics and Election Practices	151	118	33
Maine Indian Tribal State Council	89	89	-
Board of Property Tax Review	87	79	8
Maine Municipal Bond Bank	69	69	-
Maine State Retirement System	751	751	-
Human Rights Commission	498	496	2
Saco River Corridor Commission	47	47	-
NE International Water Pollution Control Commission	8	8	-
Downeast Institute Appl Marine	13	13	-
St. Croix International Waterway	22	22	-
Maine Public Broadcasting Corporation	1,691	1,691	-
Maine State Housing Authority	365	365	-
Maine Potato Board	160	160	-
Board of Education	159	159	0
Maine Historical Society	45	45	-
Foundation for Blood Research	52	52	-
Pine Tree Legal	355	355	-
Maine Community College System	55,959	55,959	-
Maine Maritime Academy	8,483	8,483	-
University of Maine	194,951	194,951	-
Arts and Humanities Administration	796	740	56
Disability Rights Center	126	126	-
Maine Hospice Counsel	64	64	-
Maine Development Foundation	58	58	-
State Board of Corrections	13,402	13,146	257
Commission on Indigent Legal Services	13,355	13,334	21
State Charter School Commission	154	120	35
	<u>307,834</u>	<u>307,216</u>	<u>618</u>
<b>Grand Total</b>	\$ 3,250,680	\$ 3,165,120	\$ 85,559





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

Fiscal Year Ended June 30, 2014  
(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	\$ 2,065	\$ 2,016	\$ 49
Financial Services	679	658	21
	<u>2,744</u>	<u>2,674</u>	<u>70</u>
<b><i>Department of Environmental Protection</i></b>			
	<u>33</u>	<u>33</u>	<u>0</u>
<b><i>Legislative Department</i></b>			
Legislative	13	-	13
	<u>13</u>	<u>-</u>	<u>13</u>
<b><i>Department of Transportation</i></b>			
Transportation	296,913	286,692	10,221
Rail/Van Pool	604	604	-
	<u>297,516</u>	<u>287,295</u>	<u>10,221</u>
<b><i>Department of Public Safety</i></b>			
	<u>25,742</u>	<u>24,103</u>	<u>1,639</u>
<b><i>Secretary of State</i></b>			
Motor Vehicles	35,253	32,086	3,168
	<u>35,253</u>	<u>32,086</u>	<u>3,168</u>
<b><i>Grand Total</i></b>	<b>\$ <u>361,302</u></b>	<b>\$ <u>346,191</u></b>	<b>\$ <u>15,111</u></b>

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

Fiscal Year Ended June 30, 2014  
(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	\$ 73	\$ 72	\$ 1
Financial Services	5	-	5
Financial and Personnel Services	616	419	197
State Employee Health Commission	8	-	8
	<u>702</u>	<u>491</u>	<u>211</u>
<b>Department of Agriculture, Conservation and Forestry</b>	<u>18,379</u>	<u>11,436</u>	<u>6,943</u>
<b>Attorney General</b>	<u>1,570</u>	<u>1,017</u>	<u>553</u>
<b>Department of Corrections</b>			
Corrections	5,083	1,502	3,581
Maine State Prison	20	-	20
Maine Correctional Center	91	53	39
Downeast Correctional Facility	48	-	48
Charleston Correctional Facility	247	108	138
Long Creek Youth Development Center	216	124	92
	<u>5,706</u>	<u>1,788</u>	<u>3,918</u>
<b>Department of Economic and Community Development</b>	<u>26,283</u>	<u>10,647</u>	<u>15,636</u>
<b>Department of Environmental Protection</b>	<u>21,405</u>	<u>11,291</u>	<u>10,114</u>
<b>Department of Human Services</b>			
Human Services	2,563,787	2,078,493	485,294
Behavioral and Developmental Services	16,579	8,954	7,624
Office of Substance Abuse	13,820	10,962	2,858
	<u>2,594,186</u>	<u>2,098,410</u>	<u>495,777</u>
<b>Department of Labor</b>	<u>116,648</u>	<u>86,725</u>	<u>29,924</u>
<b>Department of Transportation</b>			
Transportation	276,860	194,318	82,542
Air Transportation	1,886	1,104	782
Ferry Service/Ports and Marine	595	246	349
Rail/Van Pool	3,963	3,171	792
	<u>283,304</u>	<u>198,839</u>	<u>84,465</u>
<b>Defense, Veterans and Emergency Management</b>	<u>131,851</u>	<u>31,467</u>	<u>100,385</u>
<b>Department of Education</b>			
Education	291,021	193,380	97,641
Education - Unorganized Territory	436	382	54
	<u>291,457</u>	<u>193,762</u>	<u>97,695</u>
<b>General Government</b>			
Office of the Governor	4,419	3,020	1,399
Ombudsman Program	60	40	21
	<u>4,480</u>	<u>3,060</u>	<u>1,419</u>
<b>Department of Inland Fisheries and Wildlife</b>	<u>15,188</u>	<u>9,539</u>	<u>5,650</u>
<b>Judicial Department</b>	<u>2,971</u>	<u>2,799</u>	<u>172</u>
<b>Department of Marine Resources</b>	<u>5,769</u>	<u>3,868</u>	<u>1,901</u>
<b>Department of Professional and Financial Regulation</b>			
Professional and Financial Regulation	54	16	37
Board of Nursing	10	-	10
	<u>64</u>	<u>16</u>	<u>47</u>
<b>Department of Public Safety</b>	<u>11,031</u>	<u>8,054</u>	<u>2,977</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Public Utilities Commission</b>	\$ 139	\$ 85	\$ 54
<b>Secretary of State</b>			
Secretary of State	1,402	970	433
Motor Vehicles	1,838	600	1,238
Archives Services	101	37	64
	<u>3,342</u>	<u>1,607</u>	<u>1,735</u>
<b>Treasurer of State</b>	<u>296</u>	<u>274</u>	<u>21</u>
<b>Other Agencies</b>			
Arts and Humanities Administration	1,049	809	240
Human Rights Commission	450	425	25
Library	1,582	1,219	363
Maine Health Data Organization	964	863	101
Maine Historic Preservation Commission	907	668	239
Museum	131	30	101
Dirigo Health	11,540	1,629	9,911
	<u>16,623</u>	<u>5,643</u>	<u>10,980</u>
<b>Grand Total</b>	<u>\$ 3,551,395</u>	<u>\$ 2,680,819</u>	<u>\$ 870,575</u>

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

Fiscal Year Ended June 30, 2014  
(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	\$ 7,371	\$ 2,605	\$ 4,766
Bureau of Information Services	308	-	308
Financial Services	26,727	24,815	1,912
Human Resources	256	-	256
Financial and Personnel Services	30	6	24
Liquor and Lottery	19	-	19
State Employee Health Commission	75	-	75
Purchasing	74	-	74
	<u>34,860</u>	<u>27,425</u>	<u>7,435</u>
<b>Department of Agriculture, Conservation and Forestry</b>			
	<u>73,167</u>	<u>38,457</u>	<u>34,710</u>
<b>Attorney General</b>			
	<u>14,382</u>	<u>12,107</u>	<u>2,275</u>
<b>Department of Audit</b>			
	<u>1,995</u>	<u>1,849</u>	<u>145</u>
<b>Department of Corrections</b>			
Corrections	1,296	194	1,101
Maine State Prison	116	9	107
Maine Correctional Center	156	-	156
Downeast Correctional Facility	33	20	12
Charleston Correctional Facility	104	8	96
Long Creek Youth Development Center	39	7	32
	<u>1,743</u>	<u>239</u>	<u>1,504</u>
<b>Department of Economic and Community Development</b>			
	<u>15,745</u>	<u>11,088</u>	<u>4,657</u>
<b>Department of Environmental Protection</b>			
Environmental Protection	<u>48,324</u>	<u>32,051</u>	<u>16,272</u>
<b>Department of Human Services</b>			
Human Services	680,988	615,543	65,445
Behavioral and Developmental Services	30,152	28,128	2,024
Riverview Psychiatric Center	16,816	15,530	1,286
Dorothea Dix Psychiatric Center	12,187	10,183	2,004
Office of Substance Abuse	4,458	3,632	826
	<u>744,600</u>	<u>673,015</u>	<u>71,585</u>
<b>Department of Labor</b>			
Labor	10,575	7,240	3,335
Labor Relations Board	89	47	42
	<u>10,664</u>	<u>7,287</u>	<u>3,377</u>
<b>Department of Transportation</b>			
Transportation	113,930	70,584	43,346
Air Transportation	1,592	1,100	492
Ferry Service/Ports & Marine	181	128	53
Rail/Van Pool	3,968	1,539	2,428
	<u>119,671</u>	<u>73,351</u>	<u>46,320</u>
<b>Defense, Veterans and Emergency Management</b>			
	<u>2,437</u>	<u>1,029</u>	<u>1,408</u>
<b>Department of Education</b>			
Education	35,570	30,116	5,453
Education - Unorganized Territory	8	-	8
	<u>35,578</u>	<u>30,116</u>	<u>5,462</u>
<b>General Government</b>			
Office of the Governor	270	131	139
Public Advocate	2,067	1,946	121
	<u>2,337</u>	<u>2,077</u>	<u>260</u>
<b>Department of Inland Fisheries and Wildlife</b>			
	<u>7,704</u>	<u>4,503</u>	<u>3,201</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Judicial Department</b>	\$ 4,626	\$ 3,938	\$ 687
<b>Legislative Department</b>			
Legislative	46	3	44
<b>Department of Marine Resources</b>	8,776	5,921	2,855
<b>Department of Professional and Financial Regulation</b>			
Professional and Financial Regulation	26,991	22,096	4,895
Board of Dental Examiners	387	359	28
Board of Nursing	1,031	913	118
Board of Optometry	62	60	2
Board of Osteopathic Examination and Registration	219	216	3
Board of Professional Engineers	345	266	79
Board of Registration in Medicine	1,674	1,468	205
	<u>30,708</u>	<u>25,378</u>	<u>5,330</u>
<b>Department of Public Safety</b>	23,023	18,962	4,061
<b>Public Utilities Commission</b>	19,835	14,805	5,030
<b>Secretary of State</b>			
Secretary of State	465	311	154
Motor Vehicles	1,301	1,291	10
Archives Services	18	2	16
	<u>1,784</u>	<u>1,603</u>	<u>180</u>
<b>Treasurer of State</b>	66,082	66,063	19
<b>Other Agencies</b>			
Arts and Humanities Administration	103	55	48
Baxter State Park Authority	3,866	3,566	300
Board of Property Tax Review	3	-	3
Board of Water System Operators	76	-	76
Com. On Governmental Ethics and Election Practices	3,808	2,522	1,286
Commission on Indigent Legal Services	708	658	51
Finance Authority of Maine	5,343	2,987	2,355
Harness Racing Promotion Board	189	67	122
Human Rights Commission	7	-	7
Library	809	367	442
Lobster Promotion Council	1,186	672	514
Maine Charter School	22	7	15
Maine Community College System	4,590	3,731	859
Maine Health Data Organization	2,242	1,863	378
Maine Historic Preservation Commission	589	238	351
Maine Maritime	124	80	44
Maine Potato Board	1,584	659	925
Maine State Cultural Affairs Council	65	-	65
Maine State Housing Authority	14,349	13,828	521
Maine Children's Trust Incorporated	48	13	35
Museum	376	178	197
Saco River Corridor Commission	40	40	0
University of Maine	5,355	4,273	1,082
Worker's Compensation Board	10,549	10,055	494
Wild Blueberry Commission of Maine	1,595	1,526	69
Maine Municipal Bond Bank	39,453	38,577	875
Maine Efficiency Trust	14,750	14,748	1
State Board of Correction	2,827	1,995	832
	<u>114,656</u>	<u>102,708</u>	<u>11,948</u>
<b>Grand Total</b>	\$ 1,382,740	\$ 1,153,975	\$ 228,765



---

---

# NON-MAJOR ENTERPRISE FUNDS

---

---

Lottery Fund – This fund was established to account for all operations of the Maine State Lottery. This includes the Tri-State Lotto Commission and the Multi-State Lottery Association. The Tri-State Lotto Commission was established in 1985 and is a joint venture between the States of Maine, New Hampshire, and Vermont. The Commission is authorized and empowered to promulgate rules and regulations regarding the conduct of lottery games, including the prices of tickets, the number and size of prizes for winning tickets, and the licensing of agents. The Multi-State Lottery Association was established in July 2004 and is authorized to initiate, promulgate, administer and carry out one or more lottery product offerings.

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.

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.

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 POSITION**  
**NON-MAJOR ENTERPRISE FUNDS**

June 30, 2014  
(Expressed in Thousands)

	<u>Lottery</u>	<u>Maine Military Authority</u>	<u>Marine Ports</u>
<b>Assets</b>			
Current Assets:			
Equity in Treasurer's Cash Pool	\$ -	\$ -	\$ -
Cash and Short-Term Investments	750	-	-
Inventories	-	1,275	-
Receivables, Net of Allowance for Uncollectibles:			
Other Receivable	25,519	1,647	-
Due from Other Funds	-	2	-
Other Current Assets	169	26	-
Total Current Assets	<u>26,438</u>	<u>2,950</u>	<u>-</u>
Noncurrent Assets:			
Equity in Treasurer's Cash Pool	-	-	-
Capital Assets - Net of Depreciation	-	5,069	-
Total Noncurrent Assets	<u>-</u>	<u>5,069</u>	<u>-</u>
 Total Assets	 <u>26,438</u>	 <u>8,019</u>	 <u>-</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	940	60	-
Accrued Payroll	86	326	-
Due to Other Funds	7,237	1,993	-
Current Portion of Long-Term Obligations:			
Compensated Absences	11	45	-
Unearned Revenue	210	-	-
Other Accrued Liabilities	17,426	-	-
Total Current Liabilities	<u>25,910</u>	<u>2,424</u>	<u>-</u>
Long-Term Liabilities:			
Compensated Absences	77	327	-
Other Post-Employment Benefit Obligation	257	2,420	-
Total Long-Term Liabilities	<u>334</u>	<u>2,747</u>	<u>-</u>
 Total Liabilities	 <u>26,244</u>	 <u>5,171</u>	 <u>-</u>
<b>Net Position</b>			
Net Investment in Capital Assets	-	5,069	-
Unrestricted	194	(2,221)	-
 Total Net Position	 <u>\$ 194</u>	 <u>\$ 2,848</u>	 <u>\$ -</u>

				<u>Total</u>
<u>Ferry Service</u>	<u>Prison Industries</u>	<u>Dirigo Health</u>	<u>Consolidated Emergency Communications Fund</u>	<u>Other Enterprise Funds</u>
\$ 1,159	\$ 364	\$ 7,447	\$ 1,895	\$ 10,865
3	3	-	-	756
312	1,279	-	-	2,866
110	50	1	-	27,327
4	36	-	265	307
-	-	-	-	195
<u>1,588</u>	<u>1,732</u>	<u>7,448</u>	<u>2,160</u>	<u>42,316</u>
444	139	2,848	725	4,156
39,369	-	-	24	44,462
<u>39,813</u>	<u>139</u>	<u>2,848</u>	<u>749</u>	<u>48,618</u>
41,401	1,871	10,296	2,909	90,934
263	62	35	5	1,365
229	12	28	315	996
92	108	28	104	9,562
44	1	3	24	128
-	-	-	-	210
-	3	-	-	17,429
<u>628</u>	<u>186</u>	<u>94</u>	<u>448</u>	<u>29,690</u>
320	10	22	174	930
835	23	136	793	4,464
<u>1,155</u>	<u>33</u>	<u>158</u>	<u>967</u>	<u>5,394</u>
1,783	219	252	1,415	35,084
39,369	-	-	24	44,462
249	1,652	10,044	1,470	11,388
<u>\$ 39,618</u>	<u>\$ 1,652</u>	<u>\$ 10,044</u>	<u>\$ 1,494</u>	<u>\$ 55,850</u>

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

Fiscal Year Ended June 30, 2014

(Expressed in Thousands)

	<u>Lottery</u>	<u>Maine Military Authority</u>	<u>Marine Ports</u>
<b>Operating Revenues</b>			
Charges for Services	\$ 232,413	\$ 10,104	\$ -
Miscellaneous Revenues	-	3	-
Total Operating Revenues	<u>232,413</u>	<u>10,107</u>	<u>-</u>
<b>Operating Expenses</b>			
General Operations	180,087	10,929	-
Depreciation	-	537	-
Total Operating Expenses	<u>180,087</u>	<u>11,466</u>	<u>-</u>
Operating Income (Loss)	<u>52,326</u>	<u>(1,359)</u>	<u>-</u>
<b>Nonoperating Revenues (Expenses)</b>			
Other Nonoperating Revenues (Expenses) - net	<u>7</u>	<u>(5)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>7</u>	<u>(5)</u>	<u>-</u>
Income (Loss) Before Capital Contributions, Transfers and Special Items	<u>52,333</u>	<u>(1,364)</u>	<u>-</u>
<b>Capital Contributions, Transfers and Special Items</b>			
Capital Contributions from Other Funds	-	-	711
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(52,420)	-	-
Special Items	-	-	(9,710)
Total Capital Contributions, Transfers In (Out) and Special Items	<u>(52,420)</u>	<u>-</u>	<u>(8,999)</u>
Change in Net Position	(87)	(1,364)	(8,999)
Net Position - Beginning of Year	<u>281</u>	<u>4,212</u>	<u>8,999</u>
Net Position - End of Year	<u>\$ 194</u>	<u>\$ 2,848</u>	<u>\$ -</u>

				<b>Total</b>
<b>Ferry Service</b>	<b>Prison</b>	<b>Dirigo Health</b>	<b>Consolidated Emergency Communications Fund</b>	<b>Other Enterprise Funds</b>
\$ 4,864	\$ 2,125	\$ 25,802	\$ 5,683	\$ 280,991
-	121	-	90	214
4,864	2,246	25,802	5,773	281,205
9,349	1,730	26,863	5,804	234,762
2,913	-	-	6	3,456
12,262	1,730	26,863	5,810	238,218
(7,398)	516	(1,061)	(37)	42,987
48	1	-	-	51
48	1	-	-	51
(7,350)	517	(1,061)	(37)	43,038
1,520	-	-	-	2,231
4,302	370	-	-	4,672
-	(73)	(2,589)	-	(55,082)
-	-	-	-	(9,710)
5,822	297	(2,589)	-	(57,889)
(1,528)	814	(3,650)	(37)	(14,851)
41,146	838	13,694	1,531	70,701
\$ 39,618	\$ 1,652	\$ 10,044	\$ 1,494	\$ 55,850

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

June 30, 2014  
(Expressed in Thousands)

	Lottery	Maine Military Authority	Marine Ports
<b>Cash Flows from Operating Activities</b>			
Receipts from Customers and Users	\$ 228,127	\$ 9,726	\$ -
Other Operating Cash Receipts (Payments)			
Payments to Prize Winners	(148,077)	-	-
Payments to Suppliers	(26,035)	(988)	-
Payments to Employees	(1,609)	(8,718)	-
Net Cash Provided (Used) by Operating Activities	<u>52,406</u>	<u>20</u>	<u>-</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers from Other Funds	-	-	-
Transfers to Other Funds	(52,420)	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(52,420)</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Payments for Acquisition of Capital Assets	-	(15)	(60)
Proceeds from Sale of Capital Assets	7	-	-
Net Cash Provided (Used) by Capital Financing Activities	<u>7</u>	<u>(15)</u>	<u>(60)</u>
<b>Cash Flows from Investing Activities</b>			
Interest Revenue	7	(5)	-
Net Cash Provided (Used) by Investing Activities	<u>7</u>	<u>(5)</u>	<u>-</u>
Net Increase (Decrease) in Cash/Cash Equivalents	-	-	(60)
Cash/Cash Equivalents - Beginning of Year	750	-	60
Cash/Cash Equivalents - End of Year	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (Loss)	\$ 52,326	\$ (1,359)	\$ -
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>			
Depreciation Expense	-	537	-
Decrease (Increase) in Assets & Liabilities:			
Accounts Receivable	(4,286)	(381)	-
Interfund Balances	1,612	1,810	-
Inventories	-	3	-
Increase (Decrease) in Liabilities			
Accounts Payable	(103)	7	-
Accrued Payroll Expenses	(15)	(583)	-
Change in Compensated Absences	(19)	(302)	-
Other Accruals	2,891	288	-
Total Adjustments	<u>80</u>	<u>1,379</u>	<u>-</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 52,406</u>	<u>\$ 20</u>	<u>\$ -</u>
<b>Non Cash Investing, Capital and Financing Activities</b>			
Contributed Capital Assets	-	-	711
Special Item	-	-	(9,710)

<b>Ferry Service</b>	<b>Prison Industries</b>	<b>Dirigo Health</b>	<b>Consolidated Emergency Communications</b>	<b>Totals Other Enterprise Funds</b>
\$ 4,870	\$ 2,214	\$ 27,664	\$ 5,775	\$ 278,376
-	-	-	-	(148,077)
(3,849)	(1,931)	(24,963)	(874)	(58,640)
<u>(5,190)</u>	<u>(222)</u>	<u>(537)</u>	<u>(4,863)</u>	<u>(21,139)</u>
<u>(4,169)</u>	<u>61</u>	<u>2,164</u>	<u>38</u>	<u>50,520</u>
4,302	370	-	-	4,672
-	(73)	(2,589)	-	(55,082)
<u>4,302</u>	<u>297</u>	<u>(2,589)</u>	<u>-</u>	<u>(50,410)</u>
-	-	-	(1)	(76)
54	-	-	-	61
<u>54</u>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(15)</u>
6	1	-	-	9
<u>6</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>9</u>
193	359	(425)	37	104
<u>1,413</u>	<u>147</u>	<u>10,720</u>	<u>2,583</u>	<u>15,673</u>
<u>\$ 1,606</u>	<u>\$ 506</u>	<u>\$ 10,295</u>	<u>\$ 2,620</u>	<u>\$ 15,777</u>
\$ (7,398)	\$ 516	\$ (1,061)	\$ (37)	\$ 42,987
2,913	-	-	6	3,456
6	(32)	1,862	2	(2,829)
22	71	15	(27)	3,503
1	(561)	-	-	(557)
78	49	(492)	(102)	(563)
22	6	(11)	20	(561)
15	5	(35)	14	(322)
<u>172</u>	<u>7</u>	<u>1,886</u>	<u>162</u>	<u>5,406</u>
<u>3,229</u>	<u>(455)</u>	<u>3,225</u>	<u>75</u>	<u>7,533</u>
<u>\$ (4,169)</u>	<u>\$ 61</u>	<u>\$ 2,164</u>	<u>\$ 38</u>	<u>\$ 50,520</u>
1,520	-	-	-	2,231
-	-	-	-	(9,710)



---

---

# INTERNAL SERVICE FUNDS

---

---

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

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

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

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

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

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

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

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

Retiree Health Insurance Fund – This fund accounts for post retirement health care premiums and benefits for most retired state employees and Legislators, for a portion of the premiums for teachers, and for a portion of the premiums for county and municipal law enforcement officers and firefighters (First Responders).

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

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

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

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

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



**STATE OF MAINE**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**

June 30, 2014  
(Expressed in Thousands)

	Motor Transport Service	Postal Printing & Supply	Information Services	Risk Management
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 6,701	\$ -	\$ 13,129	\$ 18,497
Cash and Short-Term Investments	1	1	-	-
Cash with Fiscal Agent	101	-	-	-
Restricted Assets:				
Restricted Deposits and Investments	-	-	-	-
Inventories	2,122	144	21	-
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	16	82	39	2
Due from Other Funds	238	1,837	9,220	215
Other Current Assets	-	96	1,699	371
Total Current Assets	<u>9,179</u>	<u>2,160</u>	<u>24,108</u>	<u>19,085</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	2,562	-	5,022	7,075
Receivables, Net of Allowance for Uncollectibles:				
Capital Assets - Net of Depreciation	56,206	8	5,743	-
Total Noncurrent Assets	<u>58,768</u>	<u>8</u>	<u>10,765</u>	<u>7,075</u>
Total Assets	<u>67,947</u>	<u>2,168</u>	<u>34,873</u>	<u>26,160</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	263	647	1,477	40
Accrued Payroll	394	112	2,405	23
Due to Other Funds	399	3,994	811	39
Due to Component Units	-	-	-	8
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	390	-	509	-
Obligations Under Capital Leases	-	-	-	-
Claims Payable	-	-	-	-
Compensated Absences	46	9	264	3
Unearned Revenue	-	-	-	214
Other Accrued Liabilities	4	-	25	-
Total Current Liabilities	<u>1,496</u>	<u>4,762</u>	<u>5,491</u>	<u>327</u>
Long-Term Liabilities:				
Working Capital Advances Payable	-	111	-	-
Unearned Revenue	-	-	-	-
Certificates of Participation and Other Financing Arrangements	-	-	1,557	-
Obligations Under Capital Leases	-	-	-	-
Claims Payable	-	-	-	4,294
Compensated Absences	338	64	1,933	21
Total Long-Term Liabilities	<u>338</u>	<u>175</u>	<u>3,490</u>	<u>4,315</u>
Total Liabilities	<u>1,834</u>	<u>4,937</u>	<u>8,981</u>	<u>4,642</u>
<b>Net Position</b>				
Net Investment in Capital Assets	55,917	8	6,246	-
Restricted for:				
Other Purposes	-	-	-	-
Unrestricted	10,196	(2,777)	19,646	21,518
Total Net Position	<u>\$ 66,113</u>	<u>\$ (2,769)</u>	<u>\$ 25,892</u>	<u>\$ 21,518</u>

<u>Workers' Compensation</u>	<u>Central Fleet Management</u>	<u>Leased Space</u>	<u>Revenue Services</u>	<u>Retiree Health Insurance</u>	<u>Employee Health Insurance</u>	<u>Statewide Radio &amp; Network Systems</u>
\$ 17,345	\$ -	\$ 153	\$ 114	\$ 36,099	\$ 19,683	\$ 381
-	1	-	-	-	-	-
-	3,323	-	-	-	-	8,321
-	-	-	-	-	-	-
-	25	-	-	-	-	-
-	37	-	-	1,747	5,162	-
765	1,788	87	-	2,587	7,748	-
459	-	-	-	4	7	1
<u>18,569</u>	<u>5,174</u>	<u>240</u>	<u>114</u>	<u>40,437</u>	<u>32,600</u>	<u>8,703</u>
6,634	-	59	44	13,806	7,528	146
-	16,186	27,391	-	-	-	48,501
<u>6,634</u>	<u>16,186</u>	<u>27,450</u>	<u>44</u>	<u>13,806</u>	<u>7,528</u>	<u>48,647</u>
<u>25,203</u>	<u>21,360</u>	<u>27,690</u>	<u>158</u>	<u>54,243</u>	<u>40,128</u>	<u>57,350</u>
1,105	428	83	-	4,017	15,437	-
82	58	18	-	-	53	-
47	1,017	9	6	-	20	-
-	-	-	-	4,023	-	-
-	4,760	-	-	-	-	5,825
-	-	5,016	-	-	-	-
7,397	-	-	-	5,176	15,530	-
3	7	3	-	-	4	-
-	-	-	-	-	-	-
-	36	-	-	-	-	-
<u>8,634</u>	<u>6,306</u>	<u>5,129</u>	<u>6</u>	<u>13,216</u>	<u>31,044</u>	<u>5,825</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	7,483	-	-	-	-	22,255
-	-	26,390	-	-	-	-
37,352	-	-	-	-	-	-
20	53	21	-	-	31	-
<u>37,372</u>	<u>7,536</u>	<u>26,411</u>	<u>-</u>	<u>-</u>	<u>31</u>	<u>22,255</u>
<u>46,006</u>	<u>13,842</u>	<u>31,540</u>	<u>6</u>	<u>13,216</u>	<u>31,075</u>	<u>28,080</u>
-	7,266	(4,015)	-	-	-	28,742
-	-	-	-	-	-	528
<u>(20,803)</u>	<u>252</u>	<u>165</u>	<u>152</u>	<u>41,027</u>	<u>9,053</u>	<u>-</u>
<u>\$ (20,803)</u>	<u>\$ 7,518</u>	<u>\$ (3,850)</u>	<u>\$ 152</u>	<u>\$ 41,027</u>	<u>\$ 9,053</u>	<u>\$ 29,270</u>

(continued)

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

June 30, 2014  
(Expressed in Thousands)

				<u>Total</u>
	<u>Financial &amp; Personnel Services</u>	<u>Transportation Facilities Fund</u>	<u>Governmental Facilities Authority</u>	<u>Internal Service Funds</u>
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 2,070	\$ 6,112	\$ -	\$ 120,284
Cash and Short-Term Investments	-	-	-	3
Cash with Fiscal Agent	-	-	-	11,745
Restricted Assets:				
Restricted Deposits and Investments	-	-	3,662	3,662
Inventories	-	-	-	2,312
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	-	-	7	7,092
Due from Other Funds	108	29	-	24,622
Other Current Assets	-	-	-	2,637
Total Current Assets	<u>2,178</u>	<u>6,141</u>	<u>3,669</u>	<u>172,357</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	791	2,338	-	46,005
Receivables, Net of Allowance for Uncollectibles:				
Capital Assets - Net of Depreciation	12	23,061	-	177,108
Total Noncurrent Assets	<u>803</u>	<u>25,399</u>	<u>-</u>	<u>223,113</u>
Total Assets	<u>2,981</u>	<u>31,540</u>	<u>3,669</u>	<u>395,470</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	16	285	14	23,812
Accrued Payroll	1,049	-	-	4,194
Due to Other Funds	332	1	-	6,675
Due to Component Units	-	-	-	4,031
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	11,484
Obligations Under Capital Leases	-	-	-	5,016
Claims Payable	-	-	-	28,103
Compensated Absences	96	-	-	435
Unearned Revenue	-	-	130	344
Other Accrued Liabilities	-	-	280	345
Total Current Liabilities	<u>1,493</u>	<u>286</u>	<u>424</u>	<u>84,439</u>
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Unearned Revenue	-	-	503	503
Certificates of Participation and Other Financing Arrangements	-	-	-	31,295
Obligations Under Capital Leases	-	-	-	26,390
Claims Payable	-	-	-	41,646
Compensated Absences	700	-	-	3,181
Total Long-Term Liabilities	<u>700</u>	<u>-</u>	<u>503</u>	<u>103,126</u>
Total Liabilities	<u>2,193</u>	<u>286</u>	<u>927</u>	<u>187,565</u>
<b>Net Position</b>				
Net Investment in Capital Assets	12	23,061	-	117,237
Restricted for:				
Other Purposes	-	-	(60)	468
Unrestricted	776	8,193	2,802	90,200
Total Net Position	<u>\$ 788</u>	<u>\$ 31,254</u>	<u>\$ 2,742</u>	<u>\$ 207,905</u>



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

Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)

	<u>Motor Transport Service</u>	<u>Postal Printing &amp; Supply</u>	<u>Information Services</u>	<u>Risk Management</u>
<b>Operating Revenues</b>				
Charges for Services	\$ 36,120	\$ 49,461	\$ 77,741	\$ 4,328
Miscellaneous Revenues	8	-	416	-
Total Operating Revenues	<u>36,128</u>	<u>49,461</u>	<u>78,157</u>	<u>4,328</u>
<b>Operating Expenses</b>				
General Operations	27,163	49,955	78,344	3,167
Depreciation	7,105	1	1,526	-
Claims/Fees Expense	-	-	-	1,444
Other Operating Expenses	-	-	-	-
Total Operating Expenses	<u>34,268</u>	<u>49,956</u>	<u>79,870</u>	<u>4,611</u>
Operating Income (Loss)	<u>1,860</u>	<u>(495)</u>	<u>(1,713)</u>	<u>(283)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Revenue (Expense) - net	30	(14)	36	76
Interest Expense	(2)	-	(93)	-
Other Nonoperating Revenues (Expenses) - net	(1,451)	-	(16,940)	-
Total Nonoperating Revenues (Expenses)	<u>(1,423)</u>	<u>(14)</u>	<u>(16,997)</u>	<u>76</u>
Income (Loss) Before Capital Contributions, Transfers and Special Items	<u>437</u>	<u>(509)</u>	<u>(18,710)</u>	<u>(207)</u>
<b>Capital Contributions, Transfers and Special Items</b>				
Capital Contributions from Other Funds	80	-	-	-
Transfers from (to) Other Funds	(3,340)	-	1,228	-
Total Capital Contributions, Transfers In (Out) and Special Items	<u>(3,260)</u>	<u>-</u>	<u>1,228</u>	<u>-</u>
Change in Net Position	<u>(2,823)</u>	<u>(509)</u>	<u>(17,482)</u>	<u>(207)</u>
Net Position - Beginning of Year	<u>68,936</u>	<u>(2,260)</u>	<u>43,374</u>	<u>21,725</u>
Net Position - End of Year	<u>\$ 66,113</u>	<u>\$ (2,769)</u>	<u>\$ 25,892</u>	<u>\$ 21,518</u>

<u>Workers' Compensation</u>	<u>Central Fleet Management</u>	<u>Leased Space</u>	<u>Revenue Services</u>	<u>Retiree Health Insurance</u>	<u>Employee Health Insurance</u>	<u>Statewide Radio &amp; Network Systems</u>
\$ 14,415	\$ 13,845	\$ 23,105	\$ 295	\$ 51,614	\$ 149,714	\$ 145
13	3	-	-	-	1	-
<u>14,428</u>	<u>13,848</u>	<u>23,105</u>	<u>295</u>	<u>51,614</u>	<u>149,715</u>	<u>145</u>
7,236	9,359	11,130	149	27,597	157,693	-
-	3,747	4,032	-	-	-	-
9,311	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>16,547</u>	<u>13,106</u>	<u>15,162</u>	<u>149</u>	<u>27,597</u>	<u>157,693</u>	<u>-</u>
(2,119)	742	7,943	146	24,017	(7,978)	145
72	-	5	-	100	103	1
-	(142)	(8,054)	-	-	-	-
-	(158)	-	-	-	-	-
<u>72</u>	<u>(300)</u>	<u>(8,049)</u>	<u>-</u>	<u>100</u>	<u>103</u>	<u>1</u>
(2,047)	442	(106)	146	24,117	(7,875)	146
-	-	-	-	-	-	-
-	-	-	-	1,585	-	5,042
-	-	-	-	1,585	-	5,042
(2,047)	442	(106)	146	25,702	(7,875)	5,188
(18,756)	7,076	(3,744)	6	15,325	16,928	24,082
<u>\$ (20,803)</u>	<u>\$ 7,518</u>	<u>\$ (3,850)</u>	<u>\$ 152</u>	<u>\$ 41,027</u>	<u>\$ 9,053</u>	<u>\$ 29,270</u>

(continued)

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

Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)

	<b>Financial &amp; Personnel Services</b>	<b>Transportation Facilities Fund</b>	<b>Governmental Facilities Authority</b>	<b>Total Internal Service Funds</b>
<b>Operating Revenues</b>				
Charges for Services	\$ 17,941	\$ 1,263	\$ 341	\$ 440,328
Miscellaneous Revenues	-	-	-	441
Total Operating Revenues	<u>17,941</u>	<u>1,263</u>	<u>341</u>	<u>440,769</u>
<b>Operating Expenses</b>				
General Operations	17,779	488	210	390,270
Depreciation	2	669	-	17,082
Claims/Fees Expense	-	-	-	10,755
Other Operating Expenses	-	-	48	48
Total Operating Expenses	<u>17,781</u>	<u>1,157</u>	<u>258</u>	<u>418,155</u>
Operating Income (Loss)	<u>160</u>	<u>106</u>	<u>83</u>	<u>22,614</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Revenue (Expense) - net	-	20	14	443
Interest Expense	-	-	-	(8,291)
Other Nonoperating Revenues (Expenses) - net	1	65	-	(18,483)
Total Nonoperating Revenues (Expenses)	<u>1</u>	<u>85</u>	<u>14</u>	<u>(26,331)</u>
Income (Loss) Before Capital Contributions, Transfers and Special Items	<u>161</u>	<u>191</u>	<u>97</u>	<u>(3,717)</u>
<b>Capital Contributions, Transfers and Special Items</b>				
Capital Contributions from Other Funds	-	1,613	-	1,693
Transfers from (to) Other Funds	(1)	10,147	-	14,661
Total Capital Contributions, Transfers In (Out) and Special Items	<u>(1)</u>	<u>11,760</u>	<u>-</u>	<u>16,354</u>
Change in Net Position	160	11,951	97	12,637
Net Position - Beginning of Year	<u>628</u>	<u>19,303</u>	<u>2,645</u>	<u>195,268</u>
Net Position - End of Year	<u>\$ 788</u>	<u>\$ 31,254</u>	<u>\$ 2,742</u>	<u>\$ 207,905</u>





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

June 30, 2014  
(Expressed in Thousands)

	Motor Transport Service	Postal Printing & Supply	Information Services	Risk Management
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 35,934	\$ 49,659	\$ 84,241	\$ 4,459
Other Operating Cash Receipts (Payments)				
Payments to Suppliers	(16,954)	(47,650)	(40,552)	(4,057)
Payments to Employees	(9,785)	(1,988)	(37,105)	(402)
Net Cash Provided (Used) by Operating Activities	9,195	21	6,584	-
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from Other Funds	-	-	1,228	-
Transfers to Other Funds	(3,340)	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(3,340)	-	1,228	-
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	(7,098)	(7)	(883)	-
Proceeds From Financing Arrangements	-	-	-	-
Principal and Interest Paid on Financing Arrangements	(189)	-	(3,852)	-
Proceeds from Sale of Capital Assets	-	-	-	-
Net Cash Provided (Used) by Capital Financing Activities	(7,287)	(7)	(4,735)	-
<b>Cash Flows from Investing Activities</b>				
Interest Revenue	30	(14)	36	76
Net Cash Provided (Used) by Investing Activities	30	(14)	36	76
Net Increase (Decrease) in Cash/Cash Equivalents	(1,402)	-	3,113	76
Cash/Cash Equivalents - Beginning of Year	10,767	1	15,038	25,496
Cash/Cash Equivalents - End of Year	<u>\$ 9,365</u>	<u>\$ 1</u>	<u>\$ 18,151</u>	<u>\$ 25,572</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	\$ 1,860	\$ (495)	\$ (1,713)	\$ (283)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>				
Depreciation Expense	7,105	1	1,526	-
Decrease (Increase) in Assets				
Accounts Receivable	35	(35)	54	28
Interfund Balances	379	(48)	6,643	(11)
Inventories	(342)	83	(5)	-
Other Assets	-	(48)	(58)	37
Increase (Decrease) in Liabilities				
Accounts Payable	203	575	(73)	37
Accrued Payroll Expenses	12	(12)	244	-
Change in Compensated Absences	(52)	-	22	(2)
Other Accruals	(5)	-	(56)	194
Total Adjustments	7,335	516	8,297	283
Net Cash Provided (Used) by Operating Activities	<u>\$ 9,195</u>	<u>\$ 21</u>	<u>\$ 6,584</u>	<u>\$ -</u>
<b>Non Cash Investing, Capital and Financing Activities</b>				
Property Leased, Accrued or Acquired	-	-	-	-
Contributed Capital Assets	80	-	-	-

Workers' Compensation	Central Fleet Management	Leased Space	Revenue Services	Retiree Health Insurance	Employee Health Insurance	Statewide Radio & Network System
\$ 14,403	\$ 13,491	\$ 23,059	\$ 295	\$ 49,861	\$ 144,554	\$ 144
(13,799)	(8,292)	(10,802)	(148)	(29,585)	(142,871)	-
(1,132)	(977)	(289)	-	-	(811)	-
(528)	4,222	11,968	147	20,276	872	144
-	-	-	-	1,585	-	5,042
-	-	-	-	-	-	-
-	-	-	-	1,585	-	5,042
-	(3,149)	-	-	-	-	(12,319)
-	4,800	-	-	-	-	11,500
-	(4,890)	(12,250)	-	-	-	(5,042)
-	-	-	-	-	-	-
-	(3,239)	(12,250)	-	-	-	(5,861)
72	-	5	-	100	103	1
72	-	5	-	100	103	1
(456)	983	(277)	147	21,961	975	(674)
24,435	2,341	489	11	27,944	26,236	9,522
<u>\$ 23,979</u>	<u>\$ 3,324</u>	<u>\$ 212</u>	<u>\$ 158</u>	<u>\$ 49,905</u>	<u>\$ 27,211</u>	<u>\$ 8,848</u>
\$ (2,119)	\$ 742	\$ 7,943	\$ 146	\$ 24,017	\$ (7,978)	\$ 145
-	3,747	4,032	-	-	-	-
-	6	-	-	838	2,594	-
(59)	(674)	(41)	1	(2,587)	(7,742)	-
-	18	-	-	-	-	-
32	-	-	-	(4)	(7)	(1)
684	380	33	-	(1,743)	15,404	-
27	1	1	-	-	5	-
5	3	-	-	-	5	-
902	(1)	-	-	(245)	(1,409)	-
1,591	3,480	4,025	1	(3,741)	8,850	(1)
<u>\$ (528)</u>	<u>\$ 4,222</u>	<u>\$ 11,968</u>	<u>\$ 147</u>	<u>\$ 20,276</u>	<u>\$ 872</u>	<u>\$ 144</u>
-	-	921	-	-	-	-
-	-	-	-	-	-	-

(continued)

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

June 30, 2014  
(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	\$ 18,400	\$ 1,234	\$ 365	\$ 440,099
Other Operating Cash Receipts (Payments)				
Payments to Suppliers	(1,316)	(292)	(465)	(316,783)
Payments to Employees	(16,445)	-	-	(68,934)
Net Cash Provided (Used) by Operating Activities	639	942	(100)	54,382
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from Other Funds	-	10,147	-	18,002
Transfers to Other Funds	(1)	-	-	(3,341)
Net Cash Provided (Used) by Noncapital Financing Activities	(1)	10,147	-	14,661
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	-	(4,796)	-	(28,252)
Proceeds From Financing Arrangements	-	-	-	16,300
Principal and Interest Paid on Financing Arrangements	-	-	-	(26,223)
Proceeds from Sale of Capital Assets	-	65	-	65
Net Cash Provided (Used) by Capital Financing Activities	-	(4,731)	-	(38,110)
<b>Cash Flows from Investing Activities</b>				
Interest Revenue	-	20	14	443
Net Cash Provided (Used) by Investing Activities	-	20	14	443
Net Increase (Decrease) in Cash/Cash Equivalents	638	6,378	(86)	31,376
Cash/Cash Equivalents - Beginning of Year	2,222	2,072	3,748	150,322
Cash/Cash Equivalents - End of Year	<u>\$ 2,860</u>	<u>\$ 8,450</u>	<u>\$ 3,662</u>	<u>\$ 181,698</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>				
Operating Income (Loss)	\$ 160	\$ 106	\$ 83	\$ 22,614
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>				
Depreciation Expense	2	669	-	17,082
Decrease (Increase) in Assets				
Accounts Receivable	-	-	24	3,544
Interfund Balances	588	(29)	-	(3,580)
Inventories	-	-	-	(246)
Other Assets	1	-	-	(48)
Increase (Decrease) in Liabilities				
Accounts Payable	4	196	(49)	15,651
Accrued Payroll Expenses	(73)	-	-	205
Change in Compensated Absences	(43)	-	-	(62)
Other Accruals	-	-	(158)	(778)
Total Adjustments	479	836	(183)	31,768
Net Cash Provided (Used) by Operating Activities	<u>\$ 639</u>	<u>\$ 942</u>	<u>\$ (100)</u>	<u>\$ 54,382</u>
<b>Non Cash Investing, Capital and Financing Activities</b>				
Property Leased, Accrued or Acquired	-	-	-	921
Contributed Capital Assets	-	1,613	-	1,693

---

---

# FIDUCIARY FUNDS

---

---

## **Pension (and Other Employee Benefit) Trusts**

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

employment benefit trusts and defined contribution plans.

## **Private Purpose Trust Funds**

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

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.

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

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

## **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.

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

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.

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 POSITION**  
**PENSION (AND OTHER EMPLOYEE BENEFIT) TRUSTS**

June 30, 2014  
(Expressed in Thousands)

	State/Teacher Defined Benefit Pension Plan	PLD Consolidated Pension Plan	PLD Agent Pension Plan	Healthcare OPEB	MainePERS OPEB Trust	Group Life Insurance OPEB	Defined Contribution Plans	Total Pension (and Other Employee Benefit) Trusts
<b>Assets</b>								
Cash and Short-Term Investments	\$ 26,853	\$ 4,083	\$ 84	\$ -	\$ -	\$ 217	\$ 35	\$ 31,272
Receivables, Net of Allowance for Uncollectibles:								
Interest and Dividends	3,553	823	13	-	-	-	-	4,389
Due from Brokers for Securities Sold	80	19	-	-	-	-	-	99
Other	14,230	4,385	61	-	-	632	61	19,369
Investments at Fair Value:								
Equity Securities	3,212,369	744,130	11,304	-	-	-	-	3,967,803
Common Collective Trust	7,160,968	1,705,141	25,200	189,937	11,448	94,312	24,939	9,211,945
Securities Lending Collateral	210,680	48,803	741	-	-	-	-	260,224
Capital Assets - Net of Depreciation	7,059	1,635	25	-	-	-	-	8,719
Total Assets	<u>10,635,792</u>	<u>2,509,019</u>	<u>37,428</u>	<u>189,937</u>	<u>11,448</u>	<u>95,161</u>	<u>25,035</u>	<u>13,503,820</u>
<b>Liabilities</b>								
Accounts Payable	5,012	1,162	18	-	-	21	-	6,213
Due to Brokers for Securities Purchased	432	100	2	-	-	-	-	534
Obligations Under Securities Lending	210,680	48,803	741	-	-	-	-	260,224
Other Accrued Liabilities	13,719	3,178	48	104	773	2,973	6	20,801
Total Liabilities	<u>229,843</u>	<u>53,243</u>	<u>809</u>	<u>104</u>	<u>773</u>	<u>2,994</u>	<u>6</u>	<u>287,772</u>
<b>Net Position</b>								
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	<u>10,405,949</u>	<u>2,455,776</u>	<u>36,619</u>	<u>189,833</u>	<u>10,675</u>	<u>92,167</u>	<u>25,029</u>	<u>13,216,048</u>
Total Net Position	<u>\$ 10,405,949</u>	<u>\$ 2,455,776</u>	<u>\$ 36,619</u>	<u>\$ 189,833</u>	<u>\$ 10,675</u>	<u>\$ 92,167</u>	<u>\$ 25,029</u>	<u>\$ 13,216,048</u>

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

Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)

	State/Teacher Defined Benefit Pension Plan	PLD Consolidated Pension Plan	PLD Agent Pension Plan	Healthcare OPEB	MainePERS OPEB Trust	Group Life Insurance OPEB	Defined Contribution Plans	Total Pension (and Other Employee Benefit) Trusts
<b>Additions:</b>								
<b>Contributions:</b>								
Members	\$ 121,701	\$ 33,211	\$ 94	\$ -	\$ -	\$ 4,708	\$ 3,505	\$ 163,219
State and Local Agencies	163,856	32,706	668	63,285	6	7,950	110	268,581
Other Contributing Entity	142,303	-	-	-	-	-	-	142,303
<b>Investment Income (Loss):</b>								
Net Increase (Decrease) in the Fair Value of Investments	1,456,127	344,617	5,336	29,618	1,806	14,808	3,290	1,855,602
Interest and Dividends	102,439	23,729	360	-	-	-	-	126,528
Securities Lending Income	1,210	280	4	-	-	-	-	1,494
<b>Less Investment Expense:</b>								
Investment Activity Expense	33,279	7,727	122	53	5	44	80	41,310
Securities Lending Expense	(973)	(225)	(3)	-	-	-	-	(1,201)
Net Investment Income (Loss)	1,527,470	361,124	5,581	29,565	1,801	14,764	3,210	1,943,515
<b>Total Additions</b>	<b>1,955,330</b>	<b>427,041</b>	<b>6,343</b>	<b>92,850</b>	<b>1,807</b>	<b>27,422</b>	<b>6,825</b>	<b>2,517,618</b>
<b>Deductions:</b>								
Benefits Paid to Participants or Beneficiaries	671,035	121,559	2,702	63,285	279	10,273	-	869,133
Refunds and Withdrawals	21,693	5,602	1,898	-	-	-	2,032	31,225
Administrative Expenses	8,296	1,779	28	90	-	319	112	10,624
Claims Processing Expense	-	-	-	-	-	835	-	835
<b>Total Deductions</b>	<b>701,024</b>	<b>128,940</b>	<b>4,628</b>	<b>63,375</b>	<b>279</b>	<b>11,427</b>	<b>2,144</b>	<b>911,817</b>
<b>Net Increase (Decrease)</b>	<b>1,254,306</b>	<b>298,101</b>	<b>1,715</b>	<b>29,475</b>	<b>1,528</b>	<b>15,995</b>	<b>4,681</b>	<b>1,605,801</b>
<b>Net Position:</b>								
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:								
Beginning of Year, as Restated	9,151,643	2,157,675	34,904	160,358	9,147	76,172	20,348	11,610,247
End of Year	<u>\$ 10,405,949</u>	<u>\$ 2,455,776</u>	<u>\$ 36,619</u>	<u>\$ 189,833</u>	<u>\$ 10,675</u>	<u>\$ 92,167</u>	<u>\$ 25,029</u>	<u>\$ 13,216,048</u>

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

June 30, 2014  
(Expressed in Thousands)

	<b>Abandoned Property</b>	<b>Revenue on Private Purpose Trusts</b>	<b>Lands Reserved</b>	<b>Permanent School</b>	<b>Total Private Purpose Trusts</b>
<b>Assets</b>					
Equity in Treasurer's Cash Pool	\$ 500	\$ 64	\$ 1,418	\$ -	\$ 1,982
Investments at Fair Value:					
Other	-	17	11,467	3,416	14,900
Receivables, Net of Allowance for Uncollectibles:					
Due from Other Funds	24,007	-	-	-	24,007
Other Assets	4,621	-	-	-	4,621
Total Assets	<u>29,128</u>	<u>81</u>	<u>12,885</u>	<u>3,416</u>	<u>45,510</u>
<b>Liabilities</b>					
Accounts Payable	88	-	-	-	88
Due to Other Funds	4	-	-	-	4
Total Liabilities	<u>92</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>92</u>
<b>Net Position</b>					
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	<u>29,036</u>	<u>81</u>	<u>12,885</u>	<u>3,416</u>	<u>45,418</u>
Total Net Position	<u>\$ 29,036</u>	<u>\$ 81</u>	<u>\$ 12,885</u>	<u>\$ 3,416</u>	<u>\$ 45,418</u>

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

Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)

	Abandoned Property	Revenue on Private Purpose Trusts	Lands Reserved	Permanent School	Total  Private Purpose Trusts
<b>Additions:</b>					
Investment Income (Loss):					
Net Increase (Decrease) in the Fair Value of Investments	\$ -	\$ -	\$ 1,610	\$ 480	\$ 2,090
Interest and Dividends	19	123	177	-	319
Net Investment Income (Loss)	19	123	1,787	480	2,409
Miscellaneous Revenues	9,714	-	-	-	9,714
Transfers In	-	738	-	-	738
Total Additions	9,733	861	1,787	480	12,861
<b>Deductions:</b>					
Benefits Paid to Participants or Beneficiaries	-	69	-	-	69
Administrative Expenses	157	-	-	-	157
Special Items Outflow	-	-	-	-	-
Transfers Out	7,047	787	-	-	7,834
Total Deductions	7,204	856	-	-	8,060
Net Increase (Decrease)	2,529	5	1,787	480	4,801
<b>Net Position:</b>					
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:					
Beginning of Year	26,507	76	11,098	2,936	40,617
End of Year	\$ 29,036	\$ 81	\$ 12,885	\$ 3,416	\$ 45,418





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

June 30, 2014  
(Expressed in Thousands)

	<b>Payroll Withholding</b>	<b>Private Trusts</b>	<b>Other Agency</b>	<b>Treasurer's Agency</b>	<b>Total Agency Funds</b>
<b>Assets</b>					
Equity in Treasurer's Cash Pool	\$ -	\$ 8,648	\$ 9,662	\$ -	\$ 18,310
Cash and Short-Term Investments	-	27	-	-	27
Restricted Deposits and Investments	-	-	11	-	11
Investments Held on Behalf of Others	-	52,641	-	-	52,641
Other Assets	3,351	1,065	-	-	4,416
Total Assets	<u>\$ 3,351</u>	<u>\$ 62,381</u>	<u>\$ 9,673</u>	<u>\$ -</u>	<u>\$ 75,405</u>
<b>Liabilities</b>					
Accounts Payable	\$ -	\$ 1,063	\$ 1	\$ -	\$ 1,064
Agency Liabilities	-	61,318	9,665	-	70,983
Due to Other Funds	3,320	-	7	-	3,327
Other Accrued Liabilities	31	-	-	-	31
Total Liabilities	<u>\$ 3,351</u>	<u>\$ 62,381</u>	<u>\$ 9,673</u>	<u>\$ -</u>	<u>\$ 75,405</u>

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

Fiscal Year Ended June 30, 2014  
(Expressed in Thousands)

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
<b>Payroll Withholding</b>				
<b>Assets</b>				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ -	\$ 257,609	\$ 257,609	\$ -
Other Assets	1,184	2,167	-	3,351
Total Assets	<u>\$ 1,184</u>	<u>\$ 259,776</u>	<u>\$ 257,609</u>	<u>\$ 3,351</u>
<b>Liabilities</b>				
Accounts Payable & Other Accrued Liabilities	\$ 1,098	\$ 621,088	\$ 622,155	\$ 31
Due to Other Funds	86	3,234	-	3,320
Total Liabilities	<u>\$ 1,184</u>	<u>\$ 624,322</u>	<u>\$ 622,155</u>	<u>\$ 3,351</u>
<b>Private Trusts</b>				
<b>Assets</b>				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 9,114	\$ 16,826	\$ 17,265	\$ 8,675
Investments Held on Behalf of Others	64,620	3,404	15,383	52,641
Other Assets	591	655	181	1,065
Total Assets	<u>\$ 74,325</u>	<u>\$ 20,885</u>	<u>\$ 32,829</u>	<u>\$ 62,381</u>
<b>Liabilities</b>				
Accounts Payable & Other Accrued Liabilities	\$ 834	\$ 1,484	\$ 1,255	\$ 1,063
Agency Liabilities	73,491	12,759	24,932	61,318
Total Liabilities	<u>\$ 74,325</u>	<u>\$ 14,243</u>	<u>\$ 26,187</u>	<u>\$ 62,381</u>

	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2014</u>
<b>Other Agency</b>				
<b>Assets</b>				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 13,151	\$ 10,359	\$ 13,837	\$ 9,673
Investments Held on Behalf of Others	899	-	899	-
Total Assets	<u>\$ 14,050</u>	<u>\$ 10,359</u>	<u>\$ 14,736</u>	<u>\$ 9,673</u>
<b>Liabilities</b>				
Accounts Payable & Other Accrued Liabilities	\$ 1	\$ 9,582	\$ 9,582	\$ 1
Agency Liabilities	14,046	14,283	18,664	9,665
Due to Other Funds	3	4	-	7
Total Liabilities	<u>\$ 14,050</u>	<u>\$ 23,869</u>	<u>\$ 28,246</u>	<u>\$ 9,673</u>
<b>Treasurer's Agency</b>				
<b>Assets</b>				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ -	\$ 14,803	\$ 14,803	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 14,803</u>	<u>\$ 14,803</u>	<u>\$ -</u>
<b>Liabilities</b>				
Agency Liabilities	\$ -	\$ 6,490	\$ 6,490	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 6,490</u>	<u>\$ 6,490</u>	<u>\$ -</u>
<b>Totals - All Agency Funds</b>				
<b>Assets</b>				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 22,265	\$ 299,597	\$ 303,514	\$ 18,348
Investments Held on Behalf of Others	65,519	3,404	16,282	52,641
Other Assets	1,775	2,822	181	4,416
Total Assets	<u>\$ 89,559</u>	<u>\$ 305,823</u>	<u>\$ 319,977</u>	<u>\$ 75,405</u>
<b>Liabilities</b>				
Accounts Payable & Other Accrued Liabilities	\$ 1,933	\$ 632,154	\$ 632,992	\$ 1,095
Agency Liabilities	87,537	33,532	50,086	70,983
Due to Other Funds	89	3,238	-	3,327
Total Liabilities	<u>\$ 89,559</u>	<u>\$ 668,924</u>	<u>\$ 683,078</u>	<u>\$ 75,405</u>



---

---

# NON-MAJOR COMPONENT UNIT FINANCIAL STATEMENTS

---

---

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 POSITION**  
**NON-MAJOR COMPONENT UNITS**

June 30, 2014  
(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	-	12,588	580	1,541	11,173
Investments	-	-	-	-	1,994
Restricted Assets:					
Restricted Deposits and Investments	-	32,939	-	-	-
Inventories	-	-	-	-	-
Receivables, Net of Allowance for Uncollectibles:					
Loans Receivable	-	-	-	-	16,749
Notes Receivable	-	8,009	-	-	-
Other Receivables	606	430	721	13	1,331
Due from Other Governments	94	646	-	-	-
Due from Primary Government	-	510	952	3,868	-
Other Current Assets	-	115	31	47	23
Total Current Assets	<u>700</u>	<u>55,237</u>	<u>2,284</u>	<u>5,469</u>	<u>31,270</u>
Noncurrent Assets:					
Equity in Treasurer's Cash Pool	-	-	-	-	-
Restricted Assets:					
Restricted Deposits and Investments	1,815	-	-	-	-
Investments	-	-	-	1,072	-
Receivables, Net of Current Portion:					
Loans Receivable	-	-	-	-	102,397
Notes Receivable	-	-	3,081	-	-
Other Receivables	-	-	-	-	977
Due from Primary Government	-	-	-	-	-
Capital Assets - Net of Depreciation	-	24	62,021	567	-
Other Noncurrent Assets	-	-	-	-	445
Total Noncurrent Assets	<u>1,815</u>	<u>24</u>	<u>65,102</u>	<u>1,639</u>	<u>103,819</u>
Total Assets	<u>2,515</u>	<u>55,261</u>	<u>67,386</u>	<u>7,108</u>	<u>135,089</u>
<b>Deferred Outflows of Resources</b>					
Deferred Loss on Refunding	-	-	-	-	1,021
Total Deferred Outflows of Resources	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,021</u>
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable	75	3,604	85	83	149
Accrued Payroll	-	-	-	407	-
Compensated Absences	-	53	21	85	-
Due to Primary Government	-	49	107	-	-
Bonds and Notes Payable	-	-	1,051	-	6,895
Obligations under Capital Leases	-	-	-	-	-
Accrued Interest Payable	-	-	-	-	569
Unearned Revenue	-	76	-	1,544	-
Other Current Liabilities	-	385	55	-	-
Total Current Liabilities	<u>75</u>	<u>4,167</u>	<u>1,319</u>	<u>2,119</u>	<u>7,613</u>
Long-Term Liabilities:					
Due to Other Governments	-	-	-	-	921
Bonds and Notes Payable	-	-	1,004	-	124,326
Other Post-Employment Benefit Obligation	-	-	-	2,129	-
Other Noncurrent Liabilities	-	-	-	-	-
Total Long-Term Liabilities	<u>-</u>	<u>-</u>	<u>1,004</u>	<u>2,129</u>	<u>125,247</u>
Total Liabilities	<u>75</u>	<u>4,167</u>	<u>2,323</u>	<u>4,248</u>	<u>132,860</u>
<b>Deferred Inflows of Resources</b>					
Deferred Inflow of Grant Income	555	-	1,999	-	-
Total Deferred Inflows of Resources	<u>555</u>	<u>-</u>	<u>1,999</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>					
Net Investment in Capital Assets	-	24	60,666	566	-
Restricted	1,885	51,070	-	800	2,855
Unrestricted	-	-	2,398	1,494	395
Total Net Position	<u>\$ 1,885</u>	<u>\$ 51,094</u>	<u>\$ 63,064</u>	<u>\$ 2,860</u>	<u>\$ 3,250</u>

<u>Maine Maritime Academy</u>	<u>Maine Port Authority</u>	<u>Midcoast Regional Redevelopment Authority</u>	<u>Maine Technology Institute</u>	<u>Northern New England Passenger Rail Authority</u>	<u>Small Enterprise Growth Fund</u>	<u>Total</u>
\$ 17	\$ -	\$ -	\$ -	\$ -	\$ 1,060	\$ 1,077
3,164	1,857	3,084	25,661	2,445	2,103	64,196
6,852	-	-	-	-	-	8,846
-	-	-	-	-	-	32,939
876	-	-	-	-	-	876
603	-	687	165	-	174	18,378
-	-	-	-	-	-	8,009
1,186	112	713	787	107	51	6,057
-	-	2,432	-	2,857	-	6,029
-	-	171	3,040	38	-	8,579
346	-	3	81	820	4	1,470
<u>13,044</u>	<u>1,969</u>	<u>7,090</u>	<u>29,734</u>	<u>6,267</u>	<u>3,392</u>	<u>156,456</u>
7	-	-	-	-	405	412
13,551	-	333	-	762	-	16,461
17,682	-	-	528	-	3,661	22,943
2,409	-	-	362	-	-	105,168
-	-	-	-	-	326	3,407
2,065	-	-	-	-	1	3,043
-	-	-	-	155	-	155
20,725	17,610	132,141	76	3,156	-	236,320
927	-	100	-	-	-	1,472
<u>57,366</u>	<u>17,610</u>	<u>132,574</u>	<u>966</u>	<u>4,073</u>	<u>4,393</u>	<u>389,381</u>
70,410	19,579	139,664	30,700	10,340	7,785	545,837
-	-	-	-	-	-	1,021
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,021</u>
3,983	215	3,087	1,211	2,877	-	15,369
-	-	-	-	-	-	407
-	-	-	-	30	-	189
-	125	478	-	-	-	759
1,548	-	16	-	-	-	9,510
-	-	-	5	-	-	5
-	-	-	-	-	-	569
306	-	98	28,617	293	-	30,934
185	-	752	-	-	34	1,411
<u>6,022</u>	<u>340</u>	<u>4,431</u>	<u>29,833</u>	<u>3,200</u>	<u>34</u>	<u>59,153</u>
1,710	-	-	-	-	-	2,631
31	-	14,354	-	-	-	139,715
-	-	-	-	-	-	2,129
-	-	-	-	161	-	161
<u>1,741</u>	<u>-</u>	<u>14,354</u>	<u>-</u>	<u>161</u>	<u>-</u>	<u>144,636</u>
7,763	340	18,785	29,833	3,361	34	203,789
-	-	-	-	-	-	2,554
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,554</u>
19,109	17,610	117,770	-	1,903	-	217,648
25,230	1,163	-	-	2,213	-	85,216
18,308	466	3,109	867	2,863	7,751	37,651
<u>\$ 62,647</u>	<u>\$ 19,239</u>	<u>\$ 120,879</u>	<u>\$ 867</u>	<u>\$ 6,979</u>	<u>\$ 7,751</u>	<u>\$ 340,515</u>



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

Fiscal Year Ended June 30, 2014  
(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>	\$ 3,052	\$ 38,005	\$ 3,594	\$ 7,492	\$ 10,265
<b>Program Revenues</b>					
Charges for Services	-	-	1,760	644	10,581
Program Investment Income	-	-	-	-	10
Operating Grants and Contributions	2,409	44,096	-	50	-
Capital Grants and Contributions	-	-	617	-	-
Net Revenue (Expense)	(643)	6,091	(1,217)	(6,798)	326
<b>General Revenues</b>					
Unrestricted Investment Earnings	-	-	27	153	-
Non-program Specific Grants, Contributions and Appropriations	-	-	777	6,155	-
Miscellaneous Income	-	-	153	-	-
Gain (Loss) on Assets Held for Sale	-	-	7	-	-
Special Item	-	-	-	-	-
Total General Revenues	-	-	964	6,308	-
Change in Net Position	(643)	6,091	(253)	(490)	326
Net Position, Beginning of the Year (as restated)	2,528	45,003	63,317	3,350	2,924
Net Position, End of Year	\$ 1,885	\$ 51,094	\$ 63,064	\$ 2,860	\$ 3,250

<b>Maine Maritime Academy</b>	<b>Maine Port Authority</b>	<b>Midcoast Regional Redevelopment Authority</b>	<b>Maine Technology Institute</b>	<b>Northern New England Passenger Rail Authority</b>	<b>Small Enterprise Growth Fund</b>	<b>Total</b>
\$ 38,856	\$ 2,313	\$ 12,958	\$ 9,372	\$ 19,986	\$ 880	\$ 146,773
21,438	1,922	4,039	232	9,743	-	50,359
-	-	-	-	-	55	65
2,694	104	1,258	8,796	9,300	371	69,078
7,567	-	11,495	-	1,531	-	21,210
(7,157)	(287)	3,834	(344)	588	(454)	(6,061)
4,549	22	-	318	4	38	5,111
10,347	-	-	-	-	-	17,279
591	56	176	1	183	-	1,160
-	-	359	-	-	-	366
-	-	(7,220)	-	-	-	(7,220)
15,487	78	(6,685)	319	187	38	16,696
8,330	(209)	(2,851)	(25)	775	(416)	10,635
54,317	19,448	123,730	892	6,204	8,167	329,880
<u>\$ 62,647</u>	<u>\$ 19,239</u>	<u>\$ 120,879</u>	<u>\$ 867</u>	<u>\$ 6,979</u>	<u>\$ 7,751</u>	<u>\$ 340,515</u>



---

---

# STATISTICAL SECTION

---

---



## STATISTICAL SECTION NARRATIVE AND TABLE OF CONTENTS

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

### CONTENTS

#### FINANCIAL TRENDS

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:

#### ENTITY WIDE PERSPECTIVE:

Schedule 1 – Net Position by Activities, Last Ten Fiscal Years.....	178
Schedule 2 – Changes in Net Position by Activities, Last Ten Fiscal Years.....	180

#### FUND PERSPECTIVE:

Schedule 3 – Fund Balances, Governmental Funds, Last Ten Fiscal Years.....	184
Schedule 4 – Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years.....	186
Schedule 5 – Changes in Fund Balances, General Fund, Last Ten Fiscal Years.....	188

#### REVENUE CAPACITY

These schedules contain information to help the reader assess the State’s most significant revenue sources: individual income tax, and sales and use tax. Schedules included are:

Schedule 6 – Individual Income Tax and Tax Rates on Taxable Income, Last Ten Calendar Years.....	190
Schedule 7 – Individual Income Tax Filers and Tax Liability by Maine Adjusted Gross Income, Tax Years 2013 and 2004.....	193
Schedule 8 – Taxable Sales and Sales Tax Rates, Last Ten Calendar Years.....	194

#### DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the State’s current levels of outstanding debt and the State’s ability to issue additional debt in the future. Schedules included are:

Schedule 9 – Calculation of Legal Debt Margin, Last Ten Fiscal Years.....	197
Schedule 10 – Ratios of Outstanding Debt by Type, Last Ten Fiscal Years.....	198
Schedule 11 – Pledged Future Revenue Coverage, Last Ten Fiscal Years.....	200

#### DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment in which the state operates. Schedules included are:

Schedule 12 – Demographic Information, Last Ten Fiscal Years.....	202
Schedule 13 – Principal Employers – Top 10, Current Year and Ten Years Ago.....	205
Schedule 14 – Schedule of State Government Full Time Equivalent Employees by Policy Area, Last Ten Fiscal Years.....	206
Schedule 15 – Operating Indicators and Capital Information, Last Nine Fiscal Years.....	208
Schedule 16 – Capital Assets by Function, Last Nine Fiscal Years.....	210

# STATE OF MAINE NET POSITION BY ACTIVITIES

Last Ten Fiscal Years  
(Expressed in Thousands)

	2014	2013	2012	2011
<b>Primary Government</b>				
<b>Governmental Activities</b>				
Net Investment in Capital Assets	\$ 3,326,970 <sup>1</sup>	\$ 3,262,047	\$ 4,408,377	\$ 4,165,760
Restricted	523,133	403,837	398,122	376,044
Unrestricted	<u>(501,036)</u>	<u>(464,331)</u>	<u>(514,820)</u>	<u>(324,465)</u>
Total Governmental Activities Net Position	<u>\$ 3,349,067</u>	<u>\$ 3,201,553</u>	<u>\$ 4,291,679</u>	<u>\$ 4,217,339</u>
<hr/>				
<b>Business-Type Activities</b>				
Net Investment in Capital Assets	\$ 44,462	\$ 55,340	\$ 152,763	\$ 146,357
Restricted	331,799	321,112	295,632	300,287
Unrestricted	<u>(172,030)</u>	<u>2,860</u>	<u>675</u>	<u>(6,623)</u>
Total Business-Type Activities Net Position	<u>\$ 204,231</u>	<u>\$ 379,312</u>	<u>\$ 449,070</u>	<u>\$ 440,021</u>
<hr/>				
<b>Total Primary Government</b>				
Net Investment in Capital Assets	\$ 3,371,432	\$ 3,317,387	\$ 4,561,140	\$ 4,312,117
Restricted	854,932	724,949	693,754	676,331
Unrestricted	<u>(673,066)</u>	<u>(461,471)</u>	<u>(514,145)</u>	<u>(331,088)</u>
Total Primary Government Activities Net Position	<u>\$ 3,553,298</u>	<u>\$ 3,580,865</u>	<u>\$ 4,740,749</u>	<u>\$ 4,657,360</u>

<sup>1</sup> The methodology of calculating infrastructure capital assets changed in 2014. Fiscal year 2013 was restated.

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

## SCHEDULE 1

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 3,945,510	\$ 3,767,895	\$ 3,632,073	\$ 3,519,371	\$ 3,347,672	\$ 3,061,098
383,576	162,240	200,888	198,786	172,449	290,385
<u>(346,646)</u>	<u>(150,054)</u>	<u>(98,830)</u>	<u>50,153</u>	<u>(67,588)</u>	<u>(171,074)</u>
<u>\$ 3,982,440</u>	<u>\$ 3,780,081</u>	<u>\$ 3,734,131</u>	<u>\$ 3,768,310</u>	<u>\$ 3,452,533</u>	<u>\$ 3,180,409</u>
<hr/>					
\$ 97,635	\$ 96,667	\$ 95,905	\$ 90,361	\$ 79,030	\$ 49,961
320,648	383,970	493,733	489,677	476,832	459,538
<u>(35,010)</u>	<u>(67,030)</u>	<u>(89,400)</u>	<u>(74,054)</u>	<u>(74,098)</u>	<u>(71,445)</u>
<u>\$ 383,273</u>	<u>\$ 413,607</u>	<u>\$ 500,238</u>	<u>\$ 505,984</u>	<u>\$ 481,764</u>	<u>\$ 438,054</u>
<hr/>					
\$ 4,043,145	\$ 3,864,562	\$ 3,727,978	\$ 3,609,732	\$ 3,426,702	\$ 3,111,059
704,224	546,210	694,621	688,463	649,281	749,923
<u>(381,656)</u>	<u>(217,084)</u>	<u>(188,230)</u>	<u>(23,901)</u>	<u>(141,686)</u>	<u>(242,519)</u>
<u>\$ 4,365,713</u>	<u>\$ 4,193,688</u>	<u>\$ 4,234,369</u>	<u>\$ 4,274,294</u>	<u>\$ 3,934,297</u>	<u>\$ 3,618,463</u>



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

Last Ten Fiscal Years  
(Expressed in Thousands)

	2014	2013	2012	2011
<b>Expenses</b>				
Governmental Activities:				
Governmental Support & Operations	\$ 377,269	\$ 428,001	\$ 456,622	\$ 448,917
Arts, Heritage & Cultural Enrichment	11,401	10,538	11,507	11,807
Business Licensing & Regulation	73,016	63,406	68,697	69,288
Economic Development & Workforce Training	175,338	240,485	302,614	374,473
Education	1,676,908	1,581,556	1,610,095	1,706,305
Health & Human Services	3,669,552	3,657,573	3,750,402	3,522,341
Justice & Protection	410,641	401,656	401,740	415,450
Natural Resources Development & Protection	208,970	201,979	208,463	204,379
Transportation, Safety & Development	524,024	384,852	376,689	371,374
Interest Expense	47,271	46,541	45,551	43,202
Total Governmental Activities	<u>7,174,390</u>	<u>7,016,587</u>	<u>7,232,380</u>	<u>7,167,536</u>
Business-Type Activities:				
Employment Security	159,058	169,334	187,703	203,693
Alcoholic Beverages	19	-	-	-
Lottery	180,087	176,094	176,837	167,956
Transportation	-	-	9,310	11,082
Ferry Services	11,849	12,030	11,458	12,711
Military Equipment Maintenance	11,466	36,971	35,058	44,765
Dirigo Health	26,863	56,229	56,702	47,980
Other	7,540	7,183	7,662	7,597
Total Business-Type Activities	<u>396,882</u>	<u>457,841</u>	<u>484,730</u>	<u>495,784</u>
Total Primary Government Expenses	<u>7,571,272</u>	<u>7,474,428</u>	<u>7,717,110</u>	<u>7,663,320</u>
<b>Program Revenues</b>				
Governmental Activities:				
Charges for Services:				
Governmental Support & Operations	96,712	89,374	80,534	105,851
Arts, Heritage & Cultural Enrichment	1,315	869	1,006	749
Business Licensing & Regulation	74,799	69,196	75,633	57,772
Economic Development & Workforce Training	7,410	7,910	7,175	5,972
Education	37,467	26,098	6,897	4,470
Health & Human Services	11,953	18,801	20,018	18,252
Justice & Protection	82,347	83,173	86,583	83,093
Natural Resources Development & Protection	88,035	93,531	93,991	102,084
Transportation, Safety & Development	128,635	119,087	116,995	110,401
Operating Grants and Contributions	2,831,956	3,047,714	3,160,241	3,355,823
Capital Grants and Contributions	-	-	-	-
Total Governmental Activities Program Revenues	<u>3,360,629</u>	<u>3,555,753</u>	<u>3,649,073</u>	<u>3,844,467</u>
Business-Type Activities:				
Employment Security	163,352	188,833	176,645	173,416
Alcoholic Beverages	12,539	12,533	12,532	12,533
Lottery	232,420	229,565	231,015	218,081
Transportation	-	-	4,692	4,182
Ferry Services	4,912	4,584	4,695	4,649
Military Equipment Maintenance	10,102	35,814	35,104	42,473
Dirigo Health	25,802	65,454	70,296	71,396
Other <sup>1</sup>	8,020	7,143	5,945	8,619
Operating Grants and Contributions	7,036	7,032	7,823	11,253
Capital Grants and Contributions	-	-	-	-
Total Business-Type Activities Program Revenues	<u>464,183</u>	<u>550,958</u>	<u>548,747</u>	<u>546,602</u>
<b>Net (Expense)/Revenue</b>				
Governmental Activities	(3,813,761)	(3,460,834)	(3,583,307)	(3,323,069)
Business-Type Activities	<u>67,301</u>	<u>93,117</u>	<u>64,017</u>	<u>50,818</u>
Total Primary Governmental Net (Expense)/Revenue	<u>(3,746,460)</u>	<u>(3,367,717)</u>	<u>(3,519,290)</u>	<u>(3,272,251)</u>

<sup>1</sup> Airport totals for 2006 and prior years were combined into "Other".

SCHEDULE 2

	2010	2009	2008	2007	2006	2005
\$	451,246	\$ 506,726	\$ 427,752	\$ 498,542	\$ 449,578	\$ 441,545
	11,761	13,430	12,406	12,994	12,191	13,273
	74,243	66,155	63,417	60,506	53,547	49,553
	400,166	229,838	149,970	161,427	160,093	171,092
	1,752,041	1,689,036	1,669,353	1,622,653	1,494,438	1,412,524
	3,511,572	3,428,680	3,290,482	2,989,001	3,167,521	3,051,822
	412,263	419,027	407,879	358,718	340,281	322,072
	196,780	224,609	186,214	179,670	166,358	171,307
	334,236	363,977	300,557	353,904	278,096	232,105
	48,594	40,148	35,524	36,246	36,873	32,530
	<u>7,192,902</u>	<u>6,981,626</u>	<u>6,543,554</u>	<u>6,273,661</u>	<u>6,158,976</u>	<u>5,897,823</u>
	235,301	225,181	122,518	120,215	103,867	113,642
	1	-	-	-	-	7
	166,721	163,030	178,419	180,722	179,628	161,691
	8,173	8,473	7,432	4,218	-	-
	10,817	10,210	9,292	9,405	6,707	7,876
	45,004	71,380	80,306	35,140	65,013	50,908
	50,952	58,861	76,860	65,178	47,122	13,587
	9,749	8,877	8,598	8,972	5,260 <sup>1</sup>	4,828
	<u>526,718</u>	<u>546,012</u>	<u>483,425</u>	<u>423,850</u>	<u>407,597</u>	<u>352,539</u>
	<u>7,719,620</u>	<u>7,527,638</u>	<u>7,026,979</u>	<u>6,697,511</u>	<u>6,566,573</u>	<u>6,250,362</u>
	106,164	82,738	86,178	76,507	71,507	67,067
	1,075	1,172	1,303	818	920	816
	71,592	56,042	69,845	52,033	65,588	51,374
	6,846	4,531	2,361	3,202	2,966	3,355
	7,487	2,053	3,653	4,865	8,605	1,362
	11,844	12,573	11,694	9,656	15,097	13,649
	88,166	90,497	89,580	80,435	75,035	63,274
	95,318	91,562	92,737	81,305	76,921	72,450
	103,759	111,429	102,729	97,761	95,394	97,172
	3,525,858	3,081,827	2,559,533	2,361,828	2,536,857	2,324,723
	-	-	-	6,434	24,268	174,140
	<u>4,018,109</u>	<u>3,534,424</u>	<u>3,019,613</u>	<u>2,774,844</u>	<u>2,973,158</u>	<u>2,869,382</u>
	127,438	97,362	106,536	112,482	102,611	100,136
	12,528	12,530	12,527	12,525	12,525	12,582
	219,966	213,073	228,980	231,628	230,962	211,965
	1,929	3,961	2,089	2,169	-	-
	4,951	4,347	4,116	3,837	3,464	3,642
	49,487	75,784	77,229	30,656	70,427	46,476
	65,609	68,704	54,507	63,339	25,886	5,216
	7,126	7,150	7,213	6,882	4,242	2,730
	44,629	20,170	22,950	21,386	20,663	23,915
	-	-	-	4,143	-	194
	<u>533,663</u>	<u>503,081</u>	<u>516,147</u>	<u>489,047</u>	<u>470,780</u>	<u>406,856</u>
	(3,174,793)	(3,447,202)	(3,523,941)	(3,498,817)	(3,185,818)	(3,028,441)
	6,945	(42,931)	32,722	65,197	63,183	54,317
	<u>(3,167,848)</u>	<u>(3,490,133)</u>	<u>(3,491,219)</u>	<u>(3,433,620)</u>	<u>(3,122,635)</u>	<u>(2,974,124)</u>

(continued)

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

Last Ten Fiscal Years  
(Expressed in Thousands)

	2014	2013	2012	2011
<b>General Revenues and Other Changes in Net Position:</b>				
Governmental Activities:				
Taxes:				
Corporate <sup>2</sup>	\$ 194,770	\$ 294,333	\$ 334,818	\$ 310,693
Individual Income	1,399,238	1,508,024	1,459,039	1,455,959
Fuel	237,439	235,112	245,815	241,710
Property	51,684	49,444	45,902	45,882
Sales & Use	1,257,376	1,140,645	1,113,952	1,097,900
Other <sup>2</sup>	383,026	313,154	273,062	283,715
Unrestricted Investment Earnings	19,950	10,288	2,543	17,051
Miscellaneous Income	118,043	100,329	76,360	107,017
Loss on Assets Held for Sale	(53)	-	-	-
Tobacco Settlement	57,749	50,723	51,188	48,554
Special Items	48,861	92,401	-	(36,931)
Transfers - Internal Activities	193,192	54,916	54,968	(13,016)
Total Governmental Activities	<u>3,961,275</u>	<u>3,849,369</u>	<u>3,657,647</u>	<u>3,558,534</u>
Business-Type Activities:				
Miscellaneous Income	-	-	-	-
Special Items	(48,861)	(108,288)	-	(7,086)
Transfers - Internal Activities	(193,192)	(54,916)	(54,968)	13,016
Total Business-Type Activities	<u>(242,053)</u>	<u>(163,204)</u>	<u>(54,968)</u>	<u>5,930</u>
Total Primary Government	<u>3,719,222</u>	<u>3,686,165</u>	<u>3,602,679</u>	<u>3,564,464</u>
<b>Change in Net Position</b>				
Governmental Activities	147,514	388,535	74,340	235,465
Business-Type Activities	<u>(174,752)</u>	<u>(70,087)</u>	9,049	56,748
Total Change in Net Position - Primary Government	<u>\$ (27,238)</u>	<u>\$ 318,448</u>	<u>\$ 83,389</u>	<u>\$ 292,213</u>

<sup>2</sup> Realignment of corporate and other taxes occurred in 2014.

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

**SCHEDULE 2 (continued)**

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$	282,998	\$ 266,551	\$ 291,463	\$ 292,255	\$ 305,872	\$ 244,842
	1,297,568	1,374,681	1,552,412	1,478,542	1,403,790	1,296,606
	223,953	228,438	231,727	226,744	224,474	209,569
	46,627	39,120	43,672	48,339	53,272	50,962
	1,090,578	1,142,485	1,141,714	1,107,361	1,001,436	1,042,654
	258,775	250,297	254,297	255,550	263,506	223,326
	12,378	6,417	5,857	39,599	28,881	20,650
	92,536	91,528	120,109	123,036	104,272	92,851
	-	(57)	(1,016)	(445)	(217)	(112)
	51,601	61,388	64,399	48,978	41,573	50,006
	(11,728)	-	(100,000)	-	(31,212)	30,881
	37,279	43,700	38,470	40,979	51,708	50,211
	<u>3,382,565</u>	<u>3,504,548</u>	<u>3,643,104</u>	<u>3,660,938</u>	<u>3,447,355</u>	<u>3,312,446</u>
	-	-	2	2	448	-
	-	-	-	-	31,787	(50,000)
	(37,279)	(43,700)	(38,470)	(40,979)	(51,708)	(50,211)
	<u>(37,279)</u>	<u>(43,700)</u>	<u>(38,468)</u>	<u>(40,977)</u>	<u>(19,473)</u>	<u>(100,211)</u>
	<u>3,345,286</u>	<u>3,460,848</u>	<u>3,604,636</u>	<u>3,619,961</u>	<u>3,427,882</u>	<u>3,212,235</u>
	207,772	57,346	119,163	162,121	261,537	284,005
	(30,334)	(86,631)	(5,746)	24,220	43,710	(45,894)
\$	<u>177,438</u>	<u>(29,285)</u>	<u>113,417</u>	<u>186,341</u>	<u>305,247</u>	<u>238,111</u>

# STATE OF MAINE

## FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years  
(Expressed in Thousands)

	2014	2013	2012	2011
<b>General Fund</b>				
Nonspendable:				
Permanent Fund Principal	\$ -	\$ -	\$ -	\$ -
Inventories and Prepaid Items	3,807	3,341	2,965	3,846
Restricted	2,064	3,534	2,989	3,344
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>(221,307)</u>	<u>(151,250)</u>	<u>(355,889)</u>	<u>(243,559)</u>
<b>Total General Fund</b>	<u><u>\$ (215,436)</u></u>	<u><u>\$ (144,375)</u></u>	<u><u>\$ (349,935)</u></u>	<u><u>\$ (236,369)</u></u>
<b>All Other Governmental Funds:</b>				
Nonspendable:				
Permanent Fund Principal	\$ 21,895	\$ 17,794	\$ 16,328	\$ 14,961
Inventories and Prepaid Items	1,521	1,556	1,563	1,578
Restricted	543,911	502,108	527,811	493,094
Committed	48,381	-	38,436	38,444
Assigned	15,987	-	12,489	17,149
Unassigned (deficit)	<u>(247)</u>	<u>(132,447)</u>	<u>(2,300)</u>	<u>(4,374)</u>
<b>Total All Other Governmental Funds</b>	<u><u>\$ 631,448</u></u>	<u><u>\$ 389,011</u></u>	<u><u>\$ 594,327</u></u>	<u><u>\$ 560,852</u></u>
<b>Total Governmental Fund Balances</b>	<u><u>\$ 416,012</u></u>	<u><u>\$ 244,636</u></u>	<u><u>\$ 244,392</u></u>	<u><u>\$ 324,483</u></u>
<b>General Fund</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total General Fund</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>All Other Governmental Funds</b>				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total All Other Governmental Funds</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
<b>Total Governmental Fund Balances</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

Modified accrual basis of accounting.

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

## SCHEDULE 3

2010	2009	2008	2007	2006	2005
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 102,770	\$ 116,986	\$ 165,402	\$ 127,136	\$ 177,796	\$ 192,684
(411,018)	(390,379)	(403,874)	(283,485)	(355,427)	(146,328)
\$ (308,248)	\$ (273,393)	\$ (238,472)	\$ (156,349)	\$ (177,631)	\$ 46,356
\$ (308,248)	\$ (273,393)	\$ (238,472)	\$ (156,349)	\$ (177,631)	\$ 46,356
\$ 547,669	\$ 442,613	\$ 458,238	\$ 424,965	\$ 460,257	\$ 521,984
67,964	32,736	(31,858)	4,270	(67,148)	(30,605)
\$ 615,633	\$ 475,349	\$ 426,380	\$ 429,235	\$ 393,109	\$ 491,379
\$ 615,633	\$ 475,349	\$ 426,380	\$ 429,235	\$ 393,109	\$ 491,379
\$ 307,385	\$ 201,956	\$ 187,908	\$ 272,886	\$ 215,478	\$ 537,735
\$ 307,385	\$ 201,956	\$ 187,908	\$ 272,886	\$ 215,478	\$ 537,735
\$ 307,385	\$ 201,956	\$ 187,908	\$ 272,886	\$ 215,478	\$ 537,735

**STATE OF MAINE**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

Last Ten Fiscal Years  
(Expressed in Thousands)

	2014	2013	2012	2011
<b>Revenues:</b>				
Taxes	\$ 3,530,357	\$ 3,558,881	\$ 3,469,925	\$ 3,398,030
Assessments and Other Revenue	350,758	351,510	331,862	314,447
Federal Grants and Reimbursements	2,830,083	3,048,069	3,162,059	3,366,618
Service Charges	164,461	141,358	147,379	155,491
Investment Income (Loss)	17,767	9,921	1,299	16,250
Miscellaneous Revenue	154,219	130,615	127,327	132,411
Total Revenues	<u>7,047,645</u>	<u>7,240,354</u>	<u>7,239,851</u>	<u>7,383,247</u>
<b>Expenditures</b>				
Current:				
Governmental Support & Operations	332,180	402,006	408,730	400,580
Economic Development & Workforce Training	173,868	241,126	301,827	375,234
Education	1,701,248	1,590,595	1,616,987	1,717,991
Health and Human Services	3,681,004	3,676,832	3,771,099	3,571,466
Business Licensing & Regulation	72,020	62,883	65,876	67,700
Natural Resources Development & Protection	195,526	208,453	204,353	211,168
Justice and Protection	417,896	392,352	383,123	398,911
Arts, Heritage & Cultural Enrichment	11,154	10,298	10,981	11,544
Transportation Safety & Development	536,995	584,201	566,540	657,528
Debt Service:				
Principal Payments	125,325	143,229	134,886	121,995
Interest Payments	34,820	38,791	40,133	38,131
Capital Outlays	35,227	7,753	25,729	-
Total Expenditures	<u>7,317,263</u>	<u>7,358,519</u>	<u>7,530,264</u>	<u>7,572,248</u>
Revenue over (under) Expenditures	<u>(269,618)</u>	<u>(118,165)</u>	<u>(290,413)</u>	<u>(189,001)</u>
Other Financing Sources (Uses):				
Transfer from Other Funds	426,724	472,313	426,135	395,679
Transfer to Other Funds	(379,767)	(399,791)	(365,936)	(332,250)
COPS and Other	77,821	6,371	2,625	5,244
Proceeds from Component Unit Loan Payable	183,482	-	58,726	51,710
Bonds Issued	123,000	30,290	82,265	108,135
Bonds Defeased	(4,500)	-	-	-
Premium on Bonds Issued	14,175	2,210	6,507	-
Net Other Finance Sources (Uses)	<u>440,935</u>	<u>111,393</u>	<u>210,322</u>	<u>228,518</u>
Special Items:				
Transfer of STAR Fund	-	7,016	-	-
Return of Excess Equity from Retiree Health Insurance Fund	-	-	-	(22,520)
Refund to Federal Government Resulting from Excess Equity Distribution	-	-	-	-
Purchase of Landfill	-	-	-	-
Sale of Landfill Capacity	-	-	-	-
Other	59	-	-	-
Proceeds from Sale of Liquor Operating Rights	-	-	-	-
Net Special Items	<u>59</u>	<u>7,016</u>	<u>-</u>	<u>(22,520)</u>
Net Change in Fund Balance	<u>\$ 171,376</u>	<u>\$ 244</u>	<u>\$ (80,091)</u>	<u>\$ 16,997</u>
<hr/>				
Debt Service as a Percentage of NonCapital Expenditures	2.21%	2.12%	2.20%	1.67%

## SCHEDULE 4

2010	2009	2008	2007	2006	2005
\$ 3,215,299	\$ 3,240,269	\$3,510,637	\$ 3,430,669	\$3,344,803	\$ 3,035,988
334,656	322,239	320,363	289,301	290,455	256,690
3,535,224	3,092,757	2,569,632	2,386,317	2,625,354	2,500,523
159,854	148,904	145,091	123,249	135,815	119,996
11,273	(264)	2,356	26,740	24,140	16,740
144,509	138,740	134,110	161,676	115,800	130,609
<u>7,400,815</u>	<u>6,942,645</u>	<u>6,682,189</u>	<u>6,417,952</u>	<u>6,536,367</u>	<u>6,060,546</u>
410,269	433,723	469,060	411,803	497,996	430,386
401,839	229,090	152,403	162,003	162,326	173,919
1,776,207	1,702,917	1,681,096	1,637,848	1,510,662	1,425,244
3,608,645	3,448,401	3,356,683	3,066,272	3,364,164	3,097,852
73,807	65,235	65,470	61,540	56,064	50,883
224,598	222,947	195,330	204,204	191,612	184,171
415,689	445,389	415,645	372,674	362,394	346,849
11,613	13,208	12,717	13,215	12,655	13,471
568,639	557,684	550,819	494,586	605,780	501,237
120,087	85,759	81,015	83,680	75,090	66,790
39,332	23,271	19,575	20,334	18,998	15,972
-	-	-	-	-	-
<u>7,650,725</u>	<u>7,227,624</u>	<u>6,999,813</u>	<u>6,528,159</u>	<u>6,857,741</u>	<u>6,306,774</u>
<u>(249,910)</u>	<u>(284,979)</u>	<u>(317,624)</u>	<u>(110,207)</u>	<u>(321,374)</u>	<u>(246,228)</u>
352,719	315,508	312,154	352,896	282,739	342,965
(309,596)	(254,300)	(225,695)	(279,691)	(235,505)	(288,865)
40,520	4,474	50,542	35,543	10,727	6,061
142,857	100,000	-	-	22,111	49,423
70,110	133,345	104,075	60,975	52,390	140,025
-	-	-	-	-	-
-	-	-	-	-	-
<u>296,610</u>	<u>299,027</u>	<u>241,076</u>	<u>169,723</u>	<u>132,462</u>	<u>249,609</u>
-	-	-	-	-	-
63,115	-	-	-	-	105,711
-	-	-	-	-	(19,119)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	50,000
<u>63,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,592</u>
<u>\$ 109,815</u>	<u>\$ 14,048</u>	<u>\$ (76,548)</u>	<u>\$ 59,516</u>	<u>\$ (188,912)</u>	<u>\$ 139,973</u>
1.63%	1.23%	1.19%	1.32%	1.13%	1.10%



**STATE OF MAINE**  
**CHANGES IN FUND BALANCES**  
**GENERAL FUND**

Last Ten Fiscal Years  
(Expressed in Thousands)

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Revenues:</b>				
Taxes	\$ 3,027,088	\$ 3,077,321	\$ 2,990,353	\$ 2,926,972
Assessments and Other Revenue	97,622	106,086	103,292	107,878
Federal Grants and Reimbursements	1,988	1,726	3,377	11,832
Service Charges	50,580	46,281	49,008	46,206
Investment Income (Loss)	716	356	1,413	(54)
Miscellaneous Revenue	23,706	10,467	17,047	15,805
Total Revenues	<u>3,201,700</u>	<u>3,242,237</u>	<u>3,164,490</u>	<u>3,108,639</u>
<b>Expenditures</b>				
Current:				
Governmental Support & Operations	219,125	265,160	255,191	238,729
Economic Development & Workforce Training	32,635	31,922	33,561	34,504
Education	1,404,149	1,332,688	1,335,736	1,389,383
Health and Human Services	1,159,000	907,141	1,126,805	933,047
Business Licensing & Regulation	3,797	992	-	-
Natural Resources Development & Protection	66,684	64,184	65,332	64,972
Justice and Protection	283,477	258,969	253,226	264,792
Arts, Heritage & Cultural Enrichment	7,459	6,932	7,117	7,081
Transportation Safety & Development	-	-	-	7,000
Debt Service:				
Principal Payments	85,735	103,840	98,340	89,835
Interest Payments	18,163	20,657	21,714	21,425
Capital Outlay	-	-	-	-
Total Expenditures	<u>3,280,224</u>	<u>2,992,485</u>	<u>3,197,022</u>	<u>3,050,768</u>
Revenue over (under) Expenditures	<u>(78,524)</u>	<u>249,752</u>	<u>(32,532)</u>	<u>57,871</u>
Other Financing Sources (Uses):				
Transfer from Other Funds	169,095	181,932	134,722	179,795
Transfer to Other Funds	(206,907)	(230,298)	(216,827)	(167,274)
Other	45,275	4,174	1,071	1,487
Bonds Issued	-	-	-	-
Net Other Finance Sources (Uses)	<u>7,463</u>	<u>(44,192)</u>	<u>(81,034)</u>	<u>14,008</u>
Special Items:				
Return of Excess Equity from Retiree Health Insurance Fund	-	-	-	-
Purchase of Landfill	-	-	-	-
Sale of Landfill Capacity	-	-	-	-
Proceeds from Sale of Liquor Operating Rights	-	-	-	-
Net Special Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (71,061)</u>	<u>\$ 205,560</u>	<u>\$ (113,566)</u>	<u>\$ 71,879</u>
<hr/>				
Debt Service as a Percentage of NonCapital Expenditures	2.7%	3.8%	3.3%	3.2%

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

## SCHEDULE 5

2010	2009	2008	2007	2006	2005
\$ 2,756,435	\$ 2,808,997	\$ 3,079,706	\$ 3,003,382	\$ 2,926,835	\$ 2,653,628
117,119	120,682	116,742	109,336	105,371	88,514
11,047	14,844	11,041	16,762	17,334	28,894
50,852	44,211	47,262	36,717	41,395	38,351
567	8,425	2,562	9,653	12,299	6,877
12,284	9,892	7,872	25,099	14,993	12,437
<u>2,948,304</u>	<u>3,007,051</u>	<u>3,265,185</u>	<u>3,200,949</u>	<u>3,118,227</u>	<u>2,828,701</u>
257,093	273,595	280,871	262,721	327,529	270,370
35,646	35,751	39,360	40,280	45,324	42,278
1,419,891	1,451,223	1,478,192	1,438,605	1,283,214	1,201,008
758,808	786,512	1,063,499	972,875	1,097,456	957,371
22	6	-	-	-	3
67,324	67,669	72,709	70,373	70,878	67,310
270,581	270,594	267,117	245,592	227,588	220,141
7,311	8,096	8,632	8,958	8,504	8,521
-	1	-	-	178	831
92,035	65,685	66,250	69,350	57,985	53,510
24,103	15,179	16,058	17,369	15,263	12,541
-	-	-	-	-	-
<u>2,932,814</u>	<u>2,974,311</u>	<u>3,292,688</u>	<u>3,126,123</u>	<u>3,133,919</u>	<u>2,833,884</u>
<u>15,490</u>	<u>32,740</u>	<u>(27,503)</u>	<u>74,826</u>	<u>(15,692)</u>	<u>(5,183)</u>
106,694	87,178	101,092	115,292	90,912	101,813
(205,768)	(155,566)	(152,813)	(190,074)	(164,923)	(168,173)
382	727	5,531	23,346	666	-
-	-	-	-	-	1,681
<u>(98,692)</u>	<u>(67,661)</u>	<u>(46,190)</u>	<u>(51,436)</u>	<u>(73,345)</u>	<u>(64,679)</u>
48,347	-	-	-	-	68,484
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	50,000
<u>48,347</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>118,484</u>
<u>\$ (34,855)</u>	<u>\$ (34,921)</u>	<u>\$ (73,693)</u>	<u>\$ 23,390</u>	<u>\$ (89,037)</u>	<u>\$ 48,622</u>
3.5%	2.4%	2.1%	2.4%	2.0%	2.1%

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

Last Ten Calendar Years  
(Expressed in Thousands)

	2013	2012	2011	2010
Individual Income Tax Liability	\$ 1,311,617	\$ 1,433,654	\$ 1,343,096	\$ 1,310,748
Personal Income	\$ 54,358,810	\$ 52,957,962 <sup>2</sup>	\$ 51,528,515 <sup>2</sup>	\$ 49,395,325 <sup>2</sup>
Average Effective Tax Rate	2.4%	2.7%	2.6%	2.7%

	2013	2012	2011	2010
Income Bracket Tax Rate	\$0 - \$5,100 0.0%	\$0 - \$5,100 2.0%	\$0 - \$5,000 2.0%	\$0 - \$4,950 2.0%
Income Bracket Tax Rate	\$5,000 - \$20,349 6.5%	\$5,000 - \$10,149 4.5%	\$5,000 - \$9,949 4.5%	\$4,950 - \$9,849 4.5%
Income Bracket Tax Rate		\$10,150 - \$20,349 7.0%	\$9,950 - \$19,950 7.0%	\$9,850 - \$19,750 7.0%
Income Bracket Tax Rate	\$20,350+ 7.95%	\$20,350+ 8.5%	\$19,950+ 8.5%	\$19,750+ 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.

<sup>2</sup> Restated

**SOURCE:** Maine Revenue Services.

## SCHEDULE 6

2009	2008	2007	2006	2005	2004
\$ 1,231,328	\$ 1,327,007	\$ 1,441,838	\$ 1,364,514	\$ 1,286,375	\$ 1,286,375
\$ 48,984,861 <sup>2</sup>	\$ 48,777,252 <sup>2</sup>	\$ 47,126,621 <sup>2</sup>	\$ 45,143,495 <sup>2</sup>	\$ 42,542,595 <sup>2</sup>	\$ 42,542,595 <sup>2</sup>
2.5%	2.7%	3.1%	3.0%	3.0%	3.0%

2009	2008	2007	2006	2005	2004
\$0 - \$5,049 2.0%	\$0 - \$4,849 2.0%	\$0 - \$4,749 2.0%	\$0 - \$4,549 2.0%	\$0 - \$4,449 2.0%	\$0 - \$4,349 2.0%
\$5,050 - \$10,049 4.5%	\$4,850 - \$9,699 4.5%	\$4,750 - \$9,450 4.5%	\$4,550 - \$9,099 4.5%	\$4,450 - \$8,849 4.5%	\$4,350 - \$8,649 4.5%
\$10,050 - \$20,149 7.0%	\$9,700 - \$19,449 7.0%	\$9,450 - \$18,950 7.0%	\$9,100 - \$18,249 7.0%	\$8,850 - \$17,699 7.0%	\$8,650 - \$17,349 7.0%
\$20,150+ 8.5%	\$19,450+ 8.5%	\$18,950+ 8.5%	\$18,250+ 8.5%	\$17,700+ 8.5%	\$17,350+ 8.5%



**SCHEDULE 7**

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

(Tax Liability Expressed in Millions)

**2013 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	27,339	4.1%	\$ (6.50)	-0.5%
\$1 - \$ 10,000	96,350	14.3%	(6.57)	-0.5%
\$10,001 - \$ 20,000	103,051	15.3%	(0.37)	0.0%
\$20,001 - \$ 30,000	92,949	13.8%	27.62	2.1%
\$30,001 - \$ 50,000	125,982	18.8%	120.35	9.2%
\$50,001 - \$ 75,000	91,560	13.6%	194.38	14.8%
\$75,001 - \$100,000	53,558	8.0%	191.18	14.6%
\$100,001 - \$200,000	59,819	8.9%	375.91	28.7%
\$200,001 and higher	21,790	3.2%	415.62	31.6%
<b>Total</b>	<b>672,398</b>	<b>100.0%</b>	<b>\$ 1,311.62</b>	<b>100.0%</b>

(Tax Liability Expressed in Millions)

**2004 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	8,205	1.3%	\$ 0.10	0.0%
\$1 - \$ 10,000	114,036	17.9%	1.08	0.1%
\$10,001 - \$ 20,000	112,199	17.6%	16.21	1.3%
\$20,001 - \$ 30,000	98,084	15.4%	51.61	4.3%
\$30,001 - \$ 50,000	126,055	19.8%	158.86	13.2%
\$50,001 - \$ 75,000	87,593	13.7%	220.24	18.3%
\$75,001 - \$100,000	41,821	6.6%	172.85	14.4%
\$100,001 - \$200,000	34,463	5.4%	237.74	19.8%
\$200,001 and higher	14,737	2.3%	344.48	28.6%
<b>Total</b>	<b>637,193</b>	<b>100.0%</b>	<b>\$ 1,203.16</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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Business Operating	\$ 2,144,569	\$ 2,071,027 <sup>1</sup>	\$ 2,013,955 <sup>1</sup>	\$ 1,918,061 <sup>1</sup>
Building Supply	2,184,879	2,062,162 <sup>1</sup>	2,080,002 <sup>1</sup>	1,952,148 <sup>1</sup>
Food Store	1,654,251	1,624,714 <sup>1</sup>	1,575,567 <sup>1</sup>	1,549,563 <sup>1</sup>
General Merchandise	3,107,412	3,086,232 <sup>1</sup>	3,027,034 <sup>1</sup>	3,035,792 <sup>1</sup>
Other Retail	2,169,047	2,105,616 <sup>1</sup>	2,094,362 <sup>1</sup>	2,018,804 <sup>1</sup>
Auto/Transportation	3,947,689	3,665,555 <sup>1</sup>	3,482,008 <sup>1</sup>	3,301,937 <sup>1</sup>
Restaurant/Lodging	3,040,446	2,927,667 <sup>1</sup>	2,762,278 <sup>1</sup>	2,673,050 <sup>1</sup>
Total	<u>\$ 18,248,292</u>	<u>\$ 17,542,972</u> <sup>1</sup>	<u>\$ 17,035,206</u> <sup>1</sup>	<u>\$ 16,449,356</u> <sup>1</sup>

### 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%

Effective October 1, 2013: (1) general sales and use tax increased to 5.5% (2) 7% rate on meals and lodging increases to 8%. These increases revert back to the 5% and 7% rates effective 7/1/2015.

<sup>1</sup> Restated

**SOURCE:** Maine Revenue Services.

## SCHEDULE 8

2009	2008	2007	2006	2005	2004
\$ 1,847,283 <sup>1</sup>	\$ 2,213,683 <sup>1</sup>	\$ 2,194,081 <sup>1</sup>	\$ 2,099,287	\$ 1,974,352	\$ 1,875,710
1,935,346 <sup>1</sup>	2,310,659 <sup>1</sup>	2,421,975 <sup>1</sup>	2,526,623	2,464,352	2,344,687
1,524,577 <sup>1</sup>	1,488,989 <sup>1</sup>	1,451,665 <sup>1</sup>	1,404,216	1,343,160	1,278,427
2,961,966 <sup>1</sup>	3,074,233 <sup>1</sup>	3,140,754 <sup>1</sup>	3,097,387	2,986,708	3,001,887
1,956,601 <sup>1</sup>	1,994,361 <sup>1</sup>	1,943,510 <sup>1</sup>	1,936,040	1,824,692	1,708,180
3,238,984 <sup>1</sup>	3,468,340 <sup>1</sup>	3,689,403 <sup>1</sup>	3,613,741	3,695,730	3,744,219
2,549,563 <sup>1</sup>	2,603,360 <sup>1</sup>	2,575,752 <sup>1</sup>	2,451,376	2,319,463	2,238,980
\$ 16,014,320 <sup>1</sup>	\$ 17,153,624 <sup>1</sup>	\$ 17,417,140 <sup>1</sup>	\$ 17,128,670	\$ 16,608,457	\$ 16,192,090

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, 2014

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 percent 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 percent 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
2014	\$ -	\$7,315,155	.-%	\$731,516	\$158,661,600	.-%	\$1,586,616
2013	\$ -	\$6,959,426	.-%	\$695,943	\$160,011,900	.-%	\$1,600,119
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

## STATE OF MAINE RATIOS OF OUTSTANDING DEBT BY TYPE

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
<b>Governmental Activities Debt</b>				
General Obligation Bonds	\$ 399,190	\$ 369,725	\$ 472,055	\$ 520,230
MGFA Revenue Bonds	187,175	199,910	187,865	172,150
COPS and Other Financing Arrangements	106,810	47,938	52,097	71,830
Obligations Under Capital Leases	35,215	34,741	29,778	33,690
Loans Payable to Component Unit <sup>1</sup>	<u>472,976</u>	<u>304,045</u>	<u>328,131</u>	<u>290,919</u>
Total Governmental Activities Debt	<u>1,201,366</u>	<u>956,359</u>	<u>1,069,926</u>	<u>1,088,819</u>
<b>Business-Type Activities Debt</b>	-	-	-	-
<b>Total Primary Government Debt</b>	<u>\$ 1,201,366</u>	<u>\$ 956,359</u>	<u>\$ 1,069,926</u>	<u>\$ 1,088,819</u>
<b>Debt Ratios</b>				
Ratio of Total Debt to Personal Income <sup>2</sup> Per Capita <sup>3</sup>	2.2% \$ 904	1.8% \$ 720	2.0% \$ 805	2.1% \$ 819
<b>Net General Obligation Bonded Debt</b>				
Gross Bonded Debt	\$ 586,365	\$ 569,635	\$ 659,920	\$ 692,380
Less: Debt Service Funds	-	-	-	-
Net Bonded Debt	<u>\$ 586,365</u>	<u>\$ 569,635</u>	<u>\$ 659,920</u>	<u>\$ 692,380</u>
Ratio of Net Bonded Debt to Estimated Property Value <sup>4</sup> Per Capita <sup>3</sup>	0.4% \$ 441	0.4% \$ 429	0.4% \$ 497	0.4% \$ 521

<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. Profit from the Alcoholic Beverages Enterprise Fund are pledged as security for the Liquor bonds. See Schedule 11.

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

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

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

## SCHEDULE 10

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 500,100	\$ 529,990	\$ 475,835	\$ 448,760	\$ 467,550	\$ 487,095
189,080	192,935	208,560	182,605	186,215	189,570
76,291	50,079	66,493	79,886	36,581	36,865
33,329	37,634	37,522	41,751	40,091	39,905
<u>258,394</u>	<u>131,769</u>	<u>38,338</u>	<u>42,353</u>	<u>46,268</u>	<u>49,423</u>
<u>1,057,194</u>	<u>942,407</u>	<u>826,748</u>	<u>795,355</u>	<u>776,705</u>	<u>802,858</u>
-	-	-	-	-	-
<u>\$ 1,057,194</u>	<u>\$ 942,407</u>	<u>\$ 826,748</u>	<u>\$ 795,355</u>	<u>\$ 776,705</u>	<u>\$ 802,858</u>
2.1%	1.9%	1.7%	1.7%	1.7%	1.9%
\$ 796	\$ 709	\$ 621	\$ 599	\$ 587	\$ 609
\$ 689,180	\$ 722,925	\$ 684,395	\$ 631,365	\$ 653,765	\$ 676,665
-	-	-	-	5,824	11,657
<u>\$ 689,180</u>	<u>\$ 722,925</u>	<u>\$ 684,395</u>	<u>\$ 631,365</u>	<u>\$ 647,941</u>	<u>\$ 665,008</u>
0.4%	0.4%	0.4%	0.4%	0.5%	0.6%
\$ 519	\$ 544	\$ 514	\$ 476	\$ 489	\$ 504

## STATE OF MAINE PLEGGED FUTURE REVENUE COVERAGE

Last Ten Fiscal Years  
(Expressed in Thousands)

	2014	2013	2012	2011
<b>Grant Anticipation Revenue Vehicle (GARVEE) Bonds<sup>1</sup></b>				
Federal Aid Revenues	\$ 210,870	\$ 223,076	\$ 206,952	\$ 186,326
Annual Debt Service	\$ 15,951	\$ 15,921	\$ 15,100	\$ 11,191
Debt Service Coverage	7.56%	7.14%	7.30%	6.01%

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	\$ 38,340	\$ 40,154	\$ 38,171	\$ 38,136
Annual Debt Service	\$ 20,268	\$ 20,268	\$ 17,467	\$ 16,951
Debt Service Coverage	52.86%	50.48%	45.76%	44.45%

**SOURCE:** Department of Transportation.

The State has committed the profit of the Alcoholic Beverages Enterprise Fund as pledged revenue until such time as the bond liability is paid in full, pursuant to 28-A MRSA § 90. In FY 2014 only interest payments were due.

### Liquor Revenue Bonds<sup>3</sup>

Pledged Revenue Stream	\$ -
Annual Debt Service	\$ 5,306
Debt Service Coverage	0.00%

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

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

<sup>3</sup> The profit from the Alcoholic Beverages Enterprise Fund began being deposited 7/1/15.

## SCHEDULE 11

2010	2009	2008	2007	2006	2005
\$ 150,868	\$ 147,530	\$ 146,454	\$ 168,499	\$ 167,405	\$ 174,989
\$ 10,650	\$ 6,384	\$ 5,521	\$ 5,579	\$ 4,867	\$ 366
7.06%	4.33%	3.77%	3.31%	2.91%	0.21%
\$ 38,124	\$ 5,000	N/A	N/A	N/A	N/A
\$ 7,567	\$ 658	N/A	N/A	N/A	N/A
19.85%	13.16%	N/A	N/A	N/A	N/A

# STATE OF MAINE DEMOGRAPHIC INFORMATION

Last Ten Fiscal Years

	2014	2013	2012	2011
Maine:				
Population (in thousands) <sup>1</sup>	not available	1,328	1,329	1,329
Total Personal Income (in millions) <sup>1</sup>	55,269	54,479	53,283	51,653
Per Capita Personal Income <sup>2</sup>	not available	41,014	40,093	38,866
Unemployment Rate <sup>3</sup>	5.5%	6.8%	7.5%	7.8%
United States:				
Population (in thousands) <sup>1</sup>	not available	316,129	313,914	311,588
Total Personal Income (in millions) <sup>1</sup>	14,420,042	14,081,242	13,729,063	13,179,561
Per Capita Personal Income <sup>2</sup>	not available	44,543	43,735	42,298
Unemployment Rate <sup>3</sup>	6.1%	7.6%	8.2%	8.9%

<sup>1</sup> FY14 source is the preliminary average of the last 4 quarters reported in the Quarterly Personal Income Summary last updated September 30, 2013. FY12 - FY04 source is SA1-3 Annual Personal Income Summary last updated September 30, 2013; revised estimates for 2005 - 2012

<sup>2</sup> Calculation total personal income/population

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

## SCHEDULE 12

2010	2009	2008	2007	2006	2005
1,328	1,330	1,331	1,327	1,324	1,319
49,360	48,939	48,771	47,122	45,140	42,537
37,169	36,796	36,642	35,510	34,094	32,249
8.0%	8.6%	5.0%	4.5%	4.4%	4.6%
309,629	306,772	304,094	301,231	298,380	295,517
12,423,332	12,073,738	12,429,284	11,990,244	11,376,460	10,605,645
40,123	39,357	40,873	39,804	38,127	35,888
9.5%	9.2%	5.5%	4.6%	4.6%	5%





**SCHEDULE 13**

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

Current Year and Ten Years Ago

<b>Employer</b>	<b>2014</b>				<b>2005</b>		
	Range of Employees		Rank	Percentage of Total State Employment	Average Number of Employees	Rank	Percentage of Total State Employment
Maine State Government	14,001 -	14,500	1	2.4%	15,800	1	2.7%
Hannaford Brothers Co.	7,501 -	8,000	2	1.3%	7,000	2	1.2%
Wal Mart/Sam's Club	7,001 -	7,500	3	1.2%	6,000	3	1.0%
Department of Defense	6,501 -	7,000	4	1.1%	5,700	4	1.0%
Maine Medical Center	6,501 -	7,000	5	1.1%	5,000	5	0.8%
Bath Iron Works Corporation	5,001 -	5,500	6	0.9%	5,000	6	0.8%
L L Bean, Inc	4,001 -	4,500	7	0.7%	5,000	7	0.8%
Eastern Maine Medical Center	3,501 -	4,000	8	0.6%	3,000	9	0.5%
University of Maine at Orono	3,001 -	3,500	9	0.5%			
US Post Office	3,001 -	3,500	10	0.5%	4,100	8	0.7%
UNUMPROVIDENT Corp.	-	-			3,000	10	0.5%
<b>Total</b>	<b>60,010 -</b>	<b>65,000</b>		<b>10.5%</b>	<b>59,600</b>		<b>10.0%</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>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Arts, Heritage & Cultural Enrichment	89.6	89.6	90.3	92.1
Business Licensing & Regulation	389.0	395.0	395.6	406.0
Economic Development & Workforce Training	557.5	558.5	555.0	593.6
Education	192.5	190.6	185.6	194.3
Governmental Support & Operations	2,106.1	2,128.4	2,162.4	2,214.3
Health and Human Services	3,475.4	3,468.4	3,477.4	3,645.1
Justice and Protection	2,959.3	2,960.3	2,969.8	2,986.6
Natural Resources Development & Protection	1,448.8	1,461.0	1,446.4	1,481.8
Transportation Safety & Development	<u>2,045.8</u>	<u>2,072.4</u>	<u>2,072.4</u>	<u>2,123.2</u>
 Total Full Time Equivalentents	 <u>13,264.0</u>	 <u>13,324.2</u>	 <u>13,354.9</u>	 <u>13,737.1</u>

**SOURCE:** Maine Bureau of Budget.

## SCHEDULE 14

<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
94.1	95.9	105.4	107.4	107.4	109.5
413.0	411.5	420.0	413.2	413.2	417.2
594.6	604.6	614.6	624.1	624.1	892.5
195.3	201.6	207.9	209.6	209.6	215.0
2,217.8	2,239.5	2,246.0	2,247.5	2,222.5	1,696.3
3,718.1	3,691.6	3,777.4	3,738.9	3,767.4	4,025.5
2,988.6	2,986.1	2,990.6	2,937.6	2,909.6	2,969.7
1,490.9	1,498.4	1,530.0	1,523.2	1,522.3	1,615.3
<u>2,123.2</u>	<u>2,277.5</u>	<u>2,277.5</u>	<u>2,300.7</u>	<u>2,301.7</u>	<u>2,390.5</u>
<u>13,835.8</u>	<u>14,006.7</u>	<u>14,169.5</u>	<u>14,102.2</u>	<u>14,077.8</u>	<u>14,331.5</u>

## STATE OF MAINE OPERATING INDICATORS AND CAPITAL INFORMATION

Fiscal Years Ended June 30

Operating Indicators by Function:	2014	2013	2012	2011
<b>Education</b>				
Students enrolled in the free/reduced lunch program <sup>4</sup>	86,500	85,731	84,717	83,625
<b>Economic Development &amp; Workforce Training</b>				
Unemployed persons	39,300	48,500	52,900	52,500
<b>Governmental Support &amp; Operations</b>				
Return on investments	0.28%	0.29%	0.35%	0.24%
Lottery tickets sales, in millions	230	228	228	216
<b>Health and Human Services</b>				
Percentage of population enrolled in MaineCare <sup>1</sup>	24%	26%	26%	26%
Number of TANF cases <sup>2</sup>	7,617	9,342	13,260	14,151
Number of members served by Dirigo Health	40,565	40,388	38,070	35,105
<b>Justice and Protection</b>				
Average Number of Adult Inmates	2,089	2,016	2,043	2,124
Average Number of Juvenile Inmates	144	155	170	186
Number of guard troops	3,236	3,169	3,124	3,065
Number of cases tried in the court system	229,365	237,596	242,710	260,171
<b>Natural Resources and Development</b>				
Number of park passes purchased <sup>3</sup>	14,039	12,498	12,117	11,288
Number of visitors to State parks	2,553,638	2,519,849	2,648,484	2,528,900
Number of hunting and fishing licenses sold <sup>3</sup>	529,615	516,442	497,712	503,487
<b>Transportation Safety &amp; Development</b>				
Number of construction projects	227	218	194	238

<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.

## SCHEDULE 15

2010	2009	2008	2007	2006
82,372	75,358	73,130	71,536	69,125
54,200	59,100	36,400	30,700	32,100
0.59% 217	1.52% 211	4.19% 229	5.16% 234	4.10% 229
27% 13,686 31,323	26% 12,849 29,936	25% 12,479 28,745	26% 12,631 24,110	26% 12,821 18,067
2,167 195 3,070 285,567	2,177 184 3,199 292,295	2,038 199 3,277 282,980	2,060 203 3,168 278,088	2,078 275 3,131 281,006
11,443 2,443,640 503,425	10,073 2,243,606 499,821	10,963 1,930,186 500,367	10,092 2,063,356 494,231	9,864 2,083,310 485,794
173	124	116	271	195

## STATE OF MAINE CAPITAL ASSETS BY FUNCTION

Fiscal Years Ended June 30

Capital Assets by Function:	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Governmental Support & Operations				
Vehicles controlled by Central Fleet Management	2,114	2,116	2,037	1,922
Health and Human Services				
Number of regional offices	16	16	17	18
Justice and Protection				
Number of correctional facilities	8	8	9	9
Number of armories and AFR's	21	21	18	16
Number of State police barracks	8	8	8	8
Number of vehicles in Public Safety	487	420	439	504
Natural Resources and Development				
Total acreage of State parks	98,831	98,832	97,948	97,942
Number of State park buildings	569	567	556	553
Transportation Safety & Development				
Number of DOT vehicles and equipment	1,219	1,188	1,457	1,193
Number of regional DOT active buildings	568	564	564	577

## SCHEDULE 16

<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
1,977	1,596	1,665	1,738	1,675
18	18	18	18	18
9	9	9	8	8
16	16	16	17	17
8	8	8	8	8
515	605	654	541	521
97,387	97,300	100,540	100,092	99,935
552	533	530	526	519
1,308	1,268	1,446	1,625	1,163
587	586	574	612	647