New Issue

This Official Statement provides information about the Bonds. Some of the information appears on this cover page for ready reference. A prospective investor should read the entire Official Statement to make an informed investment decision.

$108,135,000
STATE OF MAINE
GENERAL OBLIGATION BONDS

Dated: Date of Delivery **Due: as shown on the inside cover**

Bond Ratings Moody's Investors Service, Inc. See "RATINGS" herein.

Standard & Poor's Ratings Services. See "RATINGS" herein.

Interest Payment Dates June 1 and December 1, commencing December 1, 2011.

Redemption The Bonds are not subject to redemption prior to maturity.

Source of Payment The Bonds will be general obligations of the State of Maine ("the State") and the full faith and credit of the State are pledged to the punctual payment of principal of and interest on the Bonds, with the State Treasurer being obligated under the Maine Constitution to set aside available General Fund revenues to the extent needed to make said payments if legislative appropriations are insufficient, as more fully described herein. See "DESCRIPTION OF THE BONDS" herein.

Tax Matters In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel to the State, interest on the Series B Bonds is excluded from gross income for federal income tax purposes under the Internal Revenue Code of 1986. Interest on the Series B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Interest on the Series A Bonds is included in the gross income of the owners of the Series A Bonds for federal income tax purposes. Under existing law, interest on the Bonds is excluded from gross income for State income tax purposes. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

Purpose The Bonds are being issued to pay at maturity on June 15, 2011 the principal amount of certain bond anticipation notes issued by the State to finance certain capital expenditures of the State and to finance certain additional capital expenditures of the State. See "DESCRIPTION OF THE BONDS" herein.

Initial Denominations Multiples of $5,000

Closing On or about June 8, 2011.

Global Book-Entry System The Bonds, when issued, will be registered in the name of Cede & Co., as the nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository") of the Bonds. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased.

Bond Counsel Edwards Angell Palmer & Dodge LLP. See "TAX MATTERS" herein.

Financial Advisor Public Financial Management, Inc. See "FINANCIAL ADVISOR" herein.

Issuer Contact Bruce L. Poliquin, Treasurer of State. See "MISCELLANEOUS" herein.

Dated June 2, 2011

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS
$108,135,000
State of Maine
General Obligation Bonds

$39,635,000
General Obligation Bonds, 2011 Series A
(Federally Taxable)

Maturity (June 1)	Principal Amount	Interest Rate	Yield	CUSIP† No.
2012	$13,215,000	1.625%	0.48%	56052AXB7
2013	13,210,000	2.000	0.75	56052AXC5
2014	13,210,000	2.000	1.00	56052AXD3

$68,500,000
General Obligation Bonds, 2011 Series B

Maturity (June 1)	Principal Amount	Interest Rate	Yield	CUSIP† No.
2012	$2,215,000	2.00%	0.25%	56052AWR3
2013	2,215,000	3.00	0.44	56052AWS1
2014	2,215,000	4.00	0.73	56052AWT9
2015	8,840,000	5.00	1.01	56052AWU6
2016	8,840,000	5.00	1.25	56052AWV4
2017	8,835,000	5.00	1.62	56052AWW2
2018	8,835,000	5.00	1.98	56052AWX0
2019	8,835,000	5.00	2.27	56052AWY8
2020	8,835,000	3.00	2.55	56052AWZ5
2021	8,835,000	5.00	2.70	56052AXA9

No dealer, broker, salesperson or other person has been authorized by the State to give any information or to make any representation, other than those contained in this Official Statement. If given or made, such other information or representation must not be relied upon as having been authorized by the State. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinions herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstance create any implication that there has been no change in the affairs of the State since the date hereof.

 CUSIP numbers have been assigned by an independent company not affiliated with the State and are included solely for the convenience of the holders of the Bonds. The State is not responsible for the selection or uses of the CUSIP numbers and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to change after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that may be applicable to all or a portion of certain maturities of the Bonds.

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Governor

Paul Richard LePage
State House
Augusta, Maine

Treasurer of State

Bruce L. Poliquin
39 State House Station
Augusta, Maine 04333

Commissioner of Administrative and Financial Services

H. Sawin Millett, Jr
State Offices
Augusta, Maine

Department of the Attorney General of the State of Maine

William J. Schneider, Attorney General of the State of Maine
William H. Laubenstein, III, Assistant Attorney General
State Offices
Augusta, Maine

Bond Counsel

Edwards Angell Palmer & Dodge LLP
Boston, Massachusetts

Financial Advisor

Public Financial Management, Inc.
Boston, Massachusetts

$108,135,000
STATE OF MAINE

GENERAL OBLIGATION BONDS

INTRODUCTION

This Official Statement, including the cover page hereof and the Appendices hereto, sets forth certain information in connection with the issuance by the State of Maine (the "State" or "Maine") of its $39,635,000 General Obligation Bonds, 2011 Series A (Federally Taxable) (the "Series A Bonds") and its $68,500,000 General Obligation Bonds, 2011 Series B (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds"). The Bonds are authorized by, and are being issued pursuant to, Article IX, Section 14, of the Constitution of the State and certain laws of the State which were ratified by voters of the State voting in elections thereon. See Appendix D hereto. The Bonds will be general obligations of the State.

DESCRIPTION OF THE BONDS

The Bonds will bear interest from the date of their delivery payable semiannually on June 1 and December 1 of each year, commencing December 1, 2011, until payment of the principal of the Bonds. Interest on the Bonds will be paid on the interest payment dates, and principal of the Bonds will be paid at maturity, to The Depository Trust Company, New York, New York ("DTC") or its nominee as registered owner of the Bonds. So long as DTC or its nominee is the registered owner of the Bonds, disbursement of such payments to DTC is the responsibility of the State, disbursement of such payments to the Direct Participants (as defined under the heading "The Depository Trust Company" below) is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (as defined under the heading "The Depository Trust Company" below) is the responsibility of the Direct Participants or Indirect Participants (as defined under the heading "The Depository Trust Company" below) as more fully described herein. See "The Depository Trust Company" below. The Bonds will bear interest at the rates and will mature on the dates and in the amounts set forth on the inside cover page hereof. Interest on the Bonds will be computed on the basis of a 30-day month and a 360-day year.

The Bonds are not subject to redemption prior to maturity.

The Bonds are general obligations of the State and the full faith and credit of the State are pledged to the punctual payment of principal of and interest on the Bonds.

Article V, Part Third, Section 5 of the Constitution of the State provides that **if sufficient funds are not appropriated to pay the principal of and interest on all bonded debt (including the Bonds), when due, then the Treasurer of State is obligated to set apart from the first General Fund revenues received an amount sufficient to make payment of principal of and interest on the Bonds as such principal and interest become due.**

The Bonds are being issued (i) to pay at maturity on June 15, 2011 the principal amount of certain bond anticipation notes issued by the State to finance certain capital expenditures of the State and (ii) to finance certain additional capital expenditures of the State. See Appendix D hereto.

INFORMATION CONCERNING THE STATE

Certain information regarding the State is included in Appendix A hereto. The State's audited financial statements for the fiscal year ended June 30, 2010 and certain other selected financial information pertaining to the State are included in Appendix B hereto. Certain information with respect to revenues of the State is included in Appendix C hereto. Certain information regarding authorized and outstanding debt of the State is included in Appendix D hereto. Certain information derived from actuarial valuation reports for the retirement programs administered by the Maine Public Employee Retirement System is included in Appendix E hereto. Selected economic information pertaining to the State is included in Appendix F hereto.

LITIGATION

There is no controversy or litigation of any nature now pending or, to the knowledge of the Department of the Attorney General, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds, or any law or other authorization with respect to the issuance or sale of the Bonds, or the payment of the Bonds, or the existence or powers of the State, or the title to their respective offices of the present officers of the State who are responsible for the issuance, sale, execution or delivery of the Bonds. See "Litigation" in Appendix A hereto.

TAX MATTERS

In the opinion of Edwards Angell Palmer & Dodge LLP, Bond Counsel to the State ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Series B Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other federal tax consequences arising with respect to the ownership or disposition of, or the accrual or receipt of interest on, the Series B Bonds.

The Code imposes various requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series B Bonds. Failure to comply with these requirements may result in interest on the Series B Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series B Bonds. The State has covenanted to comply with such requirements to ensure that interest on the Series B Bonds will not be included in federal gross income. The opinion of Bond Counsel assumes compliance with these covenants.

Interest on the Series A Bonds is included in gross income for federal income tax purposes.

Bond Counsel is also of the opinion that, under existing law, interest on the Bonds is excluded from gross income for Maine income tax purposes. Bond Counsel expresses no opinion regarding any other Maine tax consequences arising with respect to the Bonds. Bond Counsel has not opined as to the taxability of the Bonds or the income therefrom under the laws of any state other than Maine. Complete copies of the proposed forms of opinions of Bond Counsel with respect to the Bonds are set forth in Appendix G hereto.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes (only in the case of the Series B Bonds) and is exempt from Maine personal income taxes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Holders of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount greater than the stated principal amount to be paid at maturity of such Bonds, or, in some cases, at the earlier redemption date of such Bonds ("Premium Bonds"), will be treated as having amortizable bond premium for federal income tax purposes and Maine personal income tax purposes. No deduction is allowable for the amortizable bond premium in the case of obligations, such as the Premium Bonds that are Series B Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, a holder's basis in a Premium Bond will be reduced by the amount of amortizable bond premium properly allocable to such holder. Holders of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Series B Bonds may adversely affect the value of, or the tax status of interest on, the Series B Bonds. Further, no assurance can be given that pending or future legislation, including amendments to the Code, if enacted into law, or any proposed legislation, including amendments to the Code, or any future judicial, regulatory or administrative interpretation or development with respect to existing law, will not adversely affect the value of, or the tax status of interest on, the Series B Bonds. Prospective holders of the Series B Bonds are urged to consult their own tax advisors with respect to proposals to restructure the federal income tax.

Although Bond Counsel is of the opinion that interest on the Series B Bonds is excluded from gross income for federal income tax purposes and that interest on the Bonds is exempt from

Maine personal income taxes, the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may otherwise affect a holder's federal tax liability (in the case of the Series B Bonds) or state tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the holder or the holder's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences, and holders of the Bonds should consult with their own tax advisors with respect to such consequences.

DOCUMENTS ACCOMPANYING DELIVERY OF THE BONDS

Absence of Litigation

Upon delivery of the Bonds, the State will furnish an opinion of the Department of the Attorney General, dated the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the levy or collection of any taxes to pay principal of or interest on the Bonds. In addition, such opinion will state that, based on consultations with certain officers of the State, there is no litigation of any nature now pending or threatened by or against the State wherein an adverse judgment or ruling could have a material adverse effect on the financial condition of the State or adversely affect the power of the State to levy, collect or enforce the collection of taxes or other revenues for the payment of its Bonds which has not been disclosed in this Official Statement.

Treasurer's Certificate

Upon delivery of the Bonds, the State will furnish a certificate of the Treasurer of State, dated the date of delivery of the Bonds, to the effect that to the best of his knowledge this Official Statement does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made herein, in light of the circumstances under which they were made, not misleading.

Legal Opinions

The opinions of Edwards Angell Palmer & Dodge LLP (i) approving the authorization and issuance of the Bonds and (ii) with respect to the tax status of the Bonds will be delivered at the time of delivery of the Bonds in substantially the forms set forth in Appendix G to this Official Statement.

Secondary Market Disclosure

In connection with the issuance of the Bonds, the State will undertake in the Bonds to provide annual financial information and notices of certain events pursuant to Municipal Securities Disclosure Rule, 17 CFR §240.15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission. Such undertakings of the State are summarized in Appendix H hereto.

The State has never failed to comply in all material respects with any previous undertakings with respect to the Rule to provide annual financial information or notices of material events.

THE DEPOSITORY TRUST COMPANY

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series A Bond certificate will be issued in the aggregate principal amount of each maturity thereof and will be deposited with DTC. One fully-registered Series B Bond certificate will be issued in the aggregate principal amount of each maturity thereof and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions and defaults. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the State and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an omnibus proxy to the State as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal, interest and redemption payments, if any, on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the State on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, interest and redemption proceeds, if any, to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State, and disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the accuracy thereof.

THE STATE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DIRECT PARTICIPANTS, THE INDIRECT PARTICIPANTS, OR THE BENEFICIAL OWNERS OF THE BONDS. NO ASSURANCES CAN BE PROVIDED THAT IN THE EVENT OF BANKRUPTCY OR INSOLVENCY OF DTC OR A DIRECT PARTICIPANT OR INDIRECT PARTICIPANT THROUGH WHICH A BENEFICIAL OWNER HOLDS INTERESTS IN THE BONDS, PAYMENT WILL BE MADE BY DTC, THE DIRECT PARTICIPANT OR THE INDIRECT PARTICIPANT ON A TIMELY BASIS.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE HOLDER OF ALL OF THE BONDS, REFERENCES HEREIN TO THE OWNERS OR HOLDERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS. THEREFORE, ANY STATEMENTS IN THE OFFICIAL STATEMENT SUMMARIZING THE TERMS OF PAYMENT AND REDEMPTION OF THE BONDS, ANY REQUIREMENTS OF NOTICE TO HOLDERS OF THE BONDS AND ANY RIGHTS OF CONSENT OF THE HOLDERS OF THE BONDS SHALL APPLY TO CEDE & CO., AS HOLDER OF THE BONDS, AND NO REPRESENTATIONS ARE MADE IN RESPECT OF THE FOREGOING TO THE BENEFICIAL OWNERS OF THE BONDS.

RATINGS

Moody's Investors Service, Inc and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, have assigned their municipal bond ratings of "Aa2" with a "stable" outlook and "AA" with a "negative" outlook, respectively, to the Bonds. The State has furnished such rating agencies with certain information and materials concerning the Bonds and the State, some of which is not included in this Official Statement. Generally, each such rating agency bases its ratings on such information and materials and also on such investigations, studies and assumptions as each may undertake or establish independently.

The ratings are not a recommendation to buy, sell or hold the Bonds and each such rating should be evaluated independently and should not be relied on in making any investment decision. Such ratings reflect only the respective views of each rating agency, and an explanation of the significance of such ratings may be obtained from the rating agency furnishing the same. There is no assurance that a rating will continue for any given period of time or that a rating will not be revised or withdrawn entirely by any or all of such rating agencies if, in its or their judgment, circumstances so warrant. Any downward revision or withdrawal of a rating could have an adverse effect on the market prices of the Bonds.

COMPETITIVE SALE OF BONDS

The Bonds were offered for sale at competitive bidding on June 2, 2011, in accordance with the Notice of Sale dated May 26, 2011. BMO Capital Markets GKST Inc. ("BMO Capital Markets") was the successful bidder for the Series A Bonds. Information provided by BMO Capital Markets regarding the interest rates and reoffering yields of the Series A Bonds is set forth on the inside cover of this Official Statement. The Series A Bonds are being purchased from the State by BMO Capital Markets at an aggregate price of $40,424,878.42, reflecting the principal amount of $39,635,000.00, plus net original issue premium of $858,573.80, less underwriter's discount of $68,695.38. J.P. Morgan Securities LLC ("JPMorgan") was the successful bidder for the Series B Bonds. Information provided by JPMorgan regarding the interest rates and reoffering yields of the Series B Bonds is set forth on the inside cover of this Official Statement. The Series B Bonds are being purchased from the State by JPMorgan at an aggregate price of $78,953,052.35, reflecting the principal amount of $68,500,000.00, plus net original issue premium of $10,594,299.35, less underwriter's discount of $141,247.00.

FINANCIAL ADVISOR

Public Financial Management, Inc. ("PFM") has served as financial advisor to the State for the issuance of the Bonds. PFM is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in the Official Statement. PFM is an independent financial advisory firm and is not engaged in the business of underwriting, trading, or distributing securities or other public securities.

MISCELLANEOUS

Any provisions of the constitution of the State, of all laws and of other documents set forth or referred to in this Official Statement are only summarized, and such summaries do not purport to be complete statements of any of such provisions. Only the actual text of such provisions can be relied upon for completeness and accuracy.

This Official Statement, including all appendices hereto, contains certain forward-looking statements that are subject to a variety of risks and uncertainties that could cause actual results to differ from the projected results, including without limitation general economic and business conditions, conditions in the financial markets, the financial condition of the State and various state agencies and authorities, receipt of federal grants, litigation, arbitration, force majeure events and various other factors that are beyond the control of the State and its various agencies and authorities. Because of the inability to predict all factors that may affect future decisions, actions, events or financial circumstances, what actually happens may be different from what is set forth in such forward-looking statements. Forward-looking statements are indicated by use of such words as "may," "should," "intends," "expects," "believes," "anticipates," "estimates" and others.

All estimates and assumptions in this Official Statement have been made on the best information available and are believed to be reliable, but no representations whatsoever are made that such estimates and assumptions are correct. So far as any statements in this Official Statement involve any matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. The various tables may not add due to rounding of figures.

Neither the office of the State Auditor, nor any other independent accountants, have compiled, examined or performed any procedures with respect to any financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information.

The information, estimates and assumptions and expressions of opinion in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made pursuant to this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the State or its agencies, authorities or political subdivisions since the date of this Official Statement, except as expressly stated.

Questions regarding this Official Statement or requests for additional information concerning the State should be directed to Bruce L. Poliquin, Treasurer of State, 39 State House Station, Augusta, Maine 04333, telephone: 207-624-7477; facsimile: 207-287-2367.

STATE OF MAINE

By: /s/ Bruce L. Poliquin
Bruce L. Poliquin
Treasurer of State

Dated: June 2, 2011

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STATE OF MAINE
GENERAL OBLIGATION BONDS

APPENDIX A

State of Maine Information Statement

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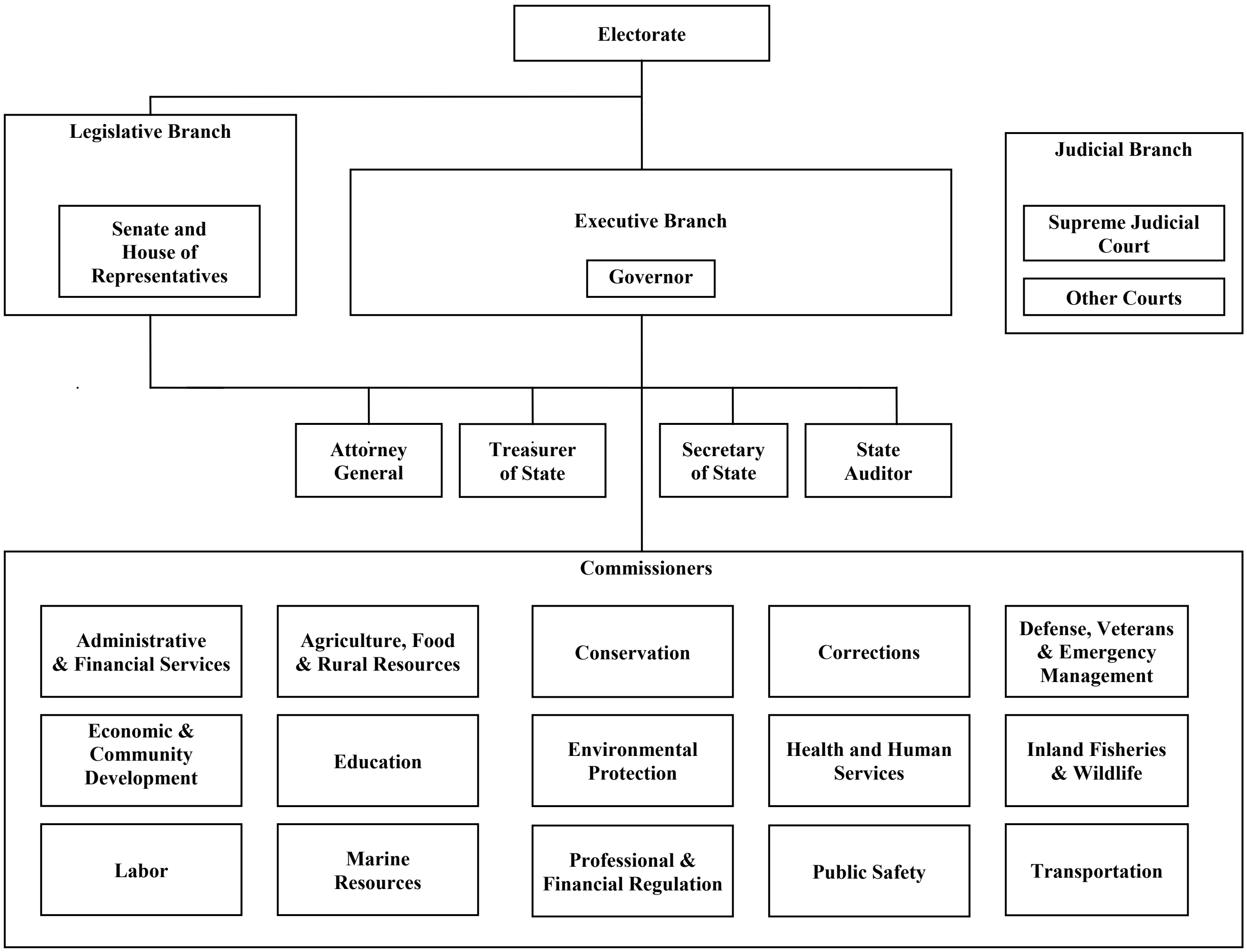
GOVERNMENTAL ORGANIZATION

The State of Maine (the "State" or "Maine") became the twenty-third of the United States in 1820. The government of the State is divided into three distinct branches, the legislative, executive and judicial, as outlined in the chart below.



Executive Branch

The Offices of Governor, Secretary of State, Treasurer of State and Attorney General are created by the Constitution of the State. The Governor is elected quadrennially at a general election and is limited to two consecutive four-year terms of office. The first term of the present Governor began in January 2011. The Secretary of State, Treasurer of State and Attorney General are each elected biennially by a joint ballot of the state Senators and Representatives in convention. A person may not serve more than four consecutive terms as either Secretary of State, Treasurer of State or Attorney General.

Governor. The executive power of the State, including the power to recommend measures to the Legislature, and the power to appoint, with the advice and consent of the Senate, certain officers of State government, is vested in the Governor. The Governor is responsible for the enforcement of the laws of the State.

Governor's Cabinet. The Governor's cabinet, which assists the Governor in administration and policymaking, includes the commissioners who head the 15 executive departments and who serve at the pleasure of the Governor.

Secretary of State. The Secretary of State, a constitutional officer, serves as executive head of the Department of the Secretary of State, and is authorized to keep his office at the seat of government, have the custody of the state seal and preserve all records in such office at the expense of the State; to keep and preserve the records of all the official acts and proceedings of the Governor, Senate and House of Representatives, and, when required, lay the same before either branch of the Legislature, and perform such other duties as are enjoined by the Constitution or required by law. The Secretary of State attends to the Governor, Senate and House of Representatives as they shall respectively require; appoints and renews all notaries public commissions; prepares commissions for appointees, justices of the peace, and certificates of election to office for presentation to the Governor under the seal of the State; distributes printed information and instructions, ballots and blanks for all election returns required by law to clerks of the several towns; files articles of incorporation; files notices of certain security interests and performs other receiving, filing and recording functions for which fees may be collected; files rules adopted pursuant to the Administrative Procedure Act; annually registers motor vehicles and issues licenses for operators thereof; issues certificates of title, licenses new and used car dealers; maintains official state records considered to be permanently valuable; administers the State's address confidentiality program; and supervises the Department's subdivisions as required by statute and recommends to the Legislature such changes as may be required to modernize and improve the functions and services rendered by the Department.

Treasurer of State. The Treasurer of State, a constitutional officer, is authorized to receive and keep records of all items of income accruing to the State; to deposit such items in banks, reconciling said balances and temporarily investing idle funds; to sell bonds and notes of the State as approved by law and keep records pertaining to such debt; to maintain monthly exhibits concerning these moneys; to enter into contracts or agreements with banks for custodial care and servicing of negotiable securities belonging to the State; and to establish accounts with such banks for servicing State agencies. The Treasurer of State also administers the Unclaimed Property Program. The Treasurer of State is an ex officio member of the boards of a number of authorities and bodies established by the State, including the Maine Municipal Bond Bank, the Maine Public Employees Retirement System, the Maine Health and Higher Educational Facilities Authority, the Maine Governmental Facilities Authority, the Maine State Housing Authority, the Finance Authority of Maine, the Maine Public Utility Financing Bank, the Adaptive Equipment Loan Board, the Northern Maine Transmission Corporation, the Dirigo Health Agency Board of Trustees, Maine Vaccine Board and the Maine Educational Loan Authority, and is Chair of the NextGen Investment Advisory Board.

The Treasurer of State is responsible daily for the investment of those funds not required to meet current expenditures. Daily deposits are placed in local depositories statewide, wired daily to a central working account and invested fully. All check disbursements are made by the Treasurer of State on warrants issued by the State Controller. Funds are disbursed on bank accounts established under competitive bidding. Funds are transferred from receipt accounts to disbursement accounts by wire as needed to meet balance requirements.

The Treasurer of State maintains a record of all receipts, disbursements and transfer activity and balances to the State Controller monthly. The Treasurer of State maintains the records of the investments of the State through the State investment pool. The investment pool comprises the entire cash availability of the State (all funds) as well as component units that elect to participate. Monthly transfers of earnings are made by the Treasurer of State to participating funds. The Treasurer of State compiles a listing of State investments held monthly.

When there is money in the State Treasury that is not needed to meet current obligations, the Treasurer of State may invest, with the concurrence of the State Controller or the Commissioner of Administrative and Financial Services and with the consent of the Governor, those amounts in bonds, notes, certificates of indebtedness or other obligations of the United States and its agencies and instrumentalities that mature not more than 36 months from the date of investment, or in repurchase agreements that mature within the succeeding 12 months that are secured by obligations of the United States and its agencies and instrumentalities, prime commercial paper, tax-exempt obligations and corporate bonds rated "AAA" that mature not more than 36 months from the date of investment, or banker's acceptances or so-called "no-load" shares of any investment company registered under applicable Federal law that complies with certain Federal guidelines and maintains a constant share price.

Attorney General. The Attorney General's primary responsibility is to protect public rights and preserve order through serving as the State's chief law officer and legal representative of the State. In this capacity, the Attorney General ensures enforcement of Maine laws through instituting, conducting, and maintaining such actions and proceedings as the public interest may require. No State agency may appear and advocate positions before a court without the approval of the Attorney General.

The Department of the Attorney General is authorized to (a) appear for the State, or any State agency or official, in all civil actions and proceedings in which the State is a party or interested, or in which the official acts of such officers are questioned in State or Federal courts or Federal agencies; (b) control and direct the investigation and prosecution of homicides and other major crimes, including frauds against the State; (c) render all legal services required by State officers, boards and commissions in matters relating to their official duties; (d) issue written opinions upon questions of law submitted by the Governor, the head of any State department or agency, or by either branch of the Legislature or any member of the Legislature on legislative matters; (e) enforce due application of funds given or appropriated to public trusts and charities within the State and prevent breaches of trust in the administration thereof; (f) consult with and advise the District Attorneys in matters relating to their duties, and, in the discretion of the Attorney General, act in place of or with them in instituting and conducting prosecutions for crime; and (g) administer and enforce the State unfair trade practices and antitrust laws.

Beyond the general purposes discussed above, the Attorney General has a wide range of duties which the office is specifically directed to perform. Those duties include a review and approval as to form and legality of all regulations of State agencies subject to the Administrative Procedure Act. Among other specific statutory functions, the Attorney General must also review and approve write-offs of debts owed to the State, enforce standards of conduct of the legal profession and participate in making investment decisions regarding the State trust funds.

The Legislature

The legislative power of the State is vested in a Senate and a House of Representatives (collectively, the "Legislature"), each of which has a negative on the other. The Senate consists of 35 members and the House of Representatives consists of 151 members, all of whom are elected for two-year terms from single-member districts. A person may not serve more than four consecutive terms as either a senator or a representative.

The Legislature is organized into 16 Joint Standing Committees, each comprised of 3 Senators and 10 Representatives. Current Joint Standing Committees are: Agriculture, Conservation and Forestry; Appropriations and Financial Affairs; Labor, Commerce, Research and Economic Development; Criminal Justice and Public Safety; Education and Cultural Affairs; Health and Human Services; Inland Fisheries and Wildlife; Insurance and Financial Services; Judiciary; Legal and Veterans

Affairs; Marine Resources; Natural Resources; State and Local Government; Taxation; Transportation; and Utilities and Energy. From time to time, the Legislature has established joint select committees on such matters as property tax reform, health care reform, research and development, corrections, Indian affairs and rules.

The Legislature of the State convenes in even-numbered years on the first Wednesday of December following the general election in what is designated the first regular session of the Legislature and also convenes on the first Wednesday after the first Tuesday of January in the subsequent even-numbered year in what is designated the second regular session of the Legislature. The business of the second regular session of the Legislature is limited to budgetary matters, legislation in the Governor's call, legislation of an emergency nature admitted by the Legislature, legislation referred to committees for study and report by the Legislature in the first regular session and legislation presented to the Legislature by written petition of the voters pursuant to the Constitution of the State. The Legislature may convene at such other times in special session on the call of the President of the Senate and the Speaker of the House, with the consent of the majority of the members of the Legislature of each political party, all members of the Legislature having first been polled. The Governor may, on extraordinary occasions, also convene special sessions of the Legislature.

The Constitution requires the Legislature to enact appropriate statutory limits on the length of the first and second regular sessions. Under the statute currently in effect, the first regular session of the Legislature adjourns no later than the third Wednesday in June and the second regular session of the Legislature adjourns no later than the third Wednesday in April. The Legislature, in the case of emergency, may by a vote of two-thirds of the members of each of the Senate and House of Representatives present and voting, extend the date for adjournment by no more than five legislative days, and, in the case of further emergency, further extend the date for adjournment by five additional legislative days. The times for adjournment for the first and second regular sessions may also be extended for one additional legislative day for the purpose of considering any veto by the Governor of any bill or resolution passed by the Legislature.

The Legislature, with certain exceptions, is authorized to make and establish all reasonable laws and regulations for the defense and benefit of the people of the State, not repugnant to the Constitution of the State, nor to that of the United States. Legislation enacted by the Legislature may be vetoed by the Governor. The Governor's veto may be overridden by the subsequent vote of at least two-thirds of each of the House of Representatives and the Senate. The Governor also has "line-item" veto power to decrease appropriations or allocations and to increase deappropriations or deallocations within one day after the Governor receives legislation for approval. The Governor's "line-item" veto may be overridden by the subsequent vote of at least a majority of each of the House of Representatives and the Senate. Legislation does not become effective until 90 days after the recess of the session of the Legislature in which it was passed, unless in case of emergency the Legislature shall, by a vote of two-thirds of all the members elected to each of the House of Representatives and the Senate, otherwise direct.

The Constitution of the State provides that, upon written petition by voters equal to not less than 10% of the total vote cast in the last gubernatorial election preceding such petition and filed on or before the ninetieth day after recess of the Legislature requesting that legislation passed by the Legislature but not then in effect be submitted to referendum for ratification by a majority of those voting thereon, such legislation does not take effect, if at all, until thirty days after the Governor has announced that such legislation has been ratified by the voters. Any such ratification vote would take place at the next statewide or general election, not less than 60 days after the Governor has proclaimed that sufficient signatures have been submitted.

The Constitution of the State provides that, by written petition, voters equal to not less than 10% of the total vote cast in the last gubernatorial election preceding such petition and filed before a regular session of the Legislature may propose legislation to the Legislature for its consideration. The legislation, unless adopted by the Legislature without change, must be submitted to referendum in the next November after the Legislature recesses.

Pursuant to the Constitution of the State, legislative enactments, including bills, orders or resolutions, may originate in either the Senate or the House of Representatives, and may be altered, amended, or rejected in the other, but all bills for raising a revenue shall originate in the House of Representatives, but the Senate may propose amendments as in other cases, provided that the Senate shall not, under color of amendment, introduce any new matter which does not relate to raising a revenue.

The Judiciary

The judicial power of the State is vested in the Supreme Judicial Court and such other courts as the Legislature may establish. The Legislature has established the Superior Court and the District Court. The courts are administered by the Administrative Office of the Courts under the direction of the State Court Administrator, who is appointed by and serves at the pleasure of the Chief Justice. In addition, the Constitution of the State provides for probate courts in each of the 16 counties of the State.

The Supreme Judicial Court is the highest court in Maine, and as the Law Court is the court of final appeal. It consists of the Chief Justice and six Associate Justices, each of whom is appointed by the Governor with the consent of the Legislature for a seven-year term.

The Superior Court and the District Court are both trial courts of limited, complimentary jurisdiction. The Superior Court offers jury trials and the District Court does not. The Superior Court consists of a Chief Justice and 16 justices, who are appointed by the Governor with the consent of the Legislature for a seven-year term. The Superior Court holds sessions in each of the 16 counties.

The District Court consists of a Chief Judge, a Deputy Chief Judge and 34 judges, each of whom is appointed by the Governor with the consent of the Legislature for a seven-year term. There are 13 districts and several divisions of the court.

Independent Authorities and Agencies

The State has established several independent authorities and agencies, the budgets of which are not included in the annual budget of the State. Certain of these authorities and agencies receive appropriations from the State from time-to-time. Certain of these authorities and agencies are authorized by the statutes creating such authorities and agencies to issue bonds and to undertake financial obligations, payment of which are secured in part by special reserve funds ("Capital Reserves") to which the State may appropriate funds in order to maintain the Capital Reserves at amounts determined by such statutes or by such authorities and agencies (a "Capital Reserve Provision"). While the bonds and obligations of such authorities and agencies and the Capital Reserve Provisions do not constitute legally enforceable obligations of the State or create any debt on behalf of the State, the Constitution of the State does not prohibit future Legislatures from appropriating sums requested by any such authority or agency in compliance with its Capital Reserve Provision. Certain of these authorities and agencies have been authorized by statute to insure or guarantee repayment of certain loans and bonds. See "Fiscal Management - Constitutional Debt Limit" and "Certain Public Instrumentalities" herein.

County and Municipal Government

The State is divided into 16 county governments responsible for various functions, including the operation of county jails and registries of probate and deeds. Each county government assesses the costs of its operations upon the cities, towns and Unorganized Territories located within the county. A law which took effect in 2008 modified the responsibility of county governments to operate county jails. That law was intended to produce savings in State General Fund expenditures for county jail operations in future fiscal years and also established a State board of corrections, the purpose of which is to develop and implement a unified State and county correctional system.

The State is further divided into 22 cities, 434 towns, and 36 plantations which exercise the functions of municipal government, including the provision of elementary and secondary education. There are also a number of unorganized townships and coastal and inland islands and three Indian Reservations. Cities are governed by several variations of the mayor and council form of government. In most towns, executive power has been placed in a board of three, five, or seven selectmen, elected to terms of from one to three years and legislative power has been retained by the voters themselves, who assemble in periodic open town meetings. There are various regional districts for school, water supply, solid waste, wastewater disposal and other purposes.

Municipal revenues consist of property taxes, local aid (including State subsidies for education and revenue sharing), local receipts (including motor vehicle and watercraft excise taxes, fines, license and permit fees, charges for local services and investment income) and other sources.

FISCAL MANAGEMENT

Department of Administrative and Financial Services

The Department of Administrative and Financial Services, under the supervision and control of the Commissioner of Administrative and Financial Services, is the principal fiscal department of State government. The Commissioner of Administrative and Financial Services has certain duties and authorities, including serving as the Governor's principal fiscal aide, coordinating financial planning and programming activities of the State government for review and action by the Governor, preparing and reporting to the Governor and the Legislature such financial data or statistics as may be required or requested by them, planning with respect to the fiscal needs of State government and ensuring that all publications stating the salary of a State employee also state the value of the employee's fringe benefits. The Department of Administrative and Financial Services includes the Bureau of the Budget, headed by the State budget officer, the Office of the State Controller and the Bureau of Maine Revenue Services, headed by the State tax assessor.

Constitutional Debt Limit

Article IX, Section 14, of the Constitution of the State provides that the Legislature shall not at any time create any debt or debts, liability or liabilities, on behalf of the State, which shall singly, or in the aggregate, with previous debts and liabilities incurred, exceed $2,000,000, (i) except to suppress insurrection, to repel invasion, or for purposes of war; (ii) except for temporary loans to be paid out of money raised by taxation during the fiscal year in which they are made; and (iii) excepting also that whenever two-thirds of both the Senate and the House of Representatives 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 at such times and in such amounts and for such purposes as may be approved by such action. The issuance of the Bonds described in this Official Statement is authorized pursuant to certain enactments which have been ratified by a majority of the voters at various elections. See Appendix D, "Selected Information Regarding Authorized and

Outstanding Debt of the State - Authorized Expenditures," herein. 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 ten 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 one percent of the total valuation of the State, whichever is the lesser.

The Constitution also allows the Legislature to authorize the issuance of bonds (i) in the amount of up to $4,000,000 to guarantee student loans; (ii) to insure payments on up to $4,000,000 of mortgage loans for war veterans; and (iii) to insure payments on up to $90,000,000 of mortgage loans for industrial, manufacturing, fishing agricultural and recreational enterprises. The Finance Authority of Maine is authorized to guarantee student loans and to insure payments on certain mortgage loans. See "Certain Public Instrumentalities – Finance Authority of Maine" herein. The Constitution also allows the Legislature to authorize the issuance of bonds to insure payments on up to $1,000,000 of mortgage loans for Indian housing. The Maine State Housing Authority is authorized to insure payments on mortgage loans for Indian housing. See "Certain Public Instrumentalities – Maine State Housing Authority" herein. Although the Constitution also allows the Legislature to authorize the issuance of bonds to insure the payment of revenue bonds of the Maine School Building Authority on school projects not exceeding $6,000,000, the statutory authorization for insurance of Maine School Building Authority revenue bonds has been repealed. No bonds are outstanding pursuant to any of the authorizations described in this paragraph.

Overview of the Budget Process

The budget of the State government must present a complete financial plan for each fiscal year of the ensuing period of two fiscal years, commencing July 1 in odd-numbered years. The budget must set forth all proposed expenditures for the administration, operation and maintenance of the departments and agencies of 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 of such two-year period. In addition, the budget must set forth the anticipated revenues of the State government and any other means of financing expenditures proposed for each fiscal year of such two-year period.

The State budget consists of a budget message by the Governor (or the Governor-elect) that outlines the financial policy of the State government for the ensuing period of four fiscal years, describing in connection therewith the important features of the financial plan. The Governor's budget overview must also lay out a vision for the State's long-range financial plan and describe how the proposed budget complements that longer vision, which includes the upcoming biennium and the two succeeding biennia.

The budget includes a general budget summary setting forth the aggregate figures of the budget showing the balance between total proposed expenditures and total anticipated revenues, together with other means of financing the budget for each fiscal year of the ensuing two fiscal years, contrasted with the corresponding figures for the last completed fiscal year and the fiscal year in progress. For information regarding the revenue projection process, see "Fiscal Management – Revenue Forecasting" below. The budget specifically describes the estimated loss in revenue during the last completed fiscal year and the fiscal year in progress and the anticipated loss in revenue for each fiscal year of such two-year period caused by tax expenditures provided by law. The general budget summary must be supported by explanatory schedules or statements, classifying the expenditures contained therein by organization units, objects and funds, and the income by organization units, sources and funds. The budget also includes statements of the bonded indebtedness of the State government showing the debt redemption requirements, the debt authorized and unissued, and the condition of the sinking funds.

Pursuant to Public Laws of Maine 2005, chapter 2 ("2005 Chapter 2"), the total General Fund appropriation for each of the two fiscal years in the biennial budget may not exceed the General Fund appropriation limit established by law, except as otherwise provided by law. See "Fiscal Management – General Fund Appropriation Limit." 2005 Chapter 2 became effective for fiscal biennia of the State beginning July 1, 2005 and is subject to modification or repeal at any time by the Legislature.

On or before September 1 of even-numbered years, all departments and other agencies of the State government and corporations and associations receiving or desiring to receive State funds must prepare and submit to the State budget officer estimates of their expenditure and appropriation requirements for each fiscal year of the ensuing two-year fiscal period contrasted with the corresponding figures of the last completed fiscal year and the estimated figures for the fiscal year in progress. The growth in the State's General Fund appropriations is limited by law to the ten-year average annual growth in real personal income (not to exceed 2.75%) plus the ten-year average in population growth. State general purpose aid for kindergarten to grade 12 education ("GPA") is excluded from the General Fund appropriation limit until such time as the State's share of education funding reaches 55% of total state and local education funding. See "Fiscal Management – General Fund Appropriation Limit" and "State Budgets" below.

The Governor (or the Governor-elect), with the assistance of the State budget officer, reviews the budget estimates and may alter, revise, increase or decrease the items of the estimates as may be deemed necessary in view of the needs of the various departments and agencies and the total anticipated income of the State government during the ensuing two-year fiscal period. The State budget officer, at the direction of the Governor (or the Governor-elect), then prepares a State budget in the form required by law. The Governor must transmit the budget to the Legislature not later than the Friday following the first Monday in January of odd-numbered years. A Governor-elect to his first term of office must transmit the State budget to the Legislature not later than the Friday following the first Monday in February in odd-numbered years.

Not later than June 1 of each year, the head of each department and agency of State government must submit to the State Bureau of the Budget a work program for the ensuing fiscal year. Such work program must include all appropriations, revenues, transfers and other funds made available to that department or agency for its operation and maintenance and for the acquisition of property, and must show the requested allotments of said sums by quarters for the entire fiscal year, classified to show allotments requested for specific amounts for personal services, capital expenditures and amounts for all other departmental expenses. The Governor, with the assistance of the State budget officer, reviews the requested allotments with respect to the work program of each department or agency and may revise, alter or change its allotments before approving the same. The aggregate of such allotments may not exceed the total sums made available to each department or agency for the fiscal year in question. The State budget officer transmits a copy of the allotments as approved by the Governor to the head of the department or agency concerned and also a copy to the State Controller. The State Controller authorizes all expenditures to be made from the sums available on the basis of such allotments and not otherwise. Thereafter, the head of any department or agency of the State government may request, and the Governor may approve, revisions of the allotments for the remaining quarters of a fiscal year.

Whenever it appears to the Commissioner of Administrative and Financial Services that the anticipated revenue and other available funds of the State will not be sufficient to meet the expenditures authorized by the Legislature, the Commissioner so reports in writing to the Governor and to certain officers of the Legislature. After receiving the report, the Governor may temporarily curtail allotments equitably so that expenditures will not exceed the anticipated income and other available funds. The Governor, upon the curtailment of any allotment, notifies certain officers of the Legislature of the specific allotments curtailed, the extent of curtailment of each allotment and the effect of each curtailment on the objects and purposes of the program so affected.

No State department or agency may make expenditures of any Federal funds or expenditures in anticipation of receipt of Federal funds for any new or expanded programs, unless such Federal funds are approved by the Legislature. The Governor may authorize the expenditure of such Federal funds for a period not to exceed twelve calendar months and shall notify the Office of Fiscal and Program Review of the Legislature of such action.

Revenue Forecasting

Statutory Responsibilities. A Revenue Forecasting Committee is responsible for providing the Governor, the Legislature and the State budget officer with analyses, findings and recommendations relating to the projection of revenues for the General Fund and the Highway Fund based on economic assumptions recommended by the Consensus Economic Forecasting Commission. The Revenue Forecasting Committee includes the State budget officer, the State tax assessor, the State economist, an economist on the faculty of the University Maine System selected by the chancellor, the Director of the Office of Fiscal and Program Review of the Legislature and another member of the Legislature's nonpartisan staff familiar with revenue estimating issues appointed by the Legislative Council. The Revenue Forecasting Committee meets at least four times a year.

The Revenue Forecasting Committee develops current fiscal biennium and two ensuing fiscal biennia revenue projections using the economic assumptions recommended by the Consensus Economic Forecasting Commission. The Revenue Forecasting Committee submits recommendations for State revenue projections for the next two fiscal biennia and analyzes revenue projections for the current fiscal biennium. No later than December 1 of each even-numbered year, the Revenue Forecasting Committee submits to the Governor, certain members of the Legislature and the State budget officer analyses, findings and recommendations for General Fund and Highway Fund revenue projections for the next two fiscal biennia. No later than May 1 and December 1 of each odd-numbered year and no later than March 1 and December 1 of each even-numbered year, the Revenue Forecasting Committee submits to the Governor, certain members of the Legislature and the State budget officer analyses, findings and recommendations for adjustments to General Fund and Highway Fund revenue for the current and ensuing fiscal biennia.

The Revenue Forecasting Committee makes all determinations necessary to calculate the General Fund appropriation limit established by law. See "Fiscal Management – General Fund Appropriation Limit."

The State budget officer uses the revenue projections of the Revenue Forecasting Committee in setting revenue estimates for inclusion in the State budget and in preparing General Fund and Highway Fund revenue and expenditure forecasts for the budget.

The Consensus Economic Forecasting Commission is responsible for providing the Governor, the Legislature and the Revenue Forecasting Committee with analyses, findings and recommendations representing State economic assumptions relevant to revenue forecasting. The Consensus Economic Forecasting Commission consists of five members appointed by the Governor as provided by law. Each Consensus Economic Forecasting Commission member must have professional credentials and demonstrated expertise in economic forecasting. The Consensus Economic Forecasting Commission meets at least four times a year.

The Consensus Economic Forecasting Commission develops five-year and ten-year macroeconomic secular trend forecasts and one-year, two-year and four-year economic forecasts. The Consensus Economic Forecasting Commission submits recommendations for State economic assumptions for the next fiscal biennium and analyzes economic assumptions for the current fiscal biennium. No later than November 1 of each even-numbered year, the Commission submits to the

Governor, the Revenue Forecasting Committee and certain members of the Legislature analyses, findings and recommendations for economic assumptions related to revenue forecasting for the next fiscal biennium. No later than April 1 and November 1 of each odd-numbered year and no later than February 1 and November 1 of each even-numbered year, the Commission submits to the Governor, the Revenue Forecasting Committee and certain members of the Legislature the Commission's findings and recommendations for adjustments to the economic assumptions for the current fiscal biennium.

Fiscal Year 2011 Reports. The Consensus Economic Forecasting Commission issued its report dated April 1, 2011 which updated the forecast it released in November 2010 and made a number of adjustments. As a result of the recent increase in oil prices, the tsunami in Japan and other events the Commission chose the most conservative of the forecast scenarios. As a result, the April 2011 forecast reflects slight improvements in fiscal year 2011 with a somewhat more robust recovery beginning in fiscal year 2012. The November 2010 forecast projected fiscal year employment losses to reach 8.3% in 2010 but the actual state unemployment rate was 7.9% and it is expected to continue a gradual decline though the forecast period, reaching 5.7% in 2015. The personal income forecast was revised upward for fiscal year 2011 (from 3.0% growth to 4.6%) but weak employment growth in fiscal year 2011 and the expiration of Social Security Tax cuts in fiscal year 2012 is expected to reduce growth to 2.9% in fiscal year 2012. The forecast projects annual personal income growth of 4.0% from fiscal year 2013 through fiscal year 2015.

The forecast for wage and salary income growth (a sub-set of personal income growth) was revised upwards for fiscal year 2011 (from 3.4% to 4.0%) to reflect somewhat improved employment conditions. Wages were revised downward for fiscal year 2012-2015 and are projected to grow at a decreasing rate to an estimated 3.5% growth in 2015. The forecast for other labor income was revised upwards slightly in fiscal year 2011 (from 3.2% to 3.3%) and reflects a downward revision for each of the remaining years. Non-farm proprietors' income for fiscal year 2011 was revised slightly upwards (from 5.8% to 6.1%). Most of the remaining years were revised downwards, with fiscal year 2014 left unchanged at 4.0%. The forecast for dividends, interest and rent was revised significantly upwards for fiscal year 2011 (from 1.2% to 4.3%) and is expected to continue to grow each year to 6.2% in fiscal year 2015.

The Commission revised inflation upwards for fiscal year 2011 (from 1.5% to 2.5%) based on higher energy prices. The forecasts for fiscal year 2012 and fiscal year 2013 were revised downwards while fiscal year 2014 was left unchanged and fiscal year 2015 revised downwards only slightly (from 2.2% to 2.1%).

The Revenue Forecasting Committee met in late April 2011 to review its November 2010 report. The April forecast adjusted General Fund revenue estimates upwards by $12.1 million in fiscal year 2011 and downwards by $47 million for the 2012-2013 biennium for a net downward projection of $34.9 million. The revenue forecasting update recognized effects of slower growth assumptions in the economic forecast than previously expected.

The forecast projected individual income tax increases of $27.3 million in fiscal year 2011 and $7.4 million in fiscal year 2012 as a result of stronger than previously projected growth followed by a decrease of $14.3 million in fiscal year 2013. For preliminary, unaudited tax receipts for fiscal year 2011, see "Revenues of the State - General" and Appendix C herein.

The forecast projected increases in sales and use tax revenues of $9.3 million in fiscal year 2011, $10.2 million in fiscal year 2012 and $4.3 million in fiscal year 2013. The increases are driven by changes in the economic assumptions used in the sales tax model. Individuals are now projected to save less and spend more of their income than was assumed in the prior forecast.

Corporate income tax revenue was projected downward from the November 2010 forecast by $7.3 million in fiscal year 2011, $12.3 million in fiscal year 2012 and $21.6 million in fiscal year 2013. These changes are due to the issuance of $7.3 million in refunds by the end of fiscal year 2011 resulting from corporate income tax audits, an expected reduction in the retail activities of a major corporate filer and an assumption of flat or declining profits in fiscal years 2011 and 2012.

For a description of enacted and proposed laws amending the budgets for fiscal years 2011, 2012 and 2013 and for information regarding fiscal year 2011 revenues, see "State Budgets" below.

General Fund Appropriation Limit

Pursuant to 2005 Chapter 2, the rate of growth of General Fund appropriations in a fiscal year is limited in one of two ways (the "Growth Limit Factor"). For fiscal years when the "state and local tax burden" of the State ranks in the highest one-third of all states, the Growth Limit Factor is "average real personal income growth," but no more than 2.75%, plus "average population growth." For fiscal years when the "state and local tax burden" of the State ranks in the middle one-third of all states, the Growth Limit Factor is "average real personal income growth" plus "forecasted inflation" plus "average population growth."

"Average population growth" means the average for the prior ten calendar years of the percent change in population from July 1 of each year. "Average real personal income growth" means the average for the prior ten calendar years of the percent change in personal income in the State less the percent change in the consumer price index for the calendar year. "Forecasted inflation" means the average amount of change of the consumer price index for the calendar years that are part of the ensuing two fiscal years forecasted by the Consensus Economic Forecasting Commission in its November 1 report in even-numbered years. "State and local tax burden" means the total amount of state and local taxes paid by residents of the State per $1,000 of income.

As of December 1 of each even-numbered year, a General Fund appropriation limit is established for the ensuing two fiscal years. For the first fiscal year, the General Fund appropriation limit is equal to the "biennial base year appropriation" multiplied by one plus the Growth Limit Factor. For the second fiscal year, the General Fund appropriation limit is the General Fund appropriation limit of the first year multiplied by one plus the Growth Limit Factor. "Biennial base year appropriation" means the amount of the General Fund appropriation limit for the current year as of December 1 of even-numbered years.

The General Fund appropriation limit applies to all General Fund appropriations, except certain education costs described in the following paragraph. The General Fund appropriation limit is approximately $3.4 billion for fiscal year 2011, $3.5 billion for fiscal year 2012 and is approximately $3.5 billion for fiscal year 2013. The Growth Limit Factor for fiscal year 2011 is 2.76%. The Growth Limit Factor for the 2012-2013 biennium is 2.05%.

2005 Chapter 2 provides that the additional cost for certain essential educational programs and services ("Essential Programs and Services") for kindergarten to grade 12 education ("K-12 Education") over the fiscal year 2004-05 appropriation for general purpose aid for local schools is excluded from the General Fund appropriation limit until the State share of that cost reaches 55% of the total State and local cost (the "EPS Costs"). Current law provides that the State will pay 55% of the total State and local cost of K-12 Education for fiscal year 2012 and that the General Fund appropriation limit will include the State share of the cost of K-12 Education beginning with fiscal year 2013. The Governor's proposed budget delays the attainment of the 55% share goal until the 2014-2015 biennium due to current budget constraints. See "Certain Expenditures and Obligations - Education Funding" herein.

The General Fund appropriation limit may be exceeded for certain extraordinary circumstances which must be outside the control of the Legislature, including (a) catastrophic events, such as natural disaster, terrorism, fire, war and riot, (b) unfunded or underfunded State or Federal mandates, (c) citizens' initiatives or other referendum, (d) court orders or decrees or (e) loss of Federal funding. Extraordinary circumstances do not include changes in economic conditions, revenue shortfalls, increases in salaries or benefits, new programs or program expansions that go beyond existing program criteria and operation. The General Fund appropriation limit may be temporarily increased for such other purposes only by a vote of both Houses of the Legislature in a separate measure that identifies the intent of the Legislature to exceed the General Fund appropriation limit. 2005 Chapter 2 is also subject to modification or repeal at any time by the Legislature.

"Baseline General Fund revenue" and other available budgeted General Fund resources that exceed the General Fund appropriation limit plus the EPS Costs must be transferred to the Maine Budget Stabilization Fund (the "Stabilization Fund"). If the Stabilization Fund is at its limit of 12% of General Fund revenue of the immediately preceding fiscal year, then amounts that would otherwise have been transferred to the Stabilization Fund must be transferred to the Tax Relief Fund for Maine residents. "Baseline General Fund revenue" means the recommended General Fund revenue forecast reported by the Revenue Forecasting Committee in its December 1 report in even-numbered years, increased by the estimated amount of net General Fund revenue decrease, if any, for all enacted changes reducing the state and local tax burden included in that forecast.

Public Laws of Maine 2005, chapter 519 ("2005 Chapter 519") changed the priority order of distributions from the unappropriated surplus of the General Fund. It directs transfers to the State Contingent Account as the first priority (until the balance therein equals a maximum amount of $350,000) and permits transfers to the Loan Insurance Reserve as the second priority in amounts up to $1,000,000 per year. After these transfers are made, the then available balance of unappropriated surplus is distributed as follows: 35% to the Stabilization Fund; 20% to the Reserve for General Fund Operating Capital; 20% to the Retirement Allowance Fund; 15% to the Retiree Health Insurance Internal Service Fund; and the final 10% to the Capital Construction and Improvements Reserve Fund.

Public Laws of Maine 2011, chapter 1 ("2011 Chapter 1") requires the transfer of $3,199,702 from the fiscal year 2010 unappropriated surplus of the General Fund to the Stabilization Fund no later than June 30, 2011. Public Laws of Maine 2011, chapter 28 ("2011 Chapter 28") changed the priority order of distribution for fiscal year 2011 and directed the transfer of up to $25 million as the first priority following the transfers to the Governor's Contingent Account and the Loan Insurance Reserve and before the 35% transfer to the Stabilization Fund.

The State closed fiscal year 2010 with approximately $70.4 million available in General Fund unappropriated surplus before the year end transfers. The total transfer to the Stabilization Fund was $25.2 million and the Reserve for General Fund Operating Capital received $11.2 million. The remainder of the year end balance was distributed as follows: $11.2 million to the Retirement Allowance Fund, $8.4 million to the Retiree Health Fund, $5.6 million to the Capital Construction and Improvement Reserve Fund, $1 million to Loan Insurance Reserve Fund and $350 thousand to the Governor's Contingent Account. Additionally, $7 million was transferred to the Department of Transportation Railroad Assistance Program. This final amount was intended to be transferred to the Stabilization Fund but the language in the public law was not corrected before passage. 2011 Chapter 1 returned the $7 million that was transferred to the Department of Transportation to the unappropriated surplus of the General Fund through a deappropriation of the same amount.

As of May 12, 2011, the approximate balances in the Stabilization Fund and the Reserve for General Fund Operating Capital are $25.4 million and $11.2 million, respectively. The Retirement Allowance Fund is used to make supplemental payments, if any, to reduce the State's unfunded pension liability and, therefore, does not carry a balance forward from year to year. As of May 12, 2011, the balances in the Retiree Health Insurance Internal Service Fund and the Capital Construction and Improvements Reserve Fund were $34.3 million and $6.1 million, respectively.

Citizen Initiative Petitions

Pursuant to the Constitution of the State an initiative petition of citizens of the State was presented to the Legislature in 2010. Since the Legislature did not pass this initiative, it was placed before the voters of the State at the statewide election on November 2, 2010 for a decision on whether to enact the initiated legislation. The question that was posed to the voters was, "Do you want to allow casino gambling in Maine at a single site in Oxford County, subject to local approval, with part of the profits going to specific state, local and tribal programs?" This initiative was passed by voters. As of the date hereof, the State estimates that there will be no material negative impact on State revenues as a result of this initiative.

The Secretary of State has certified two initiatives for the Legislature to consider this session. They are: "An Act Regarding Establishing a Slot Machine Facility" and "An Act To Amend the Laws Governing the Deadline and Conditions for Municipal Approval of a Second Racino and To Allow a Tribal Racino in Washington County". If the Legislature does not pass these initiatives, they will appear on the ballot in November. As of the date hereof, the State estimates that, whether or not these initiatives are approved, there will be no material adverse effect on State revenues.

The Accounting System

The Department of Administrative and Financial Services, through the Office of the State Controller, is authorized to maintain an official system of general accounts (unless otherwise provided by law) embracing all the financial transactions of the State; to examine and approve all contracts, orders and other documents to ascertain that moneys have been duly appropriated and allotted to meet such obligations and will be available when such obligations will become due and payable; to audit and approve bills, invoices, accounts, payrolls and all other evidence of claims, demands or charges against the State government (State government is defined to include the Judiciary and the Executive Department of the Governor); to implement internal control standards applicable to State agencies and departments; and to exercise certain other rights, powers and duties as more fully prescribed by law.

The principal Funds established by the State for budgetary accounting purposes are the Governmental Funds (which include the General Fund, the Special Revenue Funds and the Capital Projects Funds), the Proprietary Funds (which include the Enterprise Funds and the Internal Service Funds) and the Fiduciary Funds (which include the Trust and Agency Funds). The Funds are used as follows:

The Governmental Funds account for the general governmental activities of the State. The **General Fund** is used to account for all governmental transactions that are not accounted for in another fund. Sales tax, individual and corporate income taxes and other business taxes provide most of the funds available for appropriation by the Legislature for general governmental operations, such as education, human services, corrections, the judiciary and the Legislature. The General Fund is the State's major operating fund.

The **Special Revenue Funds** account for specific revenue sources, other than expendable trusts or major capital projects, that are legally restricted to expenditures for specified purposes. The Special Revenue Funds include the following:

The **Highway Fund** is used to account for revenues derived from registration of motor vehicles, operators' licenses, gasoline tax and other dedicated revenues, except for Federal matching funds and bond proceeds used for capital projects. The Legislature allocates this Fund for the operation of various Department of Transportation programs, including construction and maintenance of highways and bridges, for a portion of the State Police administration and for other State programs.

The **Other Special Revenue Funds** are used to account for various special purpose funds which have been established on a self-supporting basis. Revenues are generated by taxes, licenses, fees and Federal matching funds and grants.

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

The Proprietary Funds account for the State's ongoing activities that are similar to those found in the private sector. The **Enterprise Funds** account for transactions related to resources received and used to finance self-supporting activities of the State. The costs of providing goods and services to the general public on a continuing basis, including depreciation, are financed or recovered primarily through user charges.

The **Internal Service Funds** account for the financing and sale of goods or services between agencies of the State or other governmental units on a user charge basis.

The Fiduciary Funds account for assets held by the State acting as either a trustee or an agent for individuals, private organizations and other governmental units or other Funds. The **Expendable Trust Funds** account for assets held in a trustee capacity where principal and income may be expended for the funds' designated operations. The **Nonexpendable Trust Funds** account for assets held in a trustee capacity where only income may be expended for the funds' designated operations. **Agency Funds** account for assets which the State, as custodian, holds for others.

In addition, the State has established the **General Long-Term Obligations Account Group** to establish control and accountability for long-term obligations of the State, including those related to general obligation bonds, capital leases, certificates of participation and compensated absences, not accounted for in Proprietary Funds or Nonexpendable Trust Funds. The State has also established the **General Fixed Assets Account Group** to establish control and accountability for all capital assets of the State not accounted for in Proprietary Funds. The State records its general long-term obligations and capital assets in the government-wide statement of net assets.

The accounting system is designed to assure that expenditures do not exceed amounts authorized by legislative appropriation and to conform, to the extent possible, to standards of the Governmental Accounting Standards Board ("GASB") and its predecessor, the National Council on Governmental Accounting. Financial transactions are recorded in the General Fund, the Highway Fund and certain other funds as described above and in Appendix B hereof.

Accounting Reports and Practices

The State Controller prepares a Comprehensive Annual Financial Report ("CAFR") in accordance with standards established by GASB. This report is the official financial report of the State government.

The State Controller's annual financial report for the fiscal year ended June 30, 2010 is set forth in two separate publications. The first publication consists of the Basic Financial Statements of the State of Maine for the year ended June 30, 2010 which are set forth in Section I of Appendix B. Certain information which is included in the second publication and certain information which has been derived from provisions of the State Controller's annual financial reports for certain prior fiscal years comparable to the second publication is included in Section II of Appendix B. The information set forth in Section II of Appendix B is based on budgetary and legal requirements.

The Basic Financial Statements of the State of Maine for the year ended June 30, 2010 which are set forth in Section I of Appendix B have been prepared by the State Controller and have been audited by the Department of Audit in accordance with auditing standards generally accepted in the United States of America. The Department of Audit has issued an unqualified opinion on the Basic Financial Statements.

Because of the variety of activities and programs run by the State, the State Controller has established several specialized accounting conventions, which are consistently applied within the fund accounting system. For more information on the basis of accounting used by the State, see Appendix B, Section I, "Notes to the Financial Statements, June 30, 2010."

Annual financial reports prepared by the State Controller for the fiscal year ending June 30, 2010 and for prior fiscal years are available upon request directed to Barbara Raths, Deputy State Treasurer, 39 State House Station, Augusta, Maine 04333, telephone: 207-624-7477; facsimile: 207-287-2367. The CAFR for the fiscal year ended June 30, 2010 and for prior fiscal years are also available at http://www.maine.gov/osc/finanrept/cafr.htm.

Department of Audit

The Department of Audit is headed by the State Auditor, who is elected by the Legislature by a joint ballot of the Senators and Representatives in convention to hold office for a term of four years. A person may not serve more than two consecutive terms as State Auditor. The Department of Audit is authorized to audit all accounts and other financial records of State government, including the Judiciary and the Executive Department of the Governor, except the Governor's expense account, and to report annually on this audit, and at such other times as the Legislature may require; to review and study departmental budgets and capital programs for better and efficient management of State government; to serve as a staff agency to the Legislature or to the Governor in making investigations of any phase of the State's finances; and to perform audits of all accounts and financial records of any organization, institution or other entity receiving or requesting an appropriation or grant from the State; to issue reports on such audits and investigations; and to conduct financial and compliance audits of financial transactions and accounts kept by or for State agencies subject to federal single audit requirements.

Audit Reports

The State Auditor is required by law to audit the Basic Financial Statements included within the Comprehensive Annual Financial Report prepared by the State Controller for each fiscal year. The State Auditor's Independent Audit Opinion dated December 21, 2010 with respect to the fiscal year ending June 30, 2010 is set forth in Appendix B hereto. Single audit reports prepared by the Department of Audit for the fiscal year ending June 30, 2010 and for certain prior fiscal years are available upon request directed to the Deputy State Treasurer. See "Miscellaneous" herein.

All information in this Official Statement for any period ending after June 30, 2010 is unaudited and therefore is subject to change.

STATE BUDGETS

Laws authorizing General Fund and Highway Fund expenditures for fiscal years 2006 through 2011 have been enacted and provide for such expenditures in the amounts set forth in the table below.

Fiscal Year Ending June 30	General Fund Expenditures Authorized	Highway Fund Expenditures Authorized
2006	$ 2,871,878,613	$ 349,584,284
2007	2,978,358,710	346,221,340
2008	3,129,325,355	336,160,213
2009	3,017,952,419	327,534,161
2010	2,849,227,923	316,706,397
2011	2,872,754,172	305,064,953

For information regarding fiscal years 2010 and 2011 expenditures, see "Certain Expenditures and Obligations – General Fund Expenditures" below.

Continuing adverse economic and fiscal circumstances necessitated adjustments to the baseline 2010-2011 biennial budget. These adjustments occurred in Public Laws of Maine 2009, Chapter 213 ("2009 Chapter 213") and Public Laws of Maine 2009, Chapter 571 ("2009 Chapter 571"). The first challenge occurred at the close of fiscal year 2009 when revenues were approximately $24 million below projections. Public Laws of Maine 2009, Chapter 371, effective June 11, 2009, provided, however, that up to approximately $52 million of General Fund unappropriated surplus would be available to fund fiscal year 2009 appropriations in excess of revenues. The $24 million, shortfall in budgeted resources for fiscal year 2010 was addressed by 2009 Chapter 571.

General Fund revenue at the end of fiscal year 2010 outperformed the Revenue Forecasting Committee's March 2010 revenue forecast by approximately $61,000,000. This better-than-projected performance was primarily due to continuing improvements in corporate income tax revenues, as well as lower than anticipated individual income tax refunds. Revenue from the sales tax reported in April 2010 (reflecting March sales) documented the first improvements in this category in more than a year; sales and use tax revenues continued to perform to budget.

On December 1, 2010, the Revenue Forecasting Committee issued a regularly scheduled updated forecast. The December report reflected an upward adjustment of revenues of $111.6 million in fiscal year 2011, $170.5 million in fiscal year 2012 and $195.1 million in fiscal year 2013. The December report also projected revenues of $3.3 billion in fiscal year 2014 and $3.4 billion in fiscal year 2015.

On January 12, 2011 the Governor released his supplemental budget recommendations to provide $248 million in State and federal funds for hospital settlements dating back to 2006. The budget recommendations also addressed projected growth in the MaineCare programs and a phased reduction in the Federal Medicaid Assistance Percentage from 6.2 to 1.2 percentage points by June 30, 2011.

A second supplemental budget was released by the Governor on March 28, 2011 to restore a deappropriation included in 2009 Chapter 571 related to the disallowance of federal financial participation for targeted case management claims in fiscal years 2002 and 2003. The funds were proposed to be restored to the Medical Care – Payments to Providers program to address shortfalls that resulted from the deappropriation with the expectation that the Federal Government would be reimbursed in fiscal year 2012. The budget recommendations further addressed growth in the

MaineCare program and provided funds for Child Development Services to address a projected shortfall for the program.

On February 8, 2011, the Legislature enacted the first supplemental budget based on the Governor's recommendations; the Governor signed that budget into law the same day. The law, 2011 Chapter 1, amends the 2010-2011 biennial budget enacted in the spring of 2009, 2009 Chapter 213 and the 2010-2011 supplemental budget enacted in the spring of 2010, 2009 Chapter 571. On April 14, 2011, the Legislature enacted the second supplemental budget for fiscal year 2011 based on the Governor's recommendations; the Governor signed that budget into law on the same day. The law, 2011 Chapter 28, further amended the budgets previously mentioned.

Prior to the December 2010 upwards revenue projection, the Bureau of the Budget updated its four year revenue and expenditure forecast in September 2010 for the fiscal year ending June 30, 2013. As required by State law, the forecast assumed the continuation of current laws and included reasonable and predictable estimates of growth in revenues and expenditures based on national and local trends and program operations. At the time of the forecast the structural gap was projected to be $1.1 billion for the 2012-2013 biennium.

The gap assumed increases in General Purpose Aid for Local Schools (GPA) of $216.5 million in fiscal year 2012 and $238.4 million in fiscal year 2013 over fiscal year 2011 levels. The preliminary amounts would increase GPA $423.9 million over the previous 2010-2011 biennium and achieve the commitment made in 2005 Chapter 2, as amended for a 55% State share of education costs. The structural gap also reflected significant increases in future State contributions to address the increased unfunded pension liability for state employees and teachers. See "Defined Benefit Retirement Programs" below.

In order to address the projected shortfall, the Governor's proposed budget for the 2012-2013 biennium proposed to delay the attainment of 55% for GPA until the 2014-2015 biennium. See "Certain Expenditures and Obligations – Education Funding" below. The Governor's budget also proposed to freeze the annual cost of living adjustment for retiree pension benefits for three years and then cap it at 2% after three years, require an additional contribution of 2% of salaries by active pension plan participants; and amend the retirement age to 65 for new and non-vested employees and freeze annual merit increases for current employees for two years. The proposed pension changes apply to state employees and teachers and, if enacted, are estimated to reduce the General Fund shortfall by over $390.7 million for the biennium.

The December 2010 upwards projection of revenue allowed the Governor to propose $200 million in tax cuts intended to stimulate economic growth in his biennial budget for 2012-2013 that was released on February 11, 2011. The Governor's budget proposes to conform to the federal income tax code Section 179 expensing provisions for small business investment. The Governor's budget also proposes to conform to the federal standard deduction for joint filers (marriage penalty relief) and personal exemption amount, which is estimated to result in approximately $100 million of income tax reductions. A flattening of the income tax rate structure and a lowering of the top marginal income tax rate from 8.5% to 7.95% will provide an additional $80 million of income tax relief. Finally, the exclusion amount for estate tax purposes is proposed to be increased from $1 million to $2 million. The proposed budget also continued to address projected growth in the MaineCare program and the phased reduction in the Federal Medicaid Assistance Percentage through the 2012-2013 biennium.

As noted in "Revenue Forecasting - Fiscal Year 2011 Reports" above, the May 2011 report of the Revenue Forecasting Committee reflected an upward adjustment to General Fund revenue of approximately $12.1 million in fiscal year 2011 and downward adjustments of $4.8 million and $42.2 million in fiscal years 2012 and 2013, respectively.

In order to address this projected decline in revenues in fiscal years 2012 and 2013, the Governor submitted changes to the proposed 2012-2013 biennial budget that included recommendations to close the aggregate shortfall of approximately $34.9 million (which amount includes a projected fiscal year 2011 ending balance of $12.1 million). The shortfall was further increased to $117.1 million as a result of an experience study by the Maine Public Employees Retirement System (MainePERS) that adjusted the assumed rate of return on investments as well as inflation assumptions. See "Defined Benefit Retirement Programs" below. While the experience study had a positive impact on baseline pension costs, when applied to the savings estimated in the Governor's pension proposals, it is projected to cost the General Fund $79.5 million. The aggregate shortfall was partially offset by $54.9 million representing the impact of the experience study on the baseline pension budget. The remaining shortfall was closed through a series of adjustments that included a one-time transfer of $29.7 million from the Budget Stabilization fund at the end of fiscal year 2012. Subsequent changes have allowed the Governor to propose a transfer of $9 million from the unappropriated surplus of the General Fund to the Budget Stabilization fund in fiscal year 2012.

The Governor's proposed budget for the 2012-2013 biennium is under consideration by the Legislature. No final action on the proposed budget has yet been taken by the Legislature. The current legislative session is scheduled to end on June 15, 2011, although, it may be extended under certain circumstances. The State cannot predict the outcome of the budget process. In any event, the budget as enacted is required to be balanced.

CERTAIN EXPENDITURES AND OBLIGATIONS

General Fund Expenditures

The following table sets forth, by certain major categories, General Fund expenditures set forth in 2009 Chapter 213, the budget for fiscal years 2010 and 2011, as amended by the supplemental General Fund budget, 2009 Chapter 571, 2011 Chapter 1 and 2011 Chapter 28.

	2010	**2011**
Governmental Support and Operations	$251,862,046	$236,824,102
Economic Development & Workforce Training	35,707,478	34,588,383
Education	1,412,297,179	1,398,741,990
Arts, Heritage & Cultural Enrichment	7,461,189	7,189,756
Natural Resources Development & Protection	68,419,220	66,225,967
Health & Human Services	795,586,471	850,852,097
Justice & Protection	277,894,340	271,331,877
Transportation		7,000,000
Total	$2,849,227,923	$2,872,754,172

The following table sets forth, by certain major categories, General Fund expenditures included in the Governor's proposed budget for fiscal years 2012 and 2013. The savings expected to be realized from certain statewide initiatives, if enacted, are all reflected in the Governmental Support and Operations category and, therefore, the expenditures associated with each category in the table below do not reflect the actual expenditures for each category as proposed in the Governor's budget. The savings will be allocated to the appropriate category upon adoption of the final budget and distribution of the savings to the appropriate agency accounts. Accordingly, the amounts in each specific category in the table below are subject to change upon the final allocation of savings to each category and the budget process described elsewhere in this Official Statement.

	2012	2013
Governmental Support and Operations	$158,014,764	$118,219,708
Economic Development & Workforce Training	34,244,186	34,548,062
Education	1,499,161,219	1,532,047,268
Arts, Heritage & Cultural Enrichment	5,943,144	6,101,084
Natural Resources Development & Protection	73,496,269	74,820,800
Health & Human Services	1,027,045,951	964,466,710
Justice & Protection	294,087,363	311,375,861
Transportation		0
Total	$3,091,992,896	$3,041,579,493

The Governor's biennial budget that was submitted in February 2011 for fiscal years 2012 and 2013 proposed to increase General Fund expenditures by approximately $407 million from the current biennium. Of the $6.1 billion total, 49.5% is attributable to education, 32.4% to health and human services, and 18.1% to other purposes of State government. It is important to note that $188 million of the $6.1 million is for municipal revenue sharing, which has historically been reflected in the budget as an offset to revenue. The proposed budgeted appropriation is intended to make payments to municipalities predictable and not subject to tax revenue fluctuations.

For additional information regarding General Fund expenditures during fiscal years 2006 through 2010, and for information regarding Highway Fund expenditures during fiscal years 2006 through 2010, see Appendices B and C hereto. See also "Certain Public Instrumentalities" herein.

Education Funding

At the initiative of certain citizens of the State pursuant to the Constitution of the State, the voters of the State voted to enact legislation known as the School Finance Act of 2003 (the "Initiated School Finance Act") at a statewide election held June 8, 2004. The Initiated School Finance Act required that the Legislature each year provide at least 55% of the cost of the total allocation for K-12 Education from General Fund revenue sources, and 100% of the State and local cost of providing all special education services mandated under federal or State law. The Initiated School Finance Act was amended by 2005 Chapter 2 to provide that, beginning in fiscal year 2009, the Legislature each year will provide, as a target, (a) 55% of the statewide adjusted total cost of the components of Essential Programs and Services, and (b) 100% of a school administrative unit's special education costs calculated pursuant to applicable State law.

Public Laws of Maine 2007, Chapter 539 which took effect on March 31, 2008 ("2007 Chapter 539") provided that, as a target, (a) the State would provide 53.51% and 54.01%, respectively, of the statewide adjusted total cost of the components of Essential Programs and Services, and (b) the State would provide 100% of a school administrative unit's special education costs calculated pursuant to applicable State law for fiscal years 2008 and 2009. The budget for fiscal years 2008 and 2009, as amended by 2007 Chapter 539, included approximately $1,966,000,000 to fund the State's share of K-12 Education costs attributable to the Initiated School Finance Act. 2007 Chapter 539 also amended applicable law to provide that the State's payment of 55% of the total State and local cost of K-12 Education would be delayed until fiscal year 2010, and that inclusion of the State share of the cost of K-12 Education in the General Fund appropriation limit would be delayed until fiscal year 2011.

The Governor's Executive Order issued in November 2009 included curtailment of State spending for K-12 Education in the amount of approximately $38.1 million. The supplemental General Fund budget, 2009 Chapter 571, includes a reduction in baseline funding for GPA in fiscal year 2010 in an amount equal to this curtailment, and it also includes a reduction in GPA funding for fiscal year 2011 of approximately $9 million. These reductions do not violate the "maintenance of effort" requirements of the American Recovery and Reinvestment Act of 2009 ("ARRA").

With the enactment of the supplemental budget, 2009 Chapter 571, GPA is approximately 47.29% of the total State and local cost of K-12 education in fiscal year 2010 and 44.86% in fiscal year 2011 as amended by 2011 Chapter 1. The State General Fund contribution was approximately $909.1 million in fiscal year 2010 and is expected to be approximately $878.1 million in fiscal year 2011, totaling approximately $1,781,900,000 for the 2010-2011 biennium. The balance of the government payments will be derived from ARRA monies awarded to the State for K-12 Education and added approximately $102 million over the course of the 2010-2011 biennium. Total payments by the State to local school districts (including ARRA monies) comprised 49.52% of the total cost of Essential Program and Services in fiscal year 2010 and are expected to comprise 47.80% in fiscal year 2011.

The Governor's proposed biennial budget for fiscal years 2012 and 2013 includes a State General Fund commitment to the cost of K-12 education of $895,000,000 in fiscal year 2012 and $914,000,000 in fiscal year 2013. Those General Fund appropriations, if enacted, are projected to result in a 45.22% State share of the total cost of education in fiscal year 2012 and 45.15% in fiscal year 2013. Maine public schools are also scheduled to receive Federal Jobs Funds of approximately $33 million in fiscal year 2012 to help retain or hire critical staff. The Governor's budget further proposes to include the State share of teacher retirement, retired teacher's health insurance, and retired teacher's life insurance when considering the State's contribution for Essential Programs and Services. If approved, the State's contribution towards the total cost of education would be 49.11% in fiscal year 2012 and 52.50% in fiscal year 2013.

Health and Human Services Funding

After education, proposed spending for health and human services and programs comprise the second most significant area of expenditure, at approximately 32.6% of General Fund appropriations for the 2012-2013 biennium. Furthermore, General Fund expenditures for the State's Medicaid program, MaineCare, are the largest, comprising $1.16 billion or 58%, of all health and human services spending. The State continues to make significant efforts to hold down the rate of increase in the growth of MaineCare. While remaining committed to provide access to care for the State's most vulnerable residents, the State is employing even more aggressive care management techniques, continues to standardize provider reimbursement rates and has developed more capacity in the area of third party recovery. Regardless of these efforts, additional General Fund resources for growth were provided in 2011 Chapter 1 and 2011 Chapter 28 for fiscal year 2011 totaling $46 million, and funding amounting to approximately $118 million is proposed for the 2012-2013 biennium.

During fiscal year 2008-09 and the 2010-2011 biennium, the ARRA provided a substantial infusion of federal funds into the MaineCare program which was primarily in the form of enhanced federal matching dollars. This funding assisted the State in meeting the increases in demand for MaineCare services occurring as a result of the economic downturn and in redeploying some General Fund resources to provide more timely payment of MaineCare settlements to Maine hospitals, helping to ensure those facilities are able to retain employees, avoid further job losses and maintain the spectrum of services required by residents, particularly in rural areas of the State. However, the extension passed by Congress phased down the federal match rate and required Maine to provide additional General Fund support of $33 million in fiscal year 2011 through 2011 Chapter 1. The proposed 2012-2013 baseline appropriation for the Medicaid program provides the General Fund resources necessary to replace these federal funds.

The Governor's proposed 2012-2013 budget also continues Maine's efforts to pay its obligations to hospitals on a timely basis. General Fund resources of approximately $80 million are designated to transition payments to Maine's noncritical access hospitals from a prospective interim payment system to methodologies based on diagnosis related groupings and ambulatory payment classifications in order to pay hospitals on a real-time basis and reduce the use of paying hospital settlements several years after hospitals have incurred costs. The budget also continues the effort to pay outstanding hospital settlements though an initiative to provide up to $25 million in General Fund resources that may be available at the end of fiscal year 2012.

The proposed budget also continues funding for its patient-centered medical home initiative to encourage Maine health care providers to provide better access to primary care physician services to MaineCare members. Funding is also provided to continue to Maine's efforts to implement a managed care initiative.

Debts of the State

As of April 30, 2011, there were outstanding general obligation bonds of the State in the principal amount of $470,305,000, including the principal amount of $337,430,000 to be paid from the General Fund and the principal amount of $132,875,000 to be paid from the Highway Fund. Debt service requirements to maturity for the outstanding general obligation bonds are set forth in Appendix D herein.

As of the date hereof, there are no outstanding tax anticipation notes of the State. As of the date hereof, the State has used interfund borrowings from the State investment pool in the amount of $90,000,000 to satisfy its fiscal year 2011 cash flow needs. The State also plans to continue to use internal cash flow borrowing to meet cash flow needs in fiscal year 2012. Additional external borrowing may be needed in fiscal year 2012. The amount budgeted to be borrowed externally in fiscal year 2012 is not currently expected to exceed $150,000,000. If external borrowing is required, a combination of tax anticipation notes and a proposed line of credit could be used. The timing and amount of any such borrowings will depend upon the actual cash flow needs of the State.

Immediately after delivery of the Bonds, there will be indebtedness authorized by the voters of the State for certain purposes, but unissued as either bonds or notes, in the aggregate principal amount of $95,625,000. As of the date hereof, the aggregate principal amount of bonds of the State authorized by the Constitution and implementing legislation for certain purposes, but unissued, is $99,000,000. See "Fiscal Management – Constitutional Debt Limit" and "Certain Public Instrumentalities – Finance Authority of Maine" and "– Maine State Housing Authority" herein.

For additional information concerning long-term debts of the State, see Appendix D hereto.

Lease Financing Agreements

From time to time, the State enters into lease agreements for the purpose of acquiring or financing capital equipment and buildings. A lease agreement is secured solely by the equipment or building which is the subject of such agreement and is not a pledge of the full faith and credit of the State. Lease payment obligations are subject to appropriation by the Legislature. In certain instances, the State has issued certificates of participation in the lease payments to be made pursuant to certain lease agreements. As of March 31, 2011, the aggregate principal amount of such lease obligations outstanding was $70,110,771. For additional information regarding such lease agreements, see Appendix D hereto. For information regarding rental payments to be made by the State, subject to appropriation, to the Maine Governmental Facilities Authority, see "Certain Public Instrumentalities - Maine Governmental Facilities Authority."

Defined Benefit Retirement Programs

Overview. The Maine Public Employees Retirement System ("MainePERS" or "System") administers three defined benefit pension plans (often referred to as "Programs") on behalf of the State with approximately the following membership as of June 30, 2010: the State Employee and Teacher Retirement Program, with 39,884 active, 40,658 inactive, non-vested, 6,749 terminated, vested and 28,248 retired members and surviving beneficiaries; the Judicial Retirement Program, with 59 active, 1 inactive, non-vested, 1 terminated, vested and 56 retired members and surviving beneficiaries; and the Legislative Retirement Program, with 170 active, 101 inactive, non-vested, 78 terminated, vested and 131 retired members and surviving beneficiaries (collectively "State Plans"). In addition, MainePERS administers the Participating Local District Consolidated Plan on behalf of 275 participating state and local public entities ("PLDs"). In addition, the System administers a group life insurance plan which provides or makes available life insurance benefits for active and retired System members and employees of certain PLDs. As of June 30, 2010, the System's group life insurance plan, for actuarial purposes, was comprised of approximately 33,790 active members and 15,705 retirees, which includes 6,021 PLD active members and 2,306 PLD retirees and surviving beneficiaries. The State has no retirement or group life insurance obligations to the PLDs or to their covered employees. The trust fund balances associated with each plan administered by MainePERS are segregated. The funds are commingled only for investment purposes. The administrative operating expenses of the System are charged against each trust fund balance as appropriate as directed by statute and in accordance with generally accepted accounting standards. The budgeted administrative operating expenses of the System for fiscal year 2011 are $10,648,499.

The System's retirement programs provide defined retirement benefits based on members' three-year average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten-year requirement was reduced by legislative action to five years for state employees and teachers; separate legislation enacted the same reduced requirement for judges, legislators, and employees of PLDs). Vesting also occurs upon 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, judges and legislative members is age 60 or 62. The normal retirement age is determined by whether a member had at least ten years of creditable service on June 30, 1993. For PLD members, normal retirement age is 60. 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 death benefits which are established by statute for State employees and teacher members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 5.0%. Employer contributions for terminated members are not refunded and remain assets of the applicable plan.

Other Available Information

The following documents related to the System and the Programs are incorporated herein by reference:

- Comprehensive Annual Financial Report of the System for the fiscal year ended June 30, 2010 available at www.mainepers.org/Publications/Publications.htm.

- Actuarial Valuation Report for each of the retirement programs administered by the System as of June 30, 2010 available at www.mainepers.org/bonds.htm.
- Presentation relating to the State Employee and Teacher Retirement Program experience study available at www.mainepers.org/bonds.htm.
- "Task Force Study and Report, Maine State Employee and Teacher Unified Retirement Plan" dated March 8, 2010 prepared by the Unified Retirement Plan Task Force available at www.mainepers.org.
- "Report on Pension Costs to the Legislature of the State of Maine" dated April 15, 2011 prepared by the System available at www.mainepers.org.

For additional information about the System contained in this Official Statement, see also Note 9 and Required Supplementary Information in the State's financial statements on pages B-58 – B-62 and B-97 – B-99 herein and "Appendix E – Maine Public Employees Retirement System Actuarial Balance Sheet, June 30, 2010".

Funding Policy and Status

The costs of the State Plans, including those of the State Employee and Teacher Retirement Program, generally consist of two elements:

> **Normal Costs** - the present value of future pension benefits earned by employees in the current year. Normal costs are based on each year's projected annual collective employee earnings. The State's share of the normal cost has been 5.5% of such earnings since July 1, 2007. As a result of a recent experience study, as discussed below, effective July 1, 2011, the State's share of the normal cost will be reduced to 4.31% for the 2012-2013 biennium and to 4.35% thereafter. Most State employees and teachers are required by statute to contribute 7.65% of their earnings. Some State employees may pay a higher rate as a result of participation in a so-called "special plan", which typically permit a member to retire younger or with fewer years of service. Other State employees may pay a lesser rate as a result of a collective bargaining agreement or other arrangement with the State. The employee contribution rate will not change as a result of the recent experience study.

> **Unfunded Actuarial Accrued Liability (UAAL)** - the amount by which the actuarial liability for current and former employees is greater than pension assets. The actuarial liability is the present value of prospective pensions owed to members when they retire based on service as of the calculation date.

State Employee and Teacher Retirement Program annual and/or biennial costs are defined as those normal and UAAL costs required by State law and the Maine Constitution to fund the plan. The State is currently required by the Maine Constitution to fully fund the State Employee and Teacher Retirement Program by June 30, 2028.

Maine is one of 14 states that do not participate in Social Security for State employees, judges, legislators or teachers while they are active members of the State Plans. Neither the State nor covered plan members contribute any amounts to Social Security. This means that covered members do not earn Social Security credits.

The State appropriates funding for pension costs associated with the State Plans, covering all State employees and teachers, legislators and judges. Retirement, disability and death benefits provided by the System are funded by employee contributions as set by statute and by employer contributions determined on an actuarial basis. An actuarial valuation is prepared annually and the valuation completed in the event year for each of the state's three defined benefit plans is used to determine the State's employer contribution requirements for the ensuing biennium. For example, the valuation as of June 30, 2008 was used to set contributions for the 2010-2011 biennium, and the valuation dated as of June 30, 2010 will be used for the contributions to be made in the 2012-2013 biennium.

For State employees and teachers, the State's annual required contribution (the "ARC") is comprised of the normal cost contribution plus the payment required to amortize the State Employee and Teacher Retirement Program's UAAL. As of June 30, 2010, the actuarial value of assets of the State Employee and Teacher Retirement Program (which does not include members of the judicial and legislative programs) was $8,313,459,810 and the actuarial accrued liability was $12,617,144,005 resulting in a UAAL of $4,303,684,195 and a funded ratio of 65.9%. The State is obligated under an amendment to the Maine Constitution adopted in 1995 to amortize the UAAL of the State Employee and Teacher Retirement Program as of June 30, 1996 by no later than the end of fiscal year 2028. As of June 30, 2010, 18 years remained in the current, constitutionally mandated amortization period for the unfunded liability of the State Employee and Teacher Retirement Program. The Maine Constitution also prohibits the creation of new unfunded liabilities other than those arising from experience losses. Any such liabilities are required to be amortized within 10 years. The constitutional requirement does not apply to the Legislative Retirement Program or the Judicial Retirement Program.

The judicial retirement plan had an unfunded liability of $5,472,064 at June 30, 2010. The legislative retirement plan had an actuarial surplus of $2,561,271 at June 30, 2010.

The State has generally funded its annual required contribution for State employees, teachers, judges and legislators as shown in the table below. Differences between the ARC and the actual contribution may be the result of the differences between projected and actual salary amounts for any given year. Differences may also be the result of additional contributions paid by the State, as required by statute, from general fund surplus money available at the close of a given fiscal year.

Valuation Date 6/30/YY	Annual Required Contribution	Actual Contribution	Percent Contributed
2010	$317,992,000	$329,207,000	103.5%
2009	320,112,000	320,112,000	100.0
2008	305,361,000	305,361,000	100.0
2007	303,076,000	303,075,774	100.0
2006	286,439,000	303,438,610	106.0
2005	261,698,000	274,697,901	105.0
2004	251,483,000	273,482,848	108.8
2003	252,709,000	263,209,148	104.2
2002	242,486,000	242,486,089	100.0
2001	247,449,693	253,880,256	102.6

As of June 30, 2010, the State had a net pension obligation ("NPO") in connection with the State Plans of $7,845,141. The NPO is the cumulative difference between annual pension cost and the employer's contributions to a plan, including the pension liability or asset at transition, if any. Measured is the annual pension cost equal to (a) the ARC, (b) one year's interest on the NPO, and (c) an adjustment to the ARC to offset the effect of actuarial amortization of past under- or over-contributions. "Transition" refers to the point in time when the employer implemented GASB Statement # 27 and measured its initial pension liability or asset at that point in time.

The amount paid by the State in fiscal year 2010 was $329,207,000. The amount projected to be paid by the State in fiscal year 2011 is $326,013,885.

The ARC originally determined for the 2012-2013 biennial budget was based upon an estimate of the assets and liabilities as of June 30, 2010. The estimated assets included the June 30, 2010 assets (at market value), except that the private market values were based on the March 31, 2010 value, with a projection of total cashflows for the year. The liabilities included the June 30, 2009 liabilities, rolled forward based on projected actuarial assumptions for fiscal year 2010. This new process, as compared to the prior process of waiting for all values at June 30 to become available, was recommended by Cheiron, the System's actuary, and approved by the System's Board of Trustees, and was implemented in order to provide employer contribution rates to the State as early as possible in the biennial budget process. The completion of the actuarial valuation as of June 30, 2010 by the System's actuary, using all values as of June 30, 2010, demonstrated no material difference between the estimated results, used to establish the employer contribution, and the results of the actual valuation.

Recent Actuarial Assumption Changes. State law provides that at least once in each six-year period, the System's actuary is to make an investigation into account program demographics and changes in program demographics, employment patterns and projections, relevant economic measures and expectations and other factors that the Board or actuary considers significant. The actuary must also make recommendations for certain modifications of the actuarial assumptions, as needed. As a result of the 2008 adverse market conditions and a specific request from the Legislature in September 2010, the System conducted an experience study for the State Employee and Teacher Retirement Program, which has resulted in the adoption of different assumptions, as described below. The date of the last experience study conducted for the Legislative Retirement Program was 2006 and for the Judicial Retirement Program 2006. The presentation pertaining to the recent State Employee and Teacher Retirement Program experience study is available at http://www.mainepers.org/bonds.htm, along with a document that summarizes the changes. The final report of the experience study is still being finalized by the actuary.

The results of the experience study led to the adoption by the System's Board of Trustees on April 14, 2011 of certain changes in economic and demographic actuarial assumptions used in the calculation of the liabilities of the State Employee and Teacher Retirement Program.

The key findings as it relates to the demographic assumptions were as follows:

Retirement	Generally more members than expected retire before age 60, and fewer than expected retire after age 60
Turnover	Very close to assumed levels up to 15 years of service; more than expected above 15 years of service
Disability	Very close to assumed levels up to age 50; less than expected above age 50
Mortality	Fewer male deaths and more female deaths occurred than were expected
Individual Salary (Merit)	Increases were generally less than previously assumed

The actuary recommended updating the demographic assumptions, moving partway towards the observed experience and keeping with sound actuarial practices. The MainePERS Board of Trustees adopted the demographic assumption changes recommended by the actuary. The aggregate impact of adoption of these demographic changes is estimated to increase the UAAL by approximately $200 million.

The MainePERS Board of Trustees also adopted the following changes to the economic assumptions, as recommended by the actuary:

	Old Assumption	New Assumption
Discount Rate	7.75%	7.25%
Inflation	4.75%	1.5% for two years and 3.5% thereafter

The impact of the reduction in the discount rate is estimated to increase the UAAL by approximately $700 million. The impact of the reduction in the inflation assumption is estimated to decrease the UAAL by approximately $1.1 billion. The net impact of all the changes to the actuarial assumptions is to decrease the UAAL by approximately $200 million.

The application of the newly adopted actuarial assumptions to the June 30, 2010 valuation would result in a decrease in the ARC for the 2012-2013 biennium. The System directed its actuaries to perform the recalculation, which has resulted in the following aggregate changes to the ARC for all State Plans for the 2012-2013 biennium:

MainePERS Budget/Costs with no Plan Changes	Before Experience Study* (7/8/2010)	After Experience Study* (4/29/2011)	Difference*
FY 2012			
Estimated Normal Cost	$103	$79	$24
Estimated UAL Amortization	345	342	3
Estimated Total Appropriation	448	421	27
FY 2013			
Estimated Normal Cost	107	80	27
Estimated UAL Amortization	361	347	14
Estimated Total Appropriation	468	427	41
FY 2012-13 Estimated Biennial Contribution	916	848	68

*All costs in millions

The following table sets forth a projection of the contributions expected to be made by the State to pay both the normal cost and to amortize the UAAL of the State Employee and Teacher Retirement Program for the period from fiscal year 2012 through fiscal year 2028. The dollar amounts (expressed as millions) are shown both as future year dollars and current year dollars (discounted at a 3.5% rate). The amounts shown in the table below are based on the current plan designs and the recent experience study changes.

Fiscal Year	Normal Cost future dollars	Normal Cost current dollars	UAL Cost future dollars	UAL Cost current dollars	Total Cost future dollars	Total Cost current dollars
2012	$74	$72	$341	$329	$415	$401
2013	76	70	346	323	422	394
2014	79	71	443	400	522	471
2015	82	71	459	400	541	471
2016	85	71	533	449	618	520
2017	87	71	552	449	640	520
2018	91	71	603	474	694	545
2019	94	71	625	474	718	545
2020	97	71	663	487	760	558
2021	100	71	686	487	787	558
2022	104	71	671	459	775	531
2023	108	71	640	423	747	494
2024	111	71	618	395	730	467
2025	115	71	610	377	725	448
2026	119	71	607	362	726	433
2027	123	71	612	353	736	424
2028	128	71	621	346	748	417

The amounts in the preceding paragraph are based on projections derived from current actuarial assumptions and other information known to the State and the System. The actual amounts required to be contributed by the State in the future will likely differ from these amounts and, depending upon actual circumstances, such differences may be substantial. The actual contributions to be made by the State for any future fiscal year, including the amount required to amortize the then UAAL, will be based upon actual investment results and other factors as they occur in the future and the applicable actuarial valuation used to certify the contribution rates for such year and will reflect all actuarial assumptions and circumstances then in effect. The State cannot now predict what the actual dollar amount of required contributions to the System will be for fiscal years beyond fiscal year 2013.

Actuarial Valuation. By State law, the System's assets and liabilities are calculated annually by the System's actuaries. Each even year's valuation serves as the basis for the State's ARC in the biennium that begins two years from the date of the valuation. This report is delivered to the State in late October and contains an actuarial valuation of the plans administered by the System as of the end of the most recent fiscal year and sets out the ARC for the upcoming biennium. The report also includes, for each plan, a description of the actuarial assumptions and methods used, a brief summary of the principal plan provisions and a summary of member data. The actuarial reports for the fiscal year ending June 30, 2010 (the most recently completed actuarial report) are incorporated by reference herein and are available at www. mainepers.org/bonds.htm.

The actuarial valuation calculates the actuarial accrued liability for each of the defined benefit plans, which represents the present value of benefits the System will pay to its retired members and active members upon retirement, based on certain demographic and economic assumptions. Some examples of these assumptions include an expected rate of return on assets, age of retirement of active members, future salary increases for current employees and assumed mortality rates for retirees and beneficiaries. If the actual experience of a plan differs from these assumptions, the UAAL of the plan may increase or decrease to the extent of any such variance. This could have a resulting impact on the ARC, which may increase or decrease the amount of the State's contribution to the plans. As previously discussed, the actuarial assumptions of the State Employee and Teacher Retirement Program were recently changed to reflect the results of the latest experience study. See "Recent Actuarial Assumption Changes" above.

The actuarial valuation also compares the actuarial accrued liability with the actuarial value of assets and any excess of that liability over the assets forms the UAAL of the system. The actuarial valuation will express the percentage that a plan is funded through a "funded ratio," which represents the actuarial value of assets of the plan divided by the actuarial accrued liability of such plan. The actuarial valuation will also state an annual required contribution ("ARC"), which is a recommended amount that the State and other sponsoring employers contribute to the applicable plan. The ARC consists of two components: (1) normal cost, which represents the portion of the present value of retirement benefits that are allocable to active members' current year service, and (2) an amortized portion of the UAAL.

With respect to the expected rate of return of assets, the actual rate of return on investments depends on the performance of its investment portfolio. The value of the securities and other investments in the investment portfolio changes from one fiscal year to the next, which, in turn, causes increases or decreases in the funding ratio of each plan and in the UAAL. Currently, the assumed rate of return is 7.25%. This is a reduction from the earlier assumed earnings rate of 7.75% and results from the Board's adoption of new actuarial assumptions at its April 14, 2011 meeting, as described above. For fiscal year 2010, the actuarial rate of return of the assets was 1.26% as compared to an actual market rate of return of 12.20%. This coupled with the Maine constitutional requirement to fully fund the UAAL by 2028 caused the UAAL to increase significantly from \$3.995 billion as of June 30, 2009 to \$4.304 billion as of June 30, 2010. Information about the System's Investment Program is available at www. mainepers.org/Investments/Investments.htm.

The following table sets out the actual rate of investment return as compared to the actuarial assumed rate of return (taking into account the three-year smoothing method described below) for the years 2010 through 1990, inclusive.

Calendar Year	Actual Rate of Investment Return	Actuarial Assumed Rate of Return*
2010	12.20%	7.75%
2009	21.50	7.75
2008	-27.60	7.75
2007	9.10	7.75
2006	11.30	7.75
2005	7.70	8.00
2004	13.10	8.00
2003	25.60	8.00
2002	-10.30	8.00
2001	-5.00	8.00
2000	-3.80	8.00
1999	15.30	8.00
1998	15.30	8.00
1997	18.50	8.00
1996	13.50	8.00
1995	25.70	8.00
1994	-0.10	8.00
1993	13.90	8.00
1992	7.20	8.00
1991	23.90	8.50
1990	0.00	0.09

*Changes effective July 1 of stated year

In addition to the above-described assumptions, the actuarial valuations of the plans use the entry age normal ("EAN") method to calculate the actuarial value of assets and actuarial accrued liability. The System believes that the EAN method is a more accurate indicator of actuarial funding progress and it is now, in fact, the predominant method used by public retirement systems throughout the United States.

An additional actuarial method used in arriving at the actuarial valuation is so-called "smoothing," whereby the difference between the market value of assets and the actuarial value of assets is smoothed over a period of three years to offset the effects of volatility of market values in any single year. The following chart presents, for each system, the actuarial accrued liability, the actuarial value of assets, the unfunded actuarial liability, the funded ratio of the plan based on the actuarial value of assets, the market value of assets, the funded ratio of the plan based on the market value of assets and the ratio of the actuarial value of assets over the market value of assets.

State & Teachers							
Valuation date 6/30/YY	Actuarial Accrued Liability	Actuarial Assets	Unfunded Actuarial Liability	Funded Ratio (AVA)	Market Assets	Funded Ratio (MVA)	Actuarial Assets Over Market
2010	$12,617,144,005	$8,313,459,810	$4,303,684,195	65.90%	$7,239,332,094	57.40%	114.80%
2009	12,321,219,332	8,325,951,236	3,995,268,096	67.60	6,620,849,642	53.70	125.80
2008	11,668,032,511	8,631,557,629	3,036,474,882	74.00	8,311,970,624	71.20	103.80
2007	11,157,770,138	8,245,520,019	2,912,250,119	73.90	8,668,381,195	77.70	95.10
2006	10,547,299,194	7,504,219,546	3,043,079,648	71.10	7,503,201,781	71.10	100.00
2005	9,999,250,038	6,964,597,457	3,034,652,581	69.70	6,997,802,832	70.00	99.50
2004	9,442,389,399	6,452,570,244	2,989,819,155	68.30	6,280,951,942	66.50	102.70
2003	9,442,389,399	6,452,570,244	2,989,819,155	68.30	6,280,951,942	66.50	102.70
2002	8,469,835,410	5,877,158,371	2,592,677,039	69.40	5,092,119,785	60.10	115.40
2001	7,958,809,863	5,801,422,994	2,157,386,869	72.90	5,490,520,609	69.00	105.70

Judicial							
Valuation date 6/30/YY	Actuarial Accrued Liability	Actuarial Assets	Unfunded Actuarial Liability	Funded Ratio (AVA)	Market Assets	Funded Ratio (MVA)	Actuarial Assets Over Market
2010	$53,149,699	$47,677,635	$5,472,064	89.70%	$41,517,520	78.10%	114.80%
2009	50,543,320	48,478,344	2,064,976	95.90	38,550,289	76.30	125.80
2008	47,634,452	50,418,942	-2,784,490	105.80	48,552,160	101.90	103.80
2007	46,842,351	48,225,053	-1,382,702	103.00	50,698,214	108.20	95.10
2006	43,102,409	44,350,649	-1,248,240	102.90	44,344,633	102.90	100.00
2005	41,804,673	41,842,216	-37,543	100.10	42,041,709	100.60	99.50
2004	36,388,731	39,210,995	-2,822,264	107.80	38,168,105	104.90	102.70
2003	41,931,130	41,842,216	88,914	99.80	42,041,709	100.30	99.50
2002	35,752,969	37,071,019	-1,318,050	103.70	32,119,276	89.80	115.40
2001	32,945,835	37,239,492	-4,293,657	113.00	35,243,801	107.00	105.70

Legislative							
Valuation date 6/30/YY	Actuarial Accrued Liability	Actuarial Assets	Unfunded Actuarial Liability	Funded Ratio (AVA)	Market Assets	Funded Ratio (MVA)	Actuarial Assets Over Market
2010	$6,073,364	$8,634,635	-$2,561,271	142.20%	$7,519,010	123.80%	114.80%
2009	5,499,809	8,717,885	-3,218,076	158.50	6,932,518	126.10	125.80
2008	5,605,005	9,099,133	-3,494,128	162.30	8,762,234	156.30	103.80
2007	5,095,638	8,721,571	-3,625,933	171.20	9,168,846	179.90	95.10
2006	7,944,468	7,944,468	0	100.00	7,943,390	100.00	100.00
2005	7,406,475	7,406,475	0	100.00	7,441,788	100.50	99.50
2004	6,827,478	6,827,478	0	100.00	6,645,888	97.30	102.70
2003	7,406,475	7,406,475	0	100.00	7,441,788	100.50	99.50
2002	6,246,247	6,246,247	0	100.00	5,411,908	86.60	115.40
2001	6,175,884	6,175,884	0	100.00	5,844,914	94.60	105.70

ALL STATE PLANS							
Valuation date 6/30/YY	Actuarial Accrued Liability	Actuarial Assets	Unfunded Actuarial Liability	Funded Ratio (AVA)	Market Assets	Funded Ratio (MVA)	Actuarial Assets Over Market
2010	$12,676,367,069	$8,369,772,080	$4,306,594,989	66.00%	$7,288,368,624	57.50%	114.80%
2009	12,377,262,461	8,383,147,465	3,994,114,996	67.70	6,666,332,449	53.90	125.80
2008	11,721,271,967	8,691,075,704	3,030,196,263	74.10	8,369,285,018	71.40	103.80
2007	11,209,708,127	8,302,466,643	2,907,241,484	74.10	8,728,248,255	77.90	95.10
2006	10,598,346,071	7,556,514,663	3,041,831,408	71.30	7,555,489,804	71.30	100.00
2005	10,048,461,186	7,013,846,148	3,034,615,038	69.80	7,047,286,328	70.10	99.50
2004	9,485,605,608	6,498,608,717	2,986,996,891	68.50	6,325,765,935	66.70	102.70
2003	9,491,727,004	6,501,818,935	2,989,908,069	68.50	6,330,435,439	66.70	102.70
2002	8,511,834,626	5,920,475,637	2,591,358,989	69.60	5,129,650,969	60.30	115.40
2001	7,997,931,582	5,844,838,370	2,153,093,212	73.10	5,531,609,324	69.20	105.70

For a further discussion of the actuarial method and significant assumptions used to determine the ARC, see Note 6 to the System's Comprehensive Annual Financial Report for the year ended June 30, 2010, which is available at www.mainepers.org/Publications/Publications.htm, and also "Recent Actuarial Assumption Changes" above.

Recent and Proposed Legislative Changes Affecting Benefits Levels. The Legislature has in the past adopted laws that have had the effect of both increasing and decreasing future retirement benefits payable under one or more of the State Plans. Any increases in retirement benefits have the effect of increasing the actuarial accrued liability of the plan, which also has the effect of increasing the ARC with respect to the State Plans. Any decreases in benefits have the effect of limiting the future growth of the actuarial accrued liability of the plan, which also has the effect of limiting the growth of the ARC for the State for the plan in future years.

By virtue of Article 9, Section 18-A of the Maine Constitution, unfunded liabilities cannot be created in the State Employee and Teacher Retirement Program, except those liabilities resulting from experience losses. Any unfunded liabilities arising from experience losses are further required to be amortized over a period of no more than 10 years.

In May 2009, the 124th Legislature passed Maine State Resolve 2009, Chapter 111 ("Resolve 111"), "To Reform Public Retirement Benefits and Eliminate Social Security Offsets". The reason for the legislation was to design a unified pension and health benefit plan for all state employees and teachers who are first employed after December 31, 2010 with no prior creditable service. Resolve 111 established a stakeholder Task Force to study public retirement benefits reform and eliminate social security offsets by designing a portable plan that provides pension, disability and health retirement benefits that coordinate with social security benefits. On March 8, 2010, the Task Force issued its report entitled "Task Force Study and Report, Maine State Employee and Teacher Unified Retirement Plan" which is available at www.mainepers.org.

The Legislature is currently considering potential changes to the State Plans, some of which were included in the Governor's proposed biennial budget for fiscal years 2012 and 2013. See "State Budgets" above for a description of the Governor's proposals. The changes being considered include: changes to the retiree cost-of-living provisions; an increase in the employee contributions to the State Plans (and a corresponding decrease in the State's contribution); an increase in the normal retirement age of regular plan component of the State Employee and Teacher Retirement Program (the non-special plan tiers); an increase to the age at which a retiree is entitled to subsidized health insurance coverage (health insurance benefits are funded directly by the State); and changes to benefit levels for new hires and for non-vested members.

MainePERS recently estimated the aggregate cost to be funded from all sources of State funds (not only the General Fund) for the State Plans, if the Governor's proposals were enacted into law. The following table sets forth the estimated costs if such proposals become law. The table also sets forth the impact of the actuarial assumption changes resulting from the recent experience study changes described above (see "Recent Actuarial Assumption Changes" above).

MainePERS Budget/Costs with Proposed Governor Budget Bill	**Before Experience Study* (7/8/2010)**	**After Experience Study* (4/29/2011)**	**Difference***
FY 2012			
Estimated Normal Cost	$35	$17	$18
Estimated UAL Amortization	157	191	(34)
Estimated Total Appropriation	192	208	(16)
FY 2013			
Estimated Normal Cost	36	16	20
Estimated UAL Amortization	164	194	(30)
Estimated Total Appropriation	200	210	(10)
FY 2012-13 Estimated Biennial Contribution	392	418	(26)

*All costs in millions

The Governor's budget proposals were originally projected to reduce biennial costs for the State Plans by approximately $524 million. As a result of the experience study changes, the estimated savings have been reduced to $430 million. This latest estimate may be further reduced to $409 million due to a change in the assumption of when certain retirees become eligible to receive health insurance benefits.

On September 24, 2010 the Joint Standing Committee on Appropriations and Financial Affairs and the Joint Standing Committee on Labor requested information from MainePERS. On April 15, 2011, MainePERS responded by providing a report entitled "Report on Pension Costs to the Legislature of the State of Maine." A copy of the report is available at www.mainepers.org. The Legislature is not expected to take final action in connection with plan changes until June, 2011 and the State cannot now predict what changes, if any, will be enacted.

Also under consideration by both the State and by some teacher employers is providing a cash incentive for employees already eligible for normal retirement to retire. Any incentives would be paid by either the State or by the appropriate teacher employer, not the System. Discussions have not incorporated any enhancements to the retirement benefits or years of service. The State and local school districts are still evaluating the overall financial impact of these programs.

The Legislature is actively considering various proposals regarding the State Plans, but as of the date of this Official Statement none of the proposals have been enacted into law, and the State cannot now predict whether any proposals will be enacted or what the cumulative impact will be on the State's funding requirements. Furthermore, it is possible that certain proposals, if enacted into law, will be challenged in court by affected parties, under one or more legal theories. The State cannot now predict whether the Legislature will enact any changes, or whether those changes will be subject to litigation and, if so, what the outcome of any litigation would be.

Litigation. The System is involved in a small number of administrative appeals brought by members whose requests have been denied by the System. Most often, those cases are appeals from adverse decisions in connection with applications for disability retirement benefits. Less often, there are administrative appeals involving or relating to group life insurance matters or retirement eligibility matters. In each case, the relief requested by appellants is to have the System's determination in their case reversed and the sought-after benefit granted. The System is not currently a party to any litigation that does not relate to an administrative appeal from agency action.

Post-Employment Health Care Benefits

GASB has promulgated its statement 45 ("GASB 45") which requires the State, for fiscal years beginning on and after July 1, 2007, to account for retiree health care benefits and other post-employment benefits in a manner similar to that required for pension benefits. GASB 45 does not require that such benefits be funded in advance.

The State funds post-employment health care benefits for most retired State employees and legislators and a portion of the health insurance premiums for retired teachers. The State pays 100 percent of post-employment health insurance premiums for eligible retirees who were first employed on or before July 1, 1991. A pro rata portion, ranging from zero percent for eligible retirees with less than five years participation to 100 percent for eligible retirees with ten or more years of participation, is paid for those first employed after July 1, 1991. Retirees who are not eligible for Medicare retain coverage in the same group health plan as active employees. An eligible retiree must pay for Medicare Part B coverage to be eligible to participate in the State-funded companion plan. Coverage for retirees who are not eligible for Medicare includes basic hospitalization, supplemental major medical and prescription drugs, and costs for treatment of mental health, alcoholism, and substance abuse. The State contribution to the health insurance premiums for retired teachers is currently 45 percent. County and municipal law enforcement officers and municipal firefighters began coverage in fiscal year 2008 with the State contributing 45 percent of the cost of their respective plans.

The State accounts for active employee (including teachers) health benefits in an internal service fund. The State accounts for retiree health benefit payments for both retired State employees and retired teachers in a separate internal service fund. The amount necessary to fund the retired teachers' health insurance is appropriated by the General Fund and transferred to the internal service fund. The amount necessary to fund the retired State employee health insurance is applied to each payroll as a rate charged against each position. Active employee health insurance is also charged to each payroll as a premium amount. During the payroll processing, the amount generated from applying the rate is transferred to the applicable internal service fund. Until fiscal year 2008, the State had been funding retiree health costs on a pay-as-you-go basis. In fiscal year 2008, the State created the State Employee Retiree Health Insurance Post-Employment Benefits Investment Trust at the Maine Public Employees Retirement System and transferred $100 million from the internal service fund to the trust. The budgeted expenditures for active employee health insurance for fiscal year 2011 is $167.8 million.

5 MRSA §286-B authorizes an Irrevocable Trust Fund for Other Post-employment Benefits ("OPEB") 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, 2009, 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. These requirements for extinguishing the unfunded liabilities for post-employment health insurance are imposed by statute and are subject to change at any time. The Maine constitutional provision described above under "Defined Benefit Retirement Programs" regarding pension liabilities is not applicable to these liabilities. 2007 Chapter 240 amended Title 5 MRSA Chapter 421 by establishing the Irrevocable Trust for OPEB. The Maine Public Employees Retirement System holds and invests long-term funds in the irrevocable trust fund for OPEB.

Contribution requirements are set forth in State law. The annual OPEB cost (expense) for each plan is calculated based on the employer's ARC, which is an amount actuarially determined in accordance with the parameters of GASB 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 fiscal year 2010 and the related information for each plan are as follows:

($ Thousands)

	State Employees	Teachers	First Responders
Annual required contribution	$ 90,000	$ 58,000	$ 1,105
Interest on net OPEB obligation (asset)	(1,000)	3,000	86
Adjustment to annual required contribution	3,000	(5,000)	(140)
Annual OPEB cost	$ 92,000	$ 56,000	$ 1,051
Contributions made	55,000	19,000	368
Increase (decrease) in net healthcare obligation	37,000	37,000	683
Net healthcare obligation (asset) beginning of year	(28,772)	69,956	1,833
Net healthcare obligation end of year	$ 8,228	$ 106,956	$ 2,516

As of June 30, 2010, there were 8,920 retired eligible State employees, 9,381 retired teachers, and 69 retired first responders. In fiscal year 2010, the State made contributions for OPEB of $55 million for retired employees and $19.3 million for retired teachers. These amounts were used solely to provide health insurance benefits in fiscal year 2010 and did not address the unfunded liabilities. In fiscal year 2011, the State expects to make contributions for other post-employment healthcare benefits of approximately $63.0 million for retired employees and $19.8 million for retired teachers. A portion of the amount for retired state employees, approximately $14.4 million, will be transferred to the applicable irrevocable trust funds described above and thereby reduce the unfunded actuarial liability.

The funded status of the plans as of June 30, 2010 was as follows:

Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
State Employees	June 30, 2010	103	$1,450	$ 1,347	7.10%	$ 549	245.36%
	June 30, 2009	82	1,311	1,229	6.25	595	206.55
	June 30, 2008	98	1,242	1,144	7.89	568	201.41
Teachers	June 30, 2010	0	1,005	1,005	0.00	1,064	94.45
	June 30, 2009	0	994	994	0.00	1,215	85.93
	June 30, 2008	0	1,044	1,044	0.00	1,160	85.69
First Responders *	June 30, 2009	0	20	20	0.00	52	38.67

*This is the most recent valuation for the First Responders plan.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. 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 schedules of funding progress presented as required supplementary information in the State's audited financial statements (see Appendix B herein) present 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.

Several proposals within the budget presented by the Governor would reduce the health insurance costs to the State for retired State employees and retired teachers. The proposals include requiring employees that retire before normal retirement age to pay 100% of their health insurance coverage until they reach normal retirement age; capping program growth at flat funding for the biennium and four percent thereafter; and, requiring state employees to share in their premium cost at 5, 10 or 15 percent based on the amount of their retirement benefit received from Maine Public Employees Retirement System. These changes according to revised projections by the actuary, if adopted, are estimated to reduce the current aggregate unfunded actuarial liability for both State employees and teachers from approximately $2.3 billion to approximately $1.3 billion.

The budget proposals also include creating the Teacher Retiree Health and First Responder Retiree Health Irrevocable Trusts in a manner similar to the State Employee Irrevocable Trust and using the same actuarial assumptions.

If the proposals submitted by the Governor for active employee health insurance are adopted by the Legislature, the active employee health insurance for fiscal years 2012 and 2013 will be level-funded at the fiscal year 2011 amount. The budgeted expenditures for retired teachers for fiscal years 2012 and 2013 are projected to be $22.9 million and $23.8 million, respectively, of which $1 million and $2 million, respectively, are expected to be transferred to the irrevocable trust fund. The budgeted expenditures for retired state employees for fiscal years 2012 and 2013 are projected to be $49 million each year, of which $4 million is expected to be transferred to the irrevocable trust fund in fiscal year 2012 and $5 million is expected to be transferred to the irrevocable trust fund in fiscal year 2013.

Additional information concerning the funding of post-retirement health care benefits, including a summary of the current actuarial methods and assumptions may be found at Note 10 the State's financial statements for the fiscal year ended June 30, 2010, attached hereto as Appendix B (see pages B-62 to B-69). In addition, the recent actuarial reports for the various State plans are available at http://www.maine.gov/osc/admin/actuarialreports.htm. These reports include a detailed description of the State's current funding plans for these obligations.

Employee Relations

As of March 26, 2011, the State had approximately 12,671 Executive Branch employees.

The State Employees Labor Relations Act allows State employees in the Executive Branch to engage in collective bargaining. As of March 26, 2011, approximately 11,474 employees were covered by the law. The Maine State Employees Association is the bargaining agent for four bargaining units which include approximately 9,569 employees. The American Federation of State, County, and Municipal Employees, AFL-CIO, represents the employees in State institutions; the Maine State Law Enforcement Association represents those in law enforcement activities excluding State Police; and the Maine State Troopers Association represents the State Police. The Commissioner of Administrative and Financial Services, acting through the Office of Employee Relations within the Bureau of Human Resources, is the Governor's designee for collective bargaining and is responsible for the negotiations and all other employee relations functions. There are seven bargaining units within the Executive

Branch. The current contracts with such units expire June 30, 2011. The State is currently in negotiations with all unions.

Collective bargaining has also been extended to employees of the Judicial Department, the University of Maine System, the Maine Community College System, the Maine Maritime Academy, and to employees of counties, municipalities and special districts, including public school teachers.

Interfund Transactions

Due to Other Funds are amounts owed by one State fund to another for goods sold or services rendered. Due from Other Funds are amounts to be received from one State fund by another for goods sold or services rendered. The following is a summary of amounts due from other funds and due to other funds as of June 30, 2010:

Interfund Receivables
($ Thousands)

	Due to Other Funds				
Due from Other Funds	**General**	**Highway**	**Federal Fund**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 1,316	$ -	$ -
Highway	1	1	1,864	-	-
Federal	64	23	330	72	-
Other Special Revenue	157,401	154	523	233	38
Other Governmental	-	-	-	-	-
Employment Security	-	-	117	-	-
Non-Major Enterprise	222	211	14	5	-
Internal Service	10,208	2,802	4,624	3,580	-
Fiduciary	35,592	-	-	-	-
Total	$ 203,488	$ 3,191	$ 8,788	$ 3,890	$ 38

Due from Other Funds	**Employment Security**	**Non-Major Enterprise**	**Internal Service**	**Fiduciary**	**Total**
General	$ 169	$ 6,410	$ 5,475	$ -	$ 13,370
Highway	-	-	203	-	2,069
Federal	-	-	183	-	672
Other Special Revenue	-	-	235	-	160,191
Other Governmental	-	-	-	-	-
Employment Security	-	-	-	-	117
Non-Major Enterprise	-	-	49	-	501
Internal Service	-	206	963	12	22,395
Fiduciary	-	-	-	-	35,92
Total	$ 169	$ 8,223	$ 7,108	$ 12	$ 234,907

Advances to or from other funds are for long-term loans made by one fund to another. Advances from the General Fund are for inventory of the Postal, Printing and Supply Fund. The following is a summary of interfund advances as of June 30, 2010:

Schedule of Advances to or from Other Funds
June 30, 2010

($ Thousands)

Fund Type	Working Capital Receivable	Working Capital Payable
General	$ 111	$ -
Other Special Revenue	-	-
Internal Service	-	111
Total All Funds	$ 111	$ 111

REVENUES OF THE STATE

General

In order to fund its programs and services, the State collects a variety of taxes and receives revenues from other non-tax sources, including the federal government and various fees, fines, reimbursements, interest earnings and transfers from non-budgetary sources. For additional information concerning revenues of the State, see Appendices B and C.

General Fund revenue collections for the month of April 2011 were over budget by $9.7 million or 2.7%. Revenues for the ten-month period ending April 2011 totaled $2,249.1 billion and were over budget by $31.3 million or 1.4%. Compared to the same period last fiscal year, General Fund revenues are up $162.6 million or 7.8%. Individual Income Tax was over budget for the month by $4.2 million or 2.0% and was over budget year-to-date through April 2011 by $26.4 million or 2.4%. Sales and Service Provider Taxes, combined, were under budget for the month by $1.82 million or (-2.4%), and $8.5 million or 1.1% over budget year-to-date. Corporate Tax revenues were over budget for the month by $7.5 million or 39.9%, and $6.1 million or 3.7% over budget year-to-date. Estate Taxes were over budget by $1.2 million or 38.8% for the month and $5.5 million 18.2% over budget for the year-to- date. Tobacco Taxes were $1.7 million or (-13.5%) under budget for the month, and under budget by $1.9 million or (-1.6%) for the year-to-date. Insurance Companies Tax was over budget by $1.8 million or 17.0% for the month and over budget by $280 thousand or .7% for the year-to-date. Fines, Forfeits and Penalties were $27 thousand or 1.23% over budget for the month, and $2.8 million or (-10.5%) under budget for the year. Lottery income was under budget by $36 thousand or (-.7%) for the month, and under budget by $2.1 million or (-4.8%) for the year. Transfers for Tax Relief were under budget by $706 thousand or (-32.9%) for the month, and $1.0 million or .98% over budget for the year-to-date. Other Taxes and Fees were under budget by $1.1 million or (-10.6%) for the month, and were over budget by $2.1 million or 2.0% for the year-to-date. “Other Revenues” were under budget for the month by $1.3 million or (-10.4%), and under budget by $8.1 million or (-18.0%) for the year-to-date.

As previously described in this Official Statement, The Revenue Forecasting Committee in December 2010 increased the budgeted revenue for fiscal year 2011 by $111.5 million or 4.7%. The Legislature in February 2011 enacted 2011 Chapter 1 which decreased General Fund budgeted revenues by $1.5 million for fiscal year 2011. The Committee in April 2011 increased General Fund budgeted revenues by $12.1 million or 5.1% for fiscal year 2011. The following tables for fiscal years 2011, 2012 and 2013 reflect the updated budgeted revenue re-projections after the December 2008, the December 2010, and the April 2011 Committee meetings.

CATEGORY	Fiscal year 2011 baseline budget December 2008 RFC	Fiscal year 2011 budget through 124th 2nd regular Session, June 2010 incl. Dec 2010 RFC revisions	Fiscal year 2011 budget revised by RFC in April 2011
Sales and Use Tax	$1,046,074,023	$904,850,262	$916,746,307
Service Provider Tax	57,814,486	57,814,486	55,214,486
Individual Income Tax	1,523,843,260	1,370,120,000	1,392,702,302
Corporate Income Tax	179,553,010	200,490,112	193,182,264
Cigarette and Tobacco Tax	147,435,703	146,209,555	146,209,555
Insurance Companies Tax	71,990,000	76,765,000	76,765,000
Estate Tax	3,083,156	42,978,079	45,052,787
Fines, Forfeits and Penalties	43,592,953	31,133,161	28,799,339
Income from Investments	43,581	27,332	245,127
Transfer from Lottery Commission	52,534,250	52,034,250	49,034,250
Transfer for Tax Relief Programs	-138,409,003	-112,087,945	-113,986,593
Transfer to Municipal Revenue Sharing	-140,080,816	-93,088,096	-91,930,345
Other Taxes and Fees	137,990,415	149,003,882	149,672,089
Other Revenues	30,811,517	59,224,977	48,357,956
Total Undedicated Revenues	**$3,016,276,535**	**$2,885,475,055**	**$2,896,064,524**

CATEGORY	Fiscal year 2012 baseline budget December 2008 RFC	Fiscal year 2012 budget through 124th 2nd regular Session, June 2010 incl. Dec 2010 RFC revisions	Fiscal year 2012 budget revised by RFC in April 2011
Sales and Use Tax	$1,085,745,854	$945,475,809	$958,348,171
Service Provider Tax	59,555,680	59,555,680	56,877,680
Individual Income Tax	1,579,083,000	1,474,900,000	1,473,961,381
Corporate Income Tax	182,393,700	209,802,975	197,492,542
Cigarette and Tobacco Tax	145,397,809	143,623,350	143,623,350
Insurance Companies Tax	71,990,000	76,015,000	76,015,000
Estate Tax	0	41,061,512	35,948,355
Fines, Forfeits and Penalties	43,592,953	30,763,549	28,379,692
Income from Investments	43,581	4,142	257,766
Transfer from Lottery Commission	52,534,250	52,034,250	50,350,000
Transfer for Tax Relief Programs	-140,560,977	-126,984,977	-122,083,592
Transfer to Municipal Revenue Sharing	-145,470,604	-136,340,658	-136,412,863
Other Taxes and Fees	140,408,915	140,926,202	134,944,586
Other Revenues	32,350,266	42,437,016	42,851,457
Total Undedicated Revenues	**$3,107,064,427**	**$2,953,273,850**	**$2,940,553,525**

CATEGORY	Fiscal year 2013 baseline budget December 2008 RFC	Fiscal year 2013 budget through 124th 2nd regular Session, June 2010 incl. Dec 2010 RFC revisions	Fiscal year 2013 budget revised by RFC in April 2011
Sales and Use Tax	$1,127,405,489	$992,958,416	$1,000,058,147
Service Provider Tax	61,840,807	61,840,807	59,060,807
Individual Income Tax	1,621,165,000	1,545,750,000	1,531,440,946
Corporate Income Tax	183,670,455	230,072,072	208,502,165
Cigarette and Tobacco Tax	143,392,221	141,095,285	141,095,285
Insurance Companies Tax	71,990,000	76,015,000	76,015,000
Estate Tax		49,370,677	41,716,669
Fines, Forfeits and Penalties	43,592,953	30,782,049	28,398,192
Income from Investments	43,581	57,595	1,102,107
Transfer from Lottery Commission	52,534,250	52,034,250	50,350,000
Transfer for Tax Relief Programs	-139,734,150	-124,182,298	-118,873,936
Transfer to Municipal Revenue Sharing	-150,191,517	-143,962,951	-142,623,474
Other Taxes and Fees	142,602,960	140,334,112	138,784,682
Other Revenues	31,693,401	43,848,834	38,750,688
Total Undedicated Revenues	**$3,190,005,450**	**$3,096,013,848**	**$3,053,777,278**

Certain State Taxes

Individual Income Tax. The State assesses individual income taxes at progressive rates from 2% to 8.5%, based on classifications or brackets of taxable income, depending upon filing status and after specified deductions and exemptions. Taxable income of resident individuals is derived from federal adjusted gross income. The dollar amounts of the tax rate tables are indexed for inflation. For tax year 2010, the maximum rate applies to Maine taxable income of $39,550 or greater for married persons filing joint returns ($19,750 for single individuals and married persons filing separate returns and $29,650 for individuals filing as heads of households). A resident individual is allowed $2,850 for each exemption to which the individual is entitled for the tax year for federal income tax purposes. For resident taxpayers not itemizing deductions, the standard deduction is the same as the federal standard deduction of the taxpayer (the standard deduction for married joint filers does not conform to the recent federal marriage penalty relief adjustments), which is also indexed at the federal level. Nonresident Maine taxpayers are taxed in a similar fashion, but they are allowed a credit for their non-Maine sourced income.

Sales and Use Taxes. A sales tax is imposed on the value of all tangible personal property and taxable services sold at retail in the State. The rate of tax is 7% on the value of liquor sold in licensed establishments, 7% on the value of rental of living quarters in any hotel, rooming house, tourist or trailer camp, 10% on the value of rental for a period of less than one year of an automobile, 7% on the value of prepared food, and 5% on the value of all other tangible personal property and taxable services.

A use tax is imposed at the rates provided for sales taxes, on the storage, use or other consumption in the State of tangible personal property or a service, the sale of which would be subject to sales tax.

No sales or use tax is imposed on sales, storage or use of certain tangible personal property. Some of the major exemptions are grocery staples (which do not include liquor, and prepared food); prescription medicines; certain products used in agricultural and aqua cultural production; certain motor fuels; coal, oil, wood and all other fuels, except electricity, when bought for cooking and heating in residential units; the first 750 kilowatt hours of residential electricity per month; fuel oil or coal, the by-products from the burning of which become an ingredient or component part of tangible personal property for later sale; packaging materials; certain periodicals; sales to incorporated hospitals, licensed and incorporated non-profit nursing homes, licensed and incorporated non-profit boarding care facilities, medical research facilities, schools, regularly organized churches and similar institutions; water pollution and air pollution control facilities certified by the State Commissioner of Environmental Protection; and ninety-five percent (95%) of the sale price of all fuel and electricity purchased for use at a manufacturing facility.

Corporate Income Tax. An income tax is imposed upon the Maine net income of taxable corporations at progressive rates from 3.5% on Maine net income not over $25,000 to 8.93% on Maine net income in excess of $250,000. The tax computed using Maine net income is then apportioned to Maine. Maine net income is derived from taxable income of the taxpayer under the laws of the United States, adjusted by certain modifications, including additions for certain tax deductions, certain net operating losses and certain depreciation deductions, and subtractions for income exempt by law from taxation by the State, certain apportionable dividend income and certain net operating losses.

Certain Motor Fuel Taxes. An excise tax is imposed at the rate of $0.295 per gallon on internal combustion engine fuel (gasoline) sold or used within the State. An excise tax is imposed on all suppliers of special fuel sold and on all users of special fuel used in the State at the rate of $0.307 per gallon of distillate. Low-energy fuel such as liquefied natural gas, propane, methane and butane is taxed at a rate based on the energy content of each fuel as compared to gasoline. Special fuels include all combustible gases and liquids used in an internal combustion engine, except fuel subject to the gasoline tax. Since 2003, motor fuel tax rates have been subject to indexing annually. Based on inflation during calendar year 2010, the inflation adjusted rates beginning July 1, 2011 are $0.300 for gasoline and $0.312 for distillates.

Pursuant to the Constitution of the State, all revenues derived from fees, excises and license taxes relating to registration, operation and use of vehicles on public highways, and to fuels used for propulsion of such vehicles shall be expended solely for the cost of administration, state enforcement of traffic laws, statutory refunds and adjustments, and the cost of construction, reconstruction, maintenance and repair of public highways and bridges and for the payment of interest and principal on bonds issued for, and the payment of obligations incurred in, the construction and reconstruction of highways and bridges. Such funds may not be diverted for any other purpose.

Tobacco Master Settlement Agreement

The State entered into the tobacco master settlement agreement (the "Settlement Agreement") on November 23, 1998 with certain tobacco manufacturers to settle a suit the State brought against those tobacco manufacturers. The State is one of forty-six states and five U.S. territories (the "Settling States") that executed the Settlement Agreement with the manufacturers. The lawsuit included a variety of claims, including claims to recover smoking related Medicaid costs (the "Claims"). Pursuant to the Settlement Agreement, the manufacturers who have joined the Settlement Agreement ("Participating

Manufacturers") have agreed to make certain annual payments that are allocated among all the Settling States.

Certain initial and annual payments by the Participating Manufacturers that were allocated to the State pursuant to the Settlement Agreement commenced December 1999. The initial payments ended in 2003 and the annual payments are expected to continue in perpetuity.

The State expects to expend the annual payments received from the Participating Manufacturers for smoking prevention, cessation and control activities, prenatal and young children's care, child care for children up to 15 years of age, health care for children and adults, prescription drugs for adults who are elderly or disabled, dental and oral health care to low-income persons who lack adequate dental coverage, substance abuse prevention and treatment and comprehensive school health programs, pursuant to 22 MRSA §1511(6).

In addition, certain payments (the "Strategic Contribution Payments") to be made by the Participating Manufacturers and allocated among certain Settling States in recognition of strategic contributions made by specific Settling States, including Maine, to the negotiation of the Settlement Agreement were established pursuant to the Settlement Agreement. The Strategic Contribution Payments began in 2008 and will be made annually ending in 2017.

Annual payments received by the State pursuant to the Settlement Agreement have ranged from approximately $63,000,000 in fiscal year 2000 to approximately $46,000,000 in fiscal year 2005. The State received $50,029,359 in fiscal year 2011 pursuant to the Settlement Agreement.

Pursuant to the Settlement Agreement, Participating Manufacturers may dispute annual payment amounts. Participating Manufacturers have disputed certain amounts of each year's payment since 2003. The predominant dispute, though not the only dispute, is that certain Participating Manufacturers have claimed that they are entitled to a downward adjustment in the amount they owe because of loss of market share to non-participating manufacturers. If the Participating Manufacturers prevail on this claim against the State, the amount the State is entitled to for each disputed year would decrease. The State is pursuing arbitration, pursuant to the Settlement Agreement, to obtain a determination that it diligently enforced its "qualifying statute," in keeping with the terms of the Settlement Agreement, and that accordingly Maine is entitled to the full amount of its annual payment without a reduction for the market share loss to non-participating manufacturers. Other Settling States are pursuing similar arbitration seeking a determination of the amount to which they are entitled for previous years' tobacco settlement payments to their states.

State Investment Pool

As described above under the heading "Governmental Organization – Executive Branch – Treasurer of State," when there is money in the State Treasury that is not needed to meet current obligations, the Treasurer of State may, with the concurrence of the State Controller or the Commissioner of Administrative and Financial Services and with the consent of the Governor, invest those amounts in certain instruments authorized by State law. The Treasurer of State maintains the records of the investments of the State through the State investment pool. The average daily balance of the State investment pool was $489,426,749 in fiscal year 2010. The balance of the State investment pool as of April 30, 2011 was approximately $666,000,000.

Collateralized bank accounts, repurchase agreements and certificates of deposit collateralized by U.S. Treasuries and Agencies and direct holdings in U.S. Treasuries make up the cash pool portfolio. On April 30, 2011 the weighted average final maturity of the pool was 53 days.

CERTAIN PUBLIC INSTRUMENTALITIES

Maine Governmental Facilities Authority

The Maine Governmental Facilities Authority ("MGFA") is authorized to assist in financing the acquisition, construction, improvement, reconstruction or equipping of, or construction of an addition or additions to, structures designed for use as court facilities or state offices and the acquisition, construction, improvement, reconstruction or repair of equipment or other personal property, all of which are rented to agencies of the State. MGFA was created in 1987 and was known as the Maine Court Facilities Authority until 1997 when its name was changed and its purposes were broadened. Under current statutory limits, the MGFA may not issue securities in excess of $325,485,000 outstanding at any one time except for the issuance of revenue refunding securities authorized by the Act and provided that no less than $136,000,000 shall be allocated to court facilities and provided further that no less than $85,000,000 shall be allocated to correctional facilities, no less than $33,000,000 shall be allocated to a psychiatric facility in Augusta, and no less than $33,485,000 shall be allocated to capital repairs and improvements at various state facilities. No securities may be issued without the prior approval of the Legislature. Neither the faith and credit nor the taxing power of the State or of any political subdivision of the State is pledged to the payment of the principal of, redemption premium, if any, or interest on MGFA's bonds. MGFA has no taxing power. As of March 31, 2011, the aggregate principal amount of MGFA's bonds outstanding was $172,150,000. The State has agreed, subject to appropriation, to make rental payments to be applied to payment of MGFA's bonds. Debt service on MGFA's bonds for the State fiscal year ending June 30, 2011 is $16,930,000.

Finance Authority of Maine

The Finance Authority of Maine ("FAME") was created in 1983 to undertake various economic development finance programs and to assume the responsibilities of several smaller state authorities. FAME is currently authorized to insure repayment of commercial loans and to require the State to fund its insurance obligations, from proceeds of bonds of the State or from other sources, provided that insurance obligations and bonds of the State issued to fund insurance obligations shall not exceed in the aggregate at any one time outstanding the principal amount of $90,000,000 plus an additional $4,000,000 with respect to loans for eligible veterans. As of March 31, 2011, amounts outstanding pursuant to these authorizations were $45,679,000 and $0 respectively. See "Fiscal Management - Constitutional Debt Limit" herein. Since the creation of FAME in 1983, the Treasurer of State has not been asked to issue bonds of the State to pay off defaulted loans insured by FAME pursuant to these authorizations.

In 1990, FAME was authorized to provide certain student financial assistance services, including continuation of a student loan insurance program meeting certain federal requirements in order to secure loans to students attending institutions of higher education. Pursuant to this authorization, FAME has entered into agreements with the United States Secretary of Education relating to federal, state and private programs of low-interest insured loans to students in institutions of higher education. The Constitution allows the Legislature to authorize the issuance of bonds in the amount of up to $4,000,000 to secure funds for loans to Maine students attending institutions of higher education. As of April 30, 2011, the student loan insurance obligations of FAME were $784,570,000. See "Fiscal Management - Constitutional Debt Limit" herein. Since 1977, the Treasurer of State has not been asked to issue bonds of the State to pay off defaulted loans insured pursuant to the bond issuance authorization set forth in the Constitution.

In addition, FAME may issue bonds and other obligations which shall not be a debt or liability of any municipality, the State or any political subdivision thereof. The statutes governing FAME include Capital Reserve Provisions. As of April 30, 2011, the aggregate principal amount outstanding of

FAME's obligations undertaken pursuant to its Capital Reserve Provisions was $12,165,000 for electric rate stabilization projects, $13,820,000 for waste motor oil disposal site remediation projects, and $18,870,000 for other projects. The State has not been asked to restore FAME's Capital Reserve since the inception of its Capital Reserve Provision. See "Governmental Organization - Independent Authorities and Agencies" herein.

Maine State Housing Authority

The Maine State Housing Authority ("MSHA") was created in 1969 to undertake various programs related to housing. The bonds and other obligations of MSHA shall not be a debt of any municipality, the State or any political subdivision thereof and neither the State nor any municipality nor any political subdivision thereof shall be liable thereon. As of April 30, 2011, MSHA had $1,427,665,000 of housing bonds outstanding which require a capital reserve. The statutes governing MSHA include Capital Reserve Provisions. The State has not been asked to restore MSHA's Capital Reserves since the inception of its Capital Reserve Provisions. See "Governmental Organization - Independent Authorities and Agencies" herein. MSHA also has $49,600,000 of Maine Energy, Housing and Economic Recovery Bonds for a grand total of $1,477,265,000 outstanding.

MHSA is also authorized to insure repayment of mortgage loans on Indian housing and to require the State to fund these insurance obligations, from proceeds of bonds of the State or from other sources, provided that insurance obligations shall not exceed in the aggregate at any one time outstanding the principal amount of $1,000,000. As of April 30, 2011, MSHA's Indian housing mortgage insurance obligations were approximately $444,378. See "Fiscal Management – Constitutional Debt Limit" herein.

Maine Municipal Bond Bank

The Maine Municipal Bond Bank ("MMBB") was created in 1972 to lend money to counties, cities, towns, school administrative districts, community school districts, and quasi-municipal corporations to finance certain capital expenditures (the "Original Program"). Bonds and notes issued by the MMBB shall not be in any way a debt or liability of the State and shall not create any debt or debts, liability or liabilities, on behalf of the State or be or constitute a pledge of the full faith and credit of the State. As of April 30, 2011, the aggregate principal amount of the MMBB's bonds outstanding was $1,134,500,000 of which (a) $44,740,000 is attributable to loans to certain municipalities to assist in financing certain wastewater and drinking water treatment facilities pursuant to a revolving loan fund program, (b) $117,600,000 is attributable to certain grant anticipation bonds payable solely from annual federal highway grants to the State, (c) $173,925,000 is attributable to certain transportation revenue bonds payable solely from certain State revenues, and (d) substantially all of the balance is attributable to the Original Program. The statutes governing the MMBB include Capital Reserve Provisions. The State has not been asked to restore the MMBB's Capital Reserves since the inception of its Capital Reserve Provisions. See "Governmental Organization – Independent Authorities and Agencies" herein.

Maine Health and Higher Educational Facilities Authority

The Maine Health and Higher Educational Facilities Authority ("MHHEFA") was created in 1971 to provide the means to expand, enlarge and establish health care, hospital, nursing home and other related facilities and to assist institutions of higher education in the State to provide facilities and structures. Bonds and notes issued by MHHEFA do not constitute or create any debt or debts, liability or liabilities, on behalf of the State or any political subdivision thereof other than MHHEFA or a loan of credit of the State or a pledge of the faith and credit of the State or of any political subdivision other than MHHEFA. As of March 31, 2011, the aggregate principal amount of MHHEFA's bonds outstanding was $1,339,730,000. The statutes governing MHHEFA include a Capital Reserve Provision. The State has not been asked to restore MHHEFA’s Capital Reserve since the inception of its Capital Reserve Provision. See “Governmental Organization - Independent Authorities and Agencies” herein.

Maine Educational Loan Authority

The Maine Educational Loan Authority (“MELA”) was established in 1988 to carry out programs making financial and other assistance available to students and their parents to finance costs of attendance at institutions of higher education. Bonds of MELA do not constitute or create any debt or debts, liability or liabilities, on behalf of the State or of any political subdivision of the State, other than MELA, or a loan of the credit of the State or a pledge of the faith and credit of the State or of any political subdivision, other than MELA. As of March 31, 2011, the aggregate principal amount of MELA's bonds outstanding was $168,950,000. The statutes governing MELA include a Capital Reserve Provision. The State has not been asked to restore MELA’s Capital Reserve since the inception of its Capital Reserve Provision. See “Governmental Organization - Independent Authorities and Agencies” herein.

Loring Development Authority

Loring Development Authority (“LDA”) was established in 1993 to acquire and manage the former Loring Air Force Base in northern Maine. Bonds of LDA are payable solely from the income, proceeds, revenues and funds of LDA and do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction. As of March 31, 2011, LDA had not issued any bonds. The statutes governing LDA include a Capital Reserve Provision. See “Governmental Organization - Independent Authorities and Agencies” herein.

University of Maine System

The University of Maine System (the “University System”) includes the University of Maine, established in 1865, and all other public institutions of higher education in Maine, except the Maine Maritime Academy and the seven colleges of the Maine Community College System. Money borrowed by the University System and evidences of indebtedness issued by the University System do not constitute any debt or liability of the State or of any municipality or political subdivision of the State, but shall be payable solely from the revenues of the University System or any project for which they are issued. As of March 31, 2011, the aggregate principal amount of the University System’s bonds outstanding was $189,790,000.

Maine Turnpike Authority

The Maine Turnpike Authority (“MTA”) was created in 1941 and has constructed and operates and maintains a turnpike approximately 109 miles long between York and Augusta. Bonds issued by MTA shall not be deemed to be a debt of the State, but such bonds shall be payable exclusively from tolls. The bonds shall not directly or indirectly or contingently obligate the State to levy or pledge any form of taxation whatever therefor or to make any appropriation for the payment thereof. As of March 31, 2011, the aggregate principal amount of MTA’s bonds outstanding was $399,790,000.

Maine Public Utility Financing Bank

The Maine Public Utility Financing Bank (“MPUFB”) was created in 1981 to lend money to public utilities in the State. Bonds and notes issued by MPUFB do not constitute a debt or liability of the State or of any municipality therein or any political subdivision thereof, or a pledge of the faith and credit of the State or of any such municipality or political subdivision. As of March 31, 2011, the aggregate principal amount of MPUFB’s bonds outstanding was $22,600,000.

Maine Port Authority

The Maine Port Authority ("MPA") was established in 1945 and is authorized to acquire, construct and operate any kind of port terminal facility within the State and to acquire and construct any railroad facility within the State. Bonds of MPA do not constitute a debt of the State, or of any agency or political subdivision thereof, but are payable solely from the revenues of MPA, and neither the faith nor credit nor taxing power of the State, or any political subdivision thereof, is pledged to the payment of MPA's bonds. As of March 31, 2011, there were no outstanding bonds of MPA.

LITIGATION

The State is a party to numerous lawsuits. Such lawsuits include actions to recover monetary damages from the State, disputes over individual or corporate income taxes, disputes over sales or use taxes, and actions to alter the regulations or administrative practices of the State in such manner as to cause additional costs to the State. The State is not aware of any pending or threatened litigation or claim against the State, the outcome of which will have a material adverse effect on the financial condition of the State. The matters set forth under the heading "Primary Government – Litigation" in Note 15 Commitments and Contingencies to the Financial Statements attached as Appendix B hereto should be noted.

In addition, the following matters should be noted. The Center for Medicaid and Medicare Services ("CMS") has claimed a recoupment of federal financial reimbursement to the State for targeted case management services provided by the Maine Department of Health and Human Services, Office of Child and Family Services ("DHHS"), for the fiscal years 2003 and 2004. The amount of the recoupment claimed is approximately $29 million. DHHS appealed the recoupment to the federal Departmental Appeals Board and the appeal was denied. DHHS subsequently entered into a settlement agreement with CMS pursuant to which DHHS agreed to waive its right to appeal to the U. S. District Court and CMS agreed to forgo any further disallowance actions for targeted case management services. In addition, CMS agreed that it will not require repayment of the amount due prior to the start of fiscal year 2012.

In addition, L. L. Bean, Inc., pursuant to agreements with the State and pursuant to Maine statutes applicable to unclaimed property, has notified the State Treasurer that the State of New York has made a claim for the value of gift certificates previously paid to the State of Maine. L. L. Bean, Inc. has invoked Maine's obligation to defend and indemnify it against the claim of New York. The amount of the indemnity claimed is approximately $2.4 million.

STATE OF MAINE
GENERAL OBLIGATION BONDS

APPENDIX B

Selected Financial Information Pertaining to the State of Maine for Fiscal Years 2006 through 2010

INDEX TO FINANCIAL INFORMATION

Section I - General Purpose Financial Statements of the State of Maine for the Year Ended June 30, 2010

INDEX TO FINANCIAL INFORMATION

Section II - Certain Information from the State Controller's Budgetary and Legal Requirements Reports for Fiscal Years 2006 through 2010 (Unaudited) **Page**

No representation is made hereby that the information set forth in Section II of Appendix B has been prepared in full conformity with generally accepted accounting principles.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2010, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Maine's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following component units: Child Development Services, 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, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, Small Enterprise Growth Fund, and University of Maine System. We also did not audit the financial statements of the NextGen College Investing Plan. These financial statements reflect the following percentages of total assets and net assets or fund balance of the indicated opinion unit:

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

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

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

As discussed in Note 3 the State has adopted the provisions of Government Accounting Standards Board (GASB) Statements No. 51, *Accounting and Financial Reporting for Intangible Assets* and No. 53, *Accounting and Financial Reporting for Derivative Instruments.*

The Management's Discussion and Analysis on pages 4 - 15 and budgetary comparison schedules and related notes, State Retirement Plan and Other Post-Employment Benefits Plans, Information About Infrastructure Assets Reported Using the Modified Approach, included on pages 102 - 113, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Neria R. Douglass, JD, CIA
State Auditor

Neria R Douglass

December 21, 2010

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, 2010. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- The State's net assets increased by 4.4 percent from the previous fiscal year. Net assets of Governmental Activities increased by $212.9 million, while net assets of Business-type Activities decreased by $30.3 million. The State's assets exceeded its liabilities by $4.4 billion at the close of fiscal year 2010. Component units reported net assets of $2.1 billion, an increase of $105.7 million (5.2 percent) from the previous year, as restated.

Fund level:

- At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of $311.8 million, an increase of $109.8 million from the previous year. The General Fund's total fund balance was a negative $308.2 million, a decline of $34.9 million from the previous year. The Highway Fund total fund balance was $56.4 million, an increase of $21.5 million from the prior year.

- The proprietary funds reported net assets at year end of $562 million, a decrease of $32.4 million from the previous year. This decrease is due to several factors: an increase in the Dirigo Health Fund of $10.8 million, an increase in the Maine Military Fund of $6.4 million, an increase in the Alcoholic Beverages Fund of $12.5 million, and an increase in the Information Services Fund of $9.6 million, offset by a decrease in the Employment Security Fund of $63.3 million, and a decrease in the Retiree Health Insurance Fund of $24.8 million.

Long-term Debt:

- The State's liability for general obligation bonds decreased by $29.9 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State issued $56.8 million in bonds and made principal payments of $86.7 million.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements

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

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

Both government-wide statements report three activities:

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

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

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

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

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

- Net asset balances are allocated as follows:

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

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

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

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

The State's net assets increased by 4.4 percent to $4.4 billion at June 30, 2010, as detailed in Tables A-1 and A-2.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Current and other noncurrent assets	$ 1,891,198	$ 1,901,420	$ 361,077	$ 410,353	$ 2,252,275	$ 2,311,773
Capital assets	4,618,143	4,338,301	97,635	96,665	4,715,778	4,434,966
Total Assets	**6,509,341**	**6,239,721**	**458,712**	**507,018**	**6,968,053**	**6,746,739**
Current liabilities	1,348,020	1,419,356	37,184	42,720	1,385,204	1,462,076
Long-term liabilities	1,168,334	1,040,284	38,255	50,691	1,206,589	1,090,975
Total Liabilities	**2,516,354**	**2,459,640**	**75,439**	**93,411**	**2,591,793**	**2,553,051**
Net assets (deficit):						
Investment in capital net of related debt	3,945,220	3,767,895	97,635	96,667	4,042,855	3,864,562
Restricted	184,241	162,240	320,648	383,970	504,889	546,210
Unrestricted (deficit)	(136,474)	(150,054)	(35,010)	(67,030)	(171,484)	(217,084)
Total Net Assets	**$ 3,992,987**	**$ 3,780,081**	**$ 383,273**	**$ 413,607**	**$ 4,376,260**	**$ 4,193,688**

Changes in Net Assets

The State's fiscal year 2010 revenues totaled $7.9 billion. (See Table A-2) Taxes and operating grants and contributions accounted for most of the State's revenue by contributing 40.4 percent and 45.2 percent, respectively, of every dollar raised. The remainder came from charges for services and other miscellaneous sources.

The total cost of all programs and services totaled $7.7 billion for the year 2010. (See Table A-2) These expenses are predominantly (68.3 percent) related to health & human services and education activities. The State's governmental support & operations activities accounted for 6.2 percent of total costs. Total net assets increased by $182.6 million.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program Revenues:						
Charges for Services	$ 492,251	$ 452,597	$ 489,034	$ 482,911	$ 981,285	$ 935,508
Operating Grants/Contributions	3,525,858	3,081,827	44,629	20,170	3,570,487	3,101,997
General Revenues:						
Taxes	3,193,659	3,245,180	-	-	3,193,659	3,245,180
Other	156,515	159,276	-	-	156,515	159,276
Total Revenues	7,368,283	6,938,880	533,663	503,081	7,901,946	7,441,961
Expenses						
Governmental Activities:						
Governmental Support	477,994	484,127			477,994	484,127
Education	1,752,041	1,689,036			1,752,041	1,689,036
Health & Human Services	3,511,572	3,428,680			3,511,572	3,428,680
Justice & Protection	412,263	419,027			412,263	419,027
Transportation Safety	295,514	301,355			295,514	301,355
Other	682,950	534,032			682,950	534,032
Interest	48,594	40,148			48,594	40,148
Business-Type Activities:					-	-
Employment Security			235,301	225,181	235,301	225,181
Lottery			166,721	163,030	166,721	163,030
Military Equip. Maint.			45,004	71,380	45,004	71,380
Dirigo Health			50,952	58,861	50,952	58,861
Other			28,740	27,560	28,740	27,560
Total Expenses	7,180,928	6,896,405	526,718	546,012	7,707,646	7,442,417
Excess (Deficiency) before Special Items and Transfers	187,355	42,475	6,945	(42,931)	194,300	(456)
Special Items	(11,728)	-	-	-	(11,728)	-
Transfers	37,279	43,700	(37,279)	(43,700)	-	-
Increase (Decrease) in Net Assets	212,906	86,175	(30,334)	(86,631)	182,572	(456)
Net Assets, beginning of year	3,780,081	3,693,906	413,607	500,238	4,193,688	4,194,144
Ending Net Assets	$ 3,992,987	$ 3,780,081	$ 383,273	$ 413,607	$ 4,376,260	$ 4,193,688

Governmental Activities

Revenues for the State's Governmental Activities totaled $7.4 billion while total expenses equaled $7.2 billion. The increase in net assets for Governmental Activities was $212.9 million in 2010. This is due, primarily, to a decrease in General Fund expenditures resulting from participation in the federal American Recovery and Reinvestment Act of 2009. Additionally, program revenues were insufficient to cover program expenses. Therefore, the net program expenses of these governmental activities were supported by general revenues, mainly taxes. Tax revenue decreased by $51.5 million from the prior year, however net expenses supported by tax revenue also decreased by approximately $199.2 million. Furthermore, the State’s Business-type Activities transferred $37.3 million (net) to the Governmental Activities in statutorily required profit transfers.

The users of the State's programs financed $492.3 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of $3.5 billion. $3.2 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 2010

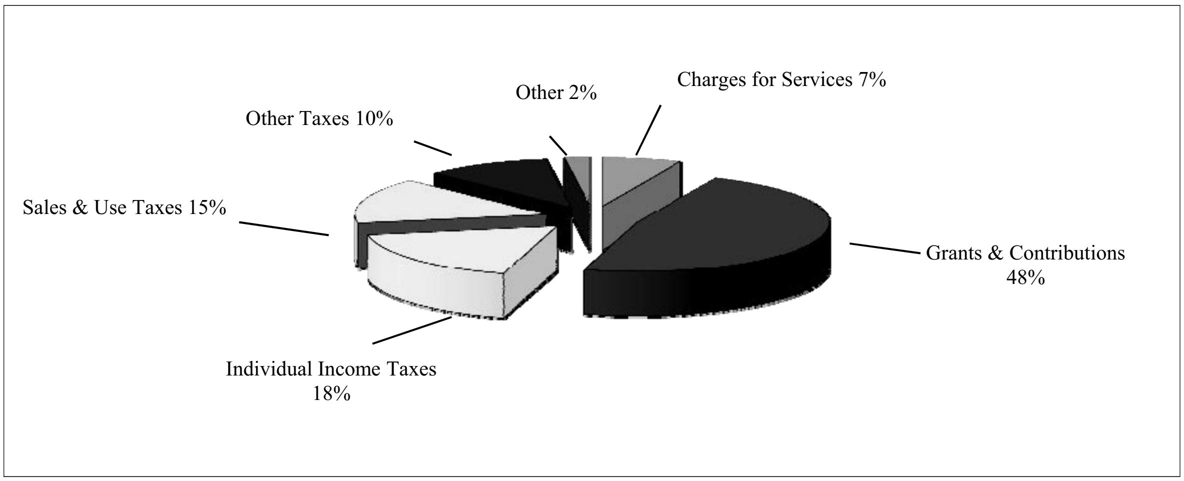
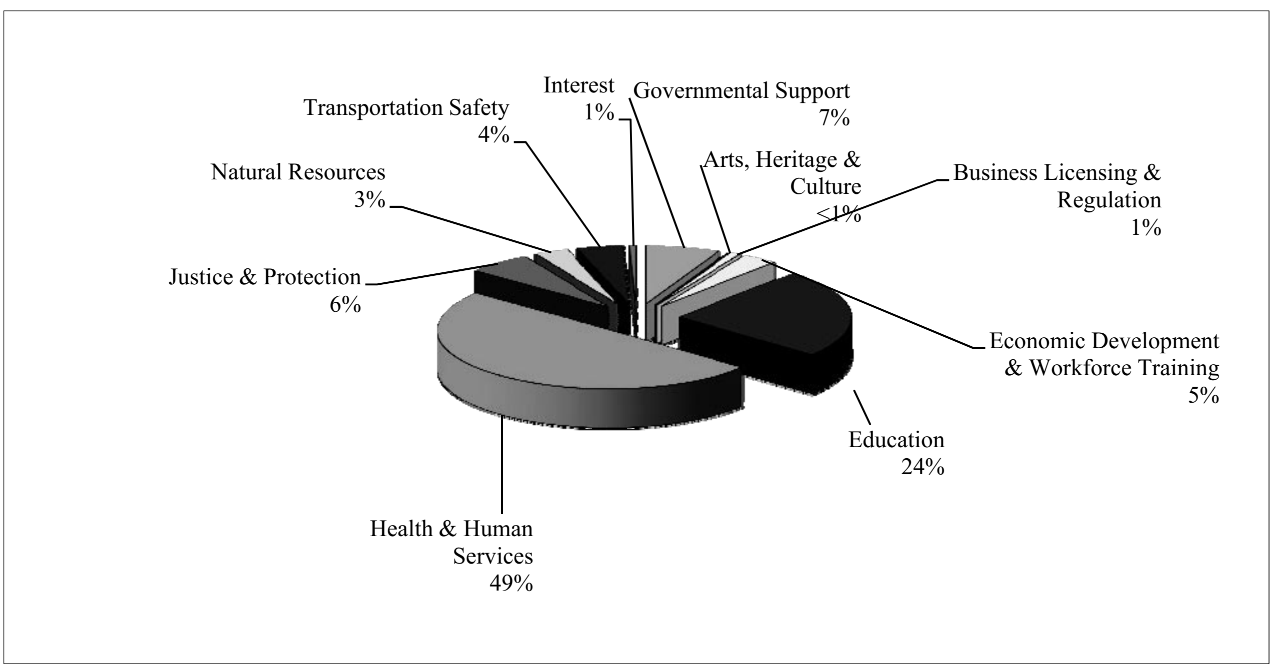


Table A-4: Total Expenses for Governmental Activities for Fiscal Year 2010



Business-type Activities

Revenues for the State's Business-type Activities totaled $533.7 million while expenses totaled $526.7 million. The decrease in net assets for Business-type Activities was $30.3 million in 2010, due mainly to the increase of unemployment compensation payments in the Employment Security fund.

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

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

Category	Total Cost 2010	Total Cost 2009	Net (Cost) Revenue 2010	Net (Cost) Revenue 2009
Employment Security	$ 235,301	$ 225,181	$ (63,234)	$ (107,649)
Alcoholic Beverages	1	-	12,527	12,530
Lottery	166,721	163,030	53,245	50,043
Military Equip. Maint.	45,004	71,380	4,483	4,404
Dirigo Health	50,952	58,861	14,657	9,843
Other	28,739	27,560	(14,733)	(12,102)
Total	$ 526,718	$ 546,012	$ 6,945	$ (42,931)

The cost of all Business-type Activities this year was $526.7 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-type Activities was $6.9 million, with the Lottery making up $53.2 million of the total. The State’s Business-type Activities transferred $37.3 million (net) to the Governmental Activities in statutorily required profit transfers.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

Fund	Total Cost 2010	2009	Change
General	$ (308,248)	$ (273,393)	$ (34,855)
Highway	56,403	34,885	21,518
Federal	22,082	27,163	(5,081)
Other Special Revenue	442,482	300,263	142,219
Other Governmental	99,052	113,038	(13,986)
Total	$ 311,771	$ 201,956	$ 109,815

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of $311.8 million, an increase of $109.8 million in comparison with the prior year. Of this amount, a net deficit fund balance of $338.6 million constitutes unreserved fund balance with 121 percent ($411 million) of the shortfall residing in the General Fund. The remainder of the fund balances for the governmental funds is reserved and is not available for new spending because it has already been dedicated for continuing appropriations ($503.2 million), Capital Projects ($33.6 million), and various other commitments ($113.6 million).

General Fund expenditures and other uses surpassed General Fund revenues and other sources resulting in a decrease in the fund balance by $34.9 million. While expenditures and other uses of the General Fund increased by approximately $8.7 million (0.28 percent) led by an increase in transfers to other funds of $50.2 million, expenditures for health and human service and education decreased by $27.7 million and $31.3 million respectively; General Fund revenues and other sources also increased by $8.8 million (0.28 percent) which is mainly attributed to a reduction in tax revenue ($58.7 million) offset by the General Funds share of returned equity from the Retiree Health Insurance Fund ($48.3 million) and increased transfers from other funds ($19.5 million).

The fund balance of the Highway Fund increased $21.5 million from fiscal year 2009, due to the Highway Fund's share of returned equity from the Retiree Health Insurance Fund ($11.1 million) and the Highway Fund's reimbursement of approximately $14.2 million from the Federal Fund for prior period expenditures that were ultimately approved for federal funding.

Budgetary Highlights

For the 2010 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to $2.9 billion, a decrease of about $8.5 million from the original legally adopted budget of approximately $2.9 billion. Actual expenditures on a budgetary basis amounted to approximately $80.9 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2011, including the budgeted starting balance for Fiscal Year 2010, there were funds remaining of $70.3 million to distribute in Fiscal Year 2010. Actual revenues exceeded final budget forecasts by $43.1 million. As a part of the final budget adjustment for Fiscal Year 2010, the Legislature approved direct transfers to the State's Budget Stabilization Fund in the amount of $5.6 million. In addition, the year-end cascade transferred another $19.6 million to the State's Budget Stabilization Fund. The additional transfer and interest earnings increased the balance in the Fund to $25.4 million as of June 30, 2010. 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 2010, the State had roughly $4.7 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2010, the State acquired or constructed more than $330.7 million of capital assets. The most significant impact on capital assets during the year resulted from continued construction and rehabilitation of roads and bridges, and major construction and renovation of State-owned facilities. More detailed information about the State's capital assets and significant construction commitments is presented in Notes 8 and 15 to the financial statements.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Land	$ 473,464	$ 449,256	$ 43,076	$ 43,344	$ 516,540	$ 492,600
Buildings	589,375	576,236	8,465	9,655	597,840	585,891
Equipment	254,744	250,031	49,548	47,134	304,292	297,165
Improvements	19,576	18,818	74,572	74,572	94,148	93,390
Infrastructure	3,600,246	3,378,914	-	-	3,600,246	3,378,914
Construction in Progress	90,974	57,350	8,789	3,416	99,763	60,766
Total Capital Assets	5,028,379	4,730,605	184,450	178,121	5,212,829	4,908,726
Accumulated Depreciation	410,236	392,304	86,815	81,456	497,051	473,760
Capital Assets, net	$ 4,618,143	$ 4,338,301	$ 97,635	$ 96,665	$ 4,715,778	$ 4,434,966

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 8,873 highway miles or 18,048 lane miles within the State. Bridges have a deck area of 11.7 million square feet among 2,961 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2010, the actual average condition was 76.2. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 79 at June 30, 2010. Preservation costs for fiscal year 2010 totaled $77.8 million compared to estimated preservation costs of $55 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 414, PL 2009, $25 million was spent during FY 2010.

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 $1.3 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	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds	$ 500,100	$ 529,990	$ -	$ -	$ 500,100	$ 529,990
Other Long-Term Obligations	836,743	671,940	808	880	837,551	672,820
Total	$ 1,336,843	$ 1,201,930	$ 808	$ 880	$ 1,337,651	$ 1,202,810

During the year, the State reduced outstanding long-term obligations by $86.7 million for outstanding general obligation bonds and $643 million for other long-term debt. Also during fiscal year 2010, the State incurred $864.5 million of additional long-term obligations.

Credit Ratings

The State's credit was rated during fiscal year 2010 by Moody's Investors Service as Aa3 with a stable outlook, by Standard & Poor's as AA with a negative outlook, and by the National Association of Insurance Commissioners as NAIC-1.

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

While national and state economic conditions have been improving over the past months, the rate of improvement has been slow. In August, Maine's year-over-year economic activity index crossed over into positive territory for the first time since April 2008. Personal income has been slow to recover, but corporate profits have been increasing significantly this year. While home sales experienced a temporary boost from the homebuyer credit, they have dropped off again following the expiration of the credit.

Going forward, economic growth in Maine is expected to reflect the slow pace of the national economic recovery. Wage and salary employment is expected to begin slowly gaining ground in the first quarter of 2011, with more rapid gains expected in 2012 and 2013. Personal income growth is generally expected to be somewhat better than previously forecast, particularly in 2010, led by growth in wages and salaries, proprietors' income and transfer payments. Inflation increased by less than 1% between July 2009 and June 2010. Energy prices have stabilized somewhat over the last year, but have increased in recent months as the winter heating season begins.

The unemployment rate in Maine has been below the national average throughout the recession and during the early stages of the economic recovery. The rate in Maine stood at 7.4% in October, which is below both the national and New England averages. Maine is forecasted to return to its pre-recession wage and salary employment level by 2013.

After falling for two straight fiscal years, General Fund revenue is projected to increase by 4.7% in FY11 and continue to grow at a similar rate through FY15. General Fund receipts reached their peak of $3.1 billion in FY08 and are projected to return to that level by FY13. Individual and corporate income tax revenues are forecasted to lead that return in General Fund receipts, while sales taxes are expected to grow at lower rates as households re-build savings lost during the great recession.

At the close of Fiscal Year 2010, the deficit in the State of Maine's Unreserved Fund Balance Account in the General Fund has increased to $411.0 million (from a deficit $390.4 reported in the prior year). This increase is primarily due to a one-day borrowing from the Other Special Revenue Fund totaling $79 million that was necessary to balance the budget. The amount of the one-day borrowing was partially offset with the excess revenues.

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

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

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

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


DIRIGO
MAINE

STATE OF MAINE
STATEMENT OF NET ASSETS

June 30, 2010
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 344,052	$ 11,226	$ 355,278	$ 93,591
Cash and Cash Equivalents	300	756	1,056	132,006
Cash with Fiscal Agent	166,464	-	166,464	-
Investments	65,394	-	65,394	708,598
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	36,449	-	36,449	-
Restricted Deposits and Investments	3,325	292,354	295,679	1,023
Inventories	5,622	2,461	8,083	2,146
Receivables, Net of Allowance for Uncollectibles:				
Taxes Receivable	332,221	-	332,221	-
Loans Receivable	5,650	-	5,650	88,187
Notes Receivable	-	-	-	63
Other Receivables	197,968	57,733	255,701	65,361
Internal Balances	6,122	(6,122)	-	-
Due from Other Governments	598,971	-	598,971	159,594
Due from Primary Government	-	-	-	15,505
Loans receivable from primary government	-	-	-	17,975
Due from Component Units	19,460	173	19,633	-
Other Current Assets	16,531	2,496	19,027	39,054
Total Current Assets	1,798,529	361,077	2,159,606	1,323,103
Noncurrent Assets:				
Assets Held in Trust	-	-	-	284
Restricted Assets:				
Restricted Deposits and Investments	-	-	-	457,246
Investments	-	-	-	432,618
Receivables, Net of Current Portion:				
Taxes Receivable	73,647	-	73,647	-
Loans Receivable	-	-	-	2,677,606
Notes Receivable	-	-	-	236,696
Other Receivables	752	-	752	13,035
Due from Other Governments	17,509	-	17,509	1,268,207
Loans receivable from primary government	-	-	-	240,419
Due From Primary Government	-	-	-	180
Other Noncurrent Assets	-	-	-	32,044
Post-Employment Benefit Asset	761	-	761	8,853
Capital Assets:				
Land, Infrastructure, and Other Non-Depreciable Assets	4,164,684	51,865	4,216,549	83,978
Buildings, Equipment and Other Depreciable Assets	863,695	132,585	996,280	1,231,899
Less: Accumulated Depreciation	(410,236)	(86,815)	(497,051)	(442,927)
Capital Assets, Net of Accumulated Depreciation	4,618,143	97,635	4,715,778	872,950
Total Noncurrent Assets	4,710,812	97,635	4,808,447	6,240,138
Total Assets	$ 6,509,341	$ 458,712	$ 6,968,053	$ 7,563,241

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

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Liabilities				
Current Liabilities:				
Accounts Payable	$ 846,579	$ 6,792	$ 853,371	$ 95,108
Accrued Payroll	37,669	1,607	39,276	1,072
Tax Refunds Payable	137,349	-	137,349	-
Due to Component Units	26,816	-	26,816	-
Due to Primary Government	-	-	-	19,633
Undistributed Grants and Administrative Funds	-	-	-	16,451
Allowances for Losses on Insured Commercial Loans	-	-	-	13,013
Current Portion of Long-Term Obligations:				
Compensated Absences	4,480	53	4,533	2,426
Due to Other Governments	103,081	-	103,081	3,087
Amounts Held under State & Federal Loan Programs	-	-	-	24,628
Claims Payable	23,688	-	23,688	-
Bonds and Notes Payable	88,005	-	88,005	170,068
Notes Payable	-	-	-	1,041
Revenue Bonds Payable	16,930	-	16,930	43,157
Obligations under Capital Leases	6,090	-	6,090	307
Certificates of Participation and Other Financing Arrangements	25,738	-	25,738	-
Loans Payable to Component Unit	17,975	-	17,975	-
Accrued Interest Payable	7,112	-	7,112	47,304
Deferred Revenue	1,291	12,801	14,092	64,420
Current portion of OPEB obligation	-	-	-	5,587
Other Current Liabilities	5,217	15,931	21,148	32,904
Total Current Liabilities	1,348,020	37,184	1,385,204	540,206
Long-Term Liabilities:				
Compensated Absences	41,308	755	42,063	-
Due to Component Units	84	-	84	-
Due to Other Governments	213	-	213	11,031
Amounts Held under State & Federal Loan Programs	-	-	-	47,688
Claims Payable	34,600	-	34,600	-
Bonds and Notes Payable	412,095	-	412,095	3,320,305
Notes Payable	-	-	-	25,272
Revenue Bonds Payable	172,150	-	172,150	1,365,282
Obligations under Capital Leases	27,239	-	27,239	5,761
Certificates of Participation and Other Financing Arrangements	50,553	-	50,553	-
Loans Payable to Component Unit	240,419	-	240,419	-
Deferred Revenue	14,100	37,500	51,600	16,303
Pension Obligation	7,845	-	7,845	-
Other Post-Employment Benefit Obligation	117,700	-	117,700	-
Pollution Remediation	50,028	-	50,028	-
Other Noncurrent Liabilities	-	-	-	94,081
Total Long-Term Liabilities	1,168,334	38,255	1,206,589	4,885,723
Total Liabilities	2,516,354	75,439	2,591,793	5,425,929
Net Assets				
Invested in Capital Assets, Net of Related Debt	3,945,220	97,635	4,042,855	638,743
Restricted:				
Highway Fund Purposes	55,418	-	55,418	-
Federal Programs	22,082	-	22,082	-
Natural Resources	19,906	-	19,906	-
Unemployment Compensation	-	320,648	320,648	-
Other Purposes	21,341	-	21,341	1,178,810
Funds Held as Permanent Investments:				
Expendable	53,244	-	53,244	-
Nonexpendable	12,250	-	12,250	-
Unrestricted	(136,474)	(35,010)	(171,484)	319,759
Total Net Assets	$ 3,992,987	$ 383,273	$ 4,376,260	$ 2,137,312

STATE OF MAINE
STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

		Program Revenues		
	Expenses	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Governmental activities:				
Governmental Support & Operations	$ 477,994	$ 106,164	$ 8,477	$ -
Arts, Heritage & Cultural Enrichment	11,761	1,075	2,819	-
Business Licensing & Regulation	74,243	71,592	3,261	-
Economic Development & Workforce Training	400,166	6,846	326,633	-
Education	1,752,041	7,487	292,861	-
Health & Human Services	3,511,572	11,844	2,544,929	-
Justice & Protection	412,263	88,166	67,406	-
Natural Resources Development & Protection	196,780	95,318	46,881	-
Transportation Safety & Development	295,514	103,759	232,591	-
Interest Expense	48,594	-	-	-
Total Governmental Activities	7,180,928	492,251	3,525,858	-
Business-Type Activities:				
Employment Security	235,301	127,438	44,629	-
Alcoholic Beverages	1	12,528	-	-
Lottery	166,721	219,966	-	-
Transportation	8,173	1,929	-	-
Marine Ports	1,354	47	-	-
Ferry Services	10,817	4,951	-	-
Military Equipment Maintenance	45,004	49,487	-	-
Dirigo Health	50,952	65,609	-	-
Other	8,395	7,079	-	-
Total Business-Type Activities	526,718	489,034	44,629	-
Total Primary Government	$ 7,707,646	$ 981,285	$ 3,570,487	$ -
Component Units:				
Finance Authority of Maine	38,661	13,123	21,972	-
Maine Community College System	119,856	22,460	48,943	4,207
Maine Health & Higher Educational Facilities Authority	58,694	55,267	6,321	-
Maine Municipal Bond Bank	79,793	58,012	10,311	31,580
Maine State Housing Authority	268,767	79,050	184,865	-
University of Maine System	660,488	298,056	213,264	7,784
All Other Non-Major Component Units	121,746	41,385	58,074	4,452
Total Component Units	$ 1,348,005	$ 567,353	$ 543,750	$ 48,023

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
Extraordinary Items
Transfers - Internal Activities
Total General Revenues and Transfers
Change in Net Assets
Net Assets - Beginning (As Restated)
Net Assets - Ending

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

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (363,353)	$ -	$ (363,353)	$ -
(7,867)	-	(7,867)	-
610	-	610	-
(66,687)	-	(66,687)	-
(1,451,693)	-	(1,451,693)	-
(954,799)	-	(954,799)	-
(256,691)	-	(256,691)	-
(54,581)	-	(54,581)	-
40,836	-	40,836	-
(48,594)	-	(48,594)	-
(3,162,819)	-	(3,162,819)	-
-	(63,234)	(63,234)	-
-	12,527	12,527	-
-	53,245	53,245	-
-	(6,244)	(6,244)	-
-	(1,307)	(1,307)	-
-	(5,866)	(5,866)	-
-	4,483	4,483	-
-	14,657	14,657	-
-	(1,316)	(1,316)	-
-	6,945	6,945	-
$ (3,162,819)	$ 6,945	$ (3,155,874)	$ -
-	-	-	(3,566)
-	-	-	(44,246)
-	-	-	2,894
-	-	-	20,110
-	-	-	(4,852)
-	-	-	(141,384)
-	-	-	(17,835)
$ -	$ -	$ -	$ (188,879)
282,998	-	282,998	-
1,297,568	-	1,297,568	-
191,390	-	191,390	-
46,627	-	46,627	-
1,116,301	-	1,116,301	-
258,775	-	258,775	-
12,378	-	12,378	15,345
-	-	-	267,970
92,536	-	92,536	10,503
-	-	-	(467)
51,601	-	51,601	-
(11,728)	-	(11,728)	-
-	-	-	1,185
37,279	(37,279)	-	-
3,375,725	(37,279)	3,338,446	294,536
212,906	(30,334)	182,572	105,657
3,780,081	413,607	4,193,688	2,031,655
$ 3,992,987	$ 383,273	$ 4,376,260	$ 2,137,312

STATE OF MAINE
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2010
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Treasurer's Cash Pool	$ 8,775	$ 59,181	$ 19,333	$ 92,320	$ 100	$ 179,709
Cash and Short-Term Investments	140	116	2	39	-	297
Cash with Fiscal Agent	426	1,363	-	149,851	-	151,640
Investments	-	-	-	-	65,394	65,394
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	217	-	-	-	36,232	36,449
Inventories	1,287	-	717	-	-	2,004
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	375,366	21,289	-	9,213	-	405,868
Loans Receivable	1	44	-	5,605	-	5,650
Other Receivable	63,378	1,747	60,773	69,740	-	195,638
Due from Other Funds	13,370	2,069	672	160,191	-	176,302
Due from Other Governments	-	-	598,457	-	-	598,457
Due from Component Units	-	-	-	19,344	116	19,460
Other Assets	1,732	-	397	13,482	13	15,624
Working Capital Advances Receivable	111	-	-	-	-	111
Total Assets	$ 464,803	$ 85,809	$ 680,351	$ 519,785	$ 101,855	$ 1,852,603
Liabilities and Fund Balances						
Accounts Payable	$ 199,023	$ 12,175	$ 544,167	$ 31,389	$ 1,481	$ 788,235
Accrued Payroll	17,312	7,085	4,044	6,779	-	35,220
Tax Refunds Payable	137,338	11	-	-	-	137,349
Due to Other Governments	-	-	90,598	-	-	90,598
Due to Other Funds	203,488	3,191	8,788	3,890	38	219,395
Due to Component Units	13,460	26	8,232	396	1,281	23,395
Deferred Revenue	198,812	6,502	1,472	33,673	3	240,462
Other Accrued Liabilities	3,618	416	968	1,176	-	6,178
Total Liabilities	773,051	29,406	658,269	77,303	2,803	1,540,832
Fund Balances:						
Reserved						
Continuing Appropriations	89,400	73,263	90,001	250,392	170	503,226
Capital Projects	-	-	-	-	33,558	33,558
Permanent Trusts	-	-	-	-	12,250	12,250
Other	13,370	702	-	34,227	53,074	101,373
Unreserved	(411,018)	(17,562)	(67,919)	157,863	-	(338,636)
Total Fund Balances	(308,248)	56,403	22,082	442,482	99,052	311,771
Total Liabilities and Fund Balances	$ 464,803	$ 85,809	$ 680,351	$ 519,785	$ 101,855	$ 1,852,603

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

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

June 30, 2010
(Expressed in Thousands)

Total fund balances for governmental funds		$ 311,771
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	4,679,672	
Less: Accumulated depreciation	(213,488)	4,466,184
Other Post-Employment Benefit Assets are not financial resources		761
Pollution Remediation Receivable		13,682
Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental fund statements. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement:		
Bonds Payable	(689,180)	
Interest Payable Related to Long-term Financing	(5,758)	
Certificates of Participation and Other Financing Arrangements	(38,461)	
Due to Federal Government - Disallowed Costs in Litigation	(755)	
Loans Payable to Component Unit	(258,394)	
Compensated Absences	(41,511)	
Pension Obligation	(7,845)	
Other Post-Employment Benefit Obligation	(117,700)	
Pollution Remediation Obligation	(50,028)	(1,209,632)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		231,542
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		178,679
Net assets of governmental activities		$ 3,992,987

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, 2010
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 2,756,435	$ 217,612	$ -	$ 241,252	$ -	$ 3,215,299
Assessments and Other Revenue	117,119	83,695	4	133,838	-	334,656
Federal Grants and Reimbursements	11,047	-	3,517,272	6,905	-	3,535,224
Service Charges	50,852	6,409	764	101,829	-	159,854
Investment Income	567	162	35	2,866	7,643	11,273
Miscellaneous Revenue	12,284	644	323	129,597	1,661	144,509
Total Revenues	2,948,304	308,522	3,518,398	616,287	9,304	7,400,815
Expenditures						
Current:						
Governmental Support & Operations	257,093	34,832	9,120	131,057	10,189	442,291
Economic Development & Workforce Training	35,646	-	328,550	23,998	13,645	401,839
Education	1,419,891	-	292,926	52,225	11,165	1,776,207
Health and Human Services	758,808	-	2,581,250	268,587	-	3,608,645
Business Licensing & Regulation	22	-	2,817	70,968	-	73,807
Natural Resources Development & Protection	67,324	35	46,371	103,096	7,772	224,598
Justice and Protection	270,581	30,532	67,939	46,142	495	415,689
Arts, Heritage & Cultural Enrichment	7,311	-	2,770	778	754	11,613
Transportation Safety & Development	-	222,676	209,298	71,004	33,639	536,617
Debt Service:						
Principal Payments	92,035	11,820	7,625	8,607	-	120,087
Interest Payments	24,103	4,803	2,947	7,479	-	39,332
Total Expenditures	2,932,814	304,698	3,551,613	783,941	77,659	7,650,725
Revenue over (under) Expenditures	15,490	3,824	(33,215)	(167,654)	(68,355)	(249,910)
Other Financing Sources (Uses):						
Transfer from Other Funds	106,694	16,470	48,702	179,089	1,764	352,719
Transfer to Other Funds	(205,768)	(10,245)	(20,568)	(68,785)	(4,230)	(309,596)
COP's and Other	382	367	-	39,771	-	40,520
Loan Proceeds from Component Units	-	-	-	142,857	-	142,857
Bonds Issued	-	-	-	13,275	56,835	70,110
Net Other Finance Sources (Uses)	(98,692)	6,592	28,134	306,207	54,369	296,610
Special Item	48,347	11,102	-	3,666	-	63,115
Revenues and Other Sources over (under) Expenditures and Other Uses	(34,855)	21,518	(5,081)	142,219	(13,986)	109,815
Fund Balances at Beginning of Year	(273,393)	34,885	27,163	300,263	113,038	201,956
Fund Balances at End of Year	$ (308,248)	$ 56,403	$ 22,082	$ 442,482	$ 99,052	$ 311,771

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, 2010
(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 109,815
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	288,949	
Depreciation expense	(17,067)	271,882
The net effect of various transactions involving capital assets (ie. sales, trade ins and contributions) is to increase net assets.		(5,956)
Post-employment benefit asset funding, net		(28,007)
Pollution Remediation Receivable		(3,327)
The issuance of long-term debt provides current financial resources to governmental funds which increases long-term debt in the Statement of Net Assets. Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but repayment reduces long-term debt in the Statement of Net Assets. This is the amount that proceeds exceed repayments:		
Bond proceeds	(70,110)	
Proceeds from other financing arrangements	(40,520)	
Loan proceeds from component unit	(142,857)	
Repayment of bond principal	103,855	
Repayment of other financing debt	19,136	
Repayment of pledged revenue principal	16,232	
Accrued interest	(1,456)	(115,720)
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported as expenditures on the Statement of Net Assets and have been eliminated from the Statement of Activities as follows:		
Pension obligation	11,036	
Other post-employment benefit obligation	(45,911)	
Pollution remediation obligation	14,848	
Claims payable	-	
Due to Federal Government - Disallowed Costs in Litigation	28,245	
Compensated absences	(367)	7,851
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		(21,519)
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.		(2,113)
Changes in net assets of governmental activities		$ 212,906

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

STATE OF MAINE
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2010
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major	Non-Major		Internal
	Employment Security	Other Enterprise	Totals	Service Funds
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ -	$ 11,226	$ 11,226	$ 164,343
Cash and Short-Term Investments	-	756	756	3
Cash with Fiscal Agent	-	-	-	14,824
Restricted Assets:				
Restricted Deposits and Investments	292,354	-	292,354	3,325
Inventories	-	2,461	2,461	3,618
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	30,342	27,391	57,733	2,318
Due from Other Funds	117	501	618	22,395
Due from Component Units	-	173	173	-
Other Current Assets	-	2,496	2,496	907
Total Current Assets	322,813	45,004	367,817	211,733
Noncurrent Assets:				
Receivables, Net of Allowance for Uncollectibles:				
Capital Assets - Net of Depreciation	-	97,635	97,635	151,959
Total Noncurrent Assets	-	97,635	97,635	151,959
Total Assets	322,813	142,639	465,452	363,692
Liabilities				
Current Liabilities:				
Accounts Payable	1,230	5,562	6,792	22,752
Accrued Payroll	-	1,607	1,607	2,449
Due to Other Governments	-	-	-	11,941
Due to Other Funds	169	8,223	8,392	7,108
Due to Component Units	-	-	-	3,505
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	10,979
Obligations Under Capital Leases	-	-	-	6,090
Claims Payable	-	-	-	23,688
Compensated Absences	-	53	53	288
Deferred Revenue	-	12,801	12,801	574
Other Accrued Liabilities	766	15,165	15,931	393
Total Current Liabilities	2,165	43,411	45,576	89,767
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Deferred Revenue	-	37,500	37,500	804
Certificates of Participation and Other Financing Arrangements	-	-	-	26,851
Obligations Under Capital Leases	-	-	-	27,239
Claims Payable	-	-	-	34,600
Compensated Absences	-	755	755	3,989
Total Long-Term Liabilities	-	38,255	38,255	93,594
Total Liabilities	2,165	81,666	83,831	183,361
Net Assets				
Invested in Capital Assets, Net of Related Debt	-	97,635	97,635	90,849
Restricted for:				
Unemployment Compensation	320,648	-	320,648	-
Other Purposes	-	-	-	2,117
Unrestricted	-	(36,662)	(36,662)	87,365
Total Net Assets	$ 320,648	$ 60,973	$ 381,621	$ 180,331
Amounts reported for business-type activities in the government-wide Statement of Net Assets are different due to elimination of the State's internal business-type activities.			1,652	
Net Assets of Business-Type Activities			$ 383,273	

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

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

Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major	Non-Major		Internal
	Employment Security	Other Enterprise	Totals	Service Funds
Operating Revenues				
Charges for Services	$ -	$ 347,887	$ 347,887	$ 472,377
Assessments	127,438	1,435	128,873	-
Miscellaneous Revenues	30,248	89	30,337	1,024
Total Operating Revenues	157,686	349,411	507,097	473,401
Operating Expenses				
General Operations	-	284,459	284,459	373,865
Depreciation	-	7,523	7,523	17,304
Claims/Fees Expense	235,301	-	235,301	9,677
Other Operating Expenses	-	-	-	372
Total Operating Expenses	235,301	291,982	527,283	401,218
Operating Income (Loss)	(77,615)	57,429	(20,186)	72,183
Nonoperating Revenues (Expenses)				
Investment Revenue (Expense) - net	14,381	-	14,381	1,105
Interest Expense	-	-	-	(7,750)
Other Nonoperating Revenues (Expenses)- net	-	12,185	12,185	(459)
Total Nonoperating Revenues (Expenses)	14,381	12,185	26,566	(7,104)
Income (Loss) Before Capital Contributions, Transfers and Special Items	(63,234)	69,614	6,380	65,079
Capital Contributions, Transfers and Special Items				
Capital Contributions from (to) Other Funds	-	8,873	8,873	4,467
Transfers from Other Funds	1,452	11,005	12,457	14,257
Transfers to Other Funds	(1,540)	(57,069)	(58,609)	(10,508)
Special Items	-	-	-	(74,843)
Total Capital Contributions, Transfers In (Out) and Special Items	(88)	(37,191)	(37,279)	(66,627)
Change in Net Assets	(63,322)	32,423	(30,899)	(1,548)
Total Net Assets - Beginning of Year	383,970	28,550		181,879
Total Net Assets - End of Year	$ 320,648	$ 60,973		$ 180,331
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			565	
Changes in Business-Types Net Assets			$ (30,334)	

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

STATE OF MAINE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

June 30, 2010
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major Employment Security	Non-Major Other Enterprise	Totals	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from Customers and Users	$ 158,612	$ 352,968	$ 511,580	$ 669,003
Payments of Benefits	(239,444)	-	(239,444)	-
Payments to Prize Winners	-	(134,817)	(134,817)	-
Payments to Suppliers	-	(128,643)	(128,643)	(314,132)
Payments to Employees	-	(37,668)	(37,668)	(76,747)
Net Cash Provided (Used) by Operating Activities	(80,832)	51,840	(28,992)	278,124
Cash Flows from Noncapital Financing Activities				
Operating Transfers in	1,452	11,005	12,457	14,247
Operating Transfers out	(1,540)	(57,069)	(58,609)	(10,498)
Special Items - Return of Equity	-	-	-	(74,843)
Net Cash Provided (Used) by Noncapital Financing Activities	(88)	(46,064)	(46,152)	(71,094)
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	-	(197)	(197)	(27,079)
Proceeds from Financing Arrangements	-	-	-	28,455
Principal and Interest Paid on Financing Arrangements	-	-	-	(228,954)
Proceeds from Sale of Capital Assets	-	(7)	(7)	204
Net Cash Provided (Used) by Capital Financing Activities	-	(204)	(204)	(227,374)
Cash Flows from Investing Activities				
Interest Revenue	14,381	269	14,650	1,105
Net Cash Provided (Used) by Investing Activities	14,381	269	14,650	1,105
Net Increase (Decrease) in Cash/Cash Equivalents	(66,539)	5,841	(60,698)	(19,239)
Cash/Cash Equivalents - Beginning of Year	358,893	6,141	365,034	201,734
Cash/Cash Equivalents - End of Year	$ 292,354	$ 11,982	$ 304,336	$ 182,495
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities				
Operating Income (Loss)	$ (77,615)	$ 57,429	$ (20,186)	$ 72,183
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	-	7,523	7,523	17,304
Decrease (Increase) in Assets				
Accounts Receivable	920	3,326	4,246	193,683
Interfund Balances	(633)	(17,658)	(18,291)	(6,607)
Inventories	-	902	902	451
Other Assets	-	-	-	(2)
Increase (Decrease) in Liabilities				
Accounts Payable	(2,776)	50	(2,726)	5,119
Accrued Payroll Expenses	-	(373)	(373)	(1,612)
Due to Other Governments	-	-	-	11,941
Change in Compensated Absences	-	(72)	(72)	55
Other Accruals	(728)	713	(15)	(14,310)
Total Adjustments	(3,217)	(5,589)	(8,806)	206,022
Net Cash Provided (Used) by Operating Activities	$ (80,832)	$ 51,840	$ (28,992)	$ 278,205
Non Cash Investing, Capital and Financing Activities				
Property Leased, Accrued, or Acquired	-	-	-	337
Contributed Capital Assets	-	8,873	8,873	4,467
Decrease of deferred revenue from the sale of liquor operations	-	12,500	12,500	-

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

STATE OF MAINE
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS

June 30, 2010
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts	Agency Funds
Assets			
Equity in Treasurer's Cash Pool	$ -	$ 1,380	$ 9,484
Cash and Short-Term Investments	50,143	-	27
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	21,417	-	-
Interest and Dividends	7,179	3,598	-
Due from Brokers for Securities Sold	761,331	6,469	-
Investments at Fair Value:			
Debt Securities	366,840	-	-
Equity Securities	2,743,880	-	-
Common/Collective Trusts	5,859,752	-	-
Foreign Governments and Agencies	41,206	-	11
Other	1,409	9,827	-
Securities Lending Collateral	381,545	-	-
Due from other funds	-	35,592	-
Investments Held on Behalf of Others	-	4,813,182	60,452
Capital Assets - Net of Depreciation	10,800	-	-
Other Assets	-	4,668	503
Total Assets	10,245,502	4,874,716	70,477
Liabilities			
Accounts Payable	6,268	3,307	-
Due to Other Funds	-	9	3
Due to Brokers for Securities Purchased	612,381	6,625	-
Agency Liabilities	-	-	70,427
Obligations Under Securities Lending	381,545	-	-
Other Accrued Liabilities	19,345	-	47
Total Liabilities	1,019,539	9,941	70,477
Net Assets			
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	9,225,963	4,864,775	-
Total Net Assets	$ 9,225,963	$ 4,864,775	$ -

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

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

Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts
Additions:		
Contributions:		
Members	$ 165,923	$1,707,707
State and Local Agencies	401,925	-
Investment Income (Loss):		
Net Increase in the Fair Value of Investments	877,145	406,923
Capital Gains Distributions from Investments	-	447
Interest and Dividends	104,976	95,705
Securities Lending Income	919	-
Less Investment Expense:		
Investment Activity Expense	22,019	-
Securities Lending Expense	(562)	-
Net Investment Income	961,583	503,075
Miscellaneous Revenues	-	11,062
Transfers In	-	592
Total Additions	1,529,431	2,222,436
Deductions:		
Benefits Paid to Participants or Beneficiaries	712,436	1,564,337
Refunds and Withdrawals	23,533	-
Administrative Expenses	9,844	38,823
Claims Processing Expense	803	-
Transfers Out	-	1,316
Total Deductions	746,616	1,604,476
Net Increase	782,815	617,960
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:		
Beginning of Year	8,443,148	4,246,815
End of Year	$ 9,225,963	$4,864,775

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


DIRIGO
MAINE

STATE OF MAINE
STATEMENT OF NET ASSETS
COMPONENT UNITS

June 30, 2010
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health and Higher Educational Facilities Authority
Assets			
Current Assets:			
Equity in Treasurer's Cash Pool	$ 24,599	$ 15,820	$ 5,005
Cash and Cash Equivalents	11,864	72	6,185
Investments	55,164	26,279	55,194
Restricted Assets:			
Restricted Deposits and Investments	-	-	-
Inventories	-	1,421	-
Receivables, Net of Allowance for Uncollectibles:			
Loans Receivable	-	-	42,791
Notes Receivable	-	-	-
Other Receivables	4,316	3,975	2,796
Due from Other Governments	156	-	-
Due from Primary Government	-	963	-
Loans receivable from primary government	-	-	-
Other Current Assets	2,595	952	600
Total Current Assets	98,694	49,482	112,571
Noncurrent Assets:			
Assets Held in Trust	-	-	-
Restricted Assets:			
Restricted Deposits and Investments	-	2,104	135,859
Investments	-	9,801	-
Receivables, Net of Current Portion:			
Loans Receivable	-	-	1,236,082
Notes Receivable	194,919	-	-
Other Receivables	-	-	216
Due from Other Governments	-	-	-
Due from Primary Government	-	-	-
Loans receivable from primary government	-	-	-
Post-Employment Benefit Asset	-	8,853	-
Capital Assets - Net of Depreciation	2,502	124,665	-
Other Noncurrent Assets	-	257	-
Total Noncurrent Assets	197,421	145,680	1,372,157
Total Assets	296,115	195,162	1,484,728
Liabilities			
Current Liabilities:			
Accounts Payable	7,606	4,082	398
Accrued Payroll	-	-	-
Compensated Absences	-	1,925	-
Due to Other Governments	-	-	851
Due to Primary Government	-	-	-
Amounts Held under State & Federal Loan Programs	-	-	-
Undistributed Grants and Administrative Funds	12,854	-	-
Allowances for Losses on Insured Commercial Loans	13,013	-	-
Bonds Payable	805	-	43,020
Notes Payable	-	52	-
Obligations under Capital Leases	-	-	-
Accrued Interest Payable	658	-	24,986
Deferred Revenue	1,394	1,633	3,164
Current portion of OPEB obligation	-	-	-
Other Current Liabilities	3	7,656	-
Total Current Liabilities	36,333	15,348	72,419
Long-Term Liabilities:			
Due to Other Governments	814	-	784
Amounts Held under State & Federal Loan Programs	47,688	-	-
Bonds Payable	172,199	-	1,363,270
Notes Payable	-	24,681	-
Obligations under Capital Leases	-	3,490	-
Deferred Revenue	-	-	-
Other Noncurrent Liabilities	-	-	-
Total Long-Term Liabilities	220,701	28,171	1,364,054
Total Liabilities	257,034	43,519	1,436,473
Net Assets			
Invested in Capital Assets, Net of Related Debt	2,502	97,840	-
Restricted	9,546	22,447	28,545
Unrestricted	27,033	31,356	19,710
Total Net Assets	$ 39,081	$ 151,643	$ 48,255

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

Maine Municipal Bond Bank	Maine State Housing Authority	University of Maine System	Non-Major Component Units	Totals
$ -	$ -	$ 47,245	$ 922	$ 93,591
305	3,261	470	109,849	132,006
21,940	394,193	151,909	3,919	708,598
-	-	-	1,023	1,023
-	-	-	725	2,146
-	28,172	-	17,224	88,187
-	-	63	-	63
1,118	16,383	32,753	4,020	65,361
134,174	8,330	13,836	3,098	159,594
-	-	8,280	6,262	15,505
17,975	-	-	-	17,975
25,006	-	7,654	2,247	39,054
200,518	450,339	262,210	149,289	1,323,103
-	-	-	284	284
309,915	-	5,211	4,157	457,246
-	147,878	260,585	14,354	432,618
-	1,312,008	-	129,516	2,677,606
-	752	39,761	1,264	236,696
-	-	5,923	6,896	13,035
1,268,207	-	-	-	1,268,207
-	-	84	96	180
240,419	-	-	-	240,419
-	-	-	-	8,853
741	2,763	644,271	98,008	872,950
3,174	6,314	14,980	7,319	32,044
1,822,456	1,469,715	970,815	261,894	6,240,138
2,022,974	1,920,054	1,233,025	411,183	7,563,241
369	54,268	15,427	12,958	95,108
-	-	-	1,072	1,072
-	-	-	501	2,426
710	138	-	1,388	3,087
19,344	-	-	289	19,633
24,628	-	-	-	24,628
3,597	-	-	-	16,451
-	-	-	-	13,013
123,377	34,945	9,110	1,968	213,225
-	-	-	989	1,041
-	-	283	24	307
12,752	7,993	-	915	47,304
2,060	11,162	13,537	31,470	64,420
-	-	5,587	-	5,587
-	-	24,257	988	32,904
186,837	108,506	68,201	52,562	540,206
2,681	5,042	-	1,710	11,031
-	-	-	-	47,688
1,274,949	1,474,766	193,096	207,307	4,685,587
-	-	-	591	25,272
-	-	2,219	52	5,761
-	14,550	-	1,753	16,303
-	-	94,018	63	94,081
1,277,630	1,494,358	289,333	211,476	4,885,723
1,464,467	1,602,864	357,534	264,038	5,425,929
-	-	444,564	93,837	638,743
491,573	300,751	297,081	28,867	1,178,810
66,934	16,439	133,846	24,441	319,759
$ 558,507	$ 317,190	$ 875,491	$ 147,145	$ 2,137,312

STATE OF MAINE
STATEMENT OF ACTIVITIES
COMPONENT UNITS

Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health and Higher Educational Facilities Authority
Expenses	$ 38,661	$ 119,856	$ 58,694
Program Revenues			
Charges for Services	13,123	22,460	55,267
Program Investment Income	788	1,284	6,321
Operating Grants and Contributions	21,184	47,659	-
Capital Grants and Contributions	-	4,207	-
Net Revenue (Expense)	(3,566)	(44,246)	2,894
General Revenues			
Unrestricted Investment Earnings	1,277	1,948	350
Non-program Specific Grants, Contributions and Appropriations	-	53,713	-
Miscellaneous Income	6,384	1,891	102
Gain (Loss) on Assets Held for Sale	-	240	-
Extraordinary Items - Discontinued Operations	-	-	1,185
Total General Revenues	7,661	57,792	1,637
Change in Net Assets	4,095	13,546	4,531
Net Assets, Beginning of the Year (as restated)	34,986	138,097	43,724
Net Assets, End of Year	$ 39,081	$ 151,643	$ 48,255

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

Maine Municipal Bond Bank	Maine State Housing Authority	University of Maine System	Non-Major Component Units	Totals
$ 79,793	$ 268,767	$ 660,488	$ 121,746	$1,348,005
58,012	79,050	298,056	41,385	567,353
9,038	7,232	3,932	2,198	30,793
1,273	177,633	209,332	55,876	512,957
31,580	-	7,784	4,452	48,023
20,110	(4,852)	(141,384)	(17,835)	(188,879)
218	12	10,733	807	15,345
-	-	197,278	16,979	267,970
1,490	-	-	636	10,503
-	-	(643)	(64)	(467)
-	-	-	-	1,185
1,708	12	207,368	18,358	294,536
21,818	(4,840)	65,984	523	105,657
536,689	322,030	809,507	146,622	2,031,655
$ 558,507	$ 317,190	$ 875,491	$ 147,145	$2,137,312

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

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

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

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

The MGFA was created in 1997, as a successor to the Maine Court Facilities Authority, for the purpose of assisting in the financing, acquisition, construction, improvement, reconstruction, and equipping of additions to structures designed for use as a court facility, State office or State activity space. In their separately issued financial statements, MGFA records a lease receivable from the State and a liability for bonds issued. However, in accordance with GASBS 14, capital leases that exist between the State and MGFA are not recorded as leases in this report. The assets associated with these leases are reported in the government-wide statements along with the related debt. The corresponding debt service activity is recorded in the Governmental Funds. MGFA financial activity associated with servicing the debt is reported in an internal service fund.

Discrete Component Units - Discrete component units are entities that are legally separate from the State but are either accountable to the State or related so closely to the State that exclusion would cause the State's financial statements to be misleading or incomplete. Component units that are not material to the State's financial statements have been excluded. The column labeled "Component Units" emphasizes these organizations' separateness from the State's primary government.

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

The Maine Community College System is Maine's primary provider of post-secondary technical education leading to a certificate, diploma, or associate degree. The combined financial statements of the System include the activity of seven colleges, the central administrative office, the Center for Career Development (including the Maine Career Advantage and Maine Quality Centers programs), and its component unit, Maine Community College Educational Foundations.

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

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

The Finance Authority of Maine provides commercial financing and loan guarantees to Maine businesses and educational financing to Maine students and their parents. The Authority also provides financial and other services for the Potato Marketing Improvement Fund Board, the Nutrient Management Fund Board, the Northern Maine Transmission Corporation, the Adaptive Equipment Loan Program Fund Board, the Fund Insurance Review Board, the Agricultural Marketing Loan Fund Board, and the Occupational Safety Program Fund Board. Additionally, the Authority administers the Maine College Savings Program. Net assets of the program, NextGen College Investing Plan, are included in the State's fiduciary fund financial statements. The Governor appoints the fifteen voting members of the Authority.

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

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

Maine State Housing Authority issues bonds to purchase notes and mortgages on residential units, both single and multi-family, for the purpose of providing housing for persons and families of low income in the State. The Authority also acts as an agent for the State in administering federal weatherization, energy conservation, fuel assistance and homeless grant programs and collecting and disbursing federal rent subsidies for low income housing. The Governor appoints five of the Authority's seven commissioners. The remaining two commissioners are the Treasurer of State and the Director of the Maine State Housing Authority, both of whom serve *ex officio*. The Authority's fiscal year ends on December 31.

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

Maine Public Employees Retirement System administers an agent-multiple employer public employee retirement system. It provides pension, death, and disability benefits to its members, which include employees of the State, some public school employees, employees of approximately 293 local municipalities and other public entities in

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

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

Finance Authority of Maine 5 Community Dr. PO Box 949 Augusta, ME 04332-0949	Maine Governmental Facilities Authority PO Box 2268 Augusta, ME 04338-2268	Maine Municipal Bond Bank PO Box 2268 Augusta, ME 04338-2268	Maine State Housing Authority 89 State House Station 353 Water Street Augusta, ME 04330-4633
Maine Community College System 323 State Street Augusta, ME 04330-7131	Maine Health and Higher Ed. Facilities Authority PO Box 2268 Augusta, ME 04338-2268	Maine Public Employees Retirement System 46 State House Station Augusta, ME 04333-0046	University of Maine System 16 Central Street Bangor, ME 04401-5106

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports $504.9 million of restricted net assets, of which $19.9 million is restricted by enabling legislation.

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

The *Statement of Activities* demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenues.

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

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

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

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

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

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

Significant revenues susceptible to accrual include: income taxes, sales and use taxes, and other taxes; federal grants; federal reimbursements; and other reimbursements for use of materials and services. Revenues from other sources are recognized when received because they are generally not measurable until received in cash. Property taxes are recognized as revenue in the year for which they are levied, provided the "available" criterion is met.

The State Tax Assessor levies taxes on properties located in the unorganized territory of Maine by August 1 of each year, and on telecommunications personal properties statewide by May 30 of each year. Unorganized territory property taxes are due on October 1 and telecommunications personal property taxes are due on August 15. Formal collection procedures begin on November 1, and unpaid property taxes become a lien no later than March 15 of the fiscal year for which they are levied.

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

Financial Statement Presentation
The State reports the following major governmental funds:

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

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

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

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

The State reports the following major enterprise fund:

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

Additionally, the State reports the following fund types:

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

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

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

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

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

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

investments of the trust. The trustees of the Other Employee Benefit Trust Fund are the State Controller and State Treasurer.

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

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

D. FISCAL YEAR-ENDS

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

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

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

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

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

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

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

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

Investments Held on Behalf of Others
These assets include amounts held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds. Generally, these investments are reported at fair value or at amortized cost which approximates fair value. The State also holds $144 million of Workers' Compensation, $53 million of Bureau of Insurance, and $25 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.

Other Assets
Other Assets consist primarily of an advance payment of $12.9 million made to Efficiency Maine Trust, a component unit of the State.

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

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

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

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

Due from Other Governments in the component units' column represents amounts receivable for grants, bond repayment and retirement benefits. Due to Other Governments primarily consist of amounts owed to municipalities for Municipal Revenue Sharing and the federal government for Medicaid cost recoveries from providers.

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

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

Capital assets of component units are capitalized upon purchase and depreciated over their estimated useful lives. Interest incurred during construction is capitalized. The estimated useful lives of fixed assets are 5–60 years for structures and improvements and 3–15 years for equipment, furniture, fixtures and vehicles. Component units reflect infrastructure in improvements other than buildings and record depreciation expense on them.

Accounts Payable
Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers. Incurred but not paid (IBNP) Medicaid claims settlements are actuarially estimated. The IBNP estimate at June 30, 2010 is $252 million.

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

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

Compensated Employee Absences
In the government-wide statements and proprietary fund financial statements, compensated absences are recorded as a long-term liability as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments to terminated employees as of June 30, 2010 but paid after the fiscal year end is also reported in the funds. In the discretely presented component units, employees' accumulated compensated absences are recorded as an expense and liability as the benefits accrue.

Deferred Revenue
In the government-wide statements and proprietary fund financial statements, deferred revenue is recognized when cash, receivables, or other assets are received prior to their being earned. In the governmental fund statements, amounts recorded as receivable that do not meet the "availability" criterion for recognition as revenue in the current period are classified as deferred revenue. Resources received by the government before it has a legal claim to them are also included as deferred revenue. Deferred revenue reported in the General Fund relates to sales and income taxes. Deferred revenue in the Federal Fund consists primarily of food commodities not yet issued. Deferred revenue in the Alcoholic Beverages Fund comprises the proceeds from the sale of the State's liquor operations.

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

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

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

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

Fund Balance Reservations
Fund balances for governmental funds are classified as either reserved or unreserved in the fund financial statements. Reserved fund balances reflect either: funds legally restricted for a specific future use, or assets which, by their nature, are not available for expenditure. Unreserved fund balances reflect the balances available for appropriation for the general purposes of the fund.

The State reported the following fund balance reservations:

Continuing Appropriations - indicates appropriations and encumbrances that the Legislature has specifically authorized to be carried into the next fiscal year, if unexpended.

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

Permanent Trusts – indicates assets reserved for the purpose of the permanent fund.

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

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.

In the governmental fund financial statements, revenues are reported by source. For budgetary control purposes, revenues are further classified as either "dedicated" or "undedicated." Undedicated revenues are available to fund any activity accounted for in the fund. Dedicated revenues are, either by State law or by outside restriction (e.g., federal grants), available only for specified purposes. Unused dedicated revenues at year-end are recorded as reservations of fund balance. When both dedicated and undedicated funds are available for use it is the State's policy to use dedicated resources first.

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 $411 million unreserved 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 third priority before any other transfer, the State Controller is required to transfer 35 percent of the unappropriated surplus of the General Fund, when the fund is not at its statutory cap. In accordance with the statute, the State Controller made the required transfer for fiscal year 2010. Per Public Law 2009, Chapter 645, Part H an additional $5.6 million was transferred from the General Fund unappropriated surplus to the Budget Stabilization fund.

The statutory cap for the fund is 12 percent of the total General Fund revenue received in the immediately preceding fiscal year. At the close of the fiscal year, the cap is based on the revenue received in the fiscal year being closed. Based on fiscal year 2010 actual General Fund revenue, the statutory cap at the close of fiscal year 2010 and during fiscal year 2010 was $330.7 million. At the close of fiscal year 2010, the balance of the Maine Budget Stabilization Fund was $25.4 million. No reductions to the Maine Budget Stabilization Fund balance are required when it exceeds the balance of the statutory cap as a result of a decline of General Fund revenue.

Budget Stabilization Fund Activity
(Expressed in Thousands)

Balance, beginning of year	$	195
Increase in fund balance		25,190
Balance, end of year	$	25,385

Budget and Budgetary Expenditures
The gross unified budget bills and budget document encompass resources from the General Fund, Highway Fund, Federal Expenditures Fund, Federal Block Grant Fund, Other Special Revenue Fund, internal service funds and enterprise funds. Separate gross unified budget bills must be submitted for the General Fund and the Highway Fund. All funds except trust and agency funds, bond funds and costs of goods sold expenditures in internal service funds and enterprise funds are subject to legislative allocation. The biennial budget sets forth proposed expenditures for the administration, operation and maintenance of the departments and agencies of the State Government; all interest and debt redemption charges during each fiscal year and all expenditures for capital projects to be undertaken and executed during each fiscal year. Within this structure, budgetary control by agency is maintained at the program and line category level. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers.

Except in specific instances, only the Legislature may transfer appropriations between departments. Changes in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget. For the year ended June 30, 2010, the Legislature decreased supplemental appropriations to the General Fund by $77.1 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.

NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS

Accounting Changes
During fiscal year ended June 30, 2010, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 51, Accounting and Financial Reporting for Intangible Assets. This Statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. This Statement also requires that an intangible asset be recognized in the statement of net assets only if it is considered identifiable. Retroactive reporting of the provisions of the statement is generally required with the exception of intangible assets considered to have indefinite useful lives and those considered to be internally generated. The state did not have any intangibles assets at June 30, 2010 that were subject to retroactive reporting.

In addition, the State implemented Governmental Accounting Standards Board (GASB) Statement No. 53, Accounting and Financial Reporting for Derivative Instruments. This Statement requires the state to report derivative instruments at fair value as assets or liabilities in the financial statements and to disclose a summary of derivative instrument activity as well as the objectives, significant terms, and risks associated with derivative instruments.

Restatement – Component Units

The beginning net assets of the non-major component units increased by $3.5 million as a result of adding two additional units to the financial statements.

NOTE 4 - DEFICIT FUND BALANCES/NET ASSETS

Three internal service funds showed deficit Net Assets for the fiscal year ended June 30, 2010. The Workers' Compensation Fund reported a deficit of $6.0 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a fund balance deficit of $3.9 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of $2.3 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 $50.0 million. During fiscal year 2004, the State of Maine entered into a 10 year contract with a vendor to manage and operate wholesale liquor distribution as the State's agent. The deficit reflects the deferral of license fees that will be amortized over that 10 year period.

The Dirigo Health Enterprise Fund shows a deficit of $84 thousand. This deficit is the result of an increased payable resulting from a payment arrangement with the program's insurance carrier.

The General Fund shows a deficit fund balance of $308.2 million at June 30, 2010. This deficit is primarily due to the full recognition of the State's share of Medicaid liabilities at fiscal year end, which are funded throughout the year with the aforementioned tax revenue. The federal portion of these liabilities is also fully accrued, with an offsetting receivable from the federal government as allowed under Governmental Accounting Standards Board (GASB) Statement No. 33. Per GASB 33, revenue associated with government mandated non-exchange transactions should be recognized when applicable eligibility requirements have been met and the resources are available. Medicaid is an entitlement program. Therefore, the funds are available when the payments for these liabilities are processed.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Approved investments include bonds, notes, certificates of indebtedness, other obligations of the United States that mature not more than 25 months from the date of investment; repurchase agreements secured by obligations of the United States that mature within the succeeding 12 months; prime commercial paper; tax-exempt obligations; corporate bonds rated "AAA" that mature within 25 months from the date of investment; banker's acceptances; and "no-load" shares of an investment company registered under the Federal Investment Company

Act of 1940, whose shares maintain a constant share price. Although authorized to do so, the Treasurer does not participate in the securities loan market.

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

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

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

The Primary Government's Deposits and Investments excluding component units that are fiduciary in nature at June 30, 2010:

Primary Government Deposits and Investments
(Expressed in Thousands)

	Governmental Activities	Business-Type Activities	Private Purpose Trusts	Agency Funds	Total
Equity in Treasurer's Cash Pool	$ 344,052	$ 11,226	$ 1,380	$ 9,484	$ 366,142
Cash and Cash Equivalents	300	756	-	27	1,083
Cash with Fiscal Agent	166,464	-	-	-	166,464
Investments	65,394	-	9,827	-	75,221
Restricted Equity in Treasurer's Cash Pool	36,449	-	-	-	36,449
Restricted Deposits and Investments	3,325	292,354	-	11	295,690
Investments Held on Behalf of Others	-	-	4,813,182	60,452	4,873,634
Other Assets	-	-	-	-	-
Total Primary Government	$ 615,984	$ 304,336	$ 4,824,389	$ 69,974	$ 5,814,683

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, 2010:

Maturities in Years
(Expressed in Thousands)

	Less than 1	1 - 5	6 - 10	11 - 20	More than 20	No Maturity	Fair Value
Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	$ 8,707	$ -	$ -	$ -	$ -	$ -	$ 8,707
US Treasury Notes	-	-	-	-	-	-	-
Repurchase Agreements	6,728	-	-	-	-	-	6,728
Corporate Notes and Bonds	2,217	-	-	-	-	-	2,217
Commercial Paper	-	-	-	-	-	-	-
Certificates of Deposit	4,757	-	-	-	-	-	4,757
Money Market	-	-	-	-	-	-	-
Cash and Cash Equivalents	-	-	-	-	-	373,710	373,710
Unemployment Fund							
Deposits with US Treasury	-	-	-	-	-	292,354	292,354
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	293	2,638	285	960	2,527	-	6,703
US Treasury Notes	2,046	14,148	5,066	9,858	-	466	31,584
Repurchase Agreements	186	-	-	-	-	-	186
Corporate Notes and Bonds	139	2,707	4,023	73	1,549	5,721	14,212
Other Fixed Income Securities	4,116	-	148	-	-	-	4,264
Commercial Paper	-	-	-	-	-	-	-
Certificates of Deposit	75	-	-	-	-	11,607	11,682
Money Market	-	-	-	-	-	1,100	1,100
Cash and Cash Equivalents	-	-	-	-	-	21,366	21,366
Equities	-	-	-	-	-	53,446	53,446
Other	-	-	-	-	-	2,021	2,021
	$ 29,264	$ 19,493	$ 9,522	$ 10,891	$ 4,076	$ 761,791	$ 835,037
NextGen College Investing Plan							4,813,182
Other Assets							-
Cash with Fiscal Agent							166,464
Total Primary Government							$ 5,814,683

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. To the extent possible in the Treasurer's Cash Pool, at least 30 percent of the portfolio shall be invested in U.S. Treasury, Federal Agency or Federal Instrumentality securities, or Repurchase Agreements. The State limits credit risk in its trusts by ensuring that at least 85 percent of the debt securities are rated A or better.

The Primary Government's total investments by credit quality rating as of June 30, 2010 are presented below:

Standard & Poor's Credit Rating (Expressed in Thousands)

	A1	A	AA	AA+	AAA	BB	BBB	Not Rated	Total
Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds									
US Instrumentalities	$ -	$ -	$ -	$ -	$ 8,707	$ -	$ -	$ -	$ 8,707
US Treasury Notes	-	-	-	-	-	-	-	-	-
Corporate Notes and Bonds	-	-	-	2,217	-	-	-	-	2,217
Commercial Paper	-	-	-	-	-	-	-	-	-
Money Market	-	-	-	-	-	-	-	-	-
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds									
US Instrumentalities	-	-	-	-	2,193	-	-	4,510	6,703
US Treasury Notes	-	-	-	-	3,842	-	-	27,742	31,584
Corporate Notes and Bonds	-	2,376	865	-	1,037	-	669	9,265	14,212
Commercial Paper	-	-	-	-	-	-	-	-	-
Money Market	-	-	-	-	-	-	-	-	-
Other Fixed Income Securities	-	-	-	-	-	-	148	4,116	4,264
Total Primary Government	$ -	$ 2,376	$ 3,082	$ -	$ 15,779	$ -	$ 817	$ 45,633	$ 67,687

Concentration of Credit Risk –Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State limits concentration of credit risk in its trusts by requiring that no single stock represent more than 10 percent of the total portfolio. There is no concentration of credit risk policy for the Treasurer's Cash Pool. At June 30, 2010, 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 $3.5 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, 2010 was $53.1 million and was comprised of the following:

U.S. Instrumentalities	$ 4,071
US Treasury Notes	1,809
Corporate Notes and Bonds	3,886
Other Fixed Income Securities	4,265
Equities	36,815
Cash and Equivalents	668
Other	1,592
Total	$ 53,106

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2010 these disbursements, on average, exceeded $183.0 million per month. The funds in transit are not collateralized and are not held by the State Treasurer. Until the vendor receives payment, the State retains some liability.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

Foreign currency forward contracts are used to hedge against the currency risk in the System's foreign equity and fixed income security portfolios. The System's fixed income managers invest in CMOs and Asset-Backed Securities to improve the yield or adjust the duration of the fixed income portfolio. As of June 30, 2010 the carrying value of the System's CMO and Asset-Backed Security holdings totaled $111.4 million. The System also invests in swaps. Interest rate swaps are used to adjust interest rate and yield curve exposures and substitute for physical securities.

Securities Lending - The System has also entered into agreements for securities lending transactions, which are collateralized in an amount at least equal to 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, 2010 all of the collateral for securities lending is subject to custodial credit risk. The System believes that there is no credit risk as defined in GASB Statement No. 28 and GASB Statement No. 40. The collateral held and the market value of securities on loan for the System as of June 30, 2010 was $381.9 million and $370.6 million, respectively.

The following table details the System's derivative investments at June 30, 2010:

(Expressed in Thousands)

	2010 Changes in Fair Value	Fair Value at June 30, 2010 Classification	Fair Value at June 30, 2010 Amount	Notional
Investment derivatives:				
Interest rate swaps:				
Pay fixed	$ (2,550)	OSIC*	$ (3,311)	$ 36,400
Credit default swaps:				
Buy protection	$ (1,276)	Investments	$ 2,593	$ 78,327
Sell protection	501	OSIC*	(307)	$ 5,400
	$ (775)		$ 2,286	
Foreign currency contracts:				
To sell:				
Canadian dollar	$ 1,681	Investments	$ 1,681	$ 33,386
EURO	946	Investments	946	$ 9,766
British Pound Sterling	(13)	OSIC*	(13)	$ 931
	$ 2,614		$ 2,614	
Futures:				
Equity Index Futures Contracts	$ (264)	OSIC*	$ (264)	$ 30,918

*OSIC = Obligations to settle investment contracts

NEXTGEN COLLEGE INVESTING PLAN

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

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

NextGen's investments are comprised of 43 different investment portfolios which are reported at fair value and total $4.8 billion at June 30, 2010.

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

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

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

Credit Risk - The Program has not established an investment policy that specifically limits its exposure to credit risk. The Program's investments in fixed income mutual funds, the Principal Plus Portfolio, and the Account may bear credit risk. The GIC underlying the Program's investment in the Principal Plus Portfolio has not been rated by any of the nationally recognized statistical rating organizations. The fair value of the GIC at June 30, 2010 was $225.6 million.

The assets of the Account are invested in a portfolio of high-quality, short-term money-market securities consisting primarily of direct U.S. Government obligations, U.S. Government agency securities, obligations of domestic and foreign banks, U.S. dollar denominated commercial paper, other short-term debt securities issued by U.S. and foreign entities, and repurchase agreements. In addition, the Account invests in certificates of deposit issued by Maine financial institutions in accordance with instructions of FAME and the Treasurer. All Maine Certificate of Deposit's are FDIC insured or fully collateralized. The value of the Account at June 30, 2010 was $342.3 million.

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

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

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

	Fair Value
Principal Plus Portfolio	$ 225,582
Cash Allocation Account	342,307
Fixed Income Securities	1,158,640
Total Fair Value	$1,726,529

COMPONENT UNITS

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

Certain component units also invest in the Treasurer's Cash Pool and comprise approximately 20 percent of pool assets. The component units reported their participation as either Cash and Cash Equivalents or Investments on their financial statements. The State reclassified $93.6 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 $8.0 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)

	Taxes	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Governmental Funds:					
General	$520,230	$97,785	$1	($179,271)	$438,745
Highway	28,754	1,761	44	(7,479)	23,080
Federal	-	82,423	-	(21,650)	60,773
Other Special Revenue	9,767	76,626	5,605	(7,440)	84,558
Other Governmental Funds	-	-	-	-	-
Total Governmental Funds	558,751	258,595	5,650	(215,840)	607,156
Allowance for Uncollectibles	(152,883)	(62,957)	-		
Net Receivables	$405,868	$195,638	$5,650		$607,156
Proprietary Funds:					
Employment Security	$0	$41,436	$0	($11,094)	$30,342
Nonmajor Enterprise	-	28,409	-	(1,018)	27,391
Internal Service	-	2,318	-	-	2,318
Total Proprietary Funds	-	72,163	-	(12,112)	60,051
Allowance for Uncollectibles	-	(12,112)	-		
Net Receivables	$0	$ 60,051	$ -		$60,051

Component Units – Receivables
(Expressed in Thousands)

	Accounts	Loans	Notes	Allowance For Uncollectibles	Net Receivables
Finance Authority of Maine	$4,316	$ -	$201,808	($6,889)	$199,235
Maine Community College System	5,081	-	-	(1,106)	3,975
Maine Health and Educational Facilities Authority	3,630	1,278,873	-	(618)	1,281,885
Maine Municipal Bond Bank	1,118	-	-	-	1,118
Maine State Housing Authority	16,383	1,350,913	794	(10,775)	1,357,315
University of Maine System	43,864	-	41,109	(6,473)	78,500

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, 2010 were:

Interfund Receivables
(Expressed in Thousands)

	Due to Other Funds				
Due from Other Funds	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 1,316	$ -	$ -
Highway	1	1	1,864	-	-
Federal	64	23	330	72	-
Other Special Revenue	157,401	154	523	233	38
Other Governmental	-	-	-	-	-
Employment Security	-	-	117	-	-
Non-Major Enterprise	222	211	14	5	-
Internal Service	10,208	2,802	4,624	3,580	-
Fiduciary	35,592	-	-	-	-
Total	$ 203,488	$ 3,191	$ 8,788	$ 3,890	$ 38

Due from Other Funds	**Employment Security**	**Non-Major Enterprise**	**Internal Service**	**Fiduciary**	**Total**
General	$ 169	$ 6,410	$ 5,475	$ -	$ 13,370
Highway	-	-	203	-	2,069
Federal	-	-	183	-	672
Other Special Revenue	-	1,607	235	-	160,191
Other Governmental	-	-	-	-	-
Employment Security	-	-	-	-	117
Non-Major Enterprise	-	-	49	-	501
Internal Service	-	206	963	12	22,395
Fiduciary	-	-	-	-	35,592
Total	$ 169	$ 8,223	$ 7,108	$ 12	$ 234,907

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

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

Transfers are made in accordance with statutory authority. Significant transfers are used to 1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the funds required to pay debt service as principal and interest payments come due, 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, 4) move profits from the Lottery Fund, and 5) transfer accumulated surpluses from other funds to the General Fund when authorized by statute.

During fiscal year 2010, the State of Maine, in accordance with the legislatively authorized budget, recorded several non-routine, nonrecurring transfers.

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

The Other Special Revenue Fund transferred $13.5 million to the unappropriated surplus of the General Fund.

The Retiree Health Insurance Fund transferred $48.4 million to the unappropriated surplus of the General Fund, and transferred $11.1 million to the unappropriated surplus of the Highway Fund.

Interfund transfers for the year ended June 30, 2010, consisted of the following:

Interfund Transfers
(Expressed in Thousands)

	Transferred From				
Transferred To	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ -	$ 51,413	$ -
Highway	1,642	-	14,222	533	-
Federal	29,812	-	-	16,653	-
Other Special Revenue	160,112	5,669	4,512	-	2,233
Other Governmental Funds	-	-	381	-	1,383
Employment Security	-	-	1,452	-	-
Non-Major Enterprise	3,360	4,576	-	176	-
Internal Service	10,842	-	1	10	-
Fiduciary	-	-	-	-	592
Total	$ 205,768	$ 10,245	$ 20,568	$ 68,785	$ 4,208

	Transferred From				
Transferred To	**Employment Security**	**Non-Major Enterprise**	**Internal Service**	**Fiduciary**	**Total**
General	$ -	$ 52,229	$ 3,052	$ -	$ 106,694
Highway	-	-	73	-	16,470
Federal	1,540	-	697	-	48,702
Other Special Revenue	-	4,840	383	1,340	179,089
Other Governmental Funds	-	-	-	-	1,764
Employment Security	-	-	-	-	1,452
Non-Major Enterprise	-	-	2,893	-	11,005
Internal Service	-	-	3,404	-	14,257
Fiduciary	-	-	6	-	598
Total	$ 1,540	$ 57,069	$ 10,508	$ 1,340	$ 380,031

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, 2010:

Primary Government – Capital Assets
(Expressed in Thousands)

	Beginning Balance	Increases and Other Additions	Decreases and Other Deletions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 449,256	$ 24,520	$ 312	$ 473,464
Construction in progress	57,350	39,269	5,645	90,974
Infrastructure	3,378,914	221,332	-	3,600,246
Total capital assets not being depreciated	3,885,520	285,121	5,957	4,164,684
Capital assets being depreciated:				
Buildings	576,236	13,367	228	589,375
Equipment	250,031	22,333	17,620	254,744
Improvements other than buildings	18,818	787	29	19,576
Total capital assets being depreciated	845,085	36,487	17,877	863,695
Less accumulated depreciation for:				
Buildings	213,848	15,052	143	228,757
Equipment	167,775	18,350	16,426	169,699
Improvements other than buildings	10,681	1,128	29	11,780
Total accumulated depreciation	392,304	34,530	16,598	410,236
Total capital assets being depreciated, net	447,216	1,957	1,279	453,459
Governmental Activities Capital Assets, net	$ 4,338,301	$ 287,078	$ 7,236	$ 4,618,143

	Beginning Balance	Net Additions	Net Deletions	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 43,344	$ -	$ 268	$ 43,076
Construction in progress	3,416	5,373	-	8,789
Total capital assets not being depreciated	46,760	5,373	268	51,865
Capital assets being depreciated:				
Buildings	9,655	-	1,190	8,465
Equipment	47,134	3,714	1,300	49,548
Improvements other than buildings	74,572	-	-	74,572
Total capital assets being depreciated	131,361	3,714	2,490	132,585
Less accumulated depreciation	81,456	7,245	1,886	86,815
Total capital assets being depreciated, net	49,905	(3,531)	604	45,770
Business-Type Activities Capital Assets, net	$ 96,665	$ 1,842	$ 872	$ 97,635

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)

	Amount
Governmental Activities:	
Arts, Heritage and Cultural Enrichment	$ 19
Business Licensing and Regulation	385
Economic Development and Workforce Training	1,185
Education	328
Governmental Support and Operations	5,826
Health and Human Services	5,027
Justice and Protection	10,534
Natural Resources Development and Protection	3,860
Transportation Safety and Development	7,206
Total Depreciation Expense – Governmental Activities	$ 34,370

NOTE 9 - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

PLAN DESCRIPTIONS

The Maine Public Employees Retirement System, formerly named the Maine State Retirement System, (the System), is a component unit of the State of Maine. For financial reporting purposes, the System administers an agent, multiple-employer, defined benefit public employee retirement system established and administered under the Title 5 MRSA C. 421, 423, and 425. The System provides pension, disability, and death benefits to its members, which includes employees of the State, public school employees (defined by Maine law as teachers and for whom the State is the employer for retirement contribution and benefit purposes, or SETP) and employees of 293 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine, each of which contracts for participation in the System under provisions of the relevant statutes. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2010 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

The Maine Public Employees Retirement System management's interpretation of the State of Maine statutes is that all assets accumulated for the payment of benefits may legally be used to pay benefits, including refunds of member contributions, to any plan members or beneficiaries. The System is therefore regarded as administering an agent, multiple-employer plan for financial reporting purposes. The statements include $2.0 billion of assets related to the PLD's. The Attorney General's Office does not concur that these assets are available for payment of State benefits.

The total funds managed by the System are constitutionally restricted and held in trust for the payment of pension and related benefits to its members. The System's Board of Trustees, in its fiduciary capacity, establishes the System's investment policies and their overall implementation. The System maintains separate reserves and accounts for each participating entity and performs separate actuarial valuations for each participating entity's respective plan.

The System administers three defined contribution plans for employees of PLD's that elect to participate. At June 30, 2010, there were 46 employers participating in these plans. The 629 participants individually direct the $10.4 million in assets covered by the plans.

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

BASIS OF ACCOUNTING

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

INVESTMENTS

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

CONTRIBUTION INFORMATION

Membership in each defined benefit plan consisted of the following at June 30, 2010:

	State Employees and Teachers Plan	Consolidated Plan for PLD
Active vested and nonvested members	40,113	10,369
Terminated vested participants	6,828	1,274
Retirees and benefit recipients	28,435	7,370
Total	75,376	19,013
Number of participating employers/sponsors	1	292

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

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to terminated members' accounts is set by the System's Board of Trustees and is currently 6 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 is age 60 or 62, determined by whether the member had at least 10 years of creditable service on June 30, 1993 (effective October 1, 1999, the prior ten-year requirement was reduced to five years by legislative action). The monthly benefit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and survivor benefits, which are established by statute for State employee and teacher members, and by contract with other participating employers under applicable statutory provisions.

PARTICIPATING LOCAL DISTRICTS PLAN SPECIFICS

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

SPECIAL FUNDING SITUATION – TEACHERS DEFINED BENEFIT PENSION PLAN

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

FUNDED STATUS AND FUNDING PROGRESS – DEFINED BENEFIT PENSION PLANS

The funded status of each plan as of June 30, 2010, the most recent biennial actuarial valuation date, is as follows:

Plans	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) – Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
SETP	8,369,772,080	12,676,367,068	4,306,594,988	66.0%	1,681,593,315	256.1%
PLD's	2,045,337,000	2,122,833,460	77,496,460	96.3%	397,506,572	19.5%

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

	SETP	PLD's
Valuation date	June 30, 2010	June 30, 2010
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent closed	Level percent open
Remaining amortization period	18 [1]	14
Asset valuation method	3-Year smoothed market	3-Year smoothed market
Actuarial assumptions:		
Investment rate of return	7.75%	7.75%
Projected salary increases	4.75% - 10.00%	4.50% - 10.50%
Includes inflation at	4.50%	4.50%
Cost of living adjustments	3.75%	3.75%
Most recent review of plan experience:	2006	2008
Plan changes from last valuation	none	none

[1] The System amortizes the unfunded liability of the State and teacher plan over a closed period that cannot be longer than 31 years from July 1, 1997 but may be, and at certain times has been, shorter than that period. In 2000, the amortization period was reduced to a 19-year period from June 30, 2000. In 2004, the Legislature

relengthened the period to 25 years, the full extent of the then-remaining Constitutional years for the 2004-2005 biennium, and reshortened the period effective July 1, 2005 to the 13 years that will then remain in the earlier shortened period. In 2005, the State repealed the "sunset" provision, with the result that the period for reduction of these unfunded actuarial liabilities continues to the full extent permitted by the State constitution, or June 30, 2028. The contribution rate in effect for 2010 was determined by the 2008 valuation, and reflects the relengthened amortization period. The unfunded actuarial accrual liability of the judicial plan is amortized over a period of which 7 years remained at June 30, 2010.

CONTRIBUTION RATES – DEFINED BENEFIT PENSION PLANS

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

In order to reduce any unfunded pension liability for State employees and teachers under Title 5 MRSA § 1536, the State is required to remit 20 percent of its General Fund unappropriated surplus to the System at year-end. For fiscal 2010, the amount due was $11.2 million.

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

The actuarially determined contribution rates in effect for 2010 for participating entities:

State	
Employees [1]	7.65 - 8.65%
Employer [1]	14.35 - 53.32%
Teachers	
Employees	7.65%
Employer	17.28%
Participating Local Entities	
Employees [1]	3.0 - 8%
Employer [1]	1.5 - 6.5%

[1] Contribution rates vary depending on specific terms of plan benefits for certain classes of employees and/or, in the case of participating local districts (PLDs), on benefit plan options selected by a particular participating local entity. Withdrawn entities' contributions are set in dollar amounts, not as rates.

ANNUAL PENSION COST AND NET PENSION OBLIGATION

The State is one of several employers whose employees are System members. The State's net pension obligation shown at the end of the year includes the pension liability related to its employees. It does not include the pension liability related to PLD's. The State's annual pension cost and net pension obligation to the System for the current year were:

Net Pension Obligation
(Expressed in Thousands)

Annual required contribution	$ 317,992
Interest on net pension obligation	1,463
Adjustment to annual required contribution	(1,284)
Annual pension cost	318,171
Contributions made	329,207
Increase (decrease) in net pension obligation	(11,036)
Net pension obligation beginning of year	18,881
Net pension obligation end of year	$ 7,845

Analysis of Funding Progress
(Expressed in Thousands)

Year	Annual Pension Cost	Percentage Covered	Net Pension Obligation
2010	329,207	100.00%	7,845
2009	320,285	100.00%	18,881
2008	305,625	99.91%	18,708

Employer contributions met actuarially determined contribution requirements.

COMPONENT UNIT PARTICIPANTS

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

POST RETIREMENT HEALTHCARE PLANS

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

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

The State pays 100 percent of post retirement health insurance premiums for state employee retirees who were first employed on or before July 1, 1991. A pro rata portion, ranging from zero percent for retirees with less than five years participation to 100 percent for retirees with ten or more years of participation, is paid for eligible individuals first employed after July 1, 1991. Per Title 5 MRSA § 285 paragraphs 2 and 3, coverage depends upon terms and conditions contained in collective bargaining agreements with the State Health Commission. Retirees who are not eligible for Medicare retain coverage in the same group health plan as active employees. Retirees must pay for Medicare Part B coverage to be eligible to participate in the State-funded Companion Plan. Coverage for retirees ineligible for Medicare includes basic hospitalization; supplemental major medical and prescription drugs; and costs for treatment of mental health, alcoholism, and substance abuse.

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

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

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

The State also administers a fourth defined benefit healthcare plan, (Ancillary Group Plan), which covers two non-major discretely presented component units. A major component unit had been included in this plan for fiscal 2009. They currently administer their own healthcare plan. Under the Ancillary Group Plan, the State acts as the plan administrator only.

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

PLAN MEMBERSHIP

Membership in the four healthcare plans is as follows:

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

STATE EMPLOYEES PLAN FUNDING POLICY

Title 5 MRSA § 286-B authorizes 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.

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

ANCILLARY GROUP PLAN

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

ANNUAL OPEB COST

Contribution requirements are set forth in statute. The annual other post-employment benefit (OPEB) cost (expense) for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The State's annual OPEB cost for the current year and the related information for each plan are as follows:

(Expressed in Thousands)

	State Employees	Teachers	First Responders
Annual required contribution	$ 90,000	$ 58,000	$ 1,105
Interest on net OPEB obligation (asset)	(1,000)	3,000	86
Adjustment to annual required contribution	3,000	(5,000)	(140)
Annual OPEB cost	$ 92,000	$ 56,000	$ 1,051
Contributions made	55,000	19,000	368
Increase (decrease) in net healthcare obligation	37,000	37,000	683
Net healthcare obligation (asset) beginning of year	(28,772)	69,956	1,833
Net healthcare obligation end of year	$ 8,228	$ 106,956	$ 2,516

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)

Plan	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Asset	Net OPEB Obligation
State Employees	6/30/2010	92,000	59.78%		8,228
	6/30/2009	77,000	65.43%	28,772	
	6/30/2008	111,000	149.90%	55,388	
Teachers	6/30/2010	56,000	33.93%		106,956
	6/30/2009	60,000	30.65%		69,956
	6/30/2008	46,000	38.38%		28,343
First Responders	6/30/2010	1,051	35.01%		2,516
	6/30/2009	1,045	24.69%		1,833
	6/30/2008	1,045	0.00%		1,045

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plans as of June 30, 2010 was as follows:

Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
	June 30, 2010	103	1,450	1,347	7.10%	549	245.36%
State Employees	June 30, 2009	82	1,311	1,229	6.25%	595	206.55%
(in millions)	June 30, 2008	98	1,242	1,144	7.89%	568	201.41%
Teachers	June 30, 2010	0	1,005	1,005	0.00%	1,064	94.45%
(in millions)	June 30, 2009	0	994	994	0.00%	1,215	85.93%
	June 30, 2008	0	1,044	1,044	0.00%	1,160	85.69%
	(biennial)						
First Responders	June 30, 2009	0	20,063	20,063	0.00%	51,876	38.67%
(in thousands)	June 30, 2008	0	19,806	19,806	0.00%	51,021	38.82%

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

	State Employees	**Teachers**	**First Responders**
Valuation date	March 31, 2010	March 31, 2010	June 30, 2009
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	28	28	28
Plan changes	30-year fixed	30-year fixed	20-year fixed
Actuarial (gains) /losses	10-year fixed	15-year fixed	rolling 15 year period
Asset valuation method	market	n/a	n/a
Actuarial assumptions:			
Investment rate of return	4.80% 7.50% ultimate	4.50%	4.50%
Projected salary increases	3.25%	3.25%	3.75%
Inflation rate	3.00%	3.00%	3.75%
Healthcare inflation rate	initial - actual premiums ultimate 4.5%	initial - actual premiums ultimate 4.5%	initial 8% ultimate 4.5%

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CONTRIBUTIONS AND RESERVES

The State Employees Health Insurance Committee establishes contributions to the plan by member employers and employees annually. Both active and retired members pay the same premium rate. Claims liabilities of the plan are periodically computed using statistical techniques to establish premium rates. Administrative costs of the plan are allocated to plan participants.

INVESTMENTS

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

POST RETIREMENT GROUP LIFE INSURANCE BENEFIT PLAN

The Maine Public Employees Retirement System, (the System), is a component unit of the State of Maine. For financial reporting purposes, the System administers an agent, multiple-employer, defined benefit Group Life Insurance Plan (GLIP) administered by a third party insurance company in accordance with Title 5 MRSA C. 423 and 425. Members include employees of the State, public school employees (defined by Maine law as teachers and for whom the State acts like the employer for retirement contribution and benefit purposes), members of the Judiciary and the Legislature, that are eligible for membership in the System. Group life insurance benefits are also provided to employees of 390 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, 2010 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

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

Group life insurance funds managed by the System are constitutionally restricted and held in trust for the payment of benefits to participants or their beneficiaries. The System's Board of Trustees, in its fiduciary capacity, establishes the System's investment policies and their overall implementation. The System maintains separate reserves and accounts for each participating entity and performs a single actuarial valuation that provides separate data for each participating entity.

BASIS OF ACCOUNTING

The System's financial statements are prepared on the accrual basis of accounting. Premiums paid, by or on behalf of those covered, are set and collected by the System. The insurance company makes benefit payments. The System remits payments to the insurance company for premiums collected plus additional payments representing administrative fees.

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

INVESTMENTS

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

FUNDING POLICY

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

ANNUAL OPEB COST

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

Analysis of Funding Progress
(Expressed in Thousands)

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Net OPEB Asset	Net OPEB Obligation	Percentage of OPEB Cost Contributed
June 30, 2010	$ 6,800	$ 6,361	$ 761		93.54%
June 30, 2009	5,700	12,377	1,200		217.14%
June 30, 2008	5,500	23		$ 5,477	0.42%

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of June 30, 2010 was as follows:

(Expressed in Thousands)

Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
State Employees	June 30, 2010	19,700	71,500	51,800	27.55%	615,600	8.41%
	June 30, 2009	17,500	67,900	50,400	25.77%	601,099	8.38%
	June 30, 2008	21,100	64,900	43,800	32.51%	601,100	7.29%
Teachers	June 30, 2010	21,400	60,400	39,000	35.43%	650,600	5.99%
	June 30, 2009	17,700	54,700	37,000	32.36%	591,100	6.26%
	June 30, 2008	19,900	52,100	32,200	38.20%	591,100	5.45%

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, 2010
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Asset valuation method	market
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	4.75% - 10.00%
Cost of living increases in life benefits	N/A
Participation percent for future retirees	100.00%
Form of benefit payment	lump sum

NOTE 11 - LONG-TERM OBLIGATIONS

PRIMARY GOVERNMENT

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

GENERAL OBLIGATION BONDS

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

Changes in general obligation bonds of the primary government during fiscal year 2010 were:

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

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010	Due Within One Year
General Obligation Debt:					
General Fund	$ 408,925	$ 31,755	$ 74,905	$ 365,775	$ 72,905
Special Revenue Fund	121,065	25,080	11,820	134,325	15,100
Total	$ 529,990	$ 56,835	$ 86,725	$ 500,100	$ 88,005

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2010 until maturity, are summarized in the following table:

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

Fiscal Year	Principal	Interest	Total
2011	$ 88,005	$ 18,921	$ 106,926
2012	82,010	15,931	97,941
2013	80,275	12,915	93,190
2014	63,315	9,913	73,228
2015	56,070	7,495	63,565
2016 - 2020	130,425	12,810	143,235
Total	$ 500,100	$ 77,985	$ 578,085

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2010 are as follows:

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

	Amounts Issued	Outstanding June 30, 2010	Fiscal Year Maturities First Year	Fiscal Year Maturities Last Year	Interest Rates
General Fund:					
Series 2001	22,050	2,105	2002	2011	4.00% - 6.08%
Series 2002	27,610	5,520	2003	2012	3.00% - 5.75%
Series 2003	97,080	29,115	2003	2013	1.50% - 5.00%
Series 2004	117,275	45,640	2005	2014	2.00% - 5.27%
Series 2005	137,525	76,535	2006	2015	2.00% - 5.27%
Series 2006	52,390	31,425	2007	2016	4.00% - 5.51%
Series 2007	33,975	23,765	2008	2017	4.00% - 5.50%
Series 2008	46,525	37,215	2009	2018	3.00% - 5.13%
Series 2009	96,035	82,700	2011	2019	2.50% - 5.00%
Series 2010	31,755	31,755	2011	2020	1.41% - 4.00%
Total General Fund		$ 365,775			
Special Revenue Fund:					
Series 2001	19,225	1,920	2002	2011	4.00% - 5.00%
Series 2004	13,000	5,075	2005	2014	2.00% - 4.00%
Series 2007	27,000	18,900	2008	2017	4.00% - 5.50%
Series 2008	57,550	46,040	2009	2018	3.00% - 5.13%
Series 2009	37,310	37,310	2011	2019	2.50% - 5.00%
Series 2010	25,080	25,080	2011	2020	1.41% - 4.00%
Total Special Revenue		$ 134,325			

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, 2010, general obligations bonds authorized and unissued totaled $95.8 million.

REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY

The State included $189.1 million in other financing arrangements to reflect revenue bonds issued by the Maine Governmental Facilities Authority (MGFA), a blended component unit. Payment of the bonds is subject to, and dependent upon, biennial appropriations being made by the State Legislature. Debt issued by MGFA is not debt of the State or any political subdivision within the State. The State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. MGFA may not issue securities in excess of $325.5 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2010, MGFA issued Series 2009A Bonds, which totaled $12.0 million at an interest rate between 3.25 percent and 5 percent, and issued Series 2010A Refunding Bonds, which totaled $25.6 million at an interest rate between 2.5 percent and 5 percent. The 2010A Refunding Bonds were used to in-substance defease $24.3 million in certain maturities of outstanding 1999, 2000A, 2000B, 2001 and 2002 bonds with an average interest rate of 5.75 percent. Net proceeds totaled $25.8 million, including bond premiums of $600 thousand, and after $378 thousand in issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on the defeased bonds.

Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of $222 thousand, the Authority in effect reduced in aggregate debt service payments by approximately $1.0 million over the next twelve years and obtained an economic gain of $1.0 million. At June 30, 2010, there were approximately $51.0 million of MGFA in-substance defeased bonds outstanding.

CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS

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

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

SHORT TERM OBLIGATIONS

The State of Maine issued and retired $41.2 million in Bond Anticipation Notes during fiscal year 2010. Short term obligations are used to meet temporary operating cash flow needs. At June 30, 2010 there were no outstanding Tax Anticipation Notes or Bond Anticipation Notes.

OTHER LONG-TERM OBLIGATIONS

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

Changes in other long-term obligations for governmental and business-type activities for the fiscal year ended June 30, 2010, are summarized as follows:

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

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Governmental Activities:					
MGFA Revenue Bonds	$ 192,935	$ 37,560	$ 41,415	$ 189,080	$ 16,930
COP's and Other Financing	50,079	57,989	31,777	76,291	25,738
Compensated Absences	45,366	5,931	5,509	45,788	4,480
Claims Payable	58,611	187,573	187,896	58,288	23,688
Capital Leases	37,634	328	4,633	33,329	5,830
Loans Payable to Component Unit	131,769	142,857	16,232	258,394	17,975
Net Pension Obligation	18,881	318,171	329,207	7,845	-
Other Post-Employment Benefit Obligation	71,789	56,051	10,140	117,700	-
Pollution Remediation	64,876	1,106	15,954	50,028	-
Total Governmental Activities	$ 671,940	$ 807,566	$ 642,763	$ 836,743	$ 94,641
Business-Type Activities:					
Compensated Absences	$ 880	$ 117	$ 189	$ 808	$ 189
Total Business-Type Activities	$ 880	$ 117	$ 189	$ 808	$ 189

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2010 until maturity, are summarized as follows:

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

	Governmental Funds			Internal Service Funds		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2011	$ 14,759	$ 254	$ 15,013	$ 27,909	$ 8,913	$ 36,822
2012	12,994	112	13,106	27,865	7,898	35,763
2013	10,168	37	10,205	27,311	6,903	34,214
2014	126	25	151	22,830	5,886	28,716
2015	132	19	151	17,277	5,049	22,326
2016 - 2020	282	19	301	74,080	14,688	88,768
2021 - 2025	-	-	-	18,695	4,389	23,084
2026 - 2030	-	-	-	10,945	1,088	12,033
Total	$ 38,461	$ 466	$ 38,927	$ 226,912	$ 54,814	$ 281,726

CONDUIT DEBT OBLIGATIONS

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

LOANS PAYABLE TO COMPONENT UNIT

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

Changes in GARVEE and TransCap revenue bonds during fiscal year 2010 were:

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

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010	Due Within One Year
Loans Payable to Component Unit:					
Federal Funds	$ 84,203	$ -	$ 7,625	$ 76,578	$ 7,950
Special Revenue Fund	47,566	142,857	8,607	181,816	10,025
Total	$ 131,769	$ 142,857	$ 16,232	$ 258,394	$ 17,975

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

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

GARVEE and TransCap Revenue bonds issued and outstanding at June 30, 2010 are as follows:

GARVEE and TransCap Revenue Bonds Outstanding
(Expressed in Thousands)

	Amounts Issued	Outstanding June 30, 2010	Fiscal Year Maturities First Year	Fiscal Year Maturities Last Year	Interest Rates
Federal Funds:					
Series 2004	49,423	28,915	2005	2015	2.50% - 5.00%
Series 2008	50,000	46,635	2010	2021	3.25% - 4.00%
Total Federal Funds		$ 75,550			
Special Revenue Fund:					
Series 2008	50,000	45,601	2010	2024	3.00% - 5.50%
Series 2009A	111,388	105,823	2011	2024	2.50% - 5.00%
Series 2009B	31,469	30,391	2011	2025	2.00% - 5.00%
Total Special Revenue		$ 181,815			

Total principal and interest requirements over the life of the 2004 GARVEE bonds are $60.2 million, with annual requirements of up to $5.6 million; for the 2008 GARVEE bonds total principal and interest requirements are $63.1 million, with annual requirements of up to $5.3 million. 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 2010 were $150.9 million. Current year payments to MMBB for GARVEE bonds were $10.6 million (7.1 percent of federal highway transportation funds received).

Total principal and interest requirements over the life of the 2008 TransCap Revenue Bond are $71.9 million, with annual requirements up to $4.8 million. Total principal and interest requirements over the life of the 2009A TransCap Revenue Bonds are $144.3 million, with annual requirements up to $10.1 million; for the 2009B TransCap Revenue Bonds total principal and interest requirements are $46.2 million, with annual requirements up to $16.9 million. Total revenue received for revenue sources used as pledged revenues were $38.1 million in fiscal year 2010.

OBLIGATIONS UNDER CAPITAL LEASES

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

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

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

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

At June 30, 2010 capital assets include $72.3 million of capitalized buildings in the internal service funds, net of related accumulated depreciation of $43.1 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 $2.1 million during the year.

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

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

Fiscal Year	Capital Leases	Operating Leases
2011	$ 5,830	$ 4,103
2012	5,564	3,847
2013	4,524	3,287
2014	3,960	2,987
2016	3,566	2,624
2016 - 2020	12,321	6,879
2021 - 2025	3,728	3,375
2026 - 2030	623	65
2031 - 2035	-	22
2036 - 2040	-	24
2041- 2045	-	26
2046 - 2050	-	24
Total Minimum Payments	40,116	$ 27,263
Less: Amount Representing Interest	7,047	
Present Value of Future Minimum Payments	$ 33,069	

MGFA Revenue Bonds, COP's and Other Financing Arrangements

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

Claims Payable

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

Compensated Absences

In the government-wide statements and proprietary fund financial statements, compensated absences are reported as long-term liabilities as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments made to terminated employees as of June 30, 2010 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)

Component Unit	Interest Rates	Amount	Maturity Dates
Finance Authority of Maine	0.5 - 1.0%	173,004	2010 – 2037
Maine Community College System	3.0 - 5.0%	24,734	2010 - 2036
Maine Health and Higher Educational Facilities Authority			
debt	2.0 - 6.2%	1,406,290	2010 - 2040
conduit debt	4.5- 7.3%	148,720	2010 - 2039
Maine Municipal Bond Bank	1.1 - 5.9%	1,398,326	2010 – 2039
Maine State Housing Authority	0.0 - 6.4%	1,509,711	2010 – 2042
University of Maine System	4.3 - 5.75%	202,206	2010 – 2037

MHHEFA advance refunded various bond obligations in prior years. Proceeds were primarily used to purchase U.S. Government securities that will provide for future payment on the debt. On April 22, 2010 MHHEFA issued $97.2 million in 2010A reserve fund resolution revenue bonds with an average interest rate of 4.84 percent, $41.1 million was used to in-substance defease $44.2 million of outstanding bonds. On June 24, 2010 MHHEFA issued $108.0 million in 2010B and C reserve fund resolution revenue bonds with an average interest rate of 4.36 percent, all of which was used to in-substance defease $118.4 million of certain outstanding bond issuances. At June 30, 2010, there were approximately $247.6 million of in-substance defeased bonds remaining outstanding with respect to all advance-refunded issues within the reserve fund resolution. At June 30, 2010, there were approximately $13.5 million of defeased bonds outstanding with respect to advance refunded bond issues of the general resolution. The general resolution bonds are considered conduit debt.

UMS advance refunded various bond obligations in prior years. Proceeds were primarily used to purchase U.S. Government securities that will provide for future debt service payment on the debt. At June 30, 2010, $21.3 million of in-substance defeased bonds remained outstanding.

In periods of declining interest rates, MMBB has refunded its bond obligations, reducing aggregate debt service. Where allowed, the bank retires outstanding bonds prior to their contractual maturity. In other cases, the proceeds of the refunding bonds were principally used to purchase U.S. Government securities that will provide for future payment on the debt. On August 27, 2009 MMBB issued $23.8 million of Series E and F general tax-exempt bonds with an average interest rate of 3.0 percent to in-substance defease $24.1 million of various outstanding bonds. At June 30, 2010 the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately $88 million. On November 3, 2009 MMBB issued $19.6 million of Series A, B and C refunding sewer and water bonds with an average interest rate of 3.3 percent to in-substance defease $21.6 million of various outstanding bonds. At June 30, 2010 there are no balances remaining of sewer and water fund group in-substance defeased bonds as all were called and repaid from refunding escrows prior to June 30, 2010.

For the period ended December 31, 2009, MSHA redeemed $185.6 million of its Mortgage Purchase Fund group bonds from reserve funds, mortgage prepayments, surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund losses of $466 thousand were attributable to recognition of the bond discount and debt issuance expenses associated with the redeemed bonds.

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

Component Units Principal Maturities
(Expressed in Thousands)

Fiscal Year Ending	FAME	MMBB	MCCS	MSHA	UMS	MHHEFA
2011	$ 805	$ 121,495	$ 52	$ 34,945	$ 8,526	$ 43,020
2012	55	114,978	54	41,035	39,425	55,515
2013	56	110,376	601	41,690	7,616	60,185
2014	57	104,009	622	43,555	7,962	60,630
2015	57	100,890	649	46,615	9,990	62,005
2016 - 2020	295	420,115	3,637	255,240	35,009	294,695
2021 - 2025	298	293,735	4,529	296,695	33,226	285,375
2026 - 2030	-	106,150	5,681	298,700	33,280	251,775
2031 - 2035	101,550	8,645	6,720	251,300	23,865	185,455
2036 - 2040	70,400	1,055	1,467	185,155	1,076	104,160
2041 - 2045	-	10	-	29,440	-	3,475
Net unamortized premium or (deferred amount)	(569)	16,867	722	(14,659)	2,231	-
Total Principal Payments	$ 173,004	$ 1,398,325	$ 24,734	$ 1,509,711	$ 202,206	$ 1,406,290

NOTE 12 - SELF-INSURANCE

A. RISK MANAGEMENT

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

Insurance plans offered include property, vehicle, boat and aircraft, tort, civil rights, employee bonds, police professionals, and a variety of other insurance products. All departments have elected to insure through the Risk Management Division. The Department of Transportation elected to purchase general liability insurance as of April 1, 2007; in prior fiscal years the Department of Transportation had elected not to purchase general liability insurance through the Risk Management Division.

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

Coverage, risk retention, and excess insurance amounts for major types of insurance are listed below:

Type of Insurance	Coverage Per Occurrence	Risk Retention Per Occurrence	Excess Insurance Per Occurrence
Property *	$400 million	$ 2 million	$400 million
Ocean Marine Boat Liability *, [1]	10 million	10 thousand	10 million
Boiler and Machinery*	150 million	2 million	150 million
General Liability Including			
Employment Practices	400 thousand	400 thousand	none
Police Professionals	400 thousand	400 thousand	none
Vehicular Liability [2]	400 thousand	400 thousand	600 thousand
Bonding	500 thousand	500 thousand	none
Foster Parents	300 thousand	300 thousand	none
Inland Marine (various policies)	500 thousand	500 thousand	none

* These lines of insurance have commercial excess insurance covering losses above the risk retention amount up to the per occurrence amount listed. All other insurance programs are wholly self-insured.
[1] $10 million is the maximum limit for per occurrence coverage. Some agencies have chosen $400 thousand.
[2] Excess insurance is only for out of state travel.

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

All risk-financing liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities represent the estimated cost of claims as of March 31, 2010. This cost of claims includes case reserves, the development of known claims, and the direct administrative expenses for settling specific claims.

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

At March 31, 2010 and 2009, the present value of the claims payable for the State's self-insurance plan was estimated at $3.8 million and $3.5 million, respectively. The actuary calculated this based on the State's rate on investments.

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

	2010	2009
Liability at Beginning of Year	$ 3,525	$ 3,525
Current Year Claims and Changes in Estimates	1,062	530
Claims Payments	715	530
Liability at End of Year	$ 3,872	$ 3,525

As of June 30, 2010, fund assets of $23.1 million exceeded fund liabilities of $4.4 million by $18.7 million. The portion of this amount that may be reserved for catastrophic losses has not been determined.

In the past, general liability insurance coverage excluded lawsuits brought by employees. Therefore, the loss history used by the actuary to project claims did not include the effects of any such lawsuits. Effective July 1, 1999, the State added $50 thousand coverage per occurrence for the cost of defending the State in any such lawsuits. Effective July 1, 2000, the State increased coverage to include both defense and indemnification costs up to $400 thousand. The effect of this change has been partially incorporated into the estimate used to determine claims payable as of June 30, 2010.

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 $1.4 million for the fiscal year ended June 30, 2010.

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, 2010:

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

	2010	**2009**
Liability at Beginning of Year	$ 38,673	$ 45,358
Current Year Claims and Changes in Estimates	8,961	1,622
Claims Payments	8,961	8,307
Liability at End of Year	$ 38,673	$ 38,673

Based on the actuarial calculation as of June 30, 2009, the State is liable for unfunded claims, and incurred but not reported claims, of approximately $45.4 million. The discounted amount is $38.7 million and was calculated based on a 3.5 percent interest rate on investments.

D. Employee Health Insurance

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

The State retained an independent contractor for claims administration, utilization review, and case management services. Premiums are paid to the independent contractor based upon rates established with the technical assistance of the plan's consulting actuary.

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

Claims expenses are recorded when premiums are paid to the claims servicing contractor. At the end of the period, the total of these premium payments are compared with the actual claims paid and claims expense is adjusted for any overage or shortage with an offsetting receivable or liability recorded. For the period ending June 30, 2010, the State recorded a receivable of $1.2 million for an underpayment of health care premiums.

Expenses and liabilities for incurred but not reported claims, based on an actuarial analysis of claim lag pattern, have been recorded as liabilities in the amount of $15.7 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2010 follows (in thousands):

	Employee Health Fund	Retiree Health Fund
Liability at Beginning of Year	$ 12,405	$ 4,008
Current Year Claims and Changes in Estimates	110,983	13,441
Claims Payments	111,423	13,671
Liability at End of Year	$ 11,965	$ 3,778

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. $40 million in retiree healthcare costs were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, $13 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 2010, 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	$	35,888
Noncurrent Assets		58,433
Total Assets	$	94,321
Current Liabilities	$	26,860
Long-term Liabilities		52,425
Total Liabilities		79,285
Designated Prize Reserves		4,345
Reserve for Unrealized Gains		10,691
Total Net Assets		15,036
Total Liabilities and Net Assets	$	94,321
Total Revenue	$	78,754
Total Expenses		52,508
Allocation to Member States		26,246
Change in Unrealized Gain on Investments Held for Resale		(539)
Change in Net Assets	$	(539)

Multi-State Lottery Association

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

Participating lotteries sell Powerball tickets, collect all revenues, and remit prize funds to the MUSL, net of lower tier prize awards. The operating costs of the board are divided equally among all of the participating lotteries.

Jackpot prizes payable in installments are satisfied through investments purchased by the MUSL. The MUSL purchases US government obligations which are held in irrevocable trusts established by the MUSL for the benefit of participating State lotteries. Each week the MUSL allocates 50 percent of sales to the prize pool. If no winning ticket is selected, the available jackpot is carried over to the following jackpot drawing.

The Multi-State Lottery Association's financial report for fiscal year 2010, 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	$ 78,668
Investments in US Government Securities	148,216
US Government Securities Held for Prize Annuities	488,579
Due from Party Lotteries	19,585
Other Assets	1,239
Total Assets	$ 736,287
Amount Held for Future Prizes	$ 221,594
Grand Prize Annuities Payable	511,513
Other Liabilities	2,676
	735,783
Net Assets, Unrestricted	504
Total Liabilities and Net Assets	$ 736,287
Total Revenue	$ 3,712
Total Expenses	4,002
Excess of revenue over expenses	(290)
Net assets, beginning	794
Net assets, ending	$ 504

NOTE 14 - RELATED PARTY TRANSACTIONS

PRIMARY GOVERNMENT

Title 20-A MRSA § 11473 establishes the Maine College Savings Program Fund (the Fund), administered by the Finance Authority of Maine (FAME). The Fund holds all monies associated with the Maine College Savings Program doing business as the NextGen College Investing Plan (NextGen). NextGen is the primary program of the Fund and was established to encourage the investment of funds to be used for qualified higher education expenses at institutions of higher education. The program has been designed to comply with the requirements for treatment as a "Qualified State Tuition Program" under Section 529 of the Internal Revenue Code.

By statute, program assets are held by the Treasurer of the State of Maine. FAME and the Treasurer of the State of Maine have entered into a management agreement for the Treasurer to act as a fiduciary of the Fund. The Treasurer is responsible for investment of the Fund and determining, with the advice of the Advisory Committee on College Savings, the proper allocation of the investments of the Fund. The NextGen had approximately $4.8 billion in net assets at June 30, 2010, which have been recorded in a Private Purpose Trust Fund on the financial statements of the State.

The State of Maine pays a local company as a provider for mental health and independent living services through the MaineCare program. The Executive Director of the Company also serves as House Chair of the Joint Standing Committee on Health and Human Services in the Maine Legislature. During fiscal 2010, the State paid $15.1 million for these services; $5.1 million from the General Fund and $10.0 million from the Federal Fund. At June 30, 2010, the State owed $189 thousand to this vendor.

The State of Maine pays a family owned company as a provider for road reconstruction through the Department of Transportation. The family includes a House Representative on the Utilities and Energy Committee. During fiscal 2010, the State paid $4.2 million for these services; $3.9 million from the Highway Fund and $.3 million from the Transit, Aviation and Rail Transportation Fund. At June 30, 2010, the State had no outstanding balance with this vendor.

The State of Maine pays a local non-profit to provide medical care, nursing facilities and MaineCare services to individuals with developmental disabilities. The Chief Executive Officer of the company is the spouse of the Commissioner of the Department of Health and Human Services. During fiscal 2010, the State paid $5.4 million for these services; $3.9 million from the Federal Fund and $1.5 million from the General Fund. At June 30, 2010, the State had no outstanding balance with this vendor.

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

COMPONENT UNITS

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, $205.5 million; Maine Community College System, $60.7 million; Maine Municipal Bond Bank, $36.7 million; Finance Authority of Maine, $13.6 million; and Maine State Housing Authority, $5.9 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total $30.3 million at June 30, 2010, as a liability in Amounts Held Under State Revolving Loan Programs in their financial statements. The state reports the asset as a receivable in the Special Revenue Fund. During fiscal year 2010, the State expended $3.8 million to FAME for State revolving loan funds. The State also transferred $1 million from its Loan Insurance Reserves to FAME.

Title 20-A MRSA Chapter 419-A established the Maine State Grant Program as a fund under the jurisdiction of the Finance Authority of Maine. All grant revenues under this fund must be distributed by FAME to students who meet the eligibility requirements for a grant under this chapter. During fiscal year 2007, the NextGen College Savings grant funds and the Maine State Grant funds were pooled into the new State of Maine Grant. FAME paid approximately $6.0 million in grants to the University of Maine System (UMS) on behalf of eligible students. The UMS reflected these as grant revenues from the State.

RELATED ORGANIZATIONS

The State receives transfers in the amount of the annual operating surplus from the Maine Turnpike Authority under the Sensible Transportation Act of 1991. The Legislature defined operating surplus within the Maine Turnpike Authority statute to be the total operating revenues of the Authority after money has been set aside to pay reasonable operating expenses and to meet the requirements of any resolution authorizing bonds. The

Authority, with the concurrence of the Maine Department of Transportation, established the operating surplus at $4.7 million annually. The payment of debt service costs in connection with the issuance of the Series 1996 Special Obligation Bonds is considered to constitute payment of the operating surplus for the year 2010.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

PRIMARY GOVERNMENT

LITIGATION

The State of Maine, its units, and its employees are parties to numerous legal proceedings, many of which are the result of normal governmental operations. In the opinion of the Attorney General and other legal counsel representing the State, in all of the cases listed, the State or its agencies or employees have valid defenses. Certain cases have the potential for liability in excess of $1 million. Even if liability is found, the State should not expect to pay out the full amounts being sought against it in all of the cases. In any given case, however, the State could incur a large judgment.

In various lawsuits, Plaintiffs seek damages in excess of $1 million against the State or against State officials, and various notices of claim also specify damages in excess of $1 million where no lawsuit has been filed. In none of these lawsuits, in the view of the Attorney General, is there any reasonable possibility that the State's liability could reach or exceed $1 million. Therefore, these suits have not been individually identified.

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

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

FEDERAL GRANTS

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

POLLUTION REMEDIATION

The Department of Environmental Protection (DEP) and Department of Transportation (DOT) have pollution remediation obligations as defined by Governmental Accounting Standards Board (GASB) Statement No. 49. The State's total amount of pollution remediation obligation as of June 30, 2010 is $50.0 million. Superfund sites account for approximately $39 million. Superfund is the federal government program to clean up hazardous waste sites.

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

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

Eastern Surplus – The State recorded a liability for pollution remediation activities of approximately $30.1 million. Currently the State shares the costs with EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in August of 2012, the State will assume 100 percent of the operation and maintenance and monitoring costs. As of June 30, 2010 the State has received $2.2 million in recoveries from the Department of Defense. The State expects to recover additional costs of $12.9 million.

Callahan Mine – The State recorded a liability for pollution remediation activities of approximately $7.3 million. Currently the State shares the costs with EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA. The State will assume 100 percent of the cost for the operation and maintenance of the site.

The State recorded a liability for pollution remediation activities of approximately $11 million (net of unrealized recoveries of $3.2 million) related to seven of eight uncontrolled hazardous substance sites. The State expects to recover $753 thousand in costs. The pollution remediation liability for one of these sites could not be reasonably estimated. 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 statues or regulations and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the State's obligation.

MUNICIPAL SOLID WASTE LANDFILLS

Title 38 MRSA §1310-F, establishes within the Department of Environmental Protection (DEP) a cost-sharing program for the closure and remediation of municipal solid waste landfills that pose an actual or potential hazard to the environment and public health. The State's obligation to provide cost sharing to municipalities is subject to the availability of funds approved for that purpose. State expenditures for landfill remediation projects totaled $257 thousand for fiscal year 2010.

During the 2010 fiscal year, no State general funds or bond funds were expended for municipal solid waste landfill closure projects. After January 1, 2000, the State is no longer liable for the costs relating to the closure of municipal solid waste landfills, except the Commissioner may make grants or payments up to 30 percent, if they are incurred pursuant to an alternative closure schedule approved by DEP prior to January 1, 2000, and if they are specifically identified in a department order or license, schedule of compliance or consent agreement. No reimbursement applications for past closure costs are on file. No additional cost share eligible closures have been approved by DEP. Consequently, the DEP expects no further expenditures for municipal landfill closures.

During the 2010 fiscal year, the State expended $257 thousand of general obligation bond funds for municipal solid waste landfill remediation projects. Remediation funding, subject to the availability of funds, will continue for 90 percent of the cost of remediation for threats posed by a municipal landfill to wells or other structures constructed on or before December 31, 1999. The maximum reimbursement for remediation funding is 50 percent for structures constructed after that date. The DEP recognizes that, in the future, some landfills will require State funds for post closure investigation and remediation activities. The DEP has estimated the amount of these potential future costs could be as much as $3.5 million, based on current site knowledge, the increasing frequency of residential development near closed municipal landfills, the discovery of older abandoned dump sites now occupied by residential homes, and recent issues involving gas migration from two municipal landfills in the state. Approximately $8 thousand remains in the existing municipal landfill bond account. The bond funds currently available are insufficient to fully cover identified obligations. Additional bond funds will be necessary to cover current outstanding obligations as well as potential future remedial actions.

SAND AND SALT STORAGE PROGRAM

The State estimates the potential aggregate cost to comply with the environmental requirements associated with the Sand and Salt Storage program to be $19.5 million. This consists of approximately $13.5 million for State-owned facilities and approximately $6 million for the State's share, under a cost sharing arrangement, for municipal facilities.

POLLUTION ABATEMENT PROGRAM

Title 38 MRSA § 411 establishes within DEP a cost-sharing program for pollution abatement projects. Subject to funding by the Legislature and the approval of the Commissioner, the State may contribute to the design, engineering and construction of municipal pollution abatement facilities. During the 2010 fiscal year, $4.17 million of general obligation bond funds were expended for pollution abatement projects. As of June 30, 2010, amounts encumbered for pollution abatement projects totaled $7.11million; and general obligation bonds authorized for these projects, but not yet encumbered or expended, totaled $810 thousand. As of June 30, 2010, 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 48.93 percent of the annual payments. As of June 30, 2010, outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled $990.6 million.

At June 30, 2010, the Department of Transportation had contractual commitments of approximately $16.2 million for construction of various highway projects. The State's share of that amount is expected to be approximately $2 million. Of these amounts, $2.1 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 2010, Maine received a total of $53.1 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, 2010, the Fund included $4.7 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2010 of approximately $159.7 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, 2010, the amount reported in the Fund for claimant liability is $40.8 million. The General Fund shows a $35.6 million payable to the Escheat Fund.

CONSTITUTIONAL OBLIGATIONS

Article 9, § 14-A, C, and D of the Maine State Constitution provides that the State may insure the payment of mortgage loans for industrial, manufacturing, fishing, agricultural and recreational enterprises; mortgage loans for the acquisition, construction, repair and remodeling of houses owned or to be owned by members of two tribes on several Indian reservations; and mortgage loans to resident Maine veterans of the Armed Forces of the United States, including loans to a business organization owned in whole or in part by resident Maine veterans. The aggregate of these obligations, at any one time, may not exceed $90 million, $1 million, and $4 million, respectively. At June 30, 2010, loans outstanding pursuant to these authorizations are $44.6 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, 2010.

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, 2010, 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, 2010.

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 - debt	$ 1,406,290	$113,986	no limit	22 MRSA § 2075
conduit debt	148,720		no limit	22 MRSA § 2075
Finance Authority of Maine	44,820	-	$ 596,480	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	1,381,459	137,778	no limit	30-A MRSA §6006
Maine Educational Loan Authority *	210,000	12,881	300,000	20-A MRSA §11424
Maine State Housing Authority	1,524,370	-	2,150,000	30-A MRSA §4906
University of Maine System	200,346	4,948	220,000	20-A MRSA §10952
Total	$ 4,916,005	$269,593		

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

COMPONENT UNITS

NURSING HOME LOANS

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

MHHEFA advanced approximately $447 thousand from the operating fund as of June 30, 2010 to other financially troubled institutions, with combined loan amounts due the Authority of approximately $9.2 million at June 30, 2010, including loans of $8.8 million reserved at June 30, 2010. These advances were primarily made to assist these institutions in meeting debt service requirements in years prior to fiscal 2010. MHHEFA also has approximately $.4 million of other receivables outstanding with the operating fund at June 30, 2010, primarily related to amounts due from institutions to reimburse the Authority for arbitrage rebate payments made on their behalf. MHHEFA established a $.6 million reserve in its operating fund related to the above loans, advances and other receivables outstanding.

CONSTRUCTION CONTRACTS

At June 30, 2010, UMS had outstanding commitments on uncompleted construction contracts that totaled $21.6 million. Maine Community College System had commitments of $8.3 million at June 30, 2010.

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, 2009, Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately $40.0 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2009, single-family loans being processed by lenders totaled $41.4 million.

NOTE 16 - SUBSEQUENT EVENTS

PRIMARY GOVERNMENT

On August 11, 2010 the State issued $68.5 million, of Bond Anticipation Notes that mature on June 15, 2011.

On July 15 and October 15, 2010, the State issued 10 million and 5 million respectively of Certificates of Participation (COP's) for the purpose of financing the State's radio network project. These COP's carry interest rates of 2.58 %, and have maturity dates in SFY 2018.

COMPONENT UNITS

On February 1, 2010, the Maine State Housing Authority (MSHA) redeemed at par $49.2 million of its 1998 through 2008 Mortgage Purchase Fund bonds. On February 10, 2010, MSHA redeemed at par $25.7 million of its 1998 through 2008 Mortgage Purchase Fund bonds.

NOTE 17 – SPECIAL ITEM

Pursuant to Chapters 571 and 600, PL 2009, the State returned $66.6 million of equity in the Retiree Health Insurance Internal Service Fund to participating funds in order to address a significant budget shortfall expected for SFY 2010. Additionally, the state returned $11.7 million of funds to the federal government. These resources were made available through rates established to accumulate assets for transfer to the State Retiree Health Irrevocable Trust Fund to meet the unfunded liability obligations for the retiree health benefits of State employees. The state suspended payments toward the unfunded liability for fiscal year 2010. The return of equity from the Fund to its participants, as well as the, return of funds to the federal government have been recorded as Special Items in the financial statements for the fiscal year ended June 30, 2010.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MAINE

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

	General Fund				Highway Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues								
Taxes	$ 2,758,705	$ 2,568,647	$ 2,626,588	$ 57,941	$ 220,306	220,305	$ 219,186	$ (1,119)
Assessments and Other	118,224	114,272	116,553	2,281	83,666	80,686	83,362	2,676
Federal Grants	5,430	12,241	11,047	(1,194)	-	-	-	-
Service Charges	45,336	54,868	50,852	(4,016)	4,696	4,650	6,409	1,759
Income from Investments	948	103	281	178	173	113	162	49
Miscellaneous Revenue	19,978	29,117	16,999	(12,118)	2,074	1,938	1,302	(636)
Total Revenues	2,948,621	2,779,248	2,822,320	43,072	310,915	307,692	310,421	2,729
Expenditures								
Governmental Support and Operations	264,825	259,039	251,522	7,517	39,035	38,075	35,452	2,623
Economic Development & Workforce Training	38,027	37,170	35,788	1,382	-	-	-	-
Education	1,461,585	1,436,474	1,419,788	16,686	-	-	-	-
Health and Human Services	826,095	849,825	802,461	47,364	-	-	-	-
Business Licensing & Regulation	38	26	26	-	-	-	-	-
Natural Resources Development & Protection	70,435	69,348	67,360	1,988	39	39	38	1
Justice and Protection	281,044	281,774	276,030	5,744	31,836	31,522	30,720	802
Arts, Heritage & Cultural Enrichment	7,681	7,572	7,392	180	-	-	-	-
Transportation Safety & Development	-	-	-	-	237,940	294,749	234,579	60,170
Total Expenditures	2,949,730	2,941,228	2,860,367	80,861	308,850	364,385	300,789	63,596
Revenues Over (Under) Expenditures	(1,109)	(161,980)	(38,047)	123,933	2,065	(56,693)	9,632	66,325
Other Financing Sources (Uses)								
Operating Transfers Net	(91,949)	(86,243)	33,427	119,670	1,827	1,800	17,327	15,527
Proceeds from Pledged Future Revenues								
Net Other Financing Sources (Uses)	(91,949)	(86,243)	33,427	119,670	1,827	1,800	17,327	15,527
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (93,058)	$ (248,223)	$ (4,620)	$ 243,603	$ 3,892	$ (54,893)	$ 26,959	$ 81,852
Fund Balances at Beginning of Year			131,021				127,857	
Fund Balances at End of Year			$ 126,401				$ 154,816	

Federal Funds				Other Special Revenue Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
$ -	$ -	$ -	$ -	$ 223,673	$ 220,967	$ 242,691	$ 21,724
7	7	4	(3)	150,996	160,634	132,543	(28,091)
3,090,542	3,794,838	3,130,628	(664,210)	23,125	28,829	6,905	(21,924)
988	988	764	(224)	146,605	158,169	154,961	(3,208)
17	17	35	18	2,083	2,058	593	(1,465)
2,426	2,530	715	(1,815)	275,818	275,015	165,913	(109,102)
3,093,980	3,798,380	3,132,146	(666,234)	822,300	845,672	703,606	(142,066)
7,795	22,602	7,894	14,708	144,935	139,645	126,766	12,879
134,747	423,863	328,948	94,915	68,173	68,766	55,684	13,082
241,065	355,639	285,594	70,045	7,728	17,471	12,777	4,694
2,332,473	2,455,733	2,258,701	197,032	519,099	525,577	378,879	146,698
33,248	32,971	2,994	29,977	111,959	128,004	73,105	54,899
48,459	76,559	43,433	33,126	125,973	150,706	101,129	49,577
119,789	142,183	58,248	83,935	41,724	47,308	36,211	11,097
3,091	3,587	2,784	803	1,586	1,546	822	724
182,779	306,768	231,345	75,423	180,422	181,095	67,760	113,335
3,103,446	3,819,905	3,219,941	599,964	1,201,599	1,260,118	853,133	406,985
(9,466)	(21,525)	(87,795)	(66,270)	(379,299)	(414,446)	(149,527)	264,919
258	258	21,608	21,350	171,504	166,035	41,067	(124,968)
				180,536	181,036	59,264	(121,772)
258	258	21,608	21,350	352,040	347,071	100,331	(246,740)
$ (9,208)	$ (21,267)	$ (66,187)	$ (44,920)	$ (27,259)	$ (67,375)	$ (49,196)	$ 18,179
		54,370				206,598	
		$ (11,817)				$ 157,402	

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION

Fiscal Year Ended June 30, 2010
(Expressed in Thousands)

	General Fund	Highway Fund	Federal Funds	Special Revenue Fund
Fund Balances - Non-GAAP Budgetary Basis	$ 126,401	$ 154,816	$ (11,818)	$ 157,402
Basis Differences				
Revenue Accruals/Adjustments:				
Taxes Receivable	197,273	889	-	8,247
Intergovernmental Receivables	-	-	597,882	-
Other Receivables	45,447	1,675	57,892	66,470
Inventories	1,285	-	717	-
Due from Component Units	-		-	19,334
Due from Other Funds	3,855	5,226	964	240,582
Other Assets	1,535	-	341	15,164
Deferred Revenues	(198,812)	(6,502)	(1,472)	(26,882)
Total Revenue Accruals/Adjustments	50,583	1,288	656,324	322,915
Expenditure Accruals/Adjustments:				
Accounts Payable	(194,824)	(12,149)	(539,558)	(26,770)
Due to Component Units	(13,460)	(26)	(8,232)	(396)
Bonds Issued	-	-	-	-
Accrued Liabilities	(1,116)	(7,085)	(4,992)	(6,779)
Taxes Payable	(137,338)	(11)	-	-
Intergovernmental Payables	-	-	(60,862)	-
Due to Other Funds	(138,494)	(80,430)	(8,780)	(3,890)
Total Expenditure Accruals/Adjustments	(485,232)	(99,701)	(622,424)	(37,835)
Fund Balances - GAAP Basis	$ (308,248)	$ 56,403	$ 22,082	$ 442,482

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING

Statutory/Budgetary Presentation

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

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

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

Detailed budgetary control is maintained at the program and line category level at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers. Except in specific instances, only the Legislature may transfer appropriations between departments. Increases in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget. For the year ended June 30, 2010, the legislature deappropriated $77.1 million of original appropriations for the General Fund.

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, is employed in governmental fund types. For financial statement purposes, encumbrances outstanding at June 30 are shown as reservations of fund balance. Unencumbered appropriations in the General Fund and Highway Fund lapse at June 30 unless, by law, they are carried forward to a subsequent year. Amounts carried forward are shown as reservations 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 2009-2010, as well as the actual resource inflows, outflows and fund balances stated on the budgetary basis.

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

Generally accepted accounting principles (GAAP) require that the final legal budget be reflected in the "final budget" column. Therefore updated revenue estimates available for appropriations as of June 30, 2010 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

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
June 30, 2010	8,369,772,080	12,676,367,068	4,306,594,988	66.0%	1,681,593,315	256.1%
June 30, 2009	8,383,147,465	12,377,262,461	3,994,114,996	67.7%	1,678,930,948	237.9%
June 30, 2008	8,691,075,704	11,721,271,968	3,030,196,264	74.1%	1,628,421,362	186.1%
June 30, 2007	8,302,466,643	11,209,708,127	2,907,241,484	74.1%	1,595,199,514	182.2%
June 30, 2006	7,556,514,663	10,598,346,071	3,041,831,408	71.3%	1,546,315,522	196.7%
June 30, 2005	7,013,846,148	10,048,587,643	3,034,741,495	69.8%	1,516,390,862	200.1%
June 30, 2004	6,498,608,717	9,485,605,608	2,986,996,891	68.5%	1,472,429,214	202.9%

Major changes in actuarial assumptions include the following:

Valuation date	June 30, 2008	June 30, 2006	June 30, 2004
Actuarial assumptions:			
Investment rate of return	7.75%	7.75%	8.00%
Projected salary increases	4.75% - 10.00%	4.75% - 10.00%	5.50% - 9.50%
Includes inflation at	4.50%	4.50%	4.50%
Cost of living adjustments	3.75%	3.75%	4.00%

The June 30, 2010 valuation retained the same actuarial assumptions.

The Maine Public Retirement System (the System), which is a component unit of the State, is the administrator of an agent, multiple-employer, defined benefit public employee retirement system. The June 30, 2010 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 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 7 years remained at June 30, 2010.

Note: Actuarial valuations are performed biennially on even years. Rollforward valuations occur on odd numbered years. The latest actuarial valuation occurred June 30, 2010.

Required Supplementary Information – Other Post-employment Benefit Plans

Schedules of Funding Progress
(Expressed in millions)

State Employees Healthcare Plan

Actuarial Valuation Date	(a) Actuarial Value Of Assets	(b) Actuarial Accrued Liability (AAL) – Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
June 30, 2010	103	1,450	1,347	7.10%	549	245.36%
June 30, 2009	82	1,311	1,229	6.25%	595	206.55%
June 30, 2008	98	1,242	1,144	7.89%	568	201.41%

Teachers Healthcare Plan

Actuarial Valuation Date	(a) Actuarial Value Of Assets	(b) Actuarial Accrued Liability (AAL) – Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
June 30, 2010	N/A	1,005	1,005	0.00%	1,064	94.45%
June 30, 2009	N/A	994	994	0.00%	1,215	81.81%
June 30, 2008	N/A	1,044	1,044	0.00%	1,160	90.00%

State Employees Group Life Insurance Plan

Actuarial Valuation Date	(a) Actuarial Value Of Assets	(b) Actuarial Accrued Liability (AAL) – Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
June 30, 2010	19.7	71.5	51.8	27.55%	615.6	8.41%
June 30, 2009	17.5	67.9	50.4	25.77%	601.1	8.38%
June 30, 2008	21.1	64.9	43.8	32.51%	601.1	7.29%

Teachers Group Life Insurance Plan

Actuarial Valuation Date	(a) Actuarial Value Of Assets	(b) Actuarial Accrued Liability (AAL) – Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
June 30, 2010	21.4	60.4	39.0	35.43%	650.6	5.99%
June 30, 2009	17.7	54.7	37.0	32.36%	591.1	6.26%
June 30, 2008	19.9	52.1	32.2	38.20%	591.1	5.45%

Schedules of Funding Progress

(Expressed in 000's)

First Responders Healthcare Plan

Actuarial Valuation Date	(a) Actuarial Value Of Assets	(b) Actuarial Accrued Liability (AAL) – Entry Age	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	((b-a)/c) UAAL (as a percentage of covered payroll)
June 30, 2009	N/A	20,063	20,063	0.00%	51,876	38.67%
June 30, 2008	N/A	19,806	19,806	0.00%	51,021	38.82%

Biennial valuations are required. The three most recent valuations are presented in accordance with standards (where applicable). This is the third year of prospective implementation.

Schedule of Employer Contributions

(Expressed in 000's)

	Employer Contributions							
	State Employees			Teachers			First Responders	
Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed		Annual Required Contribution	Percentage Contributed		Annual Required Contribution	Percentage Contributed
Healthcare - 2010	92,000	59.78%		56,000	34.55%		1,051	35.01%
Healthcare - 2009	77,000	65.43%		60,000	30.65%		1,045	.25%
Healthcare - 2008	111,000	149.90%		46,000	38.38%		1,045	0%
Group Life - 2010	6,800	93.54%					N/A	N/A
Group Life - 2009	5,700	217.14%					N/A	N/A
Group Life - 2008	5,500	.42%					N/A	N/A

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

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Assets accounted for under the modified approach include 8,873 highway miles or 18,048 lane miles of roads and 2,961 bridges having a total deck area of 11.7 million square feet that the State is responsible to maintain.

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

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

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

<u>Highways</u>

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

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

Bridges

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

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

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

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

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

Fiscal Year	Highways	Bridges
2010	76.2	79.0
2009	75.3	78.0
2008	75.6	79.0

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

Actual Preservation Costs
(Amounts in millions)

	2010	2009	2008	2007	2006
Highways………………	$ 68.6	$ 74.5	$ 80.0	$ 71.7	$ 46.3
Bridges ………………	9.2	1.6	1.6	1.6	4.8
Total ………………	**$ 77.8**	**$ 76.1**	**$ 81.6**	**$ 73.3**	**$ 51.1**

Estimated Preservation Costs
(Amounts in millions)

	2010	2009	2008	2007	2006
Highways ………………	$ 48.5	$ 55.8	$ 97.7	$ 59.7	$ 47.1
Bridges ………………	6.5	1.2	2.0	1.3	4.9
Total ………………	**$ 55.0**	**$ 57.0**	**$ 99.7**	**$ 61.0**	**$ 52.0**

Transportation Bonds
Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 414, PL 2009, $25 million was spent during FY2010.

INDEX TO FINANCIAL INFORMATION

Section II - Certain Information from the State Controller's Budgetary and Legal Requirements Reports for Fiscal Years 2006 through 2010 (Unaudited) **Page**

No representation is made hereby that the information set forth in Section II of Appendix B has been prepared in full conformity with generally accepted accounting principles.

GOVERNMENTAL FUNDS
COMBINED STATEMENT OF RESOURCES, EXPENDITURES AND CHANGES IN FUND EQUITY
For the Fiscal Years Ended June 30
($ thousands)

	2006	2007	2008[1]	2009	2010[2]
Revenues					
Taxes					
Sales, Use and Service Provider Tax	$ 1,105,148	$ 1,142,801	$ 1,157,608	$ 1,083,760	$ 1,073,443
Individual Income Tax	1,323,049	1,427,163	1,521,890	1,302,912	1,368,185
Corporate Income Tax	197,604	193,184	216,503	184,939	183,751
Cigarette and Tobacco Tax	156,951	158,953	150,499	144,425	149,067
Inheritance and Estate Tax	75,331	54,820	39,891	31,819	31,210
Gasoline, Use Fuel and Motor Carrier Tax	225,889	231,214	229,600	220,526	241,424
Insurance Tax	103,108	89,437	102,032	92,353	109,689
Public Utilities Tax	45,975	40,758	49,564	46,300	46,340
Other Industry or Occupation Taxes	150,888	202,616	182,327	194,516	226,940
Real Estate Transfer Tax	33,953	29,355	24,685	17,708	19,186
Unorganized Territories Property Tax	19,354	19,864	19,159	21,127	27,062
Other Taxes	41,073	9,047	15,003	14,963	35,679
Total Taxes	3,478,323	3,599,212	3,708,762	3,355,349	3,511,976
From Federal Government	2,372,356	2,166,136	2,211,181	2,861,697	3,139,053
From Cities, Towns and Counties	8,264	12,050	13,672	22,167	13,448
From Private Sources	171,569	168,051	189,838	197,675	184,425
Service Charge for Current Services	196,689	153,736	157,515	163,369	181,276
Fines, Forfeitures & Penalties	47,908	52,386	55,033	54,854	44,684
Vehicle Registration and Drivers Licenses	90,830	90,457	89,096	94,938	82,619
Hunting, Fishing and Related Licenses	18,262	18,566	17,917	17,587	18,124
Transferred from Bureau of Alcoholic Beverages	26	-	-	-	-
Transferred from Lottery Commission	51,788	50,625	49,491	49,839	52,202
Transferred from Other Funds	30,881	30,958	30,998	33,130	20,515
Transferred for Revenue Sharing	(124,222)	(130,491)	(135,820)	(102,134)	(122,809)
Income from Investments					(113,605)
Other Revenues	16,228	9,672	5,861	4,944	1,339
	9,207	11,680	30,266	15,695	24,149
Other Financial Resources	2,889,786	2,633,826	2,715,049	3,413,760	3,525,420
Proceeds of General Obligation Bonds					
Other	52,944	61,535	108,590	141,469	58,391
Total Revenues and Resources	(89,766)	36,912	29,219	69,619	103,736
Expenditures	6,331,287	6,331,485	6,561,621	6,980,197	7,199,523
Governmental Support & Operations					
Arts, Heritage & Cultural Enrichment	426,868	448,559	458,393	442,218	431,744
Business Licensing & Regulation	12,564	13,349	12,710	13,185	11,772
Economic Development & Workforce Training	55,207	60,357	65,603	64,887	76,125
Education	163,136	164,201	151,141	223,104	434,770
Health & Human Services	1,496,135	1,620,175	1,668,137	1,705,111	1,731,496
Justice & Protection	3,039,911	2,983,031	3,055,914	3,462,723	3,440,041
Natural Resources Development & Protection	410,304	396,099	396,502	411,042	401,711
Transportation Safety & Development	187,130	202,609	198,049	220,264	220,084
Total Expenditures	497,402	494,624	522,473	547,269	567,864
Excess Resources Over (Under) Expenditures	6,288,657	6,383,004	6,528,922	7,089,802	7,315,607
Fund Equity July 1 of preceding calendar year	682,866	725,572	660,728	693,428	583,822
Fund Equity June 30	$ 725,496	674,053	$ 693,427	$ 583,822	$ 467,738

(1)Fund Equity for General Fund as restated.

(2) Prior to 2010, transferred amounts for tax relief programs were reported as a net amount in the Individual Income Tax line. Prior year amounts were not restated. Therefore, comparisons between 2010 and prior years may not be possible in this instance.

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GENERAL FUND

COMBINED STATEMENT OF RESOURCES, EXPENDITURES AND CHANGES IN FUND EQUITY

For the Fiscal Years Ended June 30

($ thousands)

	2006	**2007**	**2008**(5)	**2009**	**2010**
Revenues					
Taxes					
Sales, Use and Service Provider Tax	$ 993,203	$ 1,020,856	$ 1,035,158	$ 974,636	$ 954,025
Individual Income Tax	1,254,511	1,353,934	1,443,468	1,242,506	1,298,036
Corporate Income Tax	188,015	183,853	207,093	178,961	175,292
Cigarette and Tobacco Tax	156,951	158,953	150,499	144,425	149,067
Inheritance and Estate Tax	75,331	54,820	39,891	31,819	31,210
Insurance Tax	76,066	74,452	72,293	79,770	80,019
Public Utilities Tax	20,627	16,317	16,858	19,536	17,524
Other Industry or Occupation Taxes	36,242	72,180	50,340	43,502	59,597
Real Estate Transfer Tax	24,595	22,207	17,465	17,185	12,181
Unorganized Territories Property Tax	11,559	11,376	12,217	12,634	13,218
Other Taxes	31,215	2,956	3,809	3,752	30,792
Total Taxes	2,868,315	2,971,904	3,049,092	2,748,726	2,820,961
From Federal Government	17,987	15,311	11,040	12,456	9,308
From Cities, Towns and Counties	57	116	163	143	187
From Private Sources	5,379	6,500	8,023	7,526	8,697
Service Charges for Current Services	35,196	30,256	26,157	24,653	33,329
Fines, Forfeitures & Penalties	37,781	41,415	44,466	44,024	32,787
Hunting, Fishing and Related Licenses	16,840	16,401	15,683	15,379	16,277
Transferred from Bureau of Alcoholic Beverages	26	-	-	-	-
Transferred from Lottery Commission	50,880	50,625	49,491	49,839	52,202
Transferred from Other Funds	15,090	15,051	18,823	9,605	17,868
Transferred for Revenue Sharing	(124,222)	(130,491)	(135,820)	(102,134)	(122,809)
Transferred for Tax Relief (6)					(113,605)
Income from Investments	8,272	1,216	1,074	1,100	265
Other Revenues	224	4,247	21,724	7,701	23,456
	63,510	50,647	60,324	70,292	(42,037)
Other Financial Resources					
Proceeds of General Obligation Bonds	-	-	-	-	-
Other	(49,100)	14,134	31,074	141	76,823
Total Revenues and Resources	2,882,725	3,036,684	3,140,490	2,819,159	2,855,747
Expenditures					
Governmental Support & Operations (1)	228,574	253,529	245,992	239,485	251,522
Arts, Heritage & Cultural Enrichment	8,433	8,999	8,682	8,084	7,392
Business Licensing & Regulation	-	-	2	-	26
Economic Development & Workforce Training	45,361	40,668	38,253	37,030	35,788
Education (2)	1,277,692	1,419,036	1,471,239	1,455,087	1,419,788
Health & Human Services (3)	970,178	1,008,391	985,139	929,836	802,461
Justice & Protection	227,565	242,654	262,299	271,853	276,030
Natural Resources Development & Protection	70,525	71,143	72,957	68,114	67,360
Transportation Safety & Development (4)	188	-	-	-	-
Total Expenditures	2,828,516	3,044,420	3,084,563	3,009,489	2,860,367
Excess Resources Over (Under) Expenditures	54,209	(7,736)	55,927	(190,330)	(4,620)
Fund Equity July 1 of preceding calendar year	232,277	286,486	265,424	321,351	131,021
Fund Equity June 30	$ 286,486	$ 278,750	$ 321,351	$ 131,021	$ 126,401

1. Governmental Support & Operations includes office of the Governor, Office of the State Treasurer and the Attorney General, Audit, Finance and Administration, Judicial, Legislative and State Departments.
2. Education includes the Education Department, the Maine Community College System, the Maine Maritime Academy and the University of Maine System.
3. Health & Human Services includes the Human Services, Mental Health and Retardation and Corrections Departments.
4. Transportation Safety & Development includes the Department of Transportation.
5. Fund Equity as restated.
6. Prior to 2010, transferred amounts for tax relief programs were reported as a net amount in the Individual Income Tax line. Prior year amounts were not restated. Therefore, comparisons between 2010 and prior years may not be possible in this instance.

HIGHWAY FUND
STATEMENT OF RESOURCES, EXPENDITURES AND CHANGES IN FUND EQUITY
For the Fiscal Years Ended June 30
($ thousands)

	2006	2007	2008	2009	2010
Revenues					
Taxes					
Gasoline, Use Fuel and Motor Carrier Tax	$ 221,575	$ 226,824	$ 225,235	$ 216,216	$ 219,191
Other Taxes	1,201	1,169	1,748	1,785	952
Total Taxes	222,776	227,993	226,983	218,001	220,143
From Federal Government	-	-	465	3	
Service Charges for Current Services	5,397	5,440	5,038	5,201	4,796
Fines, Forfeitures & Penalties	1,810	1,668	1,183	1,014	1,440
Vehicle Registration and Drivers Licenses	90,830	90,457	89,096	94,938	80,965
Income from Investments	1,834	1,106	1,152	480	162
Other Revenues	3,899	4,062	4,188	1,785	3,684
	103,770	102,733	101,122	103,422	91,047
Other Financial Resources					
Proceeds of General Obligation Bonds	-	-	-	-	-
Other	(1,336)	15,179	6,185	(5,136)	16,558
Total Revenues and Resources	325,210	345,905	334,291	316,287	327,748
Expenditures					
Governmental Support & Operations	34,304	35,405	37,646	36,626	35,452
Economic Development & Workforce Training	-	-	-	-	-
Justice & Protection	35,453	36,806	35,476	36,401	30,720
Natural Resources Development & Protection	33	40	28	38	38
Transportation Safety & Development (1)	245,443	272,746	276,294	230,279	234,579
Total Expenditures	315,233	344,997	349,444	303,344	300,789
Excess Resources Over (Under) Expenditures	9,977	908	(15,153)	12,943	26,959
Fund Equity July 1 of preceding calendar year	119,182	129,159	130,067	114,914	127,857
Fund Equity June 30	$ 129,159	$ 130,067	$ 114,914	$ 127,857	$ 154,816

(1) Includes payment of debt service on bonds of the State previously issued for highway purposes.

OTHER SPECIAL REVENUES FUND
STATEMENT OF RESOURCES, EXPENDITURES AND CHANGES IN FUND EQUITY
For the Fiscal Years Ended June 30
($ thousands)

	2006	2007	2008	2009	2010
Revenues					
Taxes					
Sales, Use and Service Provider Tax	$ 111,945	$ 121,944	$ 122,450	$ 109,123	$ 119,417
Individual Income Tax	68,538	73,229	78,422	60,407	70,149
Corporate Income Tax	9,589	9,332	9,410	5,978	8,459
Gasoline, Use Fuel and Motor Carrier Tax	4,314	4,390	4,365	4,311	22,234
Insurance Tax	27,042	14,985	29,740	12,582	29,670
Public Utilities Tax	25,348	24,441	32,705	26,763	28,816
Other Industry or Occupation Taxes	114,646	130,436	131,986	151,015	167,343
Real Estate Transfer Tax	9,358	7,148	7,220	523	7,004
Unorganized Territories Property Tax	7,795	8,488	6,941	8,494	13,844
Other Taxes	8,657	4,923	9,446	9,423	3,936
Total Taxes	387,232	399,316	432,687	388,622	470,872
From Federal Government	2,354,369	2,150,825	2,199,675	2,849,238	3,129,745
From Cities, Towns and Counties	8,207	11,934	13,509	22,024	13,146
From Private Sources	166,190	161,551	181,815	190,148	175,728
Service Charges for Current Services	156,096	118,040	126,320	133,515	143,151
Fines, Forfeitures & Penalties	8,317	9,303	9,385	9,816	10,457
Vehicle Registration and Drivers Licenses					1,654
Hunting, Fishing and Related Licenses	1,422	2,165	2,234	2,208	1,847
Transfers from Other Funds	16,699	15,907	12,676	23,526	2,647
Income from Investments	4,199	5,344	2,514	1,860	625
Other Revenues	5,080	3,371	4,355	6,209	(2,535)
	2,720,579	2,478,440	2,552,483	3,238,543	3,476,464
Other Financial Resources					
Proceeds of General Obligation Bonds	-	-	-	-	-
Other	(37,337)	10,008	(8,172)	75,540	10,355
Total Revenues and Resources	3,070,474	2,887,764	2,976,998	3,702,705	3,957,691
Expenditures					
Governmental Support & Operations	154,236	154,215	167,300	158,310	134,660
Arts, Heritage & Cultural Enrichment	3,372	3,791	3,751	4,052	3,606
Business Licensing & Regulation	55,207	60,357	65,601	64,887	76,099
Economic Development & Workforce Training	110,875	113,633	105,163	176,465	384,632
Education	186,611	192,720	184,633	230,633	298,371
Health & Human Services	2,067,953	1,972,766	2,068,054	2,530,487	2,637,580
Justice & Protection	146,474	116,260	98,281	102,158	94,459
Natural Resources Development & Protection	110,776	127,570	121,020	140,540	144,562
Transportation Safety & Development	239,314	182,571	173,491	259,005	299,105
Total Expenditures	3,074,818	2,923,883	2,987,294	3,666,537	4,073,074
Excess Resources Over (Under) Expenditures	(4,344)	(36,119)	(10,295)	36,168	(115,383)
Fund Equity July 1 of preceding calendar year	275,558	271,214	235,095	224,800	260,968
Fund Equity June 30	$ 271,214	$ 235,095	$ 224,800	$ 260,968	$ 145,585

GOVERNMENTAL FUNDS
COMBINED BALANCE SHEETS

Fiscal Year Ended JUNE 30, 2010
($ thousands)

	Total (Memorandum) (only)	General Fund	Highway Fund	Other Special Revenues	Capital Projects	Debt Service
ASSETS						
Equity in Treasurer's Cash Pool	$ 222,338	$ 11,308	$ 57,385	$ 112,660	$ 36,254	$ 4,731
Cash - Other	297	140	116	41	-	-
Accounts, Notes and Grants Receivable						
Net of Reserves for Uncollectible Accounts	229,272	196,034	20,516	12,722	-	-
Due from Other Funds	74,201	7,625	2	66,574	-	-
Working Capital Advances to Other Funds	111	111	-	-	-	-
Prepaid Expenses and Other Assets	77,620	197	77,238	175	10	-
TOTAL ASSETS	603,839	215,415	155,257	192,172	36,264	4,731
LIABILITIES AND EQUITY						
LIABILITIES:						
Accounts Payable	13,102	4,200	26	8,876	-	-
Other Liabilities	122,998	84,814	415	37,711	58	-
TOTAL LIABILITIES	136,100	89,014	441	46.587	58	-
EQUITY:						
Reserved for Encumbrances	160,514	23,404	1,788	114,546	20,776	-
Reserved for Authorized Expenditures	356,044	65,996	71,475	203,143	15,430	-
Reserved for Utility Loans	44	-	44	-	-	-
Working Capital Advances to Other Funds	111	111	-	-	-	-
Designated for Other Purposes	101,714	24,474	77,240	-	-	-
Budget Stabilization Fund	25,385	25,385	-	-	-	-
Unappropriated Surplus	(176,073)	(12,969)	4,269	(172,104)	-	4,731
TOTAL EQUITY	467,739	126,401	154,816	145,585	36,206	4,731
TOTAL LIABILITIES AND EQUITY	$ 603,839	$ 215,415	$ 155,257	$ 192,172	$ 36,264	$ 4,731

GENERAL FUND UNAPPROPRIATED SURPLUS
For the Fiscal Years Ended June 30

	General Fund Unappropriated Surplus ($ millions)	General Fund Revenues ($ millions)	Surplus as Percentage of Revenues
2010	$(13.0)	$2,855.7	(0.46)%
2009	12.9	2,819.0	0.46%
2008	26.5	3,109.4	0.85%
2007	17.6	3,022.6	0.58%
2006	14.5	2,931.8	0.50%
2005	33.7	2,790.8	1.21%
2004	14.9	2,683.5	0.55%
2003	28.9	2,394.7	1.21%
2002	0.0	2,331.7	0%
2001	38.8	2,390.6	1.62%
2000	300.9	2,500.9	12.03%
1999	229.2	2,336.1	9.81%
1998	98.3	2,111.9	4.65%
1997	21.1	1,863.1	1.13%
1996	25.8	1,766.4	1.46%
1995	4.4	1,671.7	0.26%
1994	3.8	1,623.8	0.23%
1993	4.1	1,561.4	0.26%
1992	13.3	1,512.4	0.88%
1991	3.5	1,424.0	0.24%
1990	61.0	1,420.3	4.22%
1989	163.1	1,431.5	11.39%

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STATE OF MAINE
GENERAL OBLIGATION BONDS

APPENDIX C

Certain Revenues of the State (Unaudited)

STATE OF MAINE
UNDEDICATED REVENUES
GENERAL FUND
Fiscal Years Ended June 30, 2007 And June 30, 2008

	2007				2008			
	Actual	Budget	Actual More/(Less)	Percent More/(Less)	Actual	Budget	Actual More/(Less)	Percent More/(Less)
Sales and Use Tax	$ 971,455,721	$ 974,740,367	$ (3,284,646)	(0.3%)	$ 983,057,278	$ 978,060,502	$ 4,996,776	0.5%
Service Provider Tax	49,400,532	48,911,765	488,767	1.0%	52,100,664	51,181,910	918,754	1.8%
Individual Income Tax	1,353,934,495	1,347,436,142	6,498,353	0.5%	1,443,468,204	1,400,047,321	43,420,883	3.1%
Corporate Income Tax	183,851,533	172,038,386	11,813,147	6.9%	184,514,568	182,170,000	2,344,568	1.3%
Cigarette and Tobacco Tax	158,953,466	158,502,981	450,485	0.3%	150,499,432	154,786,180	(4,286,748)	(2.8%)
Public Utilities Tax	16,317,029	16,891,746	(574,717)	(3.4%)	16,858,472	17,476,987	(618,515)	(3.5%)
Insurance Companies Tax	74,452,542	76,336,389	(1,883,847)	(2.5%)	72,292,532	76,751,673	(4,459,141)	(5.8%)
Inheritance & Estate Tax	54,820,038	55,465,498	(645,460)	(1.2%)	39,890,577	44,562,240	(4,671,663)	(10.5%)
Property Tax - Unorganized Territory	11,376,293	11,597,312	(221,019)	(1.9%)	12,217,081	12,611,986	(394,905)	(3.1%)
Income from Investments	1,215,836	1,517,319	(301,483)	(19.9%)	1,074,143	950,648	123,495	13.0%
Transfer to Municipal Revenue Sharing	(130,490,756)	(129,699,458)	(791,298)	0.6%	(135,820,176)	(133,184,448)	(2,635,728)	(2.0%)
Transfer from Lottery Commission	50,624,741	50,334,250	290,491	0.6%	49,491,086	49,154,250	336,836	0.7%
Other Revenues	223,683,920	220,834,877	2,849,043	1.3%	218,175,129	206,171,173	12,003,956	5.8%
Transfer to Sales Tax Reserve/ME Rainy Day	-	-	-	-	-	-	-	-
Total Undedicated Revenue	**$ 3,019,595,390**	**$ 3,004,907,574**	**$ 14,687,816**	**0.5%**	**$ 3,087,818,991**	**$ 3,040,740,422**	**$ 47,078,569**	**1.5%**

STATE OF MAINE
UNDEDICATED REVENUES
GENERAL FUND
Fiscal Years Ended June 30, 2009 And June 30, 2010

	2009				2010			
	Actual	Budget	Actual More/(Less)	Percent More/(Less)	Actual	Budget	Actual More/(Less)	Percent More/(Less)
Sales and Use Tax	$ 921,823,720	$ 929,698,051	$ (7,874,331)	(0.8%)	$ 897,938,873	$ 883,839,994	$ 14,098,879	1.6%
Service Provider Tax	52,812,595	53,452,742	(640,147)	(1.2%)	56,086,391	55,590,852	495,539	0.9%
Individual Income Tax	1,242,505,909	1,281,982,990	(39,477,081)	(3.1%)	1,298,036,055	1,299,630,000	(1,593,945)	(0.1%)
Corporate Income Tax	143,085,966	148,940,000	(5,854,034)	(3.9%)	175,292,433	147,718,716	27,573,717	18.7%
Cigarette and Tobacco Tax	144,424,712	143,213,844	1,210,868	0.8%	149,066,678	140,139,902	8,926,776	6.4%
Public Utilities Tax	19,536,483	18,405,029	1,131,454	6.1%	-	-	-	-
Insurance Companies Tax	79,770,431	71,978,985	7,791,446	10.8%	80,019,145	71,985,000	8,034,145	11.2%
Inheritance & Estate Tax	31,819,188	34,335,010	(2,515,822)	(7.3%)	31,209,840	29,593,253	1,616,587	5.5%
Property Tax – Unorganized Territory	12,633,755	12,969,540	(335,785)	(2.6%)	-	-	-	-
Fines, Forfeits and Penalties	-	-	-	-	32,787,060	32,853,721	(66,661)	(0.2%)
Income from Investments	1,100,029	1,154,221	(54,192)	(4.7%)	265,091	103,246	161,845	156.8%
Transfer for Tax Relief Programs	-	-	-	-	(113,604,905)	(112,559,862)	(1,045,043)	(0.9%)
Transfer to Municipal Revenue Sharing	(102,160,745)	(103,412,337)	1,251,592	1.2%	(97,425,079)	(95,899,642)	(1,525,437)	(1.6%)
Transfer from Lottery Commission	49,839,434	49,549,250	290,184	0.6%	52,201,531	49,843,299	2,358,232	4.7%
Other Taxes and Fees	-	-	-	-	149,588,680	148,808,830	779,850	0.5%
Other Revenues	214,176,818	212,495,823	1,680,995	0.8%	44,220,707	41,358,080	2,862,627	6.9%
Transfer to Sales Tax Reserve/ME Rainy Day	-	-	-	-	-	-	-	-
Total Undedicated Revenue	**$ 2,811,368,295**	**$ 2,854,763,148**	**$ (43,394,853)**	**(1.5%)**	**$ 2,755,682,500**	**$ 2,693,005,389**	**$ 62,677,111**	**2.3%**

STATE OF MAINE
PRELIMINARY UNDEDICATED REVENUES
GENERAL FUND
Ten Months Ended April 30, 2011

	Month				Year-to-Date				Total Budgeted
	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Actual	Budget	Variance Over/ (Under)	Percent Over/ (Under)	Fiscal Year Ending 6/30/11
Sales and Use Tax	$ 68,767,892	$ 70,092,429	$ (1 ,324,537)	(1.9%)	$ 690,501,570	$ 678,891,039	$ 11,610,531	1.7%	$ 904,850,262
Service Provider Tax	4,288,106	4,789,732	(501,626)	(10.5%)	40,388,906	43,496,039	(3,107,133)	(7.1%)	57,814,486
Individual Income Tax	214,087,062	209,787,779	4,299,283	2.0%	1,127,365,319	1,100,896,888	26,468,431	2.4%	1,365,364,302
Corporate Income Tax	26,491,088	18,937,864	7,553,224	39.9%	170,629,214	164,522,281	6,106,933	3.7%	200,490,112
Cigarette and Tobacco Tax	11,107,392	12,842,541	(1,735,149)	(13.5%)	118,684,731	120,614,876	(1,930,145)	(1.6%)	146,209,555
Insurance Companies Tax	12,701,999	10,852,764	1,849,235	17.0%	38,915,429	38,635,087	280,342	0.7%	76,765,000
Estate Tax	4,391,878	3,165,000	1,226,878	38.8%	35,864,292	30,321,639	5,542,653	18.3%	42,978,079
Fines, Forfeits & Penalties	2,236,513	2,209,418	27,095	1.2%	23,827,599	26,636,105	(2,808,506)	(10.5%)	31,133,161
Income from Investments	2,365	(86,028)	88,393	102.7%	201,070	(298,058)	499,128	167.5%	27,332
Transfer from Lottery Commission	4,967,164	5,003,301	(36,137)	(0.7%)	41,886,505	44,028,990	(2,142,485)	(4.9%)	52,034,250
Transfers for Tax Relief Programs	(1,438,127)	(2,144,148)	706,021	32.9%	(111,020,722)	(110,040,432)	(1,080,290)	(1.0%)	(112,087,945)
Transfer to Municipal Revenue Sharing	(4,684,196)	(4,785,882)	101,686	2.1%	(74,064,678)	(71,980,666)	(2,084,012)	(2.9%)	(89,975,242)
Other Taxes and Fees	9,614,603	10,766,016	(1,151,413)	(10.7%)	109,267,727	107,122,696	2,145,031	2.0%	149,281,382
Other Revenues	11,977,902	13,371,102	(1,393,200)	(10.4%)	36,814,314	44,933,258	(8,118,944)	(18.1%)	59,089,977
Total Undedicated Revenue	**$ 364,511,640**	**$ 354,801,888**	**$ 9,709,752**	**2.7%**	**$ 2,249,161,274**	**$2,217,779,742**	**$ 31,381,532**	**1.4%**	**2,883,974,711**

NOTE: This report has been prepared from preliminary month-end figures and is subject to change. The amounts set forth above under the headings "Month – Budget," "Year-to-Date – Budget " and "Total Budgeted" reflect estimated reductions in projected revenue provided by the Maine State Revenue Forecasting Committee in its December 2010 report. For additional information concerning the revisions to the State's fiscal year 2011 budget, see "Revenues of the State – General," including the table therein, in Appendix A to this Official Statement.

STATE OF MAINE
HIGHWAY FUND
REVENUES
Fiscal Years Ended June 30, 2007 And June 30, 2008

	2007				2008			
	Actual	Budget	Actual More/(Less)	Percent More/(Less)	Actual	Budget	Actual More/(Less)	Percent More/(Less)
Fuel Taxes	$226,824,018	$227,484,941	$ (660,923)	(0.3%)	$225,235,339	$223,368,718	$ 1,866,621	0.8%
Motor Vehicle Registration & Fees	87,291,874	86,476,317	815,557	0.9%	86,094,837	85,953,481	141,356	0.2%
Inspection Fees	4,342,519	4,379,756	(37,237)	(0.9%)	4,193,874	4,468,458	(274,584)	(6.1%)
Fines, Forfeits & Penalties	1,668,000	2,018,239	(350,239)	(17.4%)	1,747,986	1,794,049	(46,063)	(2.6%)
Earnings on Investments	1,105,987	795,000	310,987	39.1%	1,152,491	1,000,000	152,491	15.2%
All Other Revenues	9,588,686	9,603,076	(14,390)	(0.1%)	9,712,051	9,771,333	(59,282)	(0.6%)
TOTAL	**$330,821,084**	**$330,757,329**	**$ 63,755**	**0.0%**	**$328,136,578**	**$326,356,039**	**$ 1,780,539**	**0.5%**

Source: Revenue Highway General Accounting

STATE OF MAINE
HIGHWAY FUND
REVENUES
Fiscal Years Ended June 30, 2009 And June 30, 2010

	2009				2010			
	Actual	Budget	Actual More/(Less)	Percent More/(Less)	Actual	Budget	Actual More/(Less)	Percent More/(Less)
Fuel Taxes	$ 216,215,544	$ 217,243,255	$ (1,027,711)	(0.5%)	$ 219,190,706	$ 220,305,526	$ (1,114,820)	(0.5%)
Motor Vehicle Registration & Fees	91,886,824	92,254,651	(367,827)	(0.4%)	78,082,290	75,043,693	3,038,597	4.0%
Inspection Fees	4,057,978	3,996,421	61,557	1.5%	3,834,421	3,896,915	(62,494)	(1.6%)
Fines, Forfeits & Penalties	1,785,197	1,795,049	(9,852)	(0.5%)	1,440,062	1,745,049	(304,987)	(17.5%)
Earnings on Investments	480,419	458,391	22,028	4.8%	162,488	113,330	49,158	43.4%
All Other Revenues	9,816,188	9,401,872	414,316	4.4%	8,480,405	8,387,253	93,152	1.1%
TOTAL	**$ 324,242,150**	**$ 325,149,639**	**$ (907,489)**	**(0.3%)**	**$ 311,190,374**	**$ 309,491,766**	**$ 1,698,608**	**0.5%**

Source: Revenue Highway General Accounting

STATE OF MAINE
PRELIMINARY HIGHWAY FUND REVENUES
Ten Months Ended April 30, 2011

	Month				Year-to-Date				
			Variance	Percent			Variance	Percent	Total Budgeted
	Actual	Budget	Over/ (under)	Over/ (under)	Actual	Budget	Over/ (under)	Over/ (under)	Fiscal Year Ending 6-30-2011
Fuel Taxes	$ 16,777,742	$16,501,618	$ 276,124	1.7%	$ 162,545,747	$ 162,152,708	$ 393,039	0.2%	$ 215,873,796
Motor Vehicle Registration & Fees	7,630,162	9,668,933	(2,038,771)	(21.1%)	66,069,520	64,845,031	1,224,489	1.9%	78,047,070
Inspection Fees	201,926	223,700	(21,774)	(9.7%)	2,410,120	2,334,000	66,120	2.8%	2,952,500
Miscellaneous Taxes & Fees	126,621	129,161	(2,540)	(2.0%)	1,042,236	1,061,081	(18,845)	(1.8%)	1,325,823
Fines, Forfeits & Penalties	96,630	106,950	(10,320)	(9.6%)	989,787	1,070,698	(80,911)	(7.6%)	1,305,049
Earnings on Investments	6,893	7,844	(951)	(12.1%)	97,681	106,354	(8,673)	(8.2%)	122,038
All Other	847,821	399,920	447,901	112.0%	6,756,350	6,620,362	135,988	2.1%	8,102,531
Total Revenue	**$ 25,687,794**	**$27,038,126**	**$(1,350,332)**	**(5.0%)**	**$ 239,911,439**	**$ 238,200,234**	**$ 1,711,205**	**0.7%**	**$ 307,728,807**

Note: This report has been prepared from preliminary month-end figures and is subject to change. The amounts set forth above under the headings "Month – Budget," "Year-to-Date – Budget " and "Total Budgeted" reflect estimated reductions in projected revenue provided by the Maine State Revenue Forecasting Committee in its December 2010 report. For additional information concerning the revisions to the State's fiscal year 2011 budget, see "Revenues of the State – General," including the table therein, in Appendix A to this Official Statement.

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STATE OF MAINE
GENERAL OBLIGATION BONDS

APPENDIX D

Selected Information Regarding Authorized and Outstanding Debt of the State

AUTHORIZED EXPENDITURES

The purposes for which authorized expenditures may be made, the expending department or agency, the authorizing acts and the balances of authorized expenditures were as of the date hereof as follows:

Agency	Law	Description	Taxable	Tax-Exempt	Authorization Available
DAG	2007 PL, Chapter 39	Agricultural water source development grant program. Provides funds to assist farmers in the development of environmentally sound water sources to manage weather-related risk and to comply with in-stream flow rules that will leverage $375,000 in other funds.	$0	$250,000	$0
DAG	2009 PL Chapter 414	Agricultural water source development grant program.	-	300,000	700,000
DECD	2009 PL, Chapter 414	Provides funds to make investments under the Communities for Maine's future program.	-	-	3,500,000
DECD	2009 PL, Chapter 414	Brunswick Naval Air Station Redevelopment.	-	4,660,000	3,340,000
DEP	2007 PL, Chapter 39	Waste Water Construction grants.	-	2,000,000	-
DEP	2007 PL, Chapter 39	Hazardous Waste.	-	600,000	-
DEP	2007 PL, Chapter 39	Industrial landfills.	-	-	300,000
DEP	2009 PL, Chapter 414, C	Small Community Grant program: provides funding for grants to small towns to help replace malfunctioning septic systems that are polluting a water body or creating a public nuisance.	-	500,000	500,000
DEP	2009 PL, Chapter 414, C	Wastewater treatment facility revolving loan fund.	-	3,000,000	-
DEP	2009 PL, Chapter 414, C	Uncontrolled hazardous substance investigation and clean up.	-	-	750,000
DEP	2009 PL, Chapter 414, C	Wastewater treatment facility construction grants.	-	400,000	200,000
DEP	2009 PL, Chapter 414, C	Overboard discharge.	-	200,000	300,000
DHHS	2009 PL, Chapter 414	Safe Drinking water revolving loan fund.	-	3,400,000	-
DHHS	2009 PL, c.414 as amended by PL 2009, c.645	Community-based Teaching Clinic.	-	-	3,500,000
DHHS	2009 PL, c.414 as amended by PL 2009, c.645	Health and Dental Clinic Upgrades.	-	-	1,500,000
DIFW	2007 PL, Chapter 39	Dam Repair.	-	100,000	-
DIFW	2007 PL, Chapter 39	Hatchery Rehab.	-	455,000	-

DOC	2009 PL, c.414 as amended by PL 2009, c.645	State Parks and Land Management.	-	250,000	250,000
DOT	2009 PL, Chapter 414, Part A	Highway Repair-Highway Fund.	-	25,000,000	-
DOT	2009 PL, Chapter 414, Part A	Highway Repair-General Fund.	-	5,000,000	-
DOT	2009 PL, Chapter 414, Part A	Railroad.	3,500,000	-	-
DOT	2009 PL, Chapter 414, Part A	Ports (includes funds for port improvements in Eastport & Searsport).	-	3,050,000	2,500,000
DOT	2009 PL, Chapter 414, Part A	Ferry.	-	-	1,000,000
DOT	2009 PL, Chapter 414, Part A	Islander Explorer Phase II.	-	-	400,000
DOT	2009 PL, Chapter 414, Part A	Aviation-FAA.	-	-	2,000,000
DOT	2009 PL, Chapter 414, Part A	Island Airport Program.	-	-	200,000
DOT	2009 PL, Chapter 414, Part A	Augusta Airport Upgrade.	-	50,000	150,000
DOT	2009 PL, Chapter 414, Part A	Life flight.	-	666,667	-
DOT /DECD	2009 PL, Chapter 414, Part A	Bulkhead-Gulf of ME Research Institute.	-	675,000	-
DOT	2007 PL, Chapter 39	IRAP,FRIP, and State Rail Track Improvement.	750,000	-	250,000
DOT	2007 PL, Chapter 39	Aviation.	-	350,000	1,100,000
DOT	2007 PL, Chapter 39	SHIP and Searsport Study.	-	400,000	-
DOT	2007 PL, Chapter 39	Mountain Division and Trails.	-	-	150,000
DOT	2007 PL, Chapter 39	State funded Aviation projects.	-	100,000	-
DOT	2007 PL, Chapter 39	Pedestrian and Bike.	-	150,000	600,000
DOT	2007 PL, Chapter 39, G	Rail-Rockland Branch Station Community Investments.	500,000	-	-
DOT	2009 PL, Chapter 645, A	State highway restructuring and Paving.	-	10,100,000	14,700,000
DOT	2009 PL, Chapter 645, A	Taxable Railroad.	14,000,000	-	2,000,000
DOT	2009 PL, Chapter 645, A	Marine/SHIP.	-	5,000,000	2,000,000
FAME	2009 PL, Chapter 414	Grants for food processing for fishing, agricultural, dairy and lumbering industries throughout the state.	-	1,000,000	-
FAME	2009 PL, Chapter 414	Economic Recovery loan Program.	-	3,000,000	-

FAME	2009 PL, Chapter 414 as amanded by 645	Small enterprise growth board. Provides funds for disbursements to qualifying small businesses in the State seeking to pursue eligible projects.	4,000,000	-	-
MCCS	2007 PL, Chapter 39	Provides funds for interior and exterior building renovations, improvements and additions at all campuses of the Maine Community College System.	-	800,000	400,000
MCCS	2009 PL, c 414	Provides funds for energy and infrastructure upgrades at all campuses of MCCS,	-	900,000	4,100,000
Maine Historic Preservation	2009 PL, Chapter 414 as amanded by chapter 645	Historic Preservation Commission: Provides capital investment through a revolving loan fund to revitalize downtowns and village centers by preserving and rehabilitating historic properties.	-	-	1,250,000
MMA	2009 PL, c 414	Provides funds for energy and infrastructure upgrades at MMA.	-	290,000	710,000
MSCAF	2007 PL, Chapter 39	New Century Community program. Provides funds to revitalize downtown areas, preserve and strengthen state and community historic and cultural assets and expand access to digital and educational resources.	-	100,000	100,000
MTI	2007 PL, Chapter 39	Provides funds for research, development and commercialization as prioritized by the Office of Innovation's 2005 Science and Technology Action Plan for Maine. The funds must be allocated to biotechnology, aquaculture and marine technology, composite materials technology, environmental technology, advanced technologies for forestry and agriculture, information technology and precision manufacturing technology through a competitive process, and must be awarded to Maine-based public and private entities to leverage matching funds on at least a one-to-one basis.	16,600,000	-	12,400,000
MTI	2009 PL, Chapter 414	Provides funds for research, development and commercialization as prioritized by the Office of Innovation's current Science and Technology Action Plan for Maine. The funds must be allocated to environmental and renewable energy technology, biomedical and biotechnology, aquaculture and marine technology, composite materials technology, advanced technologies for forestry and agriculture, information technology, and precision manufacturing technology through a competitive process and must be awarded to a Maine-based public and private institutions and must be awarded to leverage matching funds.	-	-	3,000,000
SPO	2007 PL, Chapter 39	Land for Maine's Future Board. Provides funds in order to leverage $8,500,000 in other funds to be used for the acquisition of land and interest in land for conservation; water access, which must receive $1,700,000; outdoor recreation; wildlife and fish habitat; and farmland preservation, which much receive $1,700,000.	-	5,000,000	4,250,000
SPO	2009 PL, c.414 as amended by PL 2009, c.645	Provides for the use of bond proceeds to be used for the acquisition of land and interest in land for conservation, water access, outdoor recreation, wildlife and fish habitat preservation.	-	-	6,500,000
SPO	2009 PL, c.414 as amended	Provides funds to be used for working farmland preservation.	-		

	by PL 2009, c.645			-	1,000,000
SPO	2009 PL, c.414 as amended by PL 2009, c.645	Provides funds to be used for working waterfront preservation.	-	-	1,750,000
UMS	2007 PL, Chapter 39	Provides funds for interior and exterior building renovations, improvements and additions at all campuses of the University of Maine System.	-	100,000	900,000
UMS	2009 PL, chapter 414	Tax-exempt Provides funds for energy and infrastructure upgrades at all campuses of UMS.	-	1,748,000	6,027,000
UMS	2010 PL, chapter 414	Taxable Provides funds for energy and infrastructure upgrades at all campuses of UMS.	227,000	-	1,498,000
UMS	2009 PL, chapter 414 as amended by c. 645	Maine Marine Wind Energy Fund. Provides funds for research, development and product innovation associated with developing one or more ocean wind energy demonstration sites.	1,150,000	-	9,850,000
		TOTAL	**$40,727,000**	**$79,594,667**	**$95,625,000**

GENERAL FUND BONDS

DEBT SERVICE REQUIREMENTS TO MATURITY

Fiscal Year Ended June 30, 2010

YEAR	PRINCIPAL	INTEREST	TOTAL
2011	$72,905,000.00	$13,609,227.71	$86,514,227.71
2012	67,840,000.00	11,143,214.96	78,983,214.96
2013	65,755,000.00	8,647,736.36	74,402,736.36
2014	49,495,000.00	6,186,778.26	55,681,778.26
2015	43,010,000.00	4,310,638.78	47,320,638.78
2016	27,675,000.00	2,870,425.80	30,545,425.80
2017	16,725,000.00	1,745,916.70	18,470,916.70
2018	13,350,000.00	953,387.10	14,303,387.10
2019	8,730,000.00	366,219.30	9,096,219.30
2020	290,000.00	11,431.80	301,431.80
	$365,775,000.00	**$49,844,976.77**	**$415,619,976.77**

HIGHWAY FUND BONDS

DEBT SERVICE REQUIREMENTS TO MATURITY

Fiscal Year Ended June 30, 2010

YEAR	PRINCIPAL	INTEREST	TOTAL
2011	$15,100,000.00	$5,312,205.42	$20,412,205.42
2012	14,170,000.00	4,787,284.81	18,957,284.81
2013	14,520,000.00	4,266,991.06	18,786,991.06
2014	13,820,000.00	3,725,878.56	17,545,878.56
2015	13,060,000.00	3,184,853.56	16,244,853.56
2016	13,085,000.00	2,646,028.56	15,731,028.56
2017	18,805,000.00	2,092,278.56	20,897,278.56
2018	16,075,000.00	1,293,410.10	17,368,410.10
2019	10,290,000.00	618,240.30	10,908,240.30
2020	5,400,000.00	212,868.00	5,612,868.00
	$134,325,000.00	**$28,140,038.93**	**$162,465,038.93**
GF + HF	**$500,100,000.00**	**$77,985,015.70**	**$578,085,015.70**

INFORMATION REGARDING LEASE FINANCING AGREEMENTS

Agency	Date of Agreement	Original Principal Amount	Principal Amount Outstanding 3/31/2011	Principal & Interest Due 4/1/2011 - 6/30/2011
Department of Transportation	May, 2002	5,000,000	660,000	16,500
Administrative & Financial Services	July, 2006	10,000,000	3,096,100	-
Department of Corrections	August, 2006	3,600,000	1,294,661	-
Administrative & Financial Services	February, 2007	14,000,000	5,798,760	-
Administrative & Financial Services	April, 2007	4,500,000	602,249	614,294
Administrative & Financial Services	April, 2008	2,248,970	928,752	241,880
Administrative & Financial Services	June, 2008	1,700,416	881,618	185,055
Administrative & Financial Services	June, 2008	2,800,000	1,426,066	733,197
Department of Transportation	July, 2008	565,925	98,304	99,961
Public Safety	March, 2009	1,425,000	488,551	-
Administrative & Financial Services	April, 2009	4,200,000	2,681,560	559,935
Department of Education	August, 2009	38,045,561	21,302,379	2,279,599
Department of Education	September, 2009	349,086	176,815	2,272
Department of Education	September, 2009	98,768	55,557	6,173
Department of Education	December, 2009	689,000	442,929	49,214
Administrative & Financial Services	January, 2010	10,000,000	8,710,765	-
Department of Transportation	January, 2010	2,770,000	2,112,076	-
Administrative & Financial Services	May, 2010	4,700,000	4,700,000	1,205,411
Public Safety	May, 2010	749,040	499,329	-
Department of Education	June, 2010	588,602	460,298	42,768
Administrative & Financial Services	July, 2010	10,000,000	8,568,982	-
Administrative & Financial Services	October, 2010	5,000,000	4,612,694	387,655
Department of Education	January, 2011	569,250	512,325	56,925
TOTALS:		$ 123,599,618	$ 70,110,771	$ 6,480,839

Debt Ratios

The following table sets forth certain ratios relating to the State's general obligation debt and certain lease financing agreements as of June 30, 2010.

	Amount of Debt	Per Capita (1)	Debt to Estimated Full Valuation (2)	Debt to Personal Income (3)
General Fund	$365,775,000	$277.85	0.22%	0.76%
Highways & Bridges	134,325,000	102.04	0.08%	0.28%
Total	$500,100,000	$379.89	0.30%	1.04%

(1) Based on population estimate of 1,316,456 for 2009 by the U.S. Department of Commerce, Bureau of the Census.

(2) Based on assessed property valuation at full value by the Maine Revenue Services as of January 2010 of $170,336,350,000.

(3) Based on State of Maine total personal income reported by the U.S. Department of Commerce for 2009 of $48,441,221,000.

Debt Ratio Statistics

June 30, 2010

Debt to Full Value	
2010	0.58%
2011	0.30
Debt to Personal Income	
2010	1.42
2010	1.04
Per Capita Debt	
2010	$374.20
2011	379.89

DEBT SERVICE PAID OVER PAST TEN FISCAL YEARS ENDING JUNE 30

Fiscal Year	General Fund Principal	General Fund Interest	Highway Fund Principal	Highway Fund Interest	Total Principal	Total Interest
2001	$65,850,000	$18,082,743	$21,820,000	$5,619,484	$87,670,000	$23,702,227
2002	64,225,000	15,444,189	23,300,000	5,299,529	87,525,000	20,743,718
2003	63,880,000	12,941,300	21,215,000	4,003,828	85,095,000	16,945,128
2004	56,240,000	12,567,264	16,015,000	3,022,015	72,255,000	15,589,279
2005	53,440,000	12,525,813	13,280,000	2,477,535	66,720,000	15,003,348
2006	57,915,000	15,253,937	13,950,000	2,007,306	71,865,000	17,261,243
2007	69,280,000	17,364,513	10,415,000	1,387,084	79,695,000	18,751,597
2008	66,230,000	16,057,428	10,750,000	2,050,995	76,980,000	18,108,423
2009	65,685,000	15,179,120	13,505,000	3,848,227	79,190,000	19,027,347
2010	74,905,000	15,451,420	11,820,000	4,803,042	86,725,000	20,254,462

BONDS OUTSTANDING AT JUNE 30
of Certain Fiscal Years
Compared to Total Governmental Funds Revenue

Year Ended	General Fund	Highway Fund	Self-Liquidating	Total	Total Governmental Funds Revenue	Percent of State Revenues
1990	$202,405,000	$87,610,000	$16,260,000	$306,275,000	$2,421,264,000	12.6%
1991	277,710,000	102,870,000	14,840,000	395,420,000	2,533,777,000	15.6
1992	308,890,000	107,395,000	13,395,000	429,680,000	2,995,325,000	14.0
1993	405,823,000	136,320,000	2,562,000	544,705,000	3,178,491,000	17.2
1994	383,618,000	143,355,000	2,312,000	529,285,000	3,311,809,213	16.0
1995	377,055,000	136,950,000	2,055,000	516,060,000	3,381,332,000	15.3
1996	369,457,945	144,440,000	1,792,055	515,690,000	3,598,717,000	14.3
1997	339,620,600	129,060,000	1,529,400	470,210,000	3,756,557,734	12.5
1998	337,575,000	139,180,000	1,290,000	478,045,000	4,168,141,000	11.5
1999	334,725,000	133,700,000	1,115,000	469,540,000	4,257,340,458	11.0
2000	341,205,000	111,230,000	940,000	453,375,000	4,604,954,195	9.8
2001	297,405,000	108,635,000	765,000	406,805,000	4,608,742,000	8.8
2002	260,790,000	85,335,000	600,000	346,725,000	4,808,788,859	7.2
2003	293,990,000	64,120,000	445,000	358,555,000	5,114,542,674	7.0
2004	355,025,000	61,105,000	290,000	416,420,000	5,902,866,220	7.1
2005	439,110,000	47,825,000	160,000	487,095,000	6,114,225,943	8.0
2006	433,585,000	33,875,000	90,000	467,550,000	6,336,819,316	7.4
2007	398,280,000	50,460,000	20,000	448,760,000	6,906,395,835	6.5
2008	378,575,000	97,260,000	0	475,835,000	6,406,301,524	7.4
2009	408,925,000	121,065,000	0	529,990,000	6,827,986,832	7.7
2010	365,775,000	134,325,000	0	500,100,000	7,157,520,886	7.0

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APPENDIX E

The information contained in this Appendix E is derived from information contained in the actuarial valuation reports for the year ended June 30, 2010 for the State Employee and Teacher Retirement Program, the Legislative Retirement Program, the Judicial Retirement Program, and the Group Life Insurance Program. These actuarial valuation reports are available at www.mainepers.org/bonds.htm.

Maine Public Employees Retirement System
State Employees and Public School Teachers
Actuarial Balance Sheet, June 30, 2010

ASSETS **(Present Value of expected income)**	**State Employees**	**MTRA Teachers**	**All Employees**
(1) Invested Assets			
(a) Members Contribution Fund	$ 760,851,595	$ 1,357,052,235	$ 2,117,903,830
(b) Retirement Allowance Fund	2,133,858,944	4,061,697,036	6,195,555,980
(c) Total Invested Assets (a + b)*	$ 2,894,710,539	$ 5,418,749,271	$ 8,313,459,810
(2) Future Contributions			
(a) Member Contributions	$ 391,803,382	$ 703,979,276	$ 1,095,782,658
(b) Actuarial Costs	1,798,330,057	3,287,487,093	5,085,817,150
(c) Total Contribution Income (a + b)	$ 2,190,133,439	$ 3,991,466,369	$ 6,181,599,808
(3) Present Value of Total Income (1 + 2)	$ 5,084,843,978	$ 9,410,215,640	$ 14,495,059,618
LIABILITIES **(Present Value of expected benefit payments)**			
(1) Active Employees			
(a) Current Accrued Benefits	$ 1,292,639,519	$ 2,922,289,923	$ 4,214,929,442
(b) Future Benefit Accruals	1,129,775,088	2,293,526,661	3,423,301,749
(c) Total Active Benefits (a + b)	$ 2,422,414,607	$ 5,215,816,584	$ 7,638,231,191
(2) Inactive Employees			
(a) Total Inactive Benefits	$ 2,662,429,371	$ 4,194,399,056	$ 6,856,828,427
(3) Present Value of Total Benefits (1 + 2)	$ 5,084,843,978	$ 9,410,215,640	$ 14,495,059,618

*Actuarial Value

Maine Public Employees Retirement System

Judicial Plan

Actuarial Balance Sheet, June 30, 2010

Assets
(Present Value of expected income)

(1) Invested Assets	
(a) Members Contribution Fund	$ 8,510,723
(b) Retirement Allowance Fund	39,166,912
(c) Total Invested Assets (a+b)*	$ 47,677,635
(2) Future Contributions	
(a) Member Contributions	$ 2,522,980
(b) Actuarial Costs	12,000,091
(c) Total Contribution Income (a+b)	$ 14,523,072
(3) Present Value of Total Income (1+2)	$ 62,200,707

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees	
(a) Current Accrued Benefits	$ 24,213,458
(b) Future Benefit Accruals	11,071,579
(c) Total Active Benefits (a+b)	$ 35,285,037
(2) Inactive Employees	
(a) Total Inactive Benefits	$ 26,915,670
(3) Present Value of Total Benefits (1+2)	$ 62,200,707

*Actuarial Value

Maine Public Employees Retirement System

Legislative Plan

Actuarial Balance Sheet, June 30, 2010

Assets
(Present Value of expected income)

(1) Invested Assets	
(a) Members Contribution Fund	$ 2,099,683
(b) Retirement Allowance Fund	6,534,952
(c) Total Invested Assets (a+b)*	$ 8,634,635
(2) Future Contributions	
(a) Member Contributions	$ 954,394
(b) Actuarial Costs	(1,020,517)
(c) Total Contribution Income (a+b)	$ (66,124)
(3) Present Value of Total Income (1+2)	$ 8,568,511

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees	
(a) Current Accrued Benefits	$ 2,353,110
(b) Future Benefit Accruals	2,534,461
(c) Total Active Benefits (a+b)	$ 4,887,571
(2) Inactive Employees	
(a) Total Inactive Benefits	$ 3,680,940
(3) Present Value of Total Benefits (1+2)	$ 8,568,511

*Actuarial Value

Maine Public Employees Retirement System
State Employees and Public School Teachers
Actuarial Balance Sheet for Group Life Insurance, June 30, 2010

ASSETS **(Present Value of expected income)**	**State Employees**	**MTRA Teachers**	**All Employees**
(1) Invested Assets			
(a) Members Contribution Fund	$ 0	$ 0	$ 0
(b) Retirement Allowance Fund	19,359,066	21,375,996	40,735,061
(c) Total Invested Assets (a + b)*	$ 19,359,066	$ 21,375,996	$ 40,735,061
(2) Future Contributions			
(a) Member Contributions	$ 0	$ 0	$ 0
(b) Actuarial Costs	57,784,474	42,308,279	100,092,754
(c) Total Contribution Income (a + b)	$ 57,784,474	$ 42,308,279	$ 100,092,754
(3) Present Value of Total Income (1 + 2)	$ 77,143,540	$ 63,684,275	$ 140,827,815
LIABILITIES **(Present Value of expected benefit payments)**			
(1) Active Employees			
(a) Current Accrued Benefits	$ 20,777,591	$ 20,178,278	$ 40,955,869
(b) Future Benefit Accruals	14,553,160	12,193,128	26,746,288
(c) Total Active Benefits (a + b)	$ 35,330,751	$ 32,371,406	$ 67,702,157
(2) Inactive Employees			
(a) Total Inactive Benefits	$ 41,812,789	$ 31,312,869	$ 73,125,658
(3) Present Value of Total Benefits (1 + 2)	$ 77,143,540	$ 63,684,275	$ 140,827,815

*Actuarial Value

Maine Public Employees Retirement System

Judicial Plan

Actuarial Balance Sheet for Group Life Insurance, June 30, 2010

Assets
(Present Value of expected income)

(1) Invested Assets		
(a) Members Contribution Fund	$	0
(b) Retirement Allowance Fund		306,920
(c) Total Invested Assets (a+b)*	$	306,920
(2) Future Contributions		
(a) Member Contributions	$	0
(b) Actuarial Costs		889,371
(c) Total Contribution Income (a+b)	$	889,371
(3) Present Value of Total Income (1+2)	$	1,196,291

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees		
(a) Current Accrued Benefits	$	575,268
(b) Future Benefit Accruals		100,692
(c) Total Active Benefits (a+b)	$	675,960
(2) Inactive Employees		
(a) Total Inactive Benefits	$	520,331
(3) Present Value of Total Benefits (1+2)	$	1,196,291

*Actuarial Value

Maine Public Employees Retirement System

Legislative Plan

Actuarial Balance Sheet for Group Life Insurance, June 30, 2010

Assets
(Present Value of expected income)

(1) Invested Assets

(a) Members Contribution Fund	$	0
(b) Retirement Allowance Fund		46,724
(c) Total Invested Assets (a+b)*	$	46,724

(2) Future Contributions

(a) Member Contributions	$	0
(b) Actuarial Costs		122,777
(c) Total Contribution Income (a+b)	$	122,777

(3) Present Value of Total Income (1+2)	$	169,501

Liabilities
(Present Value of Expected Benefit Payments)

(1) Active Employees

(a) Current Accrued Benefits	$	0
(b) Future Benefit Accruals		0
(c) Total Active Benefits (a+b)	$	0

(2) Inactive Employees

(a) Total Inactive Benefits	$	169,501
(3) Present Value of Total Benefits (1+2)	$	169,501

*Actuarial Value

STATE OF MAINE
GENERAL OBLIGATION BONDS

APPENDIX F

Selected Economic Information with Respect to the State

Maine Population

Year	Population	Rank U.S.	Percent Increase	Per Square Mile
1920	768,000	35	-	24.9
1930	797,000	-	3.80%	25.8
1940	847,000	35	6.30	27.4
1950	914,000	35	7.90	29.6
1960	969,000	36	6.00	31.4
1970	992,000	38	2.40	32.1
1980	1,126,000	38	13.50	36.5
1990	1,227,928	38	9.10	39.8
2000	1,274,923	40	3.80	41.3
2001	1,284,470	40	0.70	41.6
2002	1,294,464	40	0.80	41.9
2003	1,305,728	40	0.90	42.3
2004	1,317,253	40	0.90	37.2
2005	1,321,505	40	0.30	41.3
2006	1,321,574	40	0.01	43.0
2007	1,317,207	40	-.30	42.7
2008	1,316,456	40	-.06	43.0
2009	1,318,301	40	.14	37.0
2010	1,328,361	41	.76	43.1

Source: U.S. Census Bureau.

Personal Income and Earnings by Industry in Maine 2006-2010

	2006	2007	2008	2009	2010
Personal income (thousands of dollars)	44,307,181	46,353,508	48,296,992	48,180,000	49,547,546
Earnings by place of work	31,864,396	32,773,624	33,434,681	32,677,546	33,416,243
Farm earnings	167,968	183,153	177,708	164,331	171,056
Nonfarm earnings	31,696,428	32,590,471	33,256,973	32,513,215	33,245,187
Forestry, fishing, related activities, and other	375,240	384,615	Confidential	Confidential	Confidential
Mining	12,319	11,487	Confidential	Confidential	Confidential
Utilities	184,708	185,412	202,022	197,462	207,571
Construction	2,537,373	2,463,167	2,328,913	1,969,873	1,978,928
Manufacturing	3,522,338	3,621,614	3,725,228	3,415,429	3,566,573
Wholesale trade	1,327,411	1,391,830	1,364,499	1,307,765	1,305,638
Retail trade	2,813,245	2,855,481	2,787,119	2,717,033	2,782,129
Transportation and warehousing	823,801	911,865	949,892	960,643	933,647
Information	642,631	613,373	604,890	569,578	598,166
Finance and insurance	1,805,085	1,857,098	1,846,834	1,827,580	1,836,976
Real estate and rental and leasing	467,626	390,398	392,720	387,619	374,485
Professional and technical services	1,924,311	2,048,948	2,285,171	2,228,167	2,263,730
Management of companies and enterprises	491,463	545,207	601,709	530,144	584,154
Administrative and waste services	929,566	1,027,587	1,102,342	1,065,913	1,131,938
Educational services	483,493	531,903	539,170	562,247	597,456
Arts	351,701	370,176	375,199	364,012	371,667
Accommodation and food services	1,104,518	1,159,638	1,128,918	1,118,056	1,174,097
Other services, except public administration	1,192,160	1,152,179	1,127,523	1,112,513	1,152,087
Government and government enterprises	5,871,532	6,094,942	6,330,225	6,468,243	6,502,796

Source: U.S. Bureau of Economic Analysis

Per Capita Personal Income
Maine, New England, U.S.
2000-2010

	Per Capita Income*			**Maine as a Percent of**		**Annual Percent Increase**		
	US	NE	Maine	US	NE	US	NE	Maine
2000	$30,318	$36,601	$26,696	88.1%	72.9%			
2001	31,145	37,965	28,201	90.5	74.3	2.7%	3.7%	5.6%
2002	31,462	38,089	28,892	91.8	75.9	1.0	0.3	2.5
2003	32,271	38,758	29,930	92.7	77.2	2.6	1.8	3.6
2004	33,881	40,801	31,466	92.9	77.1	5.0	5.3	5.1
2005	35,424	42,335	32,008	90.4	75.6	4.6	3.8	1.7
2006	37,698	45,569	33,694	89.4	73.9	6.4	7.6	5.3
2007	39,392	47,897	35,028	88.9	73.1	4.5	5.1	4.0
2008	40,166	48,944	36,368	90.5	74.3	2.0	2.2	3.8
2009	39,138	47,994	36,745	93.9	76.6	-2.6	-1.9	1.0
2010	40,584	49,520	37,300	91.9	75.3	3.7	3.2	1.5

Source: U.S. Bureau of Economic Analysis.

State Valuation of Taxable Real and Personal Property

January 1990	$ 57,085,900,000
January 1991	64,905,350,000
January 1992	68,471,100,000
January 1993	67,751,400,000
January 1994	66,565,550,000
January 1995	66,425,500,000
January 1996	67,102,925.900
January 1997	68,286,600,000
January 1998	69,691,900,000
January 1999	71,779,350,000
January 2000	74,260,000,000
January 2001	78,389,400,000
January 2002	84,874,550,000
January 2003	94,034,050,000
January 2004	104,219,950,000
January 2005	118,038,020,000
January 2006	133,628,600,000
January 2007	148,946,200,000
January 2008	162,744,550,000
January 2009	168,006,150,000
January 2010	170,336,350,000
January 2011	166,990,700,000

Source: State Revenue Services.

The State valuation of taxable property is equal to 100% of value.
The State valuation filed in January of each year is based on the value of property as of April 1, 21 months prior to the filing date.

Selected Labor Market Information for Maine

Annual Averages, 2006 through 2010, Not Seasonally Adjusted

	2006	2007	2008	2009	2010
Nonfarm Wage and Salary Employment	614,700	617,700	617,200	596,300	592,500
Manufacturing Employment	60,000	59,400	58,800	52,300	50,900
Nonmanufacturing Employment	554,700	558,300	558,400	544,000	541,600
Average Weekly Hours of Manufacturing Production Workers	41.4	41.9	41.4	40.1	41.1
Average Hourly Earnings of Manufacturing Production Workers	$18.58	$19.19	$19.71	$19.97	$20.18
Unemployment Rate	4.7%	4.7%	5.4%	8.2%	7.9%
Number Unemployed	32,671	32,901	37,805	57,212	55,273

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

Civilian Labor Force
Employed and Unemployed by Labor Market Area, Not Seasonally Adjusted
March 1, 2011

Maine Labor Force Estmates for Labor Market Areas												
	Civilian Labor Force			Employment			Unemployment			Unemployment Rate		
LABOR MARKET AREA	Mar-11	Feb-11	Mar-10	Mar-11	Feb-11	Mar-10	Mar-11	Feb-11	Mar-10	Mar-11	Feb-11	Mar-10
Augusta	43,220	43,170	43,650	39,970	39,940	40,130	3,250	3,240	3,530	7.5%	7.5%	8.1%
Augusta-Waterville Combined	65,070	65,070	65,790	59,900	59,950	60,160	5,160	5,130	5,630	7.9	7.9	8.6
Bangor	70,900	71,100	71,400	65,200	65,500	65,300	5,700	5,600	6,100	8.0	7.9	8.6
Belfast	13,210	13,090	13,260	11,840	11,720	11,830	1,370	1,370	1,430	10.3	10.5	10.8
Boothbay Harbor	3,660	3,610	3,610	3,250	3,190	3,210	410	410	400	11.1	11.4	11.2
Bridgton-Paris	13,930	14,020	14,040	12,420	12,520	12,490	1,500	1,510	1,550	10.8	10.8	11.0
Brunswick	34,430	34,340	34,220	31,750	31,720	31,590	2,680	2,610	2,630	7.8	7.6	7.7
Calais	5,620	5,600	5,680	4,880	4,880	4,840	740	730	840	13.2	13.0	14.8
Camden	7,290	7,190	7,170	6,590	6,500	6,440	700	690	720	9.6	9.7	10.1
Conway, NH-ME	3,750	3,800	3,830	3,480	3,510	3,500	280	290	330	7.4	7.6	8.7
Dover-Foxcroft	9,170	9,220	9,340	8,090	8,150	8,150	1,070	1,070	1,200	11.7	11.6	12.8
Ellsworth	27,530	27,420	27,340	24,320	24,120	24,090	3,210	3,300	3,260	11.6	12.0	11.9
Farmington	17,040	17,000	17,310	15,440	15,400	15,510	1,610	1,600	1,800	9.4	9.4	10.4
Houlton	8,260	8,220	8,450	7,380	7,360	7,450	880	860	1,000	10.7	10.5	11.8
Lewiston-Auburn	57,100	57,700	57,800	52,300	53,000	52,700	4,800	4,700	5,200	8.5	8.1	9.0
Lincoln	3,690	3,670	3,660	3,300	3,290	3,260	390	380	400	10.6	10.4	11.0
Machias	7,600	7,510	7,790	6,700	6,590	6,820	900	930	970	11.9	12.4	12.5
Madawaska	2,760	2,740	2,820	2,510	2,490	2,500	260	250	320	9.2	9.2	11.3
Millinocket	3,690	3,720	3,780	3,140	3,150	3,190	550	570	600	14.9	15.3	15.8
Pittsfield	7,330	7,400	7,360	6,430	6,410	6,300	900	990	1,050	12.3	13.4	14.3
Portland-South Portland-Biddeford	200,300	200,300	199,800	186,600	186,600	184,700	13,700	13,600	15,100	6.8	6.8	7.6
Portland-South Portland-Sanford Combined	211,600	211,600	211,300	196,700	196,700	194,800	15,000	14,900	16,500	7.1	7.0	7.8
Portsmouth, NH-ME	9,350	9,330	9,330	8,840	8,810	8,680	510	520	650	5.4	5.6	7.0
Presque Isle	23,890	23,830	24,330	21,380	21,420	21,830	2,510	2,410	2,500	10.5	10.1	10.3
Rochester-Dover, NH-ME	11,390	11,340	11,330	10,550	10,450	10,240	830	880	1,090	7.3	7.8	9.6
Rockland	11,880	11,770	11,730	10,800	10,660	10,610	1,080	1,110	1,120	9.1	9.4	9.6
Rumford	10,220	10,370	10,320	9,060	9,200	9,060	1,160	1,160	1,260	11.3	11.2	12.2
Saint George	1,380	1,370	1,380	1,270	1,250	1,250	120	120	130	8.3	8.5	9.6
Sanford	11,330	11,300	11,480	10,060	10,010	10,090	1,270	1,290	1,380	11.2	11.4	12.1
Skowhegan	14,600	14,540	14,710	12,900	12,830	12,850	1,700	1,720	1,860	11.6	11.8	12.6
Waldoboro	9,080	9,050	9,000	8,330	8,300	8,220	750	750	790	8.3	8.3	8.7
Waterville	21,850	21,900	22,130	19,940	20,010	20,030	1,910	1,890	2,100	8.8	8.6	9.5
York	16,010	16,000	15,990	14,690	14,680	14,480	1,320	1,330	1,510	8.2	8.3	9.4
MAINE	688,000	688,100	690,600	629,400	629,700	627,200	58,600	58,400	63,400	8.5	8.5	9.2
UNITED STATES (000)	153,022	152,635	153,660	138,962	138,093	137,983	14,060	14,542	15,678	9.2	9.5	10.2

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STATE OF MAINE
GENERAL OBLIGATION BONDS

APPENDIX G

PROPOSED FORM OF BOND COUNSEL OPINION

Upon delivery of the Series A Bonds, Edwards Angell Palmer & Dodge LLP, as Bond Counsel, proposes to issue its approving opinion as to the Series A Bonds in substantially the following form:

EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 *fax* 617.227.4420 eapdlaw.com

[Date of Delivery]

The Honorable Bruce L. Poliquin
Treasurer of State
The State of Maine
39 State House Station
Augusta, Maine 04333

$39,635,000
State of Maine
General Obligation Bonds, 2011 Series A
(Federally Taxable)

We have acted as bond counsel to the State of Maine (the "State") in connection with the issuance by the State of the above-referenced bonds (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the State contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the State and the full faith and credit of the State are pledged for the payment of the principal of and interest on the Bonds.

2. Interest on the Bonds is included in the gross income of the owners of the Bonds for federal income tax purposes. We express no opinion regarding any other federal tax consequences arising with respect to the Bonds.

3. Interest on the Bonds is excluded from gross income for State of Maine income tax purposes. We express no opinion regarding any other State of Maine tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than the State of Maine.

This opinion is not intended or written by Edwards Angell Palmer & Dodge LLP to be used and cannot be used by you for the purpose of avoiding penalties that may be imposed under federal tax law in connection with the Bonds.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

EDWARDS ANGELL PALMER & DODGE LLP

PROPOSED FORM OF BOND COUNSEL OPINION

Upon delivery of the Series B Bonds, Edwards Angell Palmer & Dodge LLP, as Bond Counsel, proposes to issue its approving opinion as to the Series B Bonds in substantially the following form:

EDWARDS ANGELL PALMER & DODGE LLP

111 Huntington Avenue Boston, MA 02199 617.239.0100 fax 617.227.4420 eapdlaw.com

[Date of Delivery]

The Honorable Bruce L. Poliquin
Treasurer of State
The State of Maine
39 State House Station
Augusta, Maine 04333

$68,500,000
State of Maine
General Obligation Bonds, 2011 Series B
Dated Date of Delivery

We have acted as bond counsel to the State of Maine (the "State") in connection with the issuance by the State of the above-referenced bonds (the "Bonds"). In such capacity, we have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion.

As to questions of fact material to our opinion we have relied upon representations and covenants of the State contained in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on our examination, we are of the opinion, under existing law, as follows:

1. The Bonds are valid and binding general obligations of the State and the full faith and credit of the State are pledged for the payment of the principal of and interest on the Bonds.

2. Interest on the Bonds is excluded from the gross income of the owners of the Bonds for federal income tax purposes. In addition, interest on the Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. In rendering the opinions set forth in this paragraph, we have assumed compliance by the State with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, and continue to be, excluded from gross income for federal income tax purposes. The State

has covenanted to comply with all such requirements. Failure by the State to comply with certain of such requirements may cause interest on the Bonds to become included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

3. Interest on the Bonds is excluded from gross income for State of Maine income tax purposes. We express no opinion regarding any other State of Maine tax consequences arising with respect to the Bonds or any tax consequences arising with respect to the Bonds under the laws of any state other than the State of Maine.

This opinion is expressed as of the date hereof, and we neither assume nor undertake any obligation to update, revise, supplement or restate this opinion to reflect any action taken or omitted, or any facts or circumstances or changes in law or in the interpretation thereof, that may hereafter arise or occur, or for any other reason.

The rights of the holders of the Bonds and the enforceability of the Bonds may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

EDWARDS ANGELL PALMER & DODGE LLP

STATE OF MAINE
GENERAL OBLIGATION BONDS

APPENDIX H

Secondary Market Disclosure

Pursuant to the Municipal Securities Disclosure Rule, 17 CFR §240.15c2-12 (the "Rule"), promulgated by the Securities and Exchange Commission (the "SEC"), the Underwriters shall not purchase or sell the Bonds unless the Underwriters have reasonably determined that the State, as issuer of the Bonds, has undertaken in a written agreement or contract for the benefit of the holders of the Bonds to provide certain information in the manner and to the locations described below. In order to assist the Underwriters in complying with the Rule, the State has covenanted in the Bonds for the benefit of the Beneficial Owners that:

A. Within one year after the end of each fiscal year of the State, the State will provide to the Municipal Securities Rulemaking Board (the "MSRB") financial information and operating data, for the prior fiscal year, of the type set forth in Appendices B, D and E of this Official Statement;

B. If not submitted as part of the annual financial information described in paragraph A above, then when and if available, the State will provide to the MSRB audited financial statements for the State prepared in accordance with generally accepted accounting principles in effect from time to time;

C. The State will provide in a timely manner, not in excess of ten (10) business days after the occurrence of the event, to the MSRB notice of any of the following events with respect to the Bonds:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on the debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on the credit enhancements reflecting financial difficulties;

(v) substitution of the credit or liquidity providers or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;

(vii) modifications to rights of bondholders, if material;

(viii) optional, contingent or unscheduled calls of Bonds, if material;

(ix) defeasances;

(x) release, substitution or sale of property securing repayment of the Bonds, if material;

(xi) rating changes;

(xii) bankruptcy, insolvency, receivership or similar event of the State*;

(xiii) the consummation of a merger, consolidation, or acquisition involving the State or the sale of all or substantially all of the assets of the State, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee or the change of name of a trustee, if material; and

D. The State will provide, in a timely manner, to the MSRB, notice of any failure of the State to comply with paragraph A above.

The State expects to provide the information described in paragraph A above by providing an official statement or a preliminary official statement for its bonds, notes or other obligations that includes such information for the preceding fiscal year or, if no such official statement is available within one year after the end of such preceding fiscal year, by providing its controller's annual financial report within such one year.

The State may from time to time choose to provide notice of the occurrence of certain other events in addition to those listed above if, in the judgment of the State, such other events are material with respect to the Bonds, but the State does not undertake to provide any such notice of the occurrence of any material event except those events listed above.

The covenants described in this Appendix H (the "Covenants") are for the benefit of the Beneficial Owners and shall be enforceable by any Beneficial Owner. No Beneficial Owner may institute any suit, action or proceeding at law or in equity ("Proceeding") for the enforcement of the Covenants, unless such Beneficial Owner shall have filed with the Treasurer of State and the

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* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the State in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the State, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the State.

Attorney General a written request to cure such breach, and the State shall have refused or failed to comply within a reasonable time. Any assertion of beneficial ownership must be included in such written request and must be supported by independent evidence or documents. All Proceedings shall be instituted only in a State court located in the City of Augusta, Maine for the equal benefit of all Beneficial Owners of the outstanding Bonds. If a court of competent jurisdiction finds that the State has breached any of the Covenants, then the sole remedy for any such breach shall be an order of specific performance of the Covenants and there shall be no right of acceleration of the Bonds. Moreover, Proceedings filed by Beneficial Owners against the State may be subject to the defense of sovereign immunity which may substantially limit the scope and nature of any legal action against the State or of any order of specific performance that may be granted against the State.

The Covenants may only be amended if:

(i) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the State, or type of business conducted; the Covenants, as amended, would have complied with the Rule as of the date of issuance of the Bonds, after taking into account any amendments or changes in circumstances; and the amendment does not materially impair the interest of Beneficial Owners, as determined by parties unaffiliated with the State; or

(ii) all or any part of the Rule, as interpreted by the staff of the SEC at the date of the adoption of such Rule, ceases to be in effect for any reason, and the State elects that the Covenants shall be deemed amended accordingly.

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APPENDIX I

NOTICE OF SALE

of the

STATE OF MAINE

relating to

$40,565,000*
General Obligation Bonds, 2011 Series A
(Federally Taxable)

and

$76,300,000*
General Obligation Bonds, 2011 Series B

Notice is hereby given that bids will be received until:

10:30 a.m., Eastern Daylight Saving Time, with respect to the Series A Bonds; and

10:45 a.m., Eastern Daylight Saving Time, with respect to the Series B Bonds,

on Thursday, June 2, 2011

via Parity®, subject to the terms and conditions hereof, for the purchase of the $40,565,000* State of Maine General Obligation Bonds, 2011 Series A (Federally Taxable) (the "Series A Bonds") and $76,300,000* State of Maine General Obligation Bonds, 2011 Series B (the "Series B Bonds" and, together with the Series A Bonds, the "Bonds").

Description of the Bonds

The Bonds will bear interest from the date of their delivery payable semiannually on June 1 and December 1 of each year, commencing December 1, 2011, until payment of the principal of the Bonds. Interest on the Bonds will be paid on the interest payment dates, and principal of the Bonds will be paid at maturity, to The Depository Trust Company, New York, New York ("DTC") or its nominee as registered owner of the Bonds. Interest on the Bonds will be computed on the basis of a 30-day month and a 360-day year.

Article V, Part Third, Section 5 of the Constitution of the State of Maine (the "State") provides that if sufficient funds are not appropriated to pay the principal of and interest on the Bonds when due, then the Treasurer of State (the "Treasurer") is obligated to set apart from the first General Fund revenues received an amount sufficient to make payment of principal of and interest on the Bonds as such principal and interest become due.

The Bonds are being issued (i) to pay at maturity on June 15, 2011 the principal amount of certain bond anticipation notes issued by the State to finance certain capital expenditures of the State and (ii) to finance certain additional capital expenditures of the State.

*Preliminary, subject to change.

Details of the Bonds

The Series A Bonds will be dated their date of delivery and will mature on June 1 in each of the years 2012 to 2014, inclusive, in the principal amounts described in the table below, subject to any adjustments described in "Adjustment of Maturity Schedule" below:

Year	Principal Amount*
2012	$13,525,000
2013	13,520,000
2014	13,520,000

The Series B Bonds will be dated the date of delivery and will mature on June 1 in each of the years 2012 to 2021, inclusive, in the principal amounts described in the table below, subject to any adjustments described in "Adjustment of Maturity Schedule" below:

Year	Principal Amount*
2012	$2,395,000
2013	2,390,000
2014	2,390,000
2015	9,875,000
2016	9,875,000
2017	9,875,000
2018	9,875,000
2019	9,875,000
2020	9,875,000
2021	9,875,000

Authorization and Security

The Bonds will be general obligations of the State and the full faith and credit of the State will be pledged for the punctual payment of the principal and interest on the Bonds.

Redemption

The Bonds are not subject to redemption prior to maturity.

Adjustment of Maturity Schedule

The State reserves the right to change the aggregate principal amount of the Bonds and the maturity schedule for either series after the determination of the winning bid by increasing or decreasing the principal amount of each maturity by such amount as may be necessary to (i) produce sufficient funds for the purposes for which the Bonds are being issued after taking into account any premium to be received by the State, and (ii) to produce substantially level annual payments of principal and interest on the Bonds. In such event, the final aggregate principal amount of the Bonds will be increased or decreased by the net amount of such change or changes in principal amount of one or more maturities, which net change will not exceed ten percent (10%) of the original aggregate principal amount of the Bonds. The adjusted bid price will reflect changes in the dollar amount of the underwriter's discount and original

*Preliminary, subject to change as described herein.

issue discount/premium, if any, but will not change the per-bond underwriter's discount as calculated from the bid and reoffering prices required to be delivered to the State as stated herein. The successful bidder for each series may not withdraw their bid or change the interest rates bid or initial reoffering prices as a result of any changes made to the principal amounts within these limits.

Book-Entry Only

The Bonds will be issued by means of a book-entry system with no physical distribution of Bonds made to the public. One Bond certificate for each maturity of each series will be issued to The Depository Trust Company, New York, New York ("DTC"), and immobilized in its custody. A book-entry system will be employed, evidencing ownership of the Bonds in principal amounts of $5,000 or integral multiples thereof, with transfers of ownership effected on the records of DTC and its participants pursuant to rules and procedures established by DTC and its participants. The successful bidder of each series, as a condition to delivery of the Bonds, shall be required to deposit the Bond certificates with DTC, registered in the name of Cede & Co. Interest on the Bonds will be payable semiannually on December 1 and June 1, beginning December 1, 2011. Principal of the Bonds will be paid annually on June 1, as set forth in the foregoing maturity schedules, to DTC or its nominee as registered owner of the Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants of DTC will be the responsibility of such participants and other nominees of beneficial owners. The record date for principal and interest payments will be the fifteenth day of the month next preceding the date on which interest is to be paid. The State will not be responsible or liable for maintaining, supervising or reviewing the records maintained by DTC, its participants or persons acting through such participants.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds or (b) the Treasurer determines that continuation of the book-entry system of evidence and transfer of ownership of the Bonds would adversely affect the interests of the beneficial owners of the Bonds, the State will discontinue the book-entry system with DTC. If the State fails to identify another qualified securities depository to replace DTC, the State will authenticate and deliver replacement Bonds in the form of fully registered certificates.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of its bid. No CUSIP identification numbers shall be deemed to be part of any Bond or a part of the contract evidenced thereby and no liability shall hereafter attach to the State or any of its officers or agents because of or on account of such numbers. The State shall pay all expenses in connection with the initial assignment and printing of CUSIP numbers. The underwriter for each series will be responsible for applying for and obtaining CUSIP identification numbers for the Bonds.

Bid Specifications

Bidders should state the rate of interest that the Series A Bonds and the Series B Bonds are to bear, in multiples of 1/8 or 1/20 of one percent. **In order to fund its planned capital expenditures, the total proceeds payable to the State (par plus premium, if any) must be at least $119,375,000. Accordingly, the par amount of the Series A Bonds and the Series B Bonds should be adjusted, as needed, in order that the total proceeds received by the State of the Series A Bonds and the Series B Bonds are as nearly as practicable (within $5,000) to $40,422,000 and $78,953,000, respectively.** The State reserves the right to adjust the par amount of the Series A Bonds and the Series B Bonds in order that the total proceeds received by the State are as nearly as practicable (within $5,000) to $40,422,000 and $78,953,000, respectively. No bids for other than all of the Series A Bonds and the Series B Bonds will be accepted. No bid for less than 100% of the principal amount of the Series A

Bonds and the Series B Bonds will be accepted (subject to adjustments as provided above). Each bid for the Series A Bonds must be for the entire issue at a price not less than 100% and not greater than 102% of the par amount of the Series A Bonds. Each bid for the Series B Bonds must be for the entire issue at a price not less than 100% and not greater than 120% of the par amount of the Series B Bonds. All bids must be unconditional and submitted electronically via Parity® in accordance with this Notice of Sale. **Please note that underwriter's discount may not exceed 0.50% of the par amount of the Bonds.**

Receipt of Bids

Sealed bids for the Series A Bonds and the Series B Bonds will be received electronically via Parity until 10:30 a.m., Eastern Daylight Saving Time, with respect to the Series A Bonds and 10:45 a.m., Eastern Daylight Saving Time, with respect to the Series B Bonds, on Thursday, June 2, 2011 (or on such later date as may be established by the State and communicated through Thomson Municipal Market Monitor not less than twenty-four (24) hours prior to the time the bids are to be received). To the extent any instructions or directions set forth on Parity conflict with this Notice of Sale, the terms of this Notice of Sale shall control. For further information about Parity, potential bidders may contact I-Deal LLC at 1359 Broadway, 2nd Floor, New York, NY 10018, or telephone (212) 849-5021. The use of Parity shall be at the bidder's risk and expense, and the State shall have no liability with respect thereto. Only bids submitted through Parity will be considered. No telephone, facsimile, mail, courier delivery or personal delivery bids will be accepted. To participate, bidders must be a contracted customer of the BiDCOMP Competitive Bidding System (the "System"). If the prospective bidder(s) do not have a contract with the System, call (212) 849-5021 to become a customer and to obtain a list of the bidding rules and procedures.

Basis of Award

The Bonds will be awarded to the bidder(s) offering to purchase the Bonds, as applicable, at the lowest interest cost to the State. Separate awards will be made with respect to the Series A Bonds and the Series B Bonds. **Such interest cost shall be determined on a true interest cost (TIC) basis. True interest cost (expressed as an annual interest rate) shall be determined for each bid by doubling the semiannual interest rate, compounded semiannually, necessary to discount the debt service payments from the payment dates to the date of delivery and to the price bid.** In the event there is more than one bid specifying the lowest such cost, the Bonds will be awarded to the bidder whose bid is selected by the Treasurer by lot from among all such bids. It is requested that each bid be accompanied by a statement of such interest cost, computed at the interest rate or rates stated in the bid in accordance with the above method of computation (computed to six decimal places), but such statement will not be considered as part of the bid.

Bids will be accepted or rejected promptly after receipt and not later than 10:30 a.m., Eastern Daylight Saving Time, with respect to the Series A Bonds; and 10:45 a.m., Eastern Daylight Saving Time, with respect to the Series B Bonds, on the date of the sale.

The State reserves the right to reject any or all proposals and to reject any proposals not complying with this Notice of Sale. The State also reserves the right, so far as permitted by law, to waive any irregularity or informality with respect to any proposal.

CUSIP Numbers

It is anticipated that CUSIP identification numbers will be printed on the Bonds. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid for by the State.

Expenses

The State will pay: (i) the cost of the preparation of the Bonds; (ii) the fees and expenses of Bond Counsel; (iii) the fees of the rating agencies relating to the Bonds, and (iv) the cost of preparation and printing of the Official Statement.

Undertakings of the Successful Bidder(s)

The successful bidder(s) shall make a bona fide public offering of the Bonds. The successful bidder(s) must, by facsimile transmission or delivery received by the Deputy Treasurer within 24 hours after notification of the award, furnish the following information to Bond Counsel to complete the Official Statement in final form, as described below:

A. Selling compensation (aggregate total anticipated compensation to the underwriters expressed in dollars, based on the expectation that all Bonds are sold at the prices or yields at which the successful bidder(s) advised the Treasurer that the Bonds were initially offered to the public).

B. The identity of the underwriters if the successful bidder(s) is part of a group or syndicate.

C. Any other material information the Treasurer determines is necessary to complete the Official Statement in final form.

Prior to delivery of the Bonds, the successful bidders of the Bonds shall furnish to the State a certificate acceptable to Bond Counsel to the effect that as of the date of acceptance of its bid, such successful bidder had sold or reasonably expected to sell all of the Bonds to the public (excluding bond houses, brokers or similar persons or other intermediaries) at the Initial Reoffering Prices.

Delivery of the Bonds

The Bonds will be delivered on or about June 8, 2011 in New York, New York at DTC against payment of the purchase price therefor in Federal Funds.

Documents to be Delivered at Closing

It shall be a condition to the obligation of the successful bidder(s) to accept delivery of and pay for the Bonds that contemporaneously with or before accepting the Bonds and paying therefor, the successful bidder(s) shall be furnished, without cost, with (a) the approving opinions of the firm of Edwards Angell Palmer & Dodge LLP, Boston, Massachusetts, Bond Counsel to the State, as to the validity and tax status of the Bonds, substantially in the forms provided in Appendix G to the Final Official Statement, referred to below; (b) a certificate of the Treasurer to the effect that, to the best of his knowledge, the Final Official Statement referred to below does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading; and (c) an opinion of the Department of the Attorney General of the State, dated as of the date of delivery of the Bonds, to the effect that there is no litigation of any nature pending or threatened to restrain or enjoin the issuance or delivery of the Bonds or in any way contesting or affecting the validity of the Bonds or any of the proceedings taken with respect to the issuance and sale thereof or the levy or collection of any taxes to pay principal of or interest on the Bonds. In addition, such opinion will state that, based on consultations with certain officers of the State, there is no litigation of any nature now pending or threatened by or against the State wherein an adverse judgment or ruling could have a material adverse effect on the financial condition of the State or adversely affect the power of the State to levy, collect or enforce the collection of taxes or other revenues for the payment of its Bonds which has not been disclosed in the Final Official Statement referred to below.

Official Statement

The Preliminary Official Statement dated May 26, 2011 and the information contained therein have been deemed final by the State as of its date within the meaning of Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12") with permitted omissions, but is subject to change without notice and to completion or amendment in the Official Statement in final form (the "Final Official Statement").

The State, at its expense, will make available to the successful bidder(s) up to 200 copies of the Final Official Statement, for delivery to each potential investor requesting a copy of the Final Official Statement and to each person to whom the bidder(s) and members of its bidding group initially sell the Bonds, within seven business days of the award of the Bonds, provided that the successful bidder(s) cooperate in providing the information required to complete the Final Official Statement.

The successful bidder(s) shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board, including an obligation, if any, to update the Final Official Statement.

Continuing Disclosure

In order to assist bidders in complying with Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission, the State will undertake to provide notices of certain significant events. A description of this undertaking is set forth in the Preliminary Official Statement.

Right to Change the Notice of Sale and to Postpone Offering

The State reserves the right to make changes to this Notice of Sale and also reserves the right to postpone, from time to time, the date and time established for the receipt of bids. ANY SUCH POSTPONEMENT WILL BE ANNOUNCED NOT LATER THAN 1:00 P.M. (E.D.T.) ON THE LAST BUSINESS DAY PRIOR TO ANY ANNOUNCED DATE FOR RECEIPT OF BIDS. If any date and time fixed for the receipt of bids and the sale of the Bonds is postponed, an alternative sale date and time will be announced at least 48 hours prior to such alternative sale date. On any such alternative sale date and time, any bidder may submit a bid for the purchase of the Bonds in conformity in all respects with the provisions of this Notice of Sale, except for the date and time of sale and except for any changes announced at the time the sale date and time are announced.

Good Faith Deposit

The State is not requiring the submission of a good faith deposit prior to the date of award of the Bonds to the successful bidder. Rather, the successful bidder, as determined by the State in accordance with this Notice of Sale, must submit a good faith deposit in the amount of $410,000 for a bid on the Series A Bonds, and in the amount of $780,000 for a bid on the Series B Bonds. The good faith deposit will secure the State from any loss resulting from the failure of the successful bidder to comply with the terms of its bid. The successful bidder shall transfer the good faith deposit by wire transfer directly to the State upon notification, but in any case, no later than 3:00 p.m., Eastern Daylight Saving Time, on the date of award of the Bonds. The good faith deposit will be held by the State and applied toward a portion of the total purchase price of the Bonds. No interest on the good faith deposit will accrue to the successful bidder. Wire instructions will be provided to the successful bidder upon notification of the preliminary award.

Additional Information

For further information relating to the Bonds, reference is made to the Preliminary Official Statement dated May 26, 2011 prepared for and authorized by the Treasurer. The Preliminary Official Statement may be obtained by accessing the following website: http://www.imagemaster.com/ftp/1019/MEState03-POS.pdf. For further information, please contact Barbara Raths, Deputy State Treasurer, 39 State House Station, Augusta, Maine 04333 (telephone: 207-624-7477; facsimile 207-287-2367).

THE STATE OF MAINE

By Bruce L. Poliquin
Treasurer of State

Date: May 26, 2011

Attachment A

INSTRUCTIONS TO SUBMIT A BID VIA PARITY

- You must be a contracted customer of Parity's Competitive Bidding System. If you do not have a contract with Parity, call (212) 849-5021 to become a customer.
- In Parity select the State of Maine sale among the list of current sales.
- Go to the bid form page. Keep notice of the time clock and be sure to read all bid specifications on bottom.
- Once you have created and saved a bid in Parity, click the final bid button in Parity to submit the bid to Parity.
- Upon clicking the Final Bid button, the bidder will see a message box in Parity that states: "Do you want to submit this bid to Parity? By submitting the bid electronically via PARITY, you represent and warrant that this bid for the purchase of the Bonds is submitted by the representative who is duly authorized to bind the bidder to a legal, valid, enforceable contract for the purchase of the Bonds. The Official Notice of Sale is incorporated herein by this reference."
- If during bid calculation Parity warns you that your current bid violates the bid parameters, please change your bid to meet bid specifications. The Parity system will submit bids, which violate the bid parameters, but the State does not intend to consider any bids that do not meet its parameters.
- You may choose to proceed with submission of the bid or choose to cancel the submission.
- Contact Parity at (212) 849-5021 or with questions or problems.

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STATE OF MAINE • GENERAL OBLIGATION BONDS

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