STATE OF MAINE

SINGLE AUDIT REPORT
Uniform Guidance
Fiscal Year Ending June 30, 2016

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

In order to read audit findings by Federal Program, or by State Agency and Federal Compliance Area, or by Finding Type, we recommend that the reader refer to the indexes listed at E-10.

STATE OF MAINE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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Chief of Staff

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Letter of Transmittal

Senator Michael D. Thibodeau
President of the Senate

Representative Sara Gideon
Speaker of the House of Representatives

The Honorable Paul R. LePage
Governor of Maine

I am pleased to submit the Single Audit of the State of Maine for the fiscal year ended June 30, 2016. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; the requirements of the Single Audit Act Amendments of 1996; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our audit complies with 5 MRSA §243 and is also a prerequisite for the receipt of federal financial assistance. During fiscal year 2016, $3.0 billion in federal financial assistance was received by the State of Maine.

This document contains the following reports and schedules:

- Independent Auditor's Report
- Basic Financial Statements, Management's Discussion and Analysis, Notes to Financial Statements, and Required Supplementary Information
- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*
- Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

- Schedule of Expenditures of Federal Awards
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- Corrective Action Plan
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On behalf of the Office of the State Auditor, I thank employees throughout Maine Government who assisted us during the audit.

Please contact me if you have questions or comments about the 2016 Single Audit of the State of Maine.

Respectfully submitted,

Pola Buckley

Pola A. Buckley
State Auditor

March 31, 2017

STATE OF MAINE
EXECUTIVE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2016

STATE OF MAINE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2016

EXECUTIVE SUMMARY

The Office of the State Auditor (OSA) performs the Single Audit of the State of Maine, an annual financial and compliance audit, to meet Federal and State requirements. OSA's audit for fiscal year 2016 includes fifteen major Federal programs that represent 76 percent of the $3.0 billion in Federal expenditures for the 2016 fiscal year. This Single Audit Report actually consists of various audit reports, the related financial statements, and Federal audit findings and recommendations.

Independent Auditor's Report

OSA's opinion on the State's basic financial statements was unmodified. This means that OSA provides reasonable assurance that the State of Maine's financial statements are presented fairly in all material respects in accordance with accounting principles generally accepted in the United States of America. This report includes an opinion on the Schedule of Expenditures of Federal Awards in relation to the basic financial statements taken as a whole.

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

OSA reported on internal control over financial reporting and did not identify any deficiencies in internal control that we considered to be a material weakness. A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct financial statement misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the State's financial statements would not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any significant deficiencies in this report.

As part of obtaining reasonable assurance regarding whether the State's financial statements were not materially misstated, OSA performed tests of compliance with certain provisions of Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs. The results of OSA's tests disclosed no instances of noncompliance that were required to be reported under *Government Auditing Standards*.

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Compliance with program requirements

OSA qualified the opinion on compliance with program requirements for the Coastal Zone Management Administration Awards program, Unemployment Insurance program, the TANF Cluster, and the Children’s Health Insurance Program because of material noncompliance. The remaining eleven Federal programs complied in all material respects with program requirements.

Internal control over compliance

OSA identified thirty-two deficiencies in internal control over compliance. A *deficiency* exists when the operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program, on a timely basis.

Five deficiencies were considered to be *material weaknesses* in internal control. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Twenty-seven deficiencies were considered to be *significant deficiencies* in internal control over compliance. A *significant deficiency* exists when there is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Findings and Questioned Costs

The Schedule of Findings and Questioned Costs includes management’s responses to the audit findings. OSA’s Single Audit Report also identified nine thousand dollars of *known questioned costs*. *Questioned costs* are amounts of Federal financial assistance that OSA believes were not spent in accordance with program requirements. The Federal government may or may not disallow these costs and could result in reimbursements from the State to the Federal government.

Corrective Action Plan

The Corrective Action Plan is a document separate from the audit findings that includes information identifying the name of the person responsible for corrective action, the planned corrective action, and the anticipated completion date.

STATE OF MAINE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016

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General Purpose Financial Statements of the State of Maine
For the Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Michael D. Thibodeau, President of the Senate, and
The Honorable Sara Gideon, Speaker of the House of Representatives

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2016, and the related notes to the financial statements. We did not audit the financial statements of the aggregate discretely presented component units. These financial statements collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following component units: Child Development Services, Connect ME Authority, Efficiency Maine Trust, Finance Authority of Maine, Loring Development Authority, Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, Maine Educational Loan Authority, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Port Authority, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Technology Institute, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, Small Enterprise Growth Fund, and the University of Maine System. These financial statements represent 100 percent of the assets, revenue and net position of the aggregate discretely presented component units, 94 percent of assets and 97 percent of fund balance/net position of the aggregate remaining fund information (Maine Public Employees Retirement System) and 4% of the liabilities of the governmental activities (Maine Governmental Facilities Authority). Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Maine Educational Loan Authority, the Maine Technology Institute and the Small Enterprise Growth Fund were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Change in Accounting Principle

The State of Maine's basic financial statements for the year ended June 30, 2016, adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application.* The State of Maine implemented the requirements of GASB Statement No. 72 in accordance with the required effective date. See Note 3 in the accompanying financial statements for the impact of the standards' implementation. Our opinion is not modified with respect to this matter.

Additionally, as described in Notes 3 and 18 to the financial statements, for the year ended June 30, 2016, the State adopted a change in accounting principle related to the implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The State changed its method for allocating pension costs to the individual funds. Our Opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages B-7 to B-18, and Budgetary Comparison Information, State Retirement Plans, Other Post-employment Benefit Plans, and Information about Infrastructure Assets Reported Using the Modified Approach on pages B-110 to B-128, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Maine's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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

Pola Buckley

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

December 22, 2016

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, 2016. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- The State's net position increased by 19.5 percent from the previous fiscal year. Net position of Governmental Activities increased by $296.1 million, while net position of Business-Type Activities increased by $39.7 million. The State's assets and deferred outflows exceeded its liabilities and deferred inflows by $2.1 billion at the close of fiscal year 2016. Of this amount $2.0 billion was reported as negative "unrestricted" net position. A negative balance means that it would be necessary to convert restricted assets (e.g., captal assets) to unrestricted assets if all ongoing obligations were immediately due and payable. Component units reported net position of $2.9 billion, an increase of $86.1 million (3.0 percent) from the previous year.

Fund level:

- At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of $819.5 million, an increase of $179.5 million from the previous year. The General Fund's total fund balance was a 45.3 million, an improvement of $119.1 million from the previous year. The Highway Fund total fund balance was $50.0 million, an improvement of $9.9 million from the prior year.

- The proprietary funds reported net position at year-end of $595.4 million, an increase of $47.2 million from the previous year. The increase is primarily the result of an increase in the Employment Securities Fund of $31.6 million and an increase in the Maine Military Authority (MMA) fund of $5.9 million. See Footnote 18 for Special Item discussion for MMA.

Long-term Debt:

- The State's liability for general obligation bonds increased by $33.5 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State issued $112.0 million in bonds and made principal payments of $78.5 million.

Additional information regarding the government-wide, fund level, and long-term debt activities can be found beginning on page B-11.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements

The government-wide statements report information about the State as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position presents all of the State's assets, deferred outflows, liabilities and deferred inflows with the difference between the two

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

Both government-wide statements report three activities:

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

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

Component units - Although legally separate, component units are important because the State is financially accountable for these entities. The State has one "blended" component unit, the Maine Governmental Facilities Authority (MGFA) with Governmental Activities as described above. Maine reports 19 other component units (7 major and 12 non-majors) as discretely presented component units of the State, and one component unit is reported with the State's fiduciary funds. Complete financial statements of the individual component units may be obtained directly from their respective administrative offices as shown in Note 1 A to the financial statements.

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

- Capital assets used in governmental activities are not reported on governmental fund statements but are included on government-wide statements.

- Certain tax revenues that are earned, but not available, are reported as revenues in the Governmental Activities, but are reported as deferred inflows on the governmental fund statements.

- Other long-term assets that are not available to pay for current period expenditures are recorded as deferred outflows in governmental fund statements, but not deferred on the government-wide statements.

- Internal service funds are reported as Governmental Activities in the government-wide statements, but reported as proprietary funds in the fund financial statements.

- Governmental fund long-term liabilities, such as certificates of participation, net pension liabilities, compensated absences, bonds and notes payable, and others appear as liabilities only in the government-wide statements.

- Capital outlay spending results in capital assets on the government-wide statements, but is recorded as expenditures on the governmental fund statements.

- Proceeds from bonds, notes and other long-term financing arrangements result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.

- Net position balances are allocated as follows:

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

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

  Unrestricted Net Position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet any of the above restrictions.

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

The State's net position increased by 19.5 percent to $2.1 billion at June 30, 2016, as detailed in Tables A-1 and A-2. The increase is primarily due to an increase in net revenue for governmental and business-type activities.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Current and other noncurrent assets	$ 2,109,524	$ 1,965,233	$ 439,516	$ 403,707	$ 2,549,040	$ 2,368,940
Capital assets	4,129,530	4,083,965	38,658	42,658	4,168,188	4,126,623
Total Assets	**6,239,054**	**6,049,198**	**478,174**	**446,365**	**6,717,228**	**6,495,563**
Deferred Outflows of Resources	**312,593**	**369,143**	**3,184**	**3,258**	**315,777**	**372,401**
Current liabilities	1,061,722	1,043,654	36,899	29,862	1,098,621	1,073,516
Long-term liabilities	3,714,327	3,339,673	29,744	40,431	3,744,071	3,380,104
Total Liabilities	**4,776,049**	**4,383,327**	**66,643**	**70,293**	**4,842,692**	**4,453,620**
Deferred Inflows of Resources	**134,369**	**689,903**	**1,534**	**5,848**	**135,903**	**695,751**
Net position (deficit):						
Net investment in capital assets	3,435,465	3,362,340	38,658	42,658	3,474,123	3,404,998
Restricted	132,972	215,520	398,342	366,766	531,314	582,286
Unrestricted (deficit)	(1,927,208)	(2,232,749)	(23,819)	(35,942)	(1,951,027)	(2,268,691)
Total Net Position	**$ 1,641,229**	**$1,345,111**	**$ 413,181**	**$ 373,482**	**$ 2,054,410**	**$1,718,593**

Changes in Net Position

The State's fiscal year 2016 revenues totaled $8.0 billion. (See Table A-2) Taxes and operating grants and contributions accounted for most of the State's revenue by contributing 47.3 percent and 36.2 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 $7.6 billion for the year 2016. (See Table A-2) These expenses are predominantly (68.0 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 position increased by $335.8 million, primarily due to an increase in tax revenue and charges for service.

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

	Governmental Activities 2016	Governmental Activities 2015	Business-Type Activities 2016	Business-Type Activities 2015	Total Primary Government 2016	Total Primary Government 2015
Revenues						
Program Revenues						
Charges for Services	$ 572,734	$ 539,457	$ 601,718	$ 587,545	$ 1,174,452	$ 1,127,002
Operating Grants/Contributions	2,875,849	2,817,929	7,948	7,383	2,883,797	2,825,312
Capital Grants/Contributions	-	-	-	-	-	-
General Revenues						
Taxes	3,766,871	3,793,488	-	-	3,766,871	3,793,488
Other	145,366	152,463	-	-	145,366	152,463
Total Revenues	7,360,820	7,303,337	609,666	594,928	7,970,486	7,898,265
Expenses						
Governmental Activities						
Governmental Support	477,351	357,029			477,351	357,029
Education	1,614,477	1,543,947			1,614,477	1,543,947
Health & Human Services	3,587,573	3,595,418			3,587,573	3,595,418
Justice & Protection	412,088	412,718			412,088	412,718
Transportation Safety	590,437	553,321			590,437	553,321
Other	438,833	453,331			438,833	453,331
Interest	44,822	50,639			44,822	50,639
Business-Type Activities						
Employment Security			110,912	129,697	110,912	129,697
Lottery			217,556	200,457	217,556	200,457
Military Equip. Maint.			11,610	9,342	11,610	9,342
Dirigo Health			12	1,137	12	1,137
Other			140,333	131,299	140,333	131,299
Total Expenses	7,165,581	6,966,403	480,423	471,932	7,646,004	7,438,335
Excess (Deficiency) before Special Items and Transfers	195,239	336,934	129,243	122,996	324,482	459,930
Special Items	-	28,849	11,335	-	11,335	28,849
Transfers	100,879	100,627	(100,879)	(100,627)	-	-
Increase (Decrease) in Net Position	296,118	466,410	39,699	22,369	335,817	488,779
Net Position, beginning of year (As Restated)	1,345,111	878,701	373,482	351,113	1,718,593	1,229,814
Ending Net Position	$ 1,641,229	$ 1,345,111	$ 413,181	$ 373,482	$ 2,054,410	$ 1,718,593

Governmental Activities

Revenues for the State's Governmental Activities totaled $7.4 billion while total expenses equaled $7.2 billion. The increase in net position for Governmental Activities was $296.1 million in 2016, much of which was the result of an increase in charges for services and operating grants and contributions of $91.2 million, and current year transfers from the State's Business-Type Activities of $100.9 million. Additionally, the State's Business-Type Activities transferred $100.9 million (net) to the Governmental Activities, which included statutorily required profit transfers, capital contributions, and the pledged profit of the Alcoholic Beverages Fund to finance the payment of the Liquor Revenue Bonds. These transfers are discussed further on page B-14.

The users of the State's programs financed $572.7 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of $2.9 billion. $3.9 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 2016

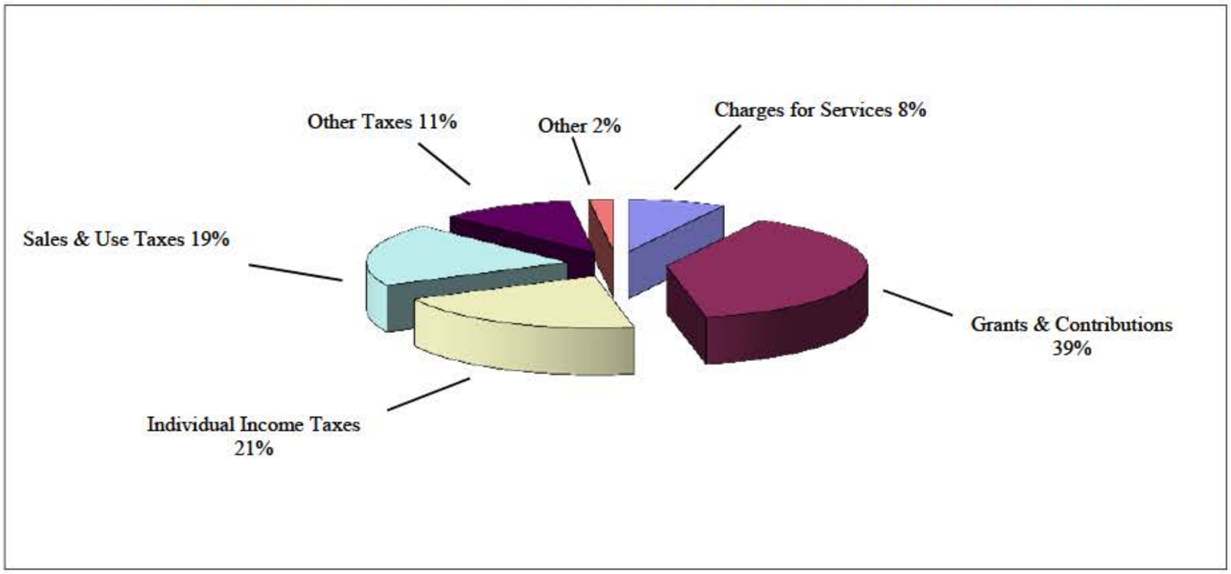
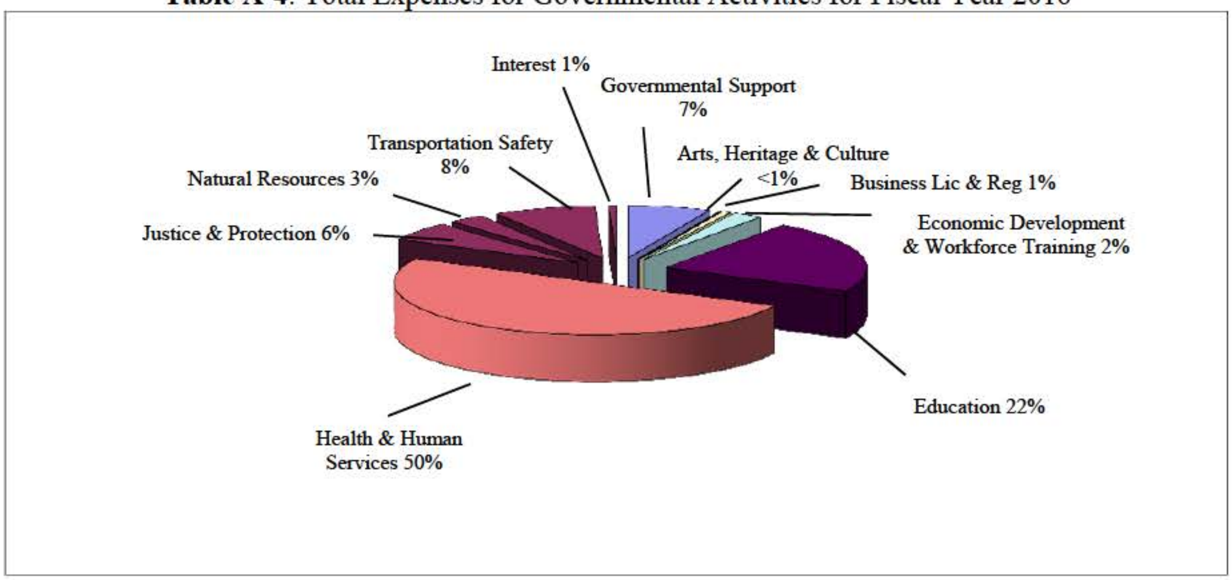


Table A-4: Total Expenses for Governmental Activities for Fiscal Year 2016



Business-Type Activities

Revenues for the State's Business-Type Activities totaled $609.7 million while expenses totaled $480.4 million. The increase in net position for Business-Type Activities was $39.7 million in 2016, due primarily to an increase in lottery and alcoholic beverages revenue.

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 2016	Total Cost 2015	Net (Cost) Revenue 2016	Net (Cost) Revenue 2015
Employment Security	$ 110,912	$ 129,697	$ 34,627	$ 35,309
Alcoholic Beverages	120,373	111,265	46,379	46,104
Lottery	217,556	200,457	60,898	54,426
Military Equip. Maint.	11,610	9,342	(5,471)	(4,027)
Dirigo Health	12	1,137	479	(1,133)
Other	19,960	20,034	(7,669)	(7,683)
Total	$ 480,423	$ 471,932	$ 129,243	$ 122,996

The cost of all Business-Type Activities this year was $480.4 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-Type Activities was $129.2 million, with Alcoholic Beverages and Lottery making up $46.4 and $60.9 million of the total. The State's Business-Type Activities transferred $100.9 million (net) to the Governmental Activities, which included statutorily required profit transfers and the pledged profit of the Alcoholic Beverages Fund to finance the payment of the Liquor Revenue Bonds. Additionally, the Governmental Activities contributed $37 thousand to purchase capital assets that are recorded in the Business-Type activities.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

Fund	2016	2015	Change
General	$ 45,334	$ (73,799)	$ 119,133
Highway	49,972	40,049	9,923
Federal	37,137	23,254	13,883
Other Special Revenue	507,648	488,803	18,845
Other Governmental	179,425	161,679	17,746
Total	$ 819,516	$ 639,986	$ 179,530

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of $819.5 million, an increase of $179.5 million in comparison with the prior year. Of this total amount, $27.8 million (3.4 percent) is classified as non-spendable, either due to its form or legal constraints, and $634.8 million (77.5 percent) is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. Unspent bond proceeds, revenue restricted for transportation, natural resources or other programs are included in restricted fund balance. At the end of the current fiscal year, the unassigned fund balance of the General Fund was a deficit of $35.2 million, an improvement of $45.2 million.

General Fund revenues and other sources surpassed General Fund expenditures and other uses resulting in an increase in the fund balance by $119.1 million. Revenues and other sources of the General Fund decreased by approximately $8.8 million (0.2 percent) which is mainly attributed to a decrease in service charges of $7.5 million. General Fund expenditures and other financing uses increased by $13.7 million (0.4 percent). This is due, primarily, to a decrease in expense for health and human services.

The fund balance of the Highway Fund increased $9.9 million from fiscal year 2015, due mainly to the increase in the Highway Fund's assessments and other revenues of $6.1 million.

Budgetary Highlights

For the 2016 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to $3.41 billion, an increase of about $40 million from the original legally adopted budget of approximately $3.37 billion. Actual expenditures on a budgetary basis amounted to approximately $126.8 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2016, including the budgeted starting balance for Fiscal Year 2016, there were funds remaining of $22.1 million to distribute in Fiscal Year 2016. Actual revenues exceeded final budget forecasts by $29.4 million. The year-end cascade transferred $707 thousand to the Budget Stabilization Fund. Interest earnings along with year-end cascade increased the balance in the Fund to $112.4 million as of June 30, 2016. 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 2016, the State had roughly $4.1 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2016, the State acquired or constructed more than $116.0 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	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Land	$ 611,830	$ 591,764	$ 2,387	$ 2,387	$ 614,217	$ 594,151
Buildings	772,193	692,889	4,655	4,655	776,848	697,544
Equipment	293,396	272,774	32,571	32,572	325,967	305,346
Improvements	96,251	80,725	42,757	41,124	139,008	121,849
Software	73,059	74,621	-	-	73,059	74,621
Infrastructure	2,824,703	2,788,032	-	-	2,824,703	2,788,032
Construction in Progress	38,188	130,856	391	2,838	38,579	133,694
Total Capital Assets	4,709,620	4,631,661	82,761	83,576	4,792,381	4,715,237
Accumulated Depreciation	580,090	547,696	44,103	40,918	624,193	588,614
Capital Assets, net	$ 4,129,530	$ 4,083,965	$ 38,658	$ 42,658	$ 4,168,188	$ 4,126,623

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 8,809 highway miles or 17,911 lane miles within the State. Bridges have a deck area of 12.2 million square feet among 2,967 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2016, the actual average condition was 75.3. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 76.0 at June 30, 2016. Preservation costs for fiscal year 2016 totaled $115.6 million compared to estimated preservation costs of $122.2 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 429, PL 2013, $26 million in General fund bonds were spent during FY2016. Of the amount authorized by Chapter 305, PL 2015, $20 million in General fund bonds were spent during FY2016.

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

Long-Term Debt

The State Constitution authorizes general obligation long-term borrowing, with 2/3 approval of the Legislature and ratification by a majority of the voters, and general obligation short-term notes, of which the principal may not exceed an amount greater than 10 percent of all moneys appropriated, authorized and allocated by the Legislature from undedicated revenues to the General Fund and dedicated revenues to the Highway Fund for that fiscal year, or greater than 1 percent of the total valuation of the State of Maine, whichever is the lesser.

At year-end, the State had $1.7 billion in general obligation and other long-term debt outstanding. More detailed information about the State's long-term liabilities is presented in Note 11 to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
General Obligation						
Bonds	$ 442,610	$ 420,800	$ -	$ -	$ 442,610	$ 420,800
Unmatured Premiums	21,834	10,147	-	-	21,834	10,147
Other Long-Term						
Obligations	1,254,558	1,286,841	4,994	5,685	1,259,552	1,292,526
Total	$ 1,719,002	$ 1,717,788	$ 4,994	$ 5,685	$ 1,723,996	$ 1,723,473

During the year, the State reduced outstanding long-term obligations by $78.5 million for outstanding general obligation bonds and $476.4 million for other long-term debt. Also during fiscal year 2016, the State incurred $555.4 million of additional long-term obligations.

Credit Ratings

The State's credit was rated during fiscal year 2016 by Moody's Investors Service as Aa2 with a stable outlook and by Standard & Poor's as AA with a stable outlook.

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

The Maine and U.S. economies have generally improved since the Consensus Economic Forecasting Commission (CEFC) last met in January 2016, although growth in Maine's economy continues to lag national growth in some areas. Maine's real GDP increased 0.6 percent in the first quarter of 2016. This was the fourth consecutive quarter of real GDP growth. Personal income in Maine grew 3.9 percent from the first half of 2015 to the first half of 2016, while wage and salary income, which is the largest component of total personal income, grew 4.9 percent over the same period. The Consumer Price Index was up 1.5 percent in September 2016 from a year ago, held down by the declines in energy prices.

The price of crude oil seems to have leveled out around $47 per barrel as prices in the third quarter of 2016 were unchanged from the second quarter. As a result of the declines in crude oil prices, heating oil prices and gasoline prices have seen substantial declines as well. Heating oil was below $2 per gallon for much of the 2015-2016 heating season and has started the 2016-2017 season around $2 per gallon. Gasoline is currently averaging $2.35 per gallon.

Existing single-family home sales in Maine were up 6.1 percent in September 2016 compared to the same month last year and housing permits for the September 2015 – August 2016 year were 33 percent higher than the previous 12-month period. The median home price in the Portland-South Portland Metropolitan Statistical Area (which encompasses all of York, Cumberland, and Sagadahoc counties) increased 3.8 percent year-over-year in the second quarter of 2016. Mortgage delinquency rates in Maine have been declining but at a slower pace than nationally. The foreclosure rate in Maine was 0.49 percent in the second quarter of 2016 and has been above the national rate for fifteen of the past sixteen quarters.

The Commission remains concerned about the demographic situation in Maine and the resulting impacts on workforce availability. These concerns were again reinforced in comments provided by representatives from a variety of business sectors in the Commission's data gathering session that preceded the forecast deliberations.

The forecast for wage and salary employment was left unchanged, with the forecasts for 2020 and 2021 continuing the 0.0 percent employment growth forecast for 2019. The 2019-2021 employment level is just shy of the 2007 pre-recession peak. CPI was also left unchanged, with 2020 and 2021 forecast at 2.5 percent and 2.4 percent growth, respectively. Total personal income was revised upward by 0.3 percentage points in 2015 with the release of new actual data from the U.S. Bureau of Economic Analysis. The forecasts for 2016-2018 were revised downward by 0.1, 0.4, and 0.1 percentage points, respectively, while 2019 was revised upward by 0.1 percentage points. 2020 was forecast at 3.4 percent and 2021 was forecast at 3.5 percent. Wage and salary income for 2015 was revised upward by 0.7 percentage points with the release of actual data. The forecasts for 2016, 2018, and 2019 were left unchanged, while the forecast for 2017 was revised downward 0.2 percentage points to reflect the risk of some possible high-wage job losses in the manufacturing and finance industries. 2020 and 2021 were both forecast at 3.5 percent growth.

General Fund revenue estimates were revised upward by $34.2 million for FY17 but downward by $1.5 million for FY18 and $30.1 million for FY19 (downward by $31.6 million for the 2018-2019 biennium). The revised forecast reduces the overall rate of growth for General Fund revenue for FY18 from 3.6

percent to 2.5 percent and for FY19 from 4.2 percent to 3.4 percent. The new projections for FY20 assume a much smaller overall growth rate of 0.6 percent, largely the result of Municipal Revenue Sharing returning to the 5 percent level under current law from the 2 percent level in place for FY16 through FY19.

At June 30, 2016, the State of Maine reported an ending fund balance of $45.3 million in the General Fund on a GAAP basis. This is the first time since fiscal year 2005 that the General Fund reflected a positive balance on a GAAP basis.

There are factors that adversely affect our General Fund Balance Sheet that we should continue to strive to improve over the next several years. The primary factors that have a significant impact on the State's Financial Statements compiled and issued in accordance with Generally Accepted Accounting Principles as applicable to governments include such items as accruing tax revenues for budgetary purposes and for financial statement purposes without accruing the offsetting liabilities for budgetary purposes and the demand from appropriations whose balances carry from year to year, which results in a lack of funds accruing to the Unassigned Fund Balance of the General Fund. The State has eliminated the smaller tax line accruals on a budgetary basis and has made contributions to General Fund reserves a higher priority in the budget.

These actions, along with the Governor's commitment to closing the structural gap in the budget, have resulted in significant increases in the equity and cash positions of the General Fund. Consequently, the State has not required external borrowing in the form of TANs or BANs for cash flow purposes.

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 POSITION

June 30, 2016
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 541,872	$ 9,720	$ 551,592	$ 44,371
Cash and Cash Equivalents	266	2,207	2,473	78,622
Cash with Fiscal Agent	68,269	-	68,269	-
Investments	95,868	-	95,868	618,201
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	61,014	-	61,014	-
Restricted Deposits and Investments	3,918	370,440	374,358	404,140
Inventories	7,636	4,382	12,018	3,548
Receivables, Net of Allowance for Uncollectibles:				
Taxes Receivable	376,300	-	376,300	-
Loans & Notes Receivable	5,711	-	5,711	82,377
Other Receivables	270,377	58,568	328,945	76,147
Internal Balances	10,694	(10,694)	-	-
Due from Other Governments	273,860	-	273,860	159,359
Due from Primary Government	-	-	-	16,737
Loans receivable from primary government	-	-	-	45,928
Due from Component Units	61,901	-	61,901	-
Other Current Assets	8,250	818	9,068	30,068
Total Current Assets	1,785,936	435,441	2,221,377	1,559,498
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	227,149	4,075	231,224	18,600
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	25,576	-	25,576	-
Restricted Deposits and Investments	-	-	-	344,760
Pension Assets	3,517	-	3,517	-
Investments	-	-	-	505,499
Receivables, Net of Current Portion:				
Taxes Receivable	61,766	-	61,766	-
Loans and Notes Receivable	-	-	-	1,968,929
Other Receivables	1,457	-	1,457	6,229
Due from Other Governments	3,792	-	3,792	1,269,923
Loans receivable from primary government	-	-	-	379,271
Due From Primary Government	-	-	-	921
Post-Employment Benefit Asset	331	-	331	13,096
Other Noncurrent Assets	-	-	-	13,159
Capital Assets:				
Land, Infrastructure and Other Non-Depreciable Assets	3,474,721	2,778	3,477,499	636,059
Buildings, Equipment and Other Depreciable Assets, Net	654,809	35,880	690,689	1,072,723
Total Noncurrent Assets	4,453,118	42,733	4,495,851	6,229,169
Total Assets	6,239,054	478,174	6,717,228	7,788,667
Deferred Outflows of Resources	$ 312,593	$ 3,184	$ 315,777	$ 118,641

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

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Liabilities				
Current Liabilities:				
Accounts Payable	$ 452,746	$ 14,710	$ 467,456	$ 63,943
Accrued Payroll	44,169	822	44,991	4,308
Tax Refunds Payable	209,089	-	209,089	-
Due to Component Units	20,737	-	20,737	-
Due to Primary Government	-	-	-	61,901
Current Portion of Long-Term Obligations:				
Compensated Absences	6,005	132	6,137	3,041
Due to Other Governments	91,030	-	91,030	2,409
Amounts Held under State & Federal Loan Programs	-	-	-	48,959
Claims Payable	30,887	-	30,887	-
Bonds and Notes Payable	82,987	-	82,987	231,896
Revenue Bonds Payable	20,221	-	20,221	35,717
Obligations under Capital Leases	5,490	-	5,490	2,927
Certificates of Participation and Other Financing Arrangements	37,985	-	37,985	-
Loans Payable to Component Unit	45,928	-	45,928	-
Accrued Interest Payable	4,835	-	4,835	31,356
Unearned Revenue	2,551	183	2,734	65,310
Other Current Liabilities	7,062	21,052	28,114	68,822
Total Current Liabilities	1,061,722	36,899	1,098,621	620,589
Long-Term Liabilities:				
Compensated Absences	38,727	958	39,685	-
Due to Component Units	921	-	921	-
Due to Other Governments	-	-	-	4,340
Amounts Held under State & Federal Loan Programs	-	-	-	40,963
Claims Payable	48,532	-	48,532	-
Bonds and Notes Payable	381,457	-	381,457	3,332,261
Revenue Bonds Payable	152,152	-	152,152	703,495
Obligations under Capital Leases	31,189	-	31,189	3,581
Certificates of Participation and Other Financing Arrangements	31,580	-	31,580	-
Loans Payable to Component Unit	379,271	-	379,271	-
Unearned Revenue	12,522	-	12,522	-
Net Pension Liability	2,211,385	24,882	2,236,267	83,513
Other Post-Employment Benefit Obligation	387,770	3,904	391,674	2,625
Pollution Remediation and Landfill Obligations	38,821	-	38,821	-
Other Noncurrent Liabilities	-	-	-	155,089
Total Long-Term Liabilities	3,714,327	29,744	3,744,071	4,325,867
Total Liabilities	4,776,049	66,643	4,842,692	4,946,456
Deferred Inflows of Resources	$ 134,369	$ 1,534	$ 135,903	$ 30,659
Net Position				
Net Investment in Capital Assets	3,435,465	38,658	3,474,123	1,134,737
Restricted:				
Business Licensing & Regulation	36,969	-	36,969	-
Employment Security	-	398,342	398,342	-
Other Purposes	-	-	-	1,179,305
Funds Held as Permanent Investments:				
Expendable	71,601	-	71,601	-
Nonexpendable	24,402	-	24,402	243,726
Unrestricted	(1,927,208)	(23,819)	(1,951,027)	372,425
Total Net Position	$ 1,641,229	$ 413,181	$ 2,054,410	$ 2,930,193

STATE OF MAINE
STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Governmental Support & Operations	$ 477,351	$ 91,136	$ 2,007	$ -
Arts, Heritage & Cultural Enrichment	10,815	890	2,970	-
Business Licensing & Regulation	51,207	74,634	113	-
Economic Development & Workforce Training	169,201	10,934	79,666	-
Education	1,614,477	38,691	207,235	-
Health & Human Services	3,587,573	17,553	2,250,956	-
Justice & Protection	412,088	87,183	53,018	-
Natural Resources Development & Protection	207,610	92,054	55,111	-
Transportation Safety & Developmen	590,437	159,659	224,773	-
Interest Expense	44,822	-	-	-
Total Governmental Activities	7,165,581	572,734	2,875,849	-
Business-Type Activities:				
Employment Security	110,912	137,593	7,946	-
Alcoholic Beverages	120,373	166,752	-	-
Lottery	217,556	278,454	-	-
Ferry Services	12,782	4,138	2	-
Military Equipment Maintenance	11,610	6,139	-	-
Dirigo Health	12	491	-	-
Other	7,178	8,151	-	-
Total Business-Type Activities	480,423	601,718	7,948	-
Total Primary Government	$ 7,646,004	$ 1,174,452	$ 2,883,797	$ -
Component Units:				
Finance Authority of Maine	48,293	26,226	22,247	-
Maine Community College System	136,378	15,917	58,812	6,375
Maine Health & Higher Educational Facilities Authority	35,602	32,610	5,393	-
Maine Municipal Bond Bank	64,579	52,192	12,319	23,502
Maine State Housing Authority	209,587	68,909	147,196	-
Maine Turnpike Authority	96,340	128,198	-	-
University of Maine System	677,695	289,270	158,574	2,881
All Other Non-Major Component Units	196,463	48,451	111,721	20,801
Total Component Units	$ 1,464,937	$ 661,773	$ 516,262	$ 53,559

General Revenues:
Taxes:
Corporate
Individual Income
Fuel
Property
Sales & Use
Other
Unrestricted Investment Earnings
Non-Program Specific Grants, Contributions & Appropriations
Miscellaneous Income
Gain (Loss) on Sale of Assets
Tobacco Settlement
Special Items
Transfers - Internal Activities
Total General Revenues and Transfers
Change in Net Position
Net Position - Beginning (as restated)
Net Position - Ending

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

Governmental Activities	Business-Type Activities	Total	Component Units
Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
$ (384,208)	$ -	$ (384,208)	$ -
(6,955)	-	(6,955)	-
23,540	-	23,540	-
(78,601)	-	(78,601)	-
(1,368,551)	-	(1,368,551)	-
(1,319,064)	-	(1,319,064)	-
(271,887)	-	(271,887)	-
(60,445)	-	(60,445)	-
(206,005)	-	(206,005)	-
(44,822)	-	(44,822)	-
(3,716,998)	-	(3,716,998)	-
-	34,627	34,627	-
-	46,379	46,379	-
-	60,898	60,898	-
-	(8,642)	(8,642)	-
-	(5,471)	(5,471)	-
-	479	479	-
-	973	973	-
-	129,243	129,243	-
$ (3,716,998)	$ 129,243	$ (3,587,755)	$ -
-	-	-	180
-	-	-	(55,274)
-	-	-	2,401
-	-	-	23,434
-	-	-	6,518
-	-	-	31,858
-	-	-	(226,970)
-	-	-	(15,490)
$ -	$ -	$ -	$ (233,343)
108,395	-	108,395	-
1,534,620	-	1,534,620	-
245,299	-	245,299	-
58,450	-	58,450	-
1,437,916	-	1,437,916	-
382,191	-	382,191	-
7,335	-	7,335	4,774
-	-	-	303,406
85,948	-	85,948	11,050
-	-	-	194
52,083	-	52,083	-
-	11,335	11,335	-
100,879	(100,879)	-	-
4,013,116	(89,544)	3,923,572	319,424
296,118	39,699	335,817	86,081
1,345,111	373,482	1,718,593	2,844,112
$ 1,641,229	$ 413,181	$ 2,054,410	$ 2,930,193

STATE OF MAINE
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2016
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Treasurer's Cash Pool	$ 149,841	$ 54,019	$ 13,876	$ 362,577	$ 135	$ 580,448
Cash and Short-Term Investments	106	117	-	41	-	264
Cash with Fiscal Agent	8,874	734	-	53,583	-	63,191
Investments	-	-	-	-	95,868	95,868
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	-	-	-	-	86,590	86,590
Inventories	2,484	-	439	-	-	2,923
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	402,950	23,052	-	12,064	-	438,066
Loans Receivable	1	-	-	5,710	-	5,711
Other Receivable	98,005	2,701	92,119	75,728	-	268,553
Due from O her Funds	12,113	11,679	176	14,063	-	38,031
Due from O her Governments	-	-	273,287	-	-	273,287
Due from Component Units	25	-	-	61,871	-	61,896
O her Assets	493	3	117	232	-	845
Working Capital Advances Receivable	111	-	-	-	-	111
Total Assets	$ 675,003	$ 92,305	$ 380,014	$ 585,869	$ 182,593	$ 1,915,784
Liabilities						
Accounts Payable	$ 137,885	$ 23,768	$ 221,495	$ 21,355	$ 1,812	$ 406,315
Accrued Payroll	20,521	8,138	4,457	8,270	-	41,386
Tax Refunds Payable	209,089	-	-	-	-	209,089
Due to Other Governments	-	-	90,981	-	-	90,981
Due to Other Funds	52,750	3,976	17,214	5,338	23	79,301
Due to Component Units	2,007	917	6,725	2,147	1,330	13,126
Unearned Revenue	-	4,792	439	9,218	3	14,452
Pollution Remediation and Landfill Obligations	-	-	-	1,243	-	1,243
O her Accrued Liabilities	4,267	-	1,517	2,496	-	8,280
Total Liabilities	426,519	41,591	342,828	50,067	3,168	864,173
Deferred Inflows of Resources	203,150	742	49	28,154	-	232,095
Fund Balances						
Nonspendable:						
Permanent Fund Principal	-	-	-	-	24,402	24,402
Inventories and Prepaid Items	2,665	-	492	206	-	3,363
Restricted	12,865	49,972	36,645	380,341	155,023	634,846
Committed	64,959	-	-	65,957	-	130,916
Assigned	-	-	-	61,144	-	61,144
Unassigned	(35,155)	-	-	-	-	(35,155)
Total Fund Balances	45,334	49,972	37,137	507,648	179,425	819,516
Total Liabilities, Deferred Inflows and Fund Balances	$ 675,003	$ 92,305	$ 380,014	$ 585,869	$ 182,593	$ 1,915,784

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

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

June 30, 2016
Expressed in Thousands

Total fund balances for governmental funds		$ 819,516
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	4,300,904	
Less: Accumulated depreciation	374,765	
		3,926,139
Pension assets		3,517
Pension related deferred outflows		298,707
Other post-employment benefit assets are not financial resources		331
Refunded bond deferred outflows		1,523
Pollution remediation receivable		1,597
Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental fund statements. However, these amounts are included in the Statement of Net Position. This is the net effect of these balances on the statement:		
Bonds payable	(636,817)	
Interest payable related to long-term financing	(3,157)	
Certificates of participation and other financing arrangements	(39,001)	
Capital leases	(2,647)	
Loans payable to component unit	(425,199)	
Compensated absences	(40,948)	
Pension liability	(2,138,366)	
Pension related deferred inflows	(129,876)	
Other post-employment benefit obligation	(374,953)	
Pollution remediation and landfill obligations	(37,578)	
		(3,828,542)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		236,271
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		182,170
Net position of governmental activities		$ 1,641,229

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, 2016
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 3,305,720	$ 221,348	$ -	$ 286,714	$ -	$ 3,813,782
Assessments and Other Revenue	105,216	96,846	-	161,121	-	363,183
Federal Grants and Reimbursements	1,952	-	2,862,170	11,922	-	2,876,044
Service Charges	38,984	4,442	406	152,953	-	196,785
Investment Income	2,439	255	15	2,879	870	6,458
Miscellaneous Revenue	14,360	245	-	118,595	-	133,200
Total Revenues	3,468,671	323,136	2,862,591	734,184	870	7,389,452
Expenditures						
Current:						
Governmental Support & Operations	230,692	1,509	3,003	104,604	239	340,047
Economic Development & Workforce Training	39,885	-	80,795	44,672	10,175	175,527
Education	1,422,871	-	205,450	41,510	18,210	1,688,041
Health and Human Services	1,107,675	-	2,225,919	314,176	-	3,647,770
Business Licensing & Regulation	-	-	69	56,706	-	56,775
Natural Resources Development & Protection	73,225	28	56,571	103,396	614	233,834
Justice and Protection	320,810	25,931	56,137	47,187	1,727	451,792
Arts, Heritage & Cultural Enrichment	7,623	-	3,049	1,075	-	11,747
Transportation Safety & Development	-	283,211	187,217	128,478	3,817	602,723
Debt Service:						
Principal Payments	80,405	15,300	15,680	31,780	-	143,165
Interest Payments	20,309	2,993	4,259	14,604	-	42,165
Capital Outlay	-	-	-	-	58,185	58,185
Total Expenditures	3,303,495	328,972	2,838,149	888,188	92,967	7,451,771
Revenue over (under) Expenditures	165,176	(5,836)	24,442	(154,004)	(92,097)	(62,319)
Other Financing Sources (Uses)						
Transfer from Other Funds	91,809	25,846	13,191	189,081	1,436	321,363
Transfer to Other Funds	(146,996)	(10,822)	(23,750)	(40,802)	(3,557)	(225,927)
COP's and Other	9,144	735	-	3,380	-	13,259
Bonds Issued	-	-	-	21,190	97,705	118,895
Refunding Bonds Issued	-	-	-	41,115	-	41,115
Premiums on Bond Issuance	-	-	-	2,404	14,259	16,663
Payments to Refunded Bond Escrow Agent	-	-	-	(43,519)	-	(43,519)
Net Other Finance Sources (Uses)	(46,043)	15,759	(10,559)	172,849	109,843	241,849
Net Change in Fund Balances	119,133	9,923	13,883	18,845	17,746	179,530
Fund Balances at Beginning of Year	(73,799)	40,049	23,254	488,803	161,679	639,986
Fund Balances at End of Year	$ 45,334	$ 49,972	$ 37,137	$ 507,648	$ 179,425	$ 819,516

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, 2016
(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 179,530
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 hose assets is allocated over their estimated useful lives as depreciation expense. In the current period the amounts are:		
Capital outlay	81,501	
Depreciation expense	(36,158)	45,343
The net effect of various transactions involving capital assets (i.e. sales, trade-ins and contributions) is to increase net position.		(922)
Pension assets		(2,727)
Pension related deferred outflows		(58,261)
Refunded bond deferred outflows		1,523
Post-employment benefit asset funding, net		(325)
Pollution Remediation Receivable		111
The issuance of long-term debt provides current financial resources to governmental funds which increases long-term debt in the Statement of Net Position. Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but repayment reduces long-term debt in the Statement of Net Position. This is the amount that proceeds exceed repayments:		
Bond proceeds	(160,010)	
Premium on bonds issued	(16,663)	
Proceeds from other financing arrangements	(13,238)	
Payment to Refund Bond Escrow Agent	43,519	
Repayment of bond principal	95,705	
Repayment of other financing debt	25,132	
Repayment of pledged revenue principal	51,989	
Repayment of capitalized lease principal	529	
Accrued interest (Manual Entry)	(205)	
Amortization of bond premiums	2,572	29,330
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported as expenditures on the Statement of Net Position and have been eliminated from the Statement of Posi ion as follows:		
Compensated absences	(662)	
Pension liability	(379,894)	
Pension related deferred inflows	541,535	
Other post-employment benefit obligation	(13,896)	
Pollution remediation and landfill obliga ions	(7,063)	140,020
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		(44,983)
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 Activi ies.		7,479
Changes in net position of governmental activities		$ 296,118

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

STATE OF MAINE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2016
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds: Major Employment Security	Non-Major Other Enterprise	Total	Governmental Activities Internal Service Funds
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ -	$ 9,720	$ 9,720	$ 132,873
Cash and Short-Term Investments	1,451	756	2,207	2
Cash with Fiscal Agent	-	-	-	5,078
Restricted Assets:				
Restricted Deposits and Investments	370,440	-	370,440	3,918
Inventories	-	4,382	4,382	4,713
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	29,774	28,794	58,568	1,727
Due from Other Funds	323	1,362	1,685	25,619
Due from Component Units	-	-	-	5
Other Current Assets	-	818	818	7,405
Total Current Assets	401,988	45,832	447,820	181,340
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	4,075	4,075	55,700
Capital Assets - Net of Depreciation	-	38,658	38,658	203,391
Total Noncurrent Assets	-	42,733	42,733	259,091
Total Assets	401,988	88,565	490,553	440,431
Deferred Outflows of Resources	$ -	$ 3,184	$ 3,184	$ 12,363
Liabilities				
Current Liabilities:				
Accounts Payable	$ 2,951	$ 11,759	$ 14,710	$ 13,189
Accrued Payroll	-	822	822	2,783
Due to Other Funds	-	12,041	12,041	7,138
Due to Component Units	-	-	-	8,532
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	11,659
Obligations Under Capital Leases	-	-	-	4,961
Claims Payable	-	-	-	30,887
Compensated Absences	-	132	132	454
Unearned Revenue	-	183	183	300
Accrued Interest Payable	-	-	-	165
Other Accrued Liabilities	695	20,357	21,052	295
Total Current Liabilities	3,646	45,294	48,940	80,363
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Unearned Revenue	-	-	-	321
Certificates of Participation and Other Financing Arrangements	-	-	-	18,905
Obligations Under Capital Leases	-	-	-	29,071
Claims Payable	-	-	-	48,532
Compensated Absences	-	958	958	3,330
Net Pension Liability	-	24,882	24,882	73,019
Other Post-Employment Benefit Obligation	-	3,904	3,904	12,817
Total Long-Term Liabilities	-	29,744	29,744	186,106
Total Liabilities	3,646	75,038	78,684	266,469
Deferred Inflows of Resources	$ -	$ 1,534	$ 1,534	$ 4,493
Net Position				
Net Investment in Capital Assets	-	38,658	38,658	144,397
Restricted for:				
Unemployment Compensation	398,342	-	398,342	-
Other Purposes	-	-	-	1,788
Unrestricted	-	(23,481)	(23,481)	35,647
Total Net Position	$ 398,342	$ 15,177	$ 413,519	$ 181,832
Amounts reported for business-type activities in the government-wide Statement of Activities are different due to elimination of the State's internal business-type activities			(338)	
			$ 413,181	

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

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

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major	Non-Major		Internal
	Employment Security	Other Enterprise	Total	Service Funds
Operating Revenues				
Charges for Services	$ -	$ 464,535	$ 464,535	$ 431,039
Assessments	137,488	-	137,488	-
Miscellaneous Revenues	105	447	552	267
Total Operating Revenues	137,593	464,982	602,575	431,306
Operating Expenses				
General Operations	-	365,635	365,635	385,678
Depreciation	-	3,210	3,210	25,566
Claims/Fees Expense	110,912	-	110,912	14,808
Other Operating Expenses	-	-	-	764
Total Operating Expenses	110,912	368,845	479,757	426,816
Operating Income (Loss)	26,681	96,137	122,818	4,490
Nonoperating Revenues (Expenses)				
Investment Revenue (Expense) - net	7,946	-	7,946	877
Interest Expense	-	-	-	(9,637)
Other Nonoperating Revenues (Expenses) - net	-	(855)	(855)	(1,000)
Total Nonoperating Revenues (Expenses)	7,946	(855)	7,091	(9,760)
Income (Loss) Before Capital Contributions, Transfers and Special Items	34,627	95,282	129,909	(5,270)
Capital Contributions, Transfers and Special Items				
Capital Contributions from (to) Other Funds	-	37	37	1,892
Transfers from Other Funds	495	5,112	5,607	24,668
Transfers to Other Funds	(3,546)	(102,977)	(106,523)	(14,477)
Special Items	-	11,335	11,335	-
Total Capital Contributions, Transfers and Special Items	(3,051)	(86,493)	(89,544)	12,083
Change in Net Position	31,576	8,789	40,365	6,813
Net Position - Beginning of Year	366,766	6,388	373,154	175,019
Net Position - End of Year	$ 398,342	$ 15,177		$ 181,832
Amounts reported for business-type activities in the government-wide Statement of Activities are different due to elimination of the State's internal business-type activities			(666)	
Changes in Business-Type Net Assets			$ 39,699	

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

STATE OF MAINE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

June 30, 2016
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major	Non-Major		Internal
	Employment Security	Other Enterprise	Totals	Service Funds
Cash Flows from Operating Activities				
Receipts from Customers and Users	$ 141,531	$ 457,311	$ 598,842	$ 38,425
Other Operating Cash Receipts (Payments)				
Cash Received from Interfund Services	1,789	7,778	9,567	395,715
Payments of Benefits	(109,643)	-	(109,643)	-
Payments to Prize Winners	-	(179,768)	(179,768)	-
Payments to Suppliers	-	(155,048)	(155,048)	(283,638)
Payments to Employees	-	(20,830)	(20,830)	(61,604)
Payments for Interfund Goods and Services	-	(17,682)	(17,682)	(42,593)
Net Cash Provided (Used) by Operating Activities	33 677	91 761	125 438	46 305
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	495	5,112	5,607	10,326
Transfers to Other Funds	(3,546)	(102,977)	(106,523)	(135)
Negative Cash Balance Implicitly Financed	-	3 005	3 005	(211)
Net Cash Provided (Used) by Noncapital Financing Activities	(3,051)	(94,860)	(97,911)	9,980
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	-	(40)	(40)	(26,276)
Proceeds from Financing Arrangements	-	-	-	5,813
Principal and Interest Paid on Financing Arrangements	-	-	-	(26,012)
Proceeds from Sale of Capital Assets	-	-	-	458
Net Cash Provided (Used) by Capital Financing Activities	-	(40)	(40)	(46,017)
Cash Flows from Investing Activities				
Interest Revenue	7,946	12	7,958	877
Net Cash Provided (Used) by Investing Activities	7 946	12	7 958	877
Net Increase (Decrease) in Cash/Cash Equivalents	38,572	(3,127)	35,445	11,145
Cash/Cash Equivalents - Beginning of Year	333,319	17,678	350,997	186,426
Cash/Cash Equivalents - End of Year	$ 371,891	$ 14,551	$ 386,442	$ 197,571
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	$ 26,681	$ 96,137	$ 122,818	$ 4,490
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	-	3,210	3,210	25,566
Decrease (Increase) in Assets				
Accounts Receivable	5,944	(14)	5,930	787
Interfund Balances	(217)	(8,624)	(8,841)	7,677
Due From Component Units	-	-	-	(5)
Inventories	-	(623)	(623)	(1,078)
Other Assets	-	(501)	(501)	(4,754)
Deferred Outflows	-	74	74	(188)
Increase (Decrease) in Liabilities				
Accounts Payable	574	4,394	4,968	5,343
Accrued Payroll Expenses	-	(248)	(248)	(1,795)
Due to Other Governments	-	-	-	4,217
Compensated Absences	-	36	36	54
Deferred Inflows	-	(4,314)	(4,314)	(13,999)
Net Pension Liability	-	1,345	1,345	1,555
Other Accruals	695	889	1,584	18,435
Total Adjustments	6,996	(4,376)	2,620	41,815
Net Cash Provided (Used) by Operating Activities	$ 33,677	$ 91,761	$ 125,438	$ 46,305
Non Cash Investing, Capital and Financing Activities				
Property Leased, Accrued or Acquired	-	-	-	791
Contributed Capital Assets	-	37	37	1,892
Special tem	-	11,335	11,335	-

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


DIRIGO
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STATE OF MAINE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2016
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts	Agency Funds
Assets			
Equity in Treasurer's Cash Pool	$ -	$ 559	$ 17,285
Cash and Short-Term Investments	31,215	-	28
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	4,000	-	-
Interest and Dividends	3,018	-	-
Due from Brokers for Securities Sold	209	-	-
Other	27,328	-	-
Investments at Fair Value:			
Equity Securities	2,579,694	-	-
Common/Collective Trusts	10,136,710	-	-
Other	-	16,855	-
Restricted Deposits and Investments	-	-	323
Securities Lending Collateral	108,480	-	-
Due from Other Funds	-	33,242	-
Investments Held on Behalf of Others	-	-	54,422
Capital Assets - Net of Depreciation	7,370	-	-
Other Assets	-	3,899	2,101
Total Assets	12,898,024	54,555	74,159
Liabilities			
Accounts Payable	$ 6,787	$ 56	$ 1,202
Due to Other Funds	-	3	94
Agency Liabilities	-	-	72,816
Obligations Under Securities Lending	108,480	-	-
Other Accrued Liabilities	18,331	-	47
Total Liabilities	133,598	59	74,159
Net Position			
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	12,764,426	54,496	-
Total Net Position	$ 12,764,426	$ 54,496	$ -

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

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

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts
Additions:		
Contributions:		
Members	$ 182,320	$ -
State and Local Agencies	325,629	-
Other Contributing Entity	112,478	-
Investment Income (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	67,136	73
Interest and Dividends	61,960	194
Securities Lending Income	771	-
Less Investment Expense:		
Investment Activity Expense	76,169	-
Securities Lending Expense	(928)	-
Net Investment Income (Loss)	54,626	267
Miscellaneous Revenues	-	7,890
Transfers In	-	616
Total Additions	675,053	8,773
Deductions:		
Benefits Paid to Participants or Beneficiaries	949,632	103
Refunds and Withdrawals	23,834	-
Administrative Expenses	11,619	175
Claims Processing Expense	1,076	-
Transfers Out	-	5,327
Total Deductions	986,161	5,605
Net Increase (Decrease)	(311,108)	3,168
Net Position:		
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:		
Beginning of Year	13,075,534	51,328
End of Year	$ 12,764,426	$ 54,496

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

STATE OF MAINE
STATEMENT OF NET POSITION
COMPONENT UNITS

June 30, 2016
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health and Higher Educational Facilities Authority	Maine Municipal Bond Bank
Current Assets:				
Equity in Treasurer's Cash Pool	$ 20,349	$ 6,459	$ 3,599	$ -
Cash and Cash Equivalents	3,856	12,393	3,458	111
Investments	54,041	46,075	12,154	22,888
Restricted Assets:				
Restricted Deposits and Investments	-	-	24,872	266,483
Inventories	-	1,083	-	-
Receivables, Net of Allowance for Uncollectibles:				
Loans and Notes Receivable	15,439	-	35,509	-
Other Receivables	2,202	5,875	1,168	918
Due from Other Governments	241	-	-	135,756
Due from Primary Government	-	1,041	-	-
Loans Receivable from Primary Government	-	-	-	45,928
Other Current Assets	1,026	1,907	745	17,460
Total Current Assets	97,154	74,833	81,505	489,544
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	8,530	2,707	1,509	-
Restricted Assets:				
Restricted Deposits and Investments	18,553	659	87,313	176,310
Investments	-	13,154	25,239	-
Receivables, Net of Current Portion:				
Loans and Notes Receivable	99,179	-	621,167	-
Other Receivables	-	-	-	-
Due from Other Governments	-	-	-	1,269,923
Due from Primary Government	-	-	-	-
Loans Receivable from Primary Government	-	-	-	379,271
Post-Employment Benefit Asset	-	13,096	-	-
Capital Assets - Net of Depreciation	1,491	180,949	-	436
Other Noncurrent Assets	-	-	-	-
Total Noncurrent Assets	127,753	210,565	735,228	1,825,940
Total Assets	224,907	285,398	816,733	2,315,484
Deferred Outflows of Resources	$ 829	$ 19,816	$ -	$ 41,551
Liabilities				
Current Liabilities:				
Accounts Payable	$ 3,816	$ 3,096	$ 63	$ 235
Accrued Payroll	-	-	-	-
Compensated Absences	-	2,253	-	-
Due to Other Governments	-	-	352	423
Due to Primary Government	-	-	-	60,661
Amounts Held Under State & Federal Loan Programs	-	-	-	48,959
Bonds and Notes Payable	6,945	131	35,680	151,249
Obligations Under Capital Leases	-	2,209	-	-
Accrued Interest Payable	462	-	14,687	11,557
Unearned Revenue	1,171	2,264	3,112	3,934
Other Current Liabilities	25,259	6,260	-	-
Total Current Liabilities	37,653	16,213	53,894	277,018
Long-Term Liabilities:				
Due to Other Governments	1,983	-	62	585
Amounts Held Under State & Federal Loan Programs	40,963	-	-	-
Bonds and Notes Payable	100,843	21,153	703,390	1,384,234
Obligations Under Capital Leases	-	27	-	-
Net Pension Liability	-	68,007	-	1,059
Other Post-Employment Benefits Obligation	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-
Total Long-Term Liabilities	143,789	89,187	703,452	1,385,878
Total Liabilities	181,442	105,400	757,346	1,662,896
Deferred Inflows of Resources	$ -	$ 14,193	$ -	$ 341
Net Position				
Net Investment in Capital Assets	1,491	158,087	-	436
Restricted	17,933	38,165	-	616,690
Unrestricted	24,870	(10,631)	59,387	76,672
Total Net Position	$ 44,294	$ 185,621	$ 59,387	$ 693,798

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

Maine State Housing Authority	Maine Turnpike Authority	University of Maine System	Non-Major Component Units	Total
$ -	$ -	$ 12,656	$ 1,308	$ 44,371
959	6,499	1,907	49,439	78,622
258,634	-	215,799	8,610	618,201
-	85,730	-	27,055	404,140
-	1,604	-	861	3,548
29,841	-	63	1,525	82,377
15,324	4,639	40,359	5,662	76,147
5,893	-	10,727	6,742	159,359
1,103	-	4,959	9,634	16,737
-	-	-	-	45,928
-	1,008	5,352	2,570	30,068
311,754	99,480	291,822	113,406	1,559,498
-	-	5,305	549	18,600
-	40,238	1,411	20,276	344,760
96,348	13,050	338,424	19,284	505,499
1,187,050	-	41,177	20,356	1,968,929
1,490	70	3,015	1,654	6,229
-	-	-	-	1,269,923
-	-	715	206	921
-	-	-	-	379,271
-	-	-	-	13,096
686	569,355	706,833	249,032	1,708,782
4,882	7,329	-	948	13,159
1,290,456	630,042	1,096,880	312,305	6,229,169
1,602,210	729,522	1,388,702	425,711	7,788,667
$ 21,706	$ 20,725	$ 9,370	$ 4,644	$ 118,641
$ 13,468	$ 8,968	$ 14,777	$ 19,520	$ 63,943
-	2,773	-	1,535	4,308
-	-	-	788	3,041
305	-	-	1,329	2,409
-	-	-	1,240	61,901
-	-	-	-	48,959
42,540	18,700	10,897	1,471	267,613
-	-	690	28	2,927
4,650	-	-	-	31,356
3,247	9,072	10,692	31,818	65,310
-	9,677	26,727	899	68,822
64,210	49,190	63,783	58,628	620,589
-	-	-	1,710	4,340
-	-	-	-	40,963
1,232,615	425,439	151,705	16,377	4,035,756
-	-	3,516	38	3,581
3,768	-	-	10,679	83,513
-	-	-	2,625	2,625
13,977	32,615	108,284	213	155,089
1,250,360	458,054	263,505	31,642	4,325,867
1,314,570	507,244	327,288	90,270	4,946,456
$ 2,566	$ 6,565	$ 1,388	$ 5,606	$ 30,659
686	199,595	544,721	229,721	1,134,737
279,789	37,010	359,979	73,465	1,423,031
26,305	(167)	164,696	31,293	372,425
$ 306,780	$ 236,438	$1,069,396	$ 334,479	$ 2,930,193

STATE OF MAINE
STATEMENT OF ACTIVITIES
COMPONENT UNITS

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health and Higher Educational Facilities Authority	Maine Municipal Bond Bank
Expenses	$ 48,293	$ 136,378	$ 35,602	$ 64,579
Program Revenues				
Charges for Services	26,226	15,917	32,610	52,192
Program Investment Income	252	106	5,393	11,849
Operating Grants and Contributions	21,995	58,706	-	470
Capital Grants and Contributions	-	6,375	-	23,502
Net Revenue (Expense)	180	(55,274)	2,401	23,434
General Revenues				
Unrestricted Investment Earnings	765	49	156	162
Non-program Specific Grants, Contributions and Appropriations	-	58,820	-	-
Miscellaneous Income	-	1,147	141	1,831
Gain (Loss) on Assets Held for Sale	-	-	-	-
Total General Revenues	765	60,016	297	1,993
Change in Net Position	945	4,742	2,698	25,427
Net Position, Beginning of the Year (as restated)	43,349	180,879	56,689	668,371
Net Position, End of Year	$ 44,294	$ 185,621	$ 59,387	$ 693,798

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

Maine State Housing Authority	Maine Turnpike Authority	University of Maine System	Non-Major Component Units	Total
$ 209,587	$ 96,340	$ 677,695	$ 196,463	$1,464,937
68,909	128,198	289,270	48,451	661,773
3,944	-	(13,717)	105	7,932
143,252	-	172,291	111,616	508,330
-	-	2,881	20,801	53,559
6,518	31,858	(226,970)	(15,490)	(233,343)
14	260	2,561	807	4,774
-	-	225,077	19,509	303,406
-	5,780	-	2,151	11,050
-	(104)	(1,813)	2,111	194
14	5,936	225,825	24,578	319,424
6,532	37,794	(1,145)	9,088	86,081
300,248	198,644	1,070,541	325,391	2,844,112
$ 306,780	$ 236,438	$1,069,396	$ 334,479	$2,930,193

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

Financial accountability is defined in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. The State is financially accountable for those entities for which it appoints a voting majority of the governing board and either is able to impose its will on that entity or the entity may provide specific financial benefits to, or impose specific financial burdens on, the primary government. Entities for which the State does not appoint a voting majority of the governing board may be included if the organization is fiscally dependent on the primary government and there exists a financial benefit or burden relationship with the State. Entities that do not meet the specific criteria for inclusion may still be included if the nature and significance of its relationship with the primary government is such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

Blended Component Units
Blended component units are entities that are legally separate from the State, but provide services entirely, or almost entirely to the State or otherwise exclusively, or almost exclusively, benefits the primary government even though they do not provide services directly to it. The State reports one blended component unit.

The Maine Governmental Facilities Authority (MGFA) is a legally separate organization that has its board appointed by the primary government and provides services entirely, or almost entirely, to the State. Its purpose includes assisting in the financing, acquisition, construction, improvement, reconstruction, and equipping of additions to structures designed for use as a court facility, State office or State activity space. In their separately issued financial statements, MGFA records a lease receivable from the State and a liability for bonds issued. However, in accordance with GASB, capital leases that exist between the State and MGFA are not recorded as leases in this report. The assets associated with these leases are reported in the government-wide statements along with the related debt. The corresponding debt service activity is recorded in the Governmental Funds. MGFA financial activity associated with servicing the debt is reported in an internal service fund. Therefore, the State reports MGFA's balances and transactions as though they were part of the primary government, using the blending method.

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

The State is able to impose its will upon these discretely presented component units whose boards of directors or boards of trustees are appointed by the Governor:

The Maine Community College System is Maine's comprehensive two-year college system and offers certificate, diploma and associate degree programs. The combined financial statements of the System include the activity of seven colleges, the central administrative office and the Center for Career Development (including the Maine Career Advantage and Maine Quality Centers programs), and its component unit, Maine Community College Educational Foundations.

The Maine Turnpike Authority (MTA) constructs, maintains and operates a turnpike at such a location approved by the State Highway Commission. It issues turnpike revenue bonds payable solely from revenues of the Authority. The Authority's fiscal year ends December 31.

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

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

The Finance Authority of Maine provides commercial financing and loan guarantees to Maine businesses and educational financing to Maine students and their parents. The Authority also provides financial and other services for the NextGen College Investing Plan, Potato Marketing Improvement Fund Board, the Nutrient Management Fund Board, the Northern Maine Transmission Corporation, the Adaptive Equipment Loan Program Fund Board, the Fund Insurance Review Board, the Agricultural Marketing Loan Fund Board, and the Occupational Safety Program Fund Board. The Governor appoints the fifteen voting members of the Authority.

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

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

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

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

Maine Public Employees Retirement System administers a public employee retirement system. It provides pension, death, and disability benefits to its members, which include employees of the State, some public school employees, employees of approximately 300 local municipalities and other public entities in Maine. The State has a financial benefit/burden relationship with the retirement system since the legislature has substantive approval over their budget.

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

Finance Authority of Maine 5 Community Dr. PO Box 949 Augusta, ME 04332	Maine Health and Higher Ed. Facilities Authority PO Box 2268 Augusta, ME 04338	Maine Public Employees Retirement System PO Box 349 Augusta, ME 04332-0349	Maine Turnpike Authority 2360 Congress Street Portland, ME 04102
Maine Community College System 323 State Street Augusta, ME 04330	Maine Municipal Bond Bank PO Box 2268 Augusta, ME 04338	Maine State Housing Authority 89 State House Station 353 Water Street Augusta, ME 04330	University of Maine System 16 Central Street Bangor, ME 04401

Related Organizations
Officials of the State's primary government appoint a voting majority of the governing board of the Maine Veteran's Home. The primary government has no material accountability for this organization beyond making board appointments.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The *Statement of Net Position* presents the reporting entity's non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Net position is reported in three components:

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

Restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Constraints placed on restricted components of net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports $531.3 million of restricted net position, of which $435 million is restricted by enabling legislation.

Unrestricted component of net position consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of the two preceding categories. The unrestricted component of net position often is designated, to indicate that management does not consider it to be available for general operations and often have constraints on resources that are imposed by management, but can be removed or modified.

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

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

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

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

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

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

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

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

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

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

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

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

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

The *Other Special Revenue Fund* accounts for specific revenue sources that are legally required to be expended 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 and for MPERS' retiree healthcare benefits. The investment trusts, managed by the Maine Public Employees Retirement System, hold the long-term investments. The trustees of the Healthcare Other Employee Benefit Trust Fund are the State Controller and State Treasurer.

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

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

D. FISCAL YEAR-ENDS

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

E. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

Equity in Treasurer's Cash Pool

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

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

Cash and Cash Equivalents

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

Cash with Fiscal Agent

Cash with Fiscal Agent in Governmental Funds represents cash that will be used for debt service on bonds and unspent proceeds of bonds and Certificates of Participation.

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 $102 million of Workers' Compensation, $51.9 million of Bureau of Insurance, and $33.8 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 unearned revenue in the Federal Fund. Revenues and corresponding expenditures are recognized when food stamps are used (EBT cards), and when vaccines and food commodities are issued. Inventories of materials and supplies in the Proprietary Funds are determined by physical counts and by perpetual inventory systems. Proprietary Fund inventories are stated at cost or average cost.

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

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

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

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

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

Due from/to Other Governments
Due from/to Other Governments represents amounts receivable from or payable to municipalities or the federal government. Due from Other Governments represents primarily federal grants receivable for Medicaid claims, other health and human services programs, and federal grants receivable for transportation-related expenditures. Due from Other Governments in the component units' column represents amounts receivable for grants, bond repayment and retirement benefits. Due to Other Governments primarily consist of amounts owed to municipalities for Municipal Revenue Sharing and the federal government for Medicaid cost recoveries from providers.

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

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

Capital assets of component units are capitalized upon purchase and depreciated over their estimated useful lives. Interest incurred during construction is capitalized. The estimated useful lives of fixed assets are 5–60 years for non-road structures and improvements and 3–15 years for equipment, furniture, fixtures and vehicles. Component units reflect infrastructure in improvements other than buildings and record depreciation expense on them. The Maine Turnpike Authority (MTA) uses the modified approach for reporting its significant infrastructure assets. As long as MTA maintains and preserves its infrastructure assets at pre-determined condition levels, maintenance costs are expensed and depreciation is not reported.

Deferred Outflows of Resources
Deferred outflows of resources are defined as a consumption of net assets by the government applicable to a future period; they increase net position, similar to assets. Note 15 provides further detail on the components of deferred outflows of resources.

Accounts Payable
Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers. Incurred but not paid (IBNP) Medicaid claims settlements are actuarially estimated. The IBNP estimate recorded at June 30, 2016 is $184.5 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, 2016 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.

Net Pension Liability
For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System (MPERS) and additions/deductions from MPERS' fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The primary government's proportionate share of pension amounts were further allocated to proprietary funds based on the salaries paid by each proprietary fund. Pension investments are reported at fair value. Note 9 provides further detail on the net pension liability.

Deferred Inflows of Resources
Deferred inflows of resources are defined as an acquisition of net assets by the government applicable to a future period; they decrease net position, similar to liabilities. Note 15 provides further detail on the components of deferred inflows.

Loans Payable to Component Unit
In the Statement of Net Position, the amount of bond proceeds received by a component unit for unmatured GARVEE, TransCap and Liquor Revenue 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 Position/Fund Balances
The difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources is "Net Position" on the government-wide, proprietary and fiduciary fund statements and "Fund Balances" on governmental fund statements.

Fund Balance Restrictions
Fund balances for governmental funds have been classified in accordance with GASB Statement No. 54.

The State reported the following fund balance restrictions:

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

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

Committed Fund Balances – indicates assets can be used only for specific purposes pursuant to constraints imposed by a formal action of the Maine Legislature through Legislation passed into law.

Assigned Fund Balances – include amounts constrained by the State's intent to be used for a specific purpose, but are neither restricted nor committed. The State has two types of intent authorized by statute. Management decisions are made in accordance with statutory powers and duties, including encumbrances. Legislative assignments include formal actions passed into law that lapse with the passage of time and do not require additional legislation. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed.

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

F. REVENUES AND EXPENDITURES/EXPENSES

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

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

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

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

NOTE 2 – BUDGETING AND BUDGETARY CONTROL, AND LEGAL COMPLIANCE

Appropriation Limits

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

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

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

Budget Stabilization Fund

The Maine Budget Stabilization Fund, a fund designation established under Title 5 MRSA C. 142, is included in the negative $35.2 million unassigned General Fund fund balance. Amounts in the stabilization fund may be expended only to offset a General Fund revenue shortfall. The Governor may also allocate funds for payment of death benefits for law enforcement officers, firefighters and emergency medical services personnel.

Balances in the fund do not lapse, but carry forward each year. Money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. As the sixth priority before any other transfer, the State Controller is required to transfer 80 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 2016.

The statutory cap for the fund is 18 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 2016 actual General Fund revenue, the statutory cap at the close of fiscal year 2016 and during fiscal year 2016 was $605.9 million. At the close of fiscal year 2016, the balance of the Maine Budget Stabilization Fund was $112.4 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	$ 111,083
Increase in fund balance	1,269
Balance, end of year	$ 112,352

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 supplemental budgets or separate pieces of legislation. For the year ended June 30, 2016, the Legislature decreased appropriations to the General Fund by $3.4 million.

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

Governmental Fund Balances – Restricted, Committed and Assigned

The State's fund balances represent: (1) restricted purposes, which include balances legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; (3) assigned purposes, which includes balances that are constrained by government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these fund balance types at June 30, 2016 are detailed on the following page.

Governmental Fund Balances
(Expressed in Thousands)

	NSIF	Restricted	Committed	Assigned
General Fund:				
Education	$ -	$ -	$ 21,081	$ -
Governmental Support & Operations	-	7,509	40,451	-
Public Safety		1,365	-	-
Justice & Protection		-	1,149	-
Inland Fisheries & Wildlife	-	3,991	-	-
Agriculture & Conservation	-	-	2,278	-
All Other	2,665	-	-	-
Total	$ 2,665	$ 12,865	$ 64,959	$ -
Highway Fund:				
Transportation Safety & Development	$ -	$ 11,943	$ -	$ -
Light Highway & Bridge Capital	-	21,664	-	-
Transportation - Highway & Bridge Construction	-	15,663	-	-
All Other	-	702	-	-
Total	$ -	$ 49,972	$ -	$ -
Federal Fund:				
HHS Centers for Disease Control	$ -	$ 2,342	$ -	$ -
HHS Office of Family Independence	-	18,822	-	-
HHS Substance Abuse & Mental Health	-	2,562	-	-
HHS Office of Child & Family Services	-	5,120	-	-
Justice & Protection	-	1,107	-	-
Transportation - Highway & Bridge Construction	-	3,667	-	-
All Other	492	3,025	-	-
Total	$ 492	$ 36,645	$ -	$ -
Other Special Revenue Fund:				
Professional & Financial Regulation	$ -	$ 64,103	$ -	$ -
Education	-	5,212	-	-
Economic Development & Workforce Training	-	6,063	3,073	-
Governmental Support & Operations	-	51,512	12,296	22,094
Public Utilities Commission	-	9,804	-	14,002
Workers Compensation Board	-	12,308	-	-
Liquor Bond	-	7,864	-	-
Fund for Healthy Maine	-	-	15,800	-
HHS Licensing & Regulatory Services	-	3,743	-	-
Office of Family Independence	-	2,664	36	-
Substance Abuse & Mental Health	-	-	9,261	-
Centers for Disease Control & Prevention	-	904	7,260	-
MaineCare	-	21,891	-	-
Defense, Veterans & Emergency Management	-	-	2,446	-
Justice & Protection	-	4,059	118	5,012
Public Safety	-	15,332	-	-
Agriculture & Conservation	-	8,660	1,482	15,216
Environmental Protection	-	22,757	1,116	-
Inland Fisheries & Wildlife	-	11,319	-	-
Marine Resources	-	5,475	-	2,294
Highway & Bridge Capital	-	23,362	-	-
Motor Vehicles	-	5,625	-	-
Multimodal Transportation	-	829	13,069	11
Bonds for Highway & Bridge Construction	-	94,978	-	-
All Other	206	1,876	-	2,516
Total	206	380,341	65,957	61,144
Other Governmental Funds:	NSIF	Restricted	Permanent	
Capital Projects - Agriculture & Conservation	$ -	$ 4,080	$ -	$ -
Capital Projects - Higher Education	-	6,343	-	-
Capital Projects - Highway & Bridge Construction	-	29,721	-	-
Capital Projects - Justice & Protection	-	10,124	-	-
Capital Projects - Multimodal Transportation	-	18,548	-	-
Capital Projects - Economic & Community Development	-	9,734	-	-
Capital Projects - Environmental Protection	-	4,725	-	-
Capital Projects - Other	-	147	-	-
Permanent Funds - Baxter Park	-	-	6,905	-
Permanent Funds - All Others	-	-	17,497	-
Special Revenue Funds - Baxter Park	-	71,453	-	-
Special Revenue Funds - All Other	-	148	-	-
Total	$ -	$ 155,023	$ 24,402	$ -

NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS

Accounting Changes
During fiscal year ended June 30, 2016, the State implemented the following accounting standard:

GASB Statement No. 72, *Fair Value Measurement and Application.* This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the uses of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, addresses accounting and financial reporting for certain external investment pools and pool participants. There was no impact on the State's financial statements as a result of implementing GASB 79.

Change in Accounting Estimate
GASB Statements No. 68 and 71 were implemented in fiscal year 2015. These Statements established standards for recognizing pension related costs to each employer and non-contributing entity of the plan. The Statements did not establish specific requirements for an employers to use as a basis for allocating the costs to individual funds. For fiscal year 2015, the State allocated pension costs to individual funds using an average of seven years worth of salary costs. After reconsideration, management changed its allocation basis to reflect a five year rolling average allocation of employer contributions made by each fund. Management believes the new measure more accurately aligns the pension costs, which are directly related to and expected to be paid from, each fund. The impact was a $9.1 million increase (2015 year-end pension costs) being recognized in the Governmental Funds and a matching $9.1 million decrease in the Business Activities Funds.

See Note 18 – Special Items for additional discussion.

Restatements - Component Units
GASB Statements No. 68 and No. 71 were implemented for component units with December 31 year ends. The cumulative effect of implementing GASB Statements No. 68 and No. 71 reduced beginning net position of Maine State Housing Authority and Maine Turnpike Authority by $4.7 million and $10.2 million, respectively. Maine Educational Center for the Deaf and Hard of Hearing, a non-major component unit, restated its opening pension deferred outflows and inflows balances, decreasing its beginning net position by $.3 million.

The Legislature enacted S.P. 544-LD 1443, entitled "An Act to Merge the Maine Educational Loan Authority with the Finance Authority of Maine". As a result, the Maine Educational Loan Authority (MELA), a non-major component unit with a December 31 year end, ceased to exist and its operations were merged into the Finance Authority of Maine (FAME), a component unit with a June 30 year end. The combination was treated as a government merger as if it occurred at the beginning of FAME's fiscal year end. The merger increased FAME's beginning net position by $3.1 million and reduced MELA's by the same amount. The six months of MELA's operations showed an $8 thousand beginning net position that was reduced to zero as a result of the merger.

Three non-major discretely presented component units reduced their beginning net position as a result of correcting their capital asset balances. Northern New England Passenger Rail Authority increased its beginning net position $.9 million, Maine Port Authority increased its net position by $.2 million, and Midcoast Regional Redevelopment Authority increased its net position by $84 thousand.

NOTE 4 - DEFICIT FUND BALANCES/NET POSITION

Five internal service funds showed deficits for the fiscal year ended June 30, 2016. The Workers' Compensation Fund reported a deficit of $28.2 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a deficit of $3.8 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of $4.3 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 remaining two internal service funds, Financial and Personnel Services and Information Services, reported deficits of $19.7 million and $14.1 million, respectively. The deficit for those funds is the result of the implementation of GASB Statement No. 68 in Fiscal Year 2015, which requires the recognition of the entire net pension liability.

Three enterprise funds showed deficits for the fiscal year ended June 30, 2016. Maine Military Authority, Dirigo Health and Consolidated Emergency Communication Fund reported deficits of $17.7 million, $858 thousand and $4 million, respectively. The deficit for Maine Military Authority is due primarily to the implementation of GASB Statement No. 68 in fiscal year 2015 which requires the recognition of the entire net pension liability. The remainder of the deficit, $3.9 million, is anticipated to be funded through future service charges. The deficit for Dirigo Health and Consolidated Emergency Communication Fund is the result of the implementation of GASB Statement No. 68 in fiscal year 2015 which requires the recognition of the entire net pension liability.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

Approved investments include bonds, notes, certificates of indebtedness, other obligations of the United States that mature not more than 36 months from the date of investment; repurchase agreements secured by obligations of the United States that mature within the succeeding 12 months; prime commercial paper; tax-exempt obligations that mature not more than 36 months from the date of investment and have a long-term rating of no less that "AA" or the equivalent; corporate bonds rated "AAA" that mature within 36 months from the date of investment; banker's acceptances with an original maturity not exceeding 180 days and rated in the highest short-term category by at least one nationally recognized securities rating organization (NRSRO); and "no-load" shares of an investment company registered under the Federal Investment Company Act of 1940, which are rated "AAAm" or "AAAm-G" by Standard & Poor's, or the equivalent by another NRSRO. Although authorized to do so, the Treasurer does not participate in the securities loan market.

Investment policies of the permanent trusts are governed by Title 5 MRSA § 138. The Treasurer, with the approval of the Commissioner of Administrative and Financial Services, the Superintendent of Financial

Institutions and the Attorney General, shall invest the funds in securities that are legal investments in accordance with Title 9-B MRSA. The investments need not be segregated to the separate trusts, but the identity of each trust must be maintained. The Treasurer may enter into custodial care and servicing contracts or agreements negotiated in accordance with the laws of this State for the handling of funds held in trust.

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

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

The Primary Government's Deposits and Investments, excluding component units that are fiduciary in nature, at June 30, 2016 are as follows:

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	$ 769,021	$ 13,795	$ 559	$ 17,285	$ 800,660
Cash and Cash Equivalents	266	2,207	-	28	2,501
Cash with Fiscal Agent	68,269	-	-	-	68,269
Investments	95,868	-	16,855	-	112,723
Restricted Equity in Treasurer's Cash Pool	86,590	-	-	-	86,590
Restricted Deposits and Investments	3,918	370,440	-	323	374,681
Investments Held on Behalf of Others	-	-	-	54,422	54,422
Total Primary Government	$ 1,023,932	$ 386,442	$ 17,414	$ 72,058	$ 1,499,846

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, 2016:

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	$ 9,335	$119,683	$ -	$ -	$ -	$ -	$ 129,018
US Treasury Notes	-	117,044	-	-	-	-	117,044
Corporate Notes and Bonds	-	18,009	-	-	-	-	18,009
Commercial Paper	105,750	-	-	-	-	-	105,750
Certificates of Deposit	53,601	18,096	-	-	-	-	71,697
Cash and Cash Equivalents	749	-	-	-	-	433,531	434,280
Unemployment Fund	-	-	-	-	-	370,440	370,440
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	192	2,391	301	20	966	-	3,870
US Treasury Notes	3,881	9,760	2,022	3,137	96	1,197	20,092
Corporate Notes and Bonds	96	1,639	736	8,776	562	38,877	50,686
Other Fixed Income Securities	10,970	-	8,471	-	-	17,032	36,473
Commercial Paper	2,170	-	-	-	-	-	2,170
Certificates of Deposit	10,414	431	-	-	-	4,199	15,044
Money Market	-	-	-	-	-	2,656	2,656
Cash and Cash Equivalents	-	-	-	-	-	18,413	18,413
Equities	-	-	-	-	-	31,776	31,776
Other	-	-	-	-	-	4,159	4,159
	$197,158	$287,053	$11,530	$11,933	$ 1,623	$ 922,279	$1,431,577
Other Assets							
Cash with Fiscal Agent							68,269
Total Primary Government							$1,499,846

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This credit risk is measured by the credit quality ratings of investments as described by nationally recognized statistical rating organizations. The State's investment policy limits its investments to those with high credit quality made by or with the advice and upon the due diligence of the State's independent investment advisor. The State limits credit risk in its trusts by ensuring that the fixed income credit quality at the time of purchase is a minimum bond rating of "A" by either Standard & Poor's or Moody's rating service. Fixed income holdings thereafter shall maintain a minimum bond rating of "BBB".

The Primary Government's total investments by credit quality rating as of June 30, 2016 are presented below:

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

	A1	A	AA	AAA	BB	BBB	Not Rated	Total
Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds								
US Instrumentalities	$ -	$ -	$ 125,849	$ -	$ -	$ -	$ 3,169	$ 129,018
US Treasury Notes	-	-	117,044	-	-	-	-	117,044
Corporate Notes and Bonds	-	-	-	18,009	-	-	-	18,009
Commercial Paper	105,750	-	-	-	-	-	-	105,750
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds								
US Instrumentalities	-	-	2,583	-	-	-	1,287	3,870
US Treasury Notes	-	-	3,296	-	-	-	16,796	20,092
Corporate Notes and Bonds	-	753	433	405	-	994	48,101	50,686
Commercial Paper	2,170	-	-	-	-	-	-	2,170
Money Market	-	-	-	-	-	-	2,656	2,656
Other Fixed Income Securities	-	-	-	-	-	-	4,159	4,159
Total Primary Government	$ 107,921	$ 753	$ 249,205	$ 18,414	$ -	$ 994	$ 76,168	$ 453,454

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 seven percent of the total portfolio. There is no concentration of credit risk policy for the Treasurer's Cash Pool. At June 30, 2016, 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 $80.3 million invested in non-negotiable certificates of deposit, certain CD's exceeded the FDIC insured amounts for the institutions at which they were held. However, certificates of deposits, money market accounts and regular cash deposits are all collateralized at a minimum of 100% with pledged securities or a Federal Home Loan Bank letter of credit. 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, 2016 was $71.4 million and was comprised of the following (expressed in thousands):

U.S. Instrumentalities	$ 1,287
US Treasury Notes	894
Corporate Notes and Bonds	2,324
Other Fixed Income Securities	10,970
Equities	52,187
Cash and Equivalents	1,118
Other	2,604
Total	$ 71,384

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2016 these disbursements, on average, exceeded $168 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.

Fair Value Measurements **-** The State of Maine categorizes its fair value measurements within the fair value hierarchy established by the generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of an asset. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the State of Maine has the ability to access.

Level 2 – Inputs to the valuation method include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets and liabilities measured at fair value are based on one or more of the three valuation techniques. The three valuation techniques are as follows:

- *Market Approach* – Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities;
- *Cost Approach* – Amount that would be required to replace the service capacity of an asset (i.e., replacement cost); and
- *Income Approach* – Techniques to convert future amount to a single present amount based on market exceptions (including present value techniques).

Following is a description of the valuation methodologies used for assets at fair value.

Investments classified as level 1: Investments classified as level 1 are primarily exchange traded equity securities and other fixed income securities valued at market prices using interactive exchange data.

Investments classified as level 2: Investments classified as level 2 including fixed income corporate bond, fixed income government bonds and treasury notes are priced using a published mid-price. Price sources and hierarchies are set out in Global Pricing Matrices. Market recognized sources for each fixed income asset class, typically provided through main pricing vendors. Market recognized sources include office sources such as GEMMA and evaluated sources for US Government Bonds. In addition, Bloomberg generic (BGN) may be used as a secondary source where required and for validation. Alternate providers such as Markit and index-providers such as Barclays may also be used to supplement pricing on particular asset groups. Bonds and Fixed Income instruments as standard will follow market practice on a clean basis, i.e., without the inclusion of accrued income or similar payments.

Investments classified as level 2 are also priced using selected vendors that price assets on a mark-to-market basis where a market valuation is required. Examples include Commercial Paper, Certificates of Deposit, Discount Notes, Treasury Bills, Floating & Variable Rate Notes, all of which have maturities of less than 1 year. Standard methodology for pricing of short term paper with less than 91 days, held by Money Market Funds (MMF) is to use the "amortized cost" basis (by calculating the value based on a straight line amortization of premium/discount to the original cost). Amortized cost valuation is applied on the LoB's accounting platform as required. Where funds are required to use market value (instead of amortized cost price) or prices required for daily, weekly or monthly "marked to market" (US 2a-7 validation) funds are priced using the following hierarchy:

- Evaluated price from IDC or Reuters
- Amortized cost price, if available
- Original cost price
- Fund manager provides security price

Investments classified as level 3: Investments classified as level 3 include private equities securities that exist in illiquid markets. These securities are broker priced.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the State of Maine believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table set forth by level, within the fair value hierarchy, the State of Maine's assets carried at fair value on a recurring basis as of June 30, 2016:

Fair Value Measurement
(Expressed in Thousands)

	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Cash and Cash Equivalents	$ -	$ 1,118	$ -
Commercial Paper	-	107,920	-
Corporate Bonds and Notes	-	20,702	-
U.S. Instrumentalities	-	129,719	-
U.S. Treasury Notes	894	119,446	-
Other Fixed Income Securities	10,970	8,471	-
Equities	52,187	31,776	-
Other	-	-	2,604
Total	$ 64,051	$ 419,153	$ 2,604

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

Foreign currency forward contracts are used to hedge against the currency risk in the System's foreign equity and fixed income security portfolios. The System's fixed income managers invest in Collateralized Mortgage Obligations (CMOs) and Asset-Backed Securities to improve the yield or adjust the duration of the fixed income portfolio. At June 30, 2016, the System did not have any derivative positions in CMOs or Asset-Backed Securities. The System also invests in swaps. Interest rate swaps are used to adjust interest rate and yield curve exposures and substitute for physical securities.

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

Cash open collateral is invested in a short-term investment pool, the Core Limited Collateral Section. Cash collateral may also be invested separately in "term loans." At June 30, 2016 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, 2016 was $173.2 million and $168.7 million, respectively.

The system did not have any derivative investments as of June 30, 2016 or during the year then ended.

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 9 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 $63 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 $12.4 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	$ 518,106	$ 160,026	$ 1	$ (177,177)	$ 500,956
Highway	23,099	2,722	-	(68)	25,753
Federal	-	126,872	-	(34,753)	92,119
Other Special Revenue	12,451	92,340	5,761	(17,050)	93,502
Other Governmental Funds	-	-	-	-	-
Total Governmental Funds	553,656	381,960	5,762	(229,048)	712,330
Allowance for Uncollectibles	(115,590)	(113,407)	(51)		
Net Receivables	$ 438,066	$ 268,553	$ 5,711		$ 712,330
Proprietary Funds:					
Employment Security	$ -	$ 54,122	$ -	$ (24,348)	$ 29,774
Nonmajor Enterprise	-	28,995	-	(201)	28,794
Internal Service	-	1,727	-	-	1,727
Total Proprietary Funds	-	84,844	-	(24,549)	60,295
Allowance for Uncollectibles	-	(24,549)	-		
Net Receivables	$ -	$ 60,295	$ -		$ 60,295

Component Units – Receivables
(Expressed in Thousands)

	Accounts	Loans and Notes	Allowance For Uncollectibles	Net Receivables
Finance Authority of Maine	$ 2,202	$ 118,902	$ (4,284)	$ 116,820
Maine Community College System	6,981	-	(1,106)	5,875
Maine Health and Educational Facilities Authority	1,284	656,676	(116)	657,844
Maine Municipal Bond Bank	918	-	-	918
Maine State Housing Authority	16,814	1,227,019	(10,128)	1,233,705
Maine Turnpike Authority	4,709	-	-	4,709
University of Maine System	49,289	42,751	(7,426)	84,614

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, 2016 were:

Interfund Receivables
(Expressed in Thousands)

	Due to Other Funds				
Due from Other Funds	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 873	$ -	$ -
Highway	11	14	11,647	1	-
Federal	10	1	156	9	-
Other Special Revenue	6,960	321	1,116	802	23
Other Governmental	-	-	-	-	-
Employment Security	-	-	277	-	-
Non-Major Enterprise	1,349	13	-	-	-
Internal Service	11,178	3,627	3,145	4,526	-
Fiduciary	33,242	-	-	-	-
Total	$ 52,750	$ 3,976	$ 17,214	$ 5,338	$ 23

Due from Other Funds	**Employment Security**	**Non-Major Enterprise**	**Internal Service**	**Fiduciary**	**Total**
General	$ -	$ 6,305	$ 4,852	$ 83	$ 12,113
Highway	-	-	6	-	11,679
Federal	-	-	-	-	176
Other Special Revenue	-	4,641	200	-	14,063
Other Governmental	-	-	-	-	-
Employment Security	-	46	-	-	323
Non-Major Enterprise	-	-	-	-	1,362
Internal Service	-	1,049	2,080	14	25,619
Fiduciary	-	-	-	-	33,242
Total	$ -	$ 12,041	$ 7,138	$ 97	$ 98,577

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.

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, 5) transfer accumulated surpluses from other funds to the General Fund when authorized by statute and 6) move profits from the Alcoholic Beverages Fund.

During fiscal year 2016, the State of Maine, in accordance with the legislatively authorized budget, recorded the following non-routine, nonrecurring transfers.

The Other Special Revenue Fund and the Dirigo Health Non-Major Enterprise Fund transferred $1.8 and $1.0 million, respectively, to the unappropriated surplus of the General Fund. The General Fund transferred $13.4 million to the Other Special Revenue Cost Recovery Fund within the Public Utilities Commission.

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Interfund Transfers
(Expressed in Thousands)

	Transferred From				
Transferred To	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 4,451	$ 14,962	$ -
Highway	1,555	-	17,665	6,626	-
Federal	75	-	-	9,570	-
Other Special Revenue	135,080	5,710	1,139	9,639	1,505
Other Governmental Funds	-	-	-	-	1,436
Employment Security		-	495	-	-
Non-Major Enterprise	-	5,112	-	-	-
Internal Service	10,286	-	-	5	-
Fiduciary	-	-	-	-	616
Total	$ 146,996	$ 10,822	$ 23,750	$ 40,802	$ 3,557

	Transferred From				
Transferred To	**Employment Security**	**Non-Major Enterprise**	**Internal Service**	**Fiduciary**	**Total**
General	$ -	$ 67,612	$ 100	$ 4,684	$ 91,809
Highway	-	-	-	-	25,846
Federal	3,546	-	-	-	13,191
Other Special Revenue	-	35,365	-	643	189,081
Other Governmental Funds	-	-	-	-	1,436
Employment Security	-	-	-	-	495
Non-Major Enterprise	-	-	-	-	5,112
Internal Service	-	-	14,377	-	24,668
Fiduciary	-	-	-	-	616
Total	$ 3,546	$ 102,977	$ 14,477	$ 5,327	$ 352,254

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, 2016:

Primary Government – Capital Assets
(Expressed in Thousands)

	Beginning Balance	Increases and Other Additions	Decreases and Deletions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 591,764	$ 20,521	$ 455	$ 611,830
Construction in progress	130,856	20,682	113,350	38,188
Infrastructure	2,788,032	36,671	-	2,824,703
Total capital assets not being depreciated	3,510,652	77,874	113,805	3,474,721
Capital assets being depreciated:				
Buildings	692,889	82,043	2,739	772,193
Equipment	272,774	51,040	30,418	293,396
Improvements other than buildings	80,725	15,558	32	96,251
Software	74,621	1,171	2,733	73,059
Total capital assets being depreciated	1,121,009	149,812	35,922	1,234,899
Less accumulated depreciation for:				
Buildings	290,042	23,214	2,602	310,654
Equipment	181,613	26,310	26,696	181,227
Improvements other than buildings	46,337	3,855	32	50,160
Software	29,704	8,345	-	38,049
Total accumulated depreciation	547,696	61,724	29,330	580,090
Total capital assets being depreciated, net	573,313	88,088	6,592	654,809
Governmental Activities Capital Assets, net	$ 4,083,965	$ 165,962	$ 120,397	$ 4,129,530

	Beginning Balance	Net Additions	Net Deletions	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 2,387	$ -	$ -	$ 2,387
Construction in progress	2,838	37	2,484	391
Total capital assets not being depreciated	5,225	37	2,484	2,778
Capital assets being depreciated:				
Buildings	4,655	-	-	4,655
Equipment	32,572	39	40	32,571
Improvements other than buildings	41,124	1,633	-	42,757
Total capital assets being depreciated	78,351	1,672	40	79,983
Less accumulated depreciation for:				
Buildings	2,501	134	-	2,635
Equipment	11,535	1,529	24	13,040
Improvements other than buildings	26,882	1,546	-	28,428
Total accumulated depreciation	40,918	3,209	24	44,103
Total capital assets being depreciated, net	37,433	(1,537)	16	35,880
Business-Type Activities Capital Assets, net	$ 42,658	$ (1,500)	$ 2,500	$ 38,658

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	$ 75
Business Licensing and Regulation	415
Economic Development and Workforce Training	1,598
Education	336
Governmental Support and Operations	16,143
Health and Human Services	8,998
Justice and Protection	17,628
Natural Resources Development and Protection	4,120
Transportation Safety and Development	12,411
Total Depreciation Expense – Governmental Activities	$ 61,724

NOTE 9 - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

OVERVIEW OF THE SYSTEM

The Maine Public Employees Retirement System, formerly named the Maine State Retirement System (the System) is a component unit of the State of Maine. Title 5 MRSA C. 421, 423, and 425 authorized the establishment and administration of the defined benefit plans. The System administers two cost sharing multiple employer defined benefit plans, two single employer defined benefit plans and one closed agent multiple-employer defined benefit plan. All of these plans provide pension, disability, and death benefits to their members.

The State Employees and Teachers Plan (SETP) is a multiple-employer cost sharing plan with a special funding situation. The plan covers employees of the State and public school employees (defined by Maine law as teachers). The State of Maine is also a nonemployer contributing entity in that the State pays the unfunded actuarial liability on behalf of non-grant funded teachers. School districts contribute the normal cost, calculated actuarially, for their teacher members and directly pay the unfunded actuarial liability on behalf of grant funded teachers. The Participating Local Districts Plan (Consolidated PLD) covers employees of approximately 300 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine, each of which contracts for participation in the System under provisions of the relevant statutes.

The System also provides single employer defined benefit plans to cover State legislators and State Judicial employees and administers a closed agent, multiple-employer defined benefit plan (Agent PLD) which covers those employers for whom the System administered single employer plans at the time the PLD Consolidated Plan was implemented who opted not to join the Consolidated Plan.

In addition to administrating pension plans, the System invests funds accumulated for two OPEB Trusts. The Retiree Health Insurance Trust Fund accumulates assets to provide funding for the State's unfunded obligations for retiree health benefits. Trustees of the System were named Trustees of the Investment Trust Fund. The System also invests funds for the MainePERS OPEB Trust. The trust accumulates assets to provide funding for retiree health benefits and life insurance in retirement for qualified individuals who retire from the System. The Trustees of the System were named Trustees of the MainePERS OPEB Trust.

The System administers three defined contribution plans for employees of PLD's that elect to participate. At June 30, 2016, there were 74 employers participating in these plans. The 1,034 participants individually direct the $29.1 million covered by the plans.

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, 2016 report may be obtained from the Maine Public Employees Retirement System, PO Box 349, Augusta, ME 04332-0349 or on-line at www.mainepers.org.

Total pension funds managed by the System are constitutionally restricted and held in trust for the payment of pension and related benefits to its members. OPEB funds are statutorily restricted for the payment of retiree healthcare. The System's Board of Trustees, in its fiduciary capacity, establishes the System's investment policies and their overall implementation. With respect to the SETP, the actuary prepares valuations for the State's portion of the SETP, including the segregation of teachers from employees.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit retirement plans and additions to or deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the System. The measurement period used is June 30, 2015. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

EMPLOYER ALLOCATIONS FOR COST-SHARING DEFINED BENEFIT RETIREMENT PROGRAMS

Schedules of Employer Allocations for the SETP are displayed separately for the two groups within the Plan, state employees being one group and teachers the second. This is to reflect the unique funding arrangement that currently exists within the Plan for teachers. Total employer contributions for the state employees group, adjusted for employer-specific liability contributions, were used as the basis for allocation. For the teacher group, total employer and non-employer contributions were the basis for the allocation, adjusted to remove the normal cost contributions paid by local school districts on behalf of their employees. This leaves contributions toward the unfunded liability of the Plan as the basis of allocation. This method of allocation properly distributes the collective net pension liability between the State of Maine as the non-employer contributing entity and those districts contributing towards the unfunded liability of the plan using grant funding.

The Schedules of Employer Allocations for the PLD Consolidated Plan reflect current year employer contributions, adjusted to remove contributions related to employer specific liabilities to the Plans. For the PLD Plan, certain employers have individual un-pooled pension assets resulting from the closure of individual single employer plans upon joining the PLD Consolidated Plan. For these employers, current year contributions are adjusted to reflect the gross contributions due for service prior to applying an offset from these assets, if applicable. An offset occurs when an employer with un-pooled pension assets held by the System chooses to use a portion of these assets to cover the cost of current contributions due.

MEMBERSHIP

State employees and teachers are covered under the Maine Public Employees Retirement System's State Employee and Teacher Retirement Program (SETP). State employees and public school teachers are required by law to become members of SETP when hired. Membership is optional for elected, appointed officials and substitute teachers. SETP also covers eligible employees of three non-major discretely presented State component units: Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, and the Northern New England Passenger Rail Authority. At June 30, 2016 there were 236 employers, including the State of Maine, participating in the plan.

PLD employees become members of the Consolidated PLD plan when they are hired if their employer participates as a PLD in MainePERS at that time and if they meet the membership eligibility requirements in effect when they are hired. For some PLD employees, membership is optional. These employees include those employed by their PLD before the PLD joined MainePERS, those whose employers provide Social Security under a federal law, elected and appointed officials, and chief administrative officers. The Consolidated PLD plan includes employees of three component units of the State that have defined benefit plans: Maine Municipal Bond Bank, Maine Maritime Academy, and the Maine Public Employees Retirement System.

The System also administers two single employer retirement programs for specific State employees. The Legislative Retirement Program was established to provide a retirement program for those serving in the Maine Legislature. Except as provided otherwise by statute, membership in the Maine Legislative Retirement Program is mandatory for legislators entering service on or after December 3, 1986. The Judicial Retirement Program was established to provide a retirement program for Maine's judges. Membership in the Judicial Retirement Program is a condition of employment for all judges serving on or after December 1, 1984.

Membership in each single employer defined benefit plan consisted of the following at the measurement date of June 30, 2015:

Employees of single employer covered by benefit terms

	Judicial	**Legislative**
Inactive employees or beneficiaries currently receiving benefits	71	170
Terminated participants:		
Vested	3	127
Inactive employees due refunds	1	115
Active employees	56	180
Total participants	131	592

STATE EMPLOYEES AND TEACHERS PENSION PLAN BENEFITS

The System's retirement programs provide retirement benefits based on members' average final compensation and creditable service. Vesting occurs upon the earning of five years of service credit or the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and survivor benefits, which are established by statute for State employee and teacher members, and by contract with other participating employers under applicable statutory provisions.

PARTICIPATING LOCAL DISTRICTS PLAN BENEFITS

In the event that a member of the Consolidated PLD Plan withdraws from the System, its individual employee-members 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.

CONTRIBUTION INFORMATION

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

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

The UAAL rate as applied to State employee members' compensation is first established through the annual valuation process as an amount that will meet the required unfunded actuarial accrued liability payment amount; it is then adjusted in the State's budget process to take into account differences in salary growth projections of the State Budget Office. This adjusted rate, expressed as a percentage of payroll, is the actual rate paid by the State as payment of the required UAAL payment amount for State employees. For teachers, the actuarially determined UAAL amount is paid in 12 equal monthly installments. PLD employer contribution rates are actuarially determined rates.

On occasion, the State may agree to pay employee pension contributions as a part of the compensation and benefits that are negotiated with employees. The employer-paid contributions are treated as part of their pension compensation. In accordance with statute, the actuary treats these payments as employer contributions and accumulates them in the Retirement Allowance Fund. 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 five percent.

CONTRIBUTION RATES – DEFINED BENEFIT PENSION PLANS

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

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

Contribution rates[1] in effect for the fiscal years ended June 30, 2016 and June 30, 2015 are as follows:

	June 30, 2016	Measurement Date June 30, 2015
SETP - State Employees		
Employees [2]	7.65 - 8.65%	7.65 - 8.65%
Employer [1]	21.64 - 41.59%	18.43 - 41.05%
SETP - Teachers		
Employees [2]	7.65%	7.65%
Employer [1]	2.65%	2.65%
Non-employer entity [1]	10.02%	13.03%
Judicial Plan		
Employees [2]	7.65%	7.65%
Employer [1]	14.99%	13.24%
Legislative Plan		
Employees [2]	7.65%	7.65%
Employer [1]	0.00%	0.00%
Consolidated Participating Local Entities		
Employees [2]	4.0 - 9.0%	3.5 - 8.5%
Employer [1]	4.4 - 14.0%	4.0 - 13.4%

[1] Employer and non-employer contribution rates include normal cost and the UAAL required payment, expressed as a percentage of payroll

[2] Employer and employee contribution rates vary depending on specific terms of plan benefits for certain classes of employees

For the year ended June 30, 2016, the contributions recognized as part of pension expense (grant expense for Teacher Members) for each plan were as follows:

(Expressed in Thousands)

State Employee and Teacher Pension Plan:	
State & Component Unit Members	
State Employees	$ 121,035
3 Discrete Non-major Component Units	8,251
Subtotal State & Component Unit Members	129,286
Teacher Members (Non-employer contribution)	$ 152,928

NET PENSION LIABILITY – SINGLE EMPLOYER

The State is the sole employer for two defined benefit pension plans. The State's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by a March 2016 actuarial valuation as of that date. The changes in net pension liabilities for these plans are as follows:

(Expressed in Thousands)

	Judicial Pension Plan			Legislative Pension Plan		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2015	$ 54,561	$ 57,190	$ (2,629)	$ 7,505	$ 11,120	$ (3,615)
Changes for the year:						
Service Cost	1,606		1,606	451		451
Interest	3,863		3,863	545		545
Changes in Benefit Terms	28		28	4		4
Differences Between Expected and Actual Experience	2,238		2,238	(508)		(508)
Benefit Payments, Including Refunds	(3,384)	(3,384)	-	(439)	(439)	-
Employer Contributions		979	(979)		4	(4)
Member Contributions		550	(550)		193	(193)
Net Investment Income		1,055	(1,055)		206	(206)
Administrative Expense		(49)	49		(9)	9
Net Changes	4,351	(849)	5,200	53	(45)	98
Balances at June 30, 2016	$ 58,912	$ 56,341	$ 2,571	$ 7,558	$ 11,075	$ (3,517)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			95 6%			146 5%
Covered Employee Payroll			$ 7,186			$ 2,528
Net Pension Liability as a Percentage of Covered Employee Payroll			35 8%			-139 2%

COLLECTIVE NET PENSION LIABILITIES, PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS – COST SHARING PLANS

The State's net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by a March 2016 actuarial valuation as of that date. The State's net pension liability is measured as the proportionate share of the net pension liability. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers and non-employer contributors, actuarially determined. The State's proportionate share of the collective net pension liability for each plan at June 30, 2016 and June 30, 2015 is as follows:

(Expressed in Thousands)

Pension Plan		Proportionate Share June 30, 2015	Proportionate Share June 30, 2016	Net Pension Asset June 30, 2016	Net Pension Liability June 30, 2016
SETP - State Employees	1	92 853946%	92 825250%	$ -	$ 950,597
SETP - Teachers	2	95 069591%	95 036038%	-	1,283,099
Total Primary Government				$ -	$ 2,233,696
SETP - 3 Non-major Discrete Component Units	1	7 146054%	7 174750%	$ -	$ 73,475

1 Percentage of State Employees in the SETP

2 Percentage of employer and non-employer contributors to the SETP - Teachers

The State's SETP – State Employee Plan is allocated to governmental and proprietary funds based on employer contributions as follows:

Proportion	June 30, 2015	June 30, 2016	Change Increase (Decrease)
Governmental Funds	89.31%	89.70%	0.39%
Internal Service Funds	8.12%	7.68%	-0.44%
Enterprise Funds	2.57%	2.62%	0.05%

Detailed information about the pension plan's fiduciary net position is available in the separately issued Maine Public Employees Retirement System financial report.

For the cost-sharing defined benefit pension plans it shows:

(Expressed in Thousands)

Schedule of Changes in Net Pension Liability	**SETP State of Maine**	**Combined Totals for 3 Non-major Discrete Component Units**	**Total State of Maine Employees SETP**	**SETP Teachers**
Total Pension Liability				
Service Cost	$ 68,570	$ 5,300	$ 73,870	$ 117,658
Interest	281,653	21,770	303,423	558,259
Changes in Benefit Terms	3,898	-	3,898	5,880
Differences Between Expected and Actual Experience	(31,819)	(2,459)	(34,278)	(10,009)
Benefit Payments, Including Refunds of Member Contributions	(259,181)	(20,033)	(279,214)	(443,359)
Net Change in Total Pension Liability	63,121	4,578	67,699	228,429
Beginning Total Pension Liability	4,047,976	291,875	4,339,851	7,980,308
Ending Total Pension Liability	4,111,097	296,453	4,407,550	8,208,737
Plan Fiduciary Net Position				
Employer Contributions	120,290	8,996	129,286	38,405
Non-employer Contributions	-	-	-	152,928
Member Contributions	32,754	2,531	35,285	88,243
Net Investment Income	58,902	4,552	63,454	128,369
Benefit Payments, Including Refunds of Member Contributions	(259,181)	(20,033)	(279,214)	(443,359)
Administrative Expense	(2,758)	(213)	(2,971)	(5,945)
Net Change in Plan Fiduciary Net Position	(49,993)	4,167	(54,160)	(41,359)
Beginning Plan Fiduciary Net Position	3,205,240	232,398	3,437,638	6,899,978
Ending Plan Fiduciary Net Position	3,155,247	236,565	3,383,478	6,858,619
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	(5,253)	5,253	-	-
Ending Net Pension Liability	$ 950,597	$ 65,141	$ 1,024,072	$ 1,350,118
Proportion				
June 30, 2016	92.825250%	7.110363%	100%	95.036038%
June 30, 2015	92.853946%	7.146054%	100%	95.069591%
Change - Increase (Decrease)	0.028696%	0.035691%	0%	0.033553%

Actuarial assumptions used by the System's plans are as follows:

All Plans

Valuation dates	June 30, 2015

Actuarially determined contribution rates are calculated based on a 2012 actuarial valuation developed as a roll-forward of the 2011 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2012 using actual assets as of June 30, 2012.

Actuarial cost method	Entry age normal
Asset valuation method	3 - Year smoothed market
Cost-of-Living	Benefit changes. By law, the COLA is based on the Consumer Price Index for Urban Consumers (CPI-U) as of June 30th applied to the statutory COLA base. If the percentage is negative, then no adjustment is made in that year. In subsequent years the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. This process of adjustment may occur over a multi-year period if needed to recoup the full actuarial value of the negative CPI-U. The MainePERS Board of Trustees set the 2014 COLA at 2.1% (the CPI-U at June 30, 2014) at their August meeting. Cost-of-living adjustments are effective September 1. Retirees are eligible to receive a cost-of-living adjustment after being retired for at least 12 months, except that retirees with less than 10 years of service on July 1, 1993 who retire prior to normal retirement age are not eligible to receive a cost-of-living adjustment until 12 months after reaching normal retirement age. The maximum annual limit is 3% of up to the first $20,000 of annual benefit, indexed. This is a permanent increase in retiree's benefit. The $20,000 COLA base is indexed each year going forward by the same percentage as the COLA that is paid.
Investment rate of return used for contributions in 2012	7.25%
Investment rate of return	7.125%
Salary increases	3.5% plus merit component based on employee's years of service
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA. For teachers, the same table uses a 2-year set back.
Most recent review of plan experience:	2011

Plan specific	**SETP**	**PLD** (The State is not an employer in this plan)	**Judicial**	**Legislative**
Amortization method	Level percent of payroll, closed 16-year amortization of the 2012 UAL	Corridor method, amortize liability outside of 90% corrider over an open 15 year period with level percent of payroll. Moving towards full actuarial funding.	Level percent of payroll, open 10-year amortization of the 2012 UAL	Level percent of payroll, open 10-year amortization of the 2012 UAL
Cost of living increases in benefits	2.55%	3.12%	2.55%	2.55%
Retirement age	Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.	Normal retirement age for PLD members is age 60 or 65.	100% retirement assumed to occur at age 60 for members with at least 10 years of creditable service on July 1, 1993. For members with less than 5 years of creditable service on July 1, 2001, 50% are assumed to retire each year after reaching age 65.	100% retirement assumed to occur at age 60 for members with at least 10 years of creditable service on July 1, 1993. For members with less than 5 years of creditable service on July 1, 2001, 50% are assumed to retire each year after reaching age 65.
Changes since the last valuation				
Revised 2015 Investment rate of return	N/A	7.125%	N/A	N/A

ANNUAL PENSION COST AND NET PENSION LIABILITY

For the year ended June 30, 2016, the State recognized pension expense of $140,053 which includes $58,341 of teacher pensions recorded in grant expense. At June 30, 2016, the State reported $314,254 of deferred outflows of resources and $135,903 of deferred inflows of resources related to its pension plans. Deferred outflows of resources of $258,407 relate to the State contributions that were made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense over the next four years. Information by pension plan is as follows:

(Expressed in Thousands)

	SETP State of Maine		Combined Totals for 3 Non-Major Discrete Component Units		Total State of Maine Employees SETP		SETP Teachers		Legislative		Judicial	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience demographic and economic	$ -	$ 25,577	$ -	$ 1,977	$ -	$ 27,554	$ -	$ 8,909	$ -	$ 254	$ 1,119	$ -
Changes of assumptions	17,342	-	1,341		18,683	-	35,354	-	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	30,090		2,326	-	32,416	-	58,019	-	94	-	527
Changes in proportion and differences between State contributions and proportionate share of contributions	1,186	2,808	1,883	261	3,069	3,069	846	9,625	-	-	-	-
State and component unit contributions subsequent to the measurement date	145,174	-	8,303	-	153,477	-	112,155	-	9	-	1,069	-
Total	$163,702	$ 58,475	$11,527	$ 4,564	$175,229	$ 63,039	$148,355	$ 76,553	$ 9	$ 348	$ 2,188	$ 527
For the Year Ended												
2017	(20,235)		169		(20,066)		(21,060)		(324)		746	
2018	(31,616)		(2,430)		(34,046)		(45,204)		(70)		(372)	
2019	(20,997)		(1,623)		(22,620)		(41,965)		(70)		(372)	
2020	32,901		2,544		35,445		67,876		116		590	
2021	-		-		-		-		-		-	

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation are summarized in the following table.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities	20%	5.2%
Non-U.S. Equities	20%	5.5%
Private Equity	10%	7.6%
Real Assets:		
Real Estate	10%	3.7%
Infrastructure	10%	4.0%
Hard Assets	5%	4.8%
Fixed Income	25%	0.7%

The discount rate used to measure the collective total pension liability was 7.125 percent for the 2015 and 2014 actuarial valuations for the State Employee and Teacher Plan. The PLD Plan used 7.125 percent for the 2015 actuarial valuation and 7.25 percent for the 2014 actuarial valuation. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at actuarially determined, contractually required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate used for all plans is 7.125 percent.

(Expressed in Thousands)

Defined Benefit Plans Administered through MPERS	**1% Decrease (6.125%)**	**Current Discount Rate (7.125%)**	**1% Increase (8.125%)**
State Employee and Teacher Pension Plan:			
State & Component Unit Members			
State Employees	$ 1,410,329	$ 950,597	$ 562,507
Maine Community College System	100,897	68,007	40,242
Maine Educational Center for the Deaf and Hard of Hearing	7,025	4,735	2,802
Northern New England Passenger Rail Authority	1,087	733	434
Subtotal State & Component Unit Members	1,519,338	1,024,072	605,985
Teacher Members	2,363,737	1,350,118	505,891
Total State Employee and Teacher Pension Plan	$ 3,883,075	$ 2,374,190	$ 1,111,876
Judicial Pension Plan	7,745	2,571	(1,946)
Legislative Pension Plan	(2,736)	(3,517)	(4,174)
Consolidated Participating Local Districts Plan	635,636	319,047	18,901

Changes in net pension liability are recognized in pension expense with the following exceptions:

Differences Between Expected and Actual Experience The difference between actual and expected experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2015, this was two years for the Legislative and Judicial Plans, three years for the State Employee and Teacher Plan and four years for the PLD Consolidated Plan.

Differences Between Projected and Actual Investment Earnings Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed 5 year period.

Changes in Assumptions Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. There were no changes in assumptions for the Legislative, Judicial Plans and State Employee and Teacher Plans. For the PLD Plan, the discount rate was decreased from 7.25 percent to 7.125 percent and the cost of living benefit increase assumption was changed from 3.12% to 2.55.

Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

See Note 17 regarding plan assumptions changed for the June 30, 2016 actuarial valuations.

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.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

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

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

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

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

For State employees and teachers, other options exist. Part-time employees are eligible for prorated benefits. Retirees who worked 50 percent or more of full-time hours receive 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 five years. Retirees can elect to participate in the plan at their retirement date. If participation is waived at that time, the retiree is ineligible to participate at a later date.

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

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

PLAN MEMBERSHIP

Membership in the four healthcare plans is as follows:

	State Employees	Teachers	First Responders	Ancillary Groups
Actives	12,299	27,039	913	77
Retirees	10,160	10,386	98	42
Total	22,459	37,425	1,011	119
Number of employers	1	229	58	2
Contributing entities	1	1	1	2

STATE EMPLOYEES PLAN FUNDING POLICY

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

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

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

Public Law 2011, Chapter 380 Pt. Y § 2 established separate Irrevocable Trust Funds for Other Post-employment Benefits to meet the State's unfunded liability obligations for retiree health benefits for eligible participants who are the beneficiaries of the irrevocable trust funds. Annually, beginning with the fiscal year starting July 1, 2011, the Legislature shall appropriate funds to meet the State's obligations to retire the unfunded liability for eligible first responders in 30 years or less from July 1, 2007. Public Law 2013, Chapter 368 Pt. H §2 amended the starting date for funding teachers. As amended annually beginning with the fiscal year starting July 1, 2015, the Legislature shall appropriate funds to meet the State's obligations to retire the unfunded liability at June 30, 2006 for eligible teachers in 30 years or less from July 1, 2007.

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

ANCILLARY GROUP PLAN
The following plan, administered by the State, is financially independent and is not included in the State Retiree Health Internal Service Fund. This multiple-employer agent postemployment benefit plan covers 42 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	$ 88,000	$ 48,000	$ 1,883
Interest on net OPEB obligation	9,000	9,000	268
Adjustment to annual required contribution	(18,000)	(17,000)	(496)
Annual OPEB cost	79,000	40,000	1,655
Contributions made	67,000	27,000	669
Increase (decrease) in net healthcare obligation	12,000	13,000	986
Net healthcare obligation beginning of year	148,000	211,000	6,688
Net healthcare obligation end of year	$ 160,000	$ 224,000	$ 7,674

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 Obligation
State Employees	6/30/2016	79,000	84.81%	160,000
	6/30/2015	75,000	89.33%	148,000
	6/30/2014	92,000	68.73%	140,000
Teachers	6/30/2016	40,000	67.50%	224,000
	6/30/2015	38,000	68.42%	211,000
	6/30/2014	38,000	65.67%	199,000
First Responders	6/30/2016	1,655	40.42%	7,674
	6/30/2015	1,782	42.42%	6,688
	6/30/2014	1,611	36.81%	5,662

FUNDED STATUS AND FUNDING PROGRESS
The funded status of the plans as of June 30 was as follows:

		(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c)
Plan	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
	June 30, 2015	184	1,275	1,157	14 43%	561	206 24%
State Employees	June 30, 2014	167	1,224	1,057	13 64%	543	194 66%
(in millions)	June 30, 2013	150	1,166	1,016	12 86%	518	196 14%
Teachers	June 30, 2015	0	739	739	0 00%	1,142	64 71%
(in millions)	June 30, 2014	0	684	684	0 00%	1,106	61 84%
	June 30, 2013	0	685	685	0 00%	1,194	57 37%
	June 30, 2015	0	21,822	21,822	0 00%	54,030	40 39%
First Responders	June 30, 2014	0	24,055	24,055	0 00%	54,967	43 76%
(in thousands)	June 30, 2013	0	22,369	22,369	0 00%	53,366	41 92%

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	June 30, 2016	June 30, 2016	June 30, 2015
Date the valuation was issued	December 2016	December 2016	November 2016
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	21	21	22
Plan changes	30-year fixed	30-year fixed	rolling 15-year period
Actuarial (gains) /losses	10-year fixed	15-year fixed	rolling 15-year period
Asset valuation method	investment gains and losses spread over a 5 - year period no less than 80% nor more than 120% of market value	n/a	n/a
Actuarial assumptions			
Investment rate of return	4.00% 7.25% ultimate	4.00% 7.25% ultimate	4.00%
Projected salary increases	3.25%	3.25%	3.5% - 9.5%
Inflation rate	3.00%	3.00%	3.00%
Healthcare inflation rate	initial - actual premiums ultimate 5.00% [1]	initial - actual premiums ultimate 5.00% [1]	7.5% at 2016 for Portland; ultimate CPI plus 3% 7.5% for non-Portland; ultimate 5.00% at 2026
Most recent review of plan experience	2016	2016	
Mortality Table	RP-2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used.	RP-2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used.	RP2000 Tables projected forward to 2015 using Scale AA
Former actuarial assumptions			
Healthcare inflation rate			7.25% at 2015 reducing to an ultimate rate of 5% at 2024
Most recent review of plan experience	2011	2011	
Mortality Table	RP2000 Tables projected forward to 2015 using Scale AA	RP2000 Tables projected forward to 2015 using Scale AA set back two years	

[1] The total premium increase for fiscal years ending after 6/30/15 is limited to CPI plus 3%.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CONTRIBUTIONS AND RESERVES

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

INVESTMENTS

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

POST RETIREMENT GROUP LIFE INSURANCE BENEFIT PLAN

The Maine Public Employees Retirement System (the System) is a component unit of the State of Maine. For financial reporting purposes, the System administers an agent, multiple-employer, defined benefit Group Life Insurance Plan (GLIP) administered by a third party insurance company in accordance with Title 5 MRSA C. 423 and 425. Members include employees of the State, public school employees (defined by Maine law as teachers), members of the Judiciary and the Legislature, which are eligible for membership in the System. Group life insurance benefits are also provided to employees of approximately 400 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine that elect to participate under provisions of the relevant statutes. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2016 report may be obtained from the Maine Public Employees Retirement System, PO Box 349, Augusta, ME 04332-0349.

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

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

BASIS OF ACCOUNTING

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

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

INVESTMENTS

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

FUNDING POLICY

Premium rates are those determined by the System's Board of Trustees to be actuarially sufficient to pay anticipated claims and cover administrative costs. For State employee, legislative and judicial classes, the premiums for retiree life insurance coverage are factored into the premiums paid for Basic coverage while participants are active members. The State remits premiums at a single rate that supports basic coverage for active and retired State employees. This rate is 63 cents per month for every $1,000 of coverage. Premiums for retiree life insurance coverage for retired teachers are paid by the State based on a rate of 33 cents per $1,000 of coverage per month during the post-employment retirement period.

ANNUAL OPEB COST

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

(Expressed in Thousands)

	State Employees	Teachers
Annual required contribution	$ 4,995	$ 3,160
Interest on net OPEB obligation	(47)	-
Adjustment to annual required contribution	47	-
Annual OPEB cost	4,995	3,160
Contributions made	4,670	3,160
Increase (decrease) in net healthcare obligation	325	-
Net (asset) obligation beginning of year	(656)	-
Net (asset) obligation end of year	$ (331)	$ -

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

Analysis of Funding Progress
(Expressed in Thousands)

Plan	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB (Asset)
State Employees	6/30/2016	4,995	93.48%	(331)
	6/30/2015	4,931	86.73%	(656)
	6/30/2014	4,760	88.21%	(1,310)
Teachers	6/30/2016	3,160	100.00%	-
	6/30/2015	3,660	100.00%	-
	6/30/2014	3,440	100.00%	-

FUNDED STATUS AND FUNDING PROGRESS
The funded status of the plan as of June 30, 2016 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, 2016	32,300	89,900	57,600	35.93%	578,279	9.96%
	June 30, 2015	32,300 *	89,500 *	57,200	36 09%	556,900 *	10.27%
	June 30, 2014	31,800	87,300	55,500	36.43%	556,900 *	9.97%
	* restated						
Teachers	June 30, 2016	49,800	85,700	35,900	58.11%	698,700	5.14%
	June 30, 2015	48,000	79,000	31,000	60.76%	666,200	4.65%
	June 30, 2014	45,100	75,600	30,500	59.66%	666,200	4.58%

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
The projection of benefits is 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, October 2016, 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, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Asset valuation method	market
Actuarial assumptions:	
Investment rate of return	6.875%
Projected salary increases - State employees	2.75% - 8.75%
Projected salary increases - Teachers	2.75% - 14.5%
Inflation rate	3.50%
Cost of living increases in life benefits	N/A
Participation percent for future retirees	100.00%
Form of benefit payment	lump sum
Former actuarial assumptions:	
Investment rate of return	7.125%

NOTE 11 - LONG-TERM OBLIGATIONS

PRIMARY GOVERNMENT

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

GENERAL OBLIGATION BONDS

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

Changes in general obligation bonds of the primary government during fiscal year 2016 were:

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
General Obligation Debt:					
General Fund	$ 343,880	$ 97,705	$ 60,595	$ 380,990	$ 59,415
Special Revenue Fund	76,920	-	15,300	61,620	21,015
Unamortized Premiums:					
General Fund	10,147	14,259	2,572	21,834	2,557
Total	$ 430,947	$ 111,964	$ 78,467	$ 464,444	$ 82,987

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2016 until maturity, are summarized in the following table:

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

Fiscal Year	Principal	Interest	Total
2017	$ 80,430	$ 18,221	$ 98,651
2018	74,315	15,620	89,935
2019	63,910	12,749	76,659
2020	50,580	10,153	60,733
2021	44,890	8,259	53,149
2022-2026	128,485	14,644	143,129
Total	$ 442,610	$ 79,645	$ 522,255
Unamortized Premiums	21,834		
Total Principal	$ 464,444		

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2016 are as follows:

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

	Amounts Issued	Outstanding June 30, 2016	Fiscal Year Maturities First Year	Fiscal Year Maturities Last Year	Interest Rates
General Fund:					
Series 2006	$ 52,390	$ -	2007	2016	4.00% - 5.51%
Series 2007	33,975	3,395	2008	2017	4.00% - 5.50%
Series 2008	46,525	9,300	2009	2018	3.00% - 5.13%
Series 2009	96,035	26,110	2011	2019	2.50% - 5.00%
Series 2010	31,755	290	2011	2020	1.41% - 4.00%
Series 2011	86,010	33,125	2012	2021	1.625% - 5.00%
Series 2012	49,265	28,415	2013	2022	1.00% - 5.00%
Series 2014	112,945	90,355	2015	2024	0.20% - 5.00%
Series 2015	102,555	92,295	2016	2025	0.85% - 5.00%
Series 2016	97,705	97,705	2017	2026	1.00% - 5.00%
		380,990			
Plus Unamortized Bond Premium		21,834			
Tota General Fund		$ 402,824			
Special Revenue Fund:					
Series 2007	$ 27,000	$ 2,700	2008	2017	4.00% - 5.50%
Series 2008	57,550	11,510	2009	2018	3.00% - 5.13%
Series 2009	37,310	13,885	2011	2019	2.50% - 5.00%
Series 2010	25,080	22,475	2011	2020	1.41% - 4.00%
Series 2011	22,125	11,050	2012	2021	1.625% - 5.00%
Total Special Revenue		$ 61,620			

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, 2016, general obligation bonds authorized and unissued totaled $49.9 million.

REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY

The State included $172.4 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 $616.1 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2016, MGFA issued $41.1 million in 2015A bonds with an average coupon rate of 4.89 percent to defease a total of $42.5 million of 2004A and 2005A series bonds. The net proceeds of approximately $43.5 million, after payment of underwriting fees and other issuance costs, were used to purchase U.S. Governmental securities which provided for all debt service payments on defeased bonds through their respective call dates, all of which were in fiscal 2016. Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of approximately $2.4 million in the year ended June 30, 2016, the State in effect reduced aggregate debt service approximately $2.5 million over the next eight years and obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately $2.4 million.

Also during the fiscal year ended June 30, 2016, MGFA issued $21.2 million in 2015B bonds with interest rates between 2.00 percent and 5.00 percent.

At June 30, 2016, there were no MGFA in-substance defeased bonds outstanding.

CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS

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

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

SHORT-TERM OBLIGATIONS

The State of Maine did not issue or retire Bond Anticipation Notes during fiscal year 2016. Short-term obligations are used to meet temporary operating cash flow needs. At June 30, 2016 there were no outstanding Tax Anticipation Notes or Bond Anticipation Notes.

OTHER LONG-TERM OBLIGATIONS

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

Changes in other long-term obligations for governmental and business-type activities for the fiscal year ended June 30, 2016, are summarized as follows:

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Governmental Activities:					
MGFA Revenue Bonds	$ 170,870	$ 64,709	$ 63,206	$ 172,373	$ 20,221
COP's and Other Financing	88,696	19,050	38,181	69,565	37,985
Compensated Absences	44,016	6,625	5,909	44,732	6,005
Claims Payable	73,966	205,333	199,880	79,419	30,887
Capital Leases	40,533	795	4,649	36,679	5,490
Loans Payable to Component Unit	477,188	-	51,989	425,199	45,928
Other Post-Employment Benefit Obligation	361,057	119,707	92,994	387,770	-
Pollution Remediation and Landfill	30,515	11,126	2,820	38,821	-
Total Governmental Activities	$ 1,286,841	$ 427,345	$ 459,628	$ 1,254,558	$ 146,516
Business-Type Activities:					
Compensated Absences	$ 1,054	$ 162	$ 126	$ 1,090	$ 132
Other Post-Employment Benefit Obligation	4,631	948	1,675	3,904	-
Total Business-Type Activities	$ 5,685	$ 1,110	$ 1,801	$ 4,994	$ 132

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2016 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**
2017	$ 26,326	$ 135	$ 26,461	$ 31,878	$ 7,039	$ 38,917
2018	6,839	95	6,934	27,963	6,084	34,047
2019	2,791	54	2,845	25,979	5,179	31,158
2020	1,514	33	1,547	21,331	4,290	25,621
2021	1,532	14	1,546	12,603	3,636	16,239
2022 - 2026	-	-	-	47,001	12,290	59,291
2027 - 2031	-	-	-	27,515	4,556	32,071
2032 - 2034	-	-	-	8,665	483	9,148
Total	$ 39,002	$ 331	$ 39,333	$ 202,935	$ 43,557	$ 246,492

LOANS PAYABLE TO COMPONENT UNIT

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

In addition, the State of Maine has also pledged the profit from the Alcoholic Beverages Enterprise Fund as security for $220.6 million ($193.8 million net of the debt service reserve) of Liquor Operations Revenue Bonds issued by MMBB. The bonds are special, limited obligations of the MMBB.

Changes in GARVEE, TransCap and Liquor Operations revenue bonds during fiscal year 2016 were:

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Loans Payable to Components Unit:					
Federal Funds	$ 119,656	$ -	$ 16,603	$ 103,053	$ 12,310
Special Revenue Fund	357,532	-	35,386	322,146	33,618
Total	$ 477,188	$ -	$ 51,989	$ 425,199	$ 45,928

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 legal 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 legal debt or liability of the State.

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

GARVEE, TransCap and Liquor Operations Revenue bonds issued and outstanding at June 30, 2016 are as follows:

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

	Amounts Issued	Outstanding June 30, 2016	Fiscal Year Maturities First Year	Fiscal Year Maturities Last Year	Interest Rates
Federal Funds:					
Series 2008	$ 50,000	$ 23,460	2009	2020	3.25% - 4.00%
Series 2010A	25,915	8,425	2011	2017	2.00% - 5.00%
Series 2010B	24,085	24,085	2018	2022	4.52% - 5.32%
Series 2014A	44,810	42,590	2015	2026	2.00% - 5.00%
Total Federal Funds		$ 98,560			
Special Revenue Fund:					
Series 2008	$ 50,000	$ 10,265	2009	2023	3.00% - 5.50%
Series 2009A	105,000	50,335	2010	2023	2.50% - 5.00%
Series 2009B	30,000	5,990	2010	2024	2.00% - 5.00%
Series 2011A	55,000	51,100	2012	2026	2.00% - 5.00%
Series 2013	220,660	181,130	2015	2024	1.07% - 4.35%
Series 2015A	54,680	54,680	2019	2024	4.00% - 5.00%
Total Special Revenue Funds		$ 353,500			

Total principal and interest requirements over the life of the 2008 GARVEE bonds are $63.1 million, with annual requirements of up to $5.2 million; for 2010 GARVEE bonds total principal and interest requirements are $66.3 million, with annual requirements of up to $5.6 million; for 2014 GARVEE bonds total principal and interest requirements are $59.0 million, with annual requirements of up to $5.0 million. Total federal highway transportation funds received in federal fiscal year 2016 were $217 million. Current year payments to MMBB for GARVEE bonds were $20.1 million (9.3 percent of federal highway transportation funds received).

Total principal and interest requirements over the life of the 2008 TransCap Revenue bonds 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 bond are $144.3 million, with annual requirements up to $10.2 million; for the 2009B TransCap Revenue bonds total principal and interest requirements are $46.2 million, with annual requirements up to $15.9 million. Total principal and interest requirements over the life of the 2011A TransCap Revenue bond are $84.2 million, with annual requirements up to $20.3 million. Total principal and interest requirements over the life of the 2015A TransCap Revenue bond are $74.4 million, with annual requirements up to $16.2 million. Total revenue received for revenue sources used as pledged revenues were $39.7 million in fiscal year 2016.

Total principal and interest requirements over the life of the 2013 Liquor Operation Revenue bond are $273.8 million, with annual requirements up to $26.8 million. Current year payments to MMBB for the Liquor Operation bonds were $26.8 million (which is net of $7.0 million of capitalized interest). Total revenue received for revenue sources used as pledged revenue were $39.7 million in fiscal year 2016.

OBLIGATIONS UNDER CAPITAL LEASES

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

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

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

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

At June 30, 2016 capital assets include capitalized buildings of $78.9 million in Governmental Activities, net of related accumulated depreciation of $44.8 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 $2.6 million during the year.

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

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

Fiscal Year	**Capital Leases**	**Operating Leases**
2017	$ 5,490	$ 2,464
2018	5,296	2,149
2019	4,411	1,933
2020	3,908	1,758
2021	3,305	1,568
2022 - 2026	9,077	4,054
2027 - 2031	4,686	857
2032 - 2036	2,222	540
2037 - 2041	1,636	601
2042 - 2046	1,368	687
2047- 2051	-	651
2052 - 2056	-	240
Total Minimum Payments	41,399	$ 17,502
Less: Amount Representing Interest	4,720	
Present Value of Future Minimum Payments	$ 36,679	

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

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

COMPENSATED ABSENCES
In the government-wide statements and proprietary fund financial statements, compensated absences are reported as long-term liabilities as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments made to terminated employees as of June 30, 2016 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	1.0 - 5.875%	106,903	2016 – 2039
Maine Community College System	2.5 - 5.0%	21,284	2016 - 2035
Maine Health and Higher Educational Facilities Authority	2.0 - 6.0%	739,070	2016 - 2040
Maine Municipal Bond Bank	.5 - 6.12%	1,535,483	2016 - 2045
Maine State Housing Authority	0.02 - 5.55%	1,275,155	2016 – 2045
Maine Turnpike Authority	2.0 - 6.0%	444,139	2016 – 2042
University of Maine System	1.5 - 5.0%	162,602	2016 – 2037

As part of the merger of MELA into FAME, the Authority issued student loan revenue bonds to finance the purchase and origination of educational loans to Maine residents for the purpose of higher education. As of June 30, 2016, the Authority had $106.9 million in net bonds payable outstanding. The Authority retired $8.2 million of the Series 2009, 2010, and 2012 bonds upon schedule maturity and mandatory redemptions during fiscal 2016.

At June 30, 2016, the University of Maine System had $24.2 million principal outstanding related to debt refunded through in-substance defeasance.

On July 14, 2015, Maine Health and Higher Educational Facilities Authority (MHHEFA) issued $27.4 million in series 2015A reserve resolution bonds with an average interest rate of 4.5 percent, all of which was used to defease $31.2 million of outstanding reserve fund maturities within the 2004B and 2006A bond series. On June 28, 2016, MHHEFA issued $64.8 million in series 2016A reserve resolution bonds with an average interest rate of 4.17 percent, all of which was used to defease $75.8 million of outstanding reserve fund maturities within the 2006B and 2006F bond series. The net proceeds of approximately $31.3 and $77.7 million, respectively, including other sources of funds and after payment of underwriting fees, insurance and other issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on defeased bonds. The economic benefits associated with the refunding inure to the respective institutions. At June 30, 2016 there were approximately $188.4 million of defeased bonds remaining outstanding with respect to all advance-refunding issues within the reserve fund resolution.

In periods of declining interest rates, MMBB has refunded certain of its bond obligations, reducing aggregate debt service. Where allowed, the bank retires outstanding bonds prior to their contractual maturity. In other cases, the proceeds of the refunding bonds were principally used to purchase U.S. Government securities that will provide for future payment on the debt. The U.S. Treasury obligations are deposited with the trustees of the in-substance defeased bonds.

On November 3, 2015, the Maine Municipal Bond Bank (MMBB) issued $53.6 million in General Tax-Exempt Series 2015 D bonds with an average interest rate of 4.65 percent to in-substance defease $57.9 million of various outstanding maturities of the 2005 A bonds. The net proceeds of approximately $58.1 million, including a bond premium of approximately $4.8 million and after payment of approximately $.3 million in underwriting fees and other issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on the refunded bonds. Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of approximately $.9 million in the year ending June 30, 2016, MMBB in effect reduced its aggregate debt service payments by approximately $4.7 million over the next six years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $4.4 million. As a result of the in-substance defeasance, MMBB will reduce future debt service requirements of borrowers by approximately $3.4 million over a period of six years.

On May 26, 2016, MMBB issued $62.8 million in General Tax-Exempt Series 2016 B bonds with an average interest rate of 4.16 percent to in-substance defease $66.0 million of various outstanding maturities of the 2009 B, 2009 D, 2009 G, and 2009 H bonds. The net proceeds of approximately $74.3 million, including a bond premium of approximately $11.9 million and after payment of approximately $.4 million in underwriting fees and other issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on the refunded bonds. Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of approximately $5.9 million in the year ending June 30, 2016, MMBB in effect reduced its aggregate debt service payments by approximately $8.1 million over the next twenty-four years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $7.2 million. As a result of the in-substance defeasance, MMBB will reduce future debt service requirements of borrowers by approximately $7.7 million over a period of twenty-four years.

On October 22, 2015, MMBB issued $54.7 million in Transportation Infrastructure 2015A series bonds with an average interest rate of 4.96 percent to in-substance defease $56.8 million of various outstanding maturities of the 2008A, 2009A and 2009B bonds. The net proceeds of approximately $65.0 million including a bond premium of approximately $10.8 million and after payment of approximately $.5 million in underwriting fees and other issuance costs, were to purchase U.S. Government securities which will provide for all future debt service payments on the refunded bonds. Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of approximately $10.3 million in the year ended June 30, 2016, MMBB in effect reduced the Transportation Infrastructure Fund Group's aggregate debt service approximately $3.8 million over the next eight years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $3.4 million. The gain and economic benefit of this transaction inure to the State of Maine and not MMBB.

At June 30, 2016 the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately $209.7 million. At June 30, 2016, the remaining balances of the Transportation Infrastructure Fund Group in-substance defeased bonds total approximately $56.8 million.

In June of 2016, Maine Community College System (MCCS) issued $19.0 million of revenue bonds through MHHEFA with an average annual interest rate of 4.0 percent and a final maturity in July 2035. MHHEFA requires that $1.5 million of the bond proceeds be transferred to a debt reserve fund. The amount transferred to the debt reserve fund is retained by MHHEFA in an interest bearing account and will be used to make the final payment of principal and interest in 2035. Accordingly, funds transferred to MHHEFA are not included as assets and are deducted from the amounts owed. The bonds were issued at a premium of $2.5 million. This revenue bond was used to refund the MHHEFA Bond 2006F originally issued in September 2006.

For the period ended December 31, 2015, the Maine State Housing Authority redeemed prior to maturity $297.0 million of its Mortgage Purchase Fund Group bonds from surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund losses of $0.4 million were attributed to recognition of the bond discount and debt issuance expenses associated with the redeemed bonds.

For the year ended December 31, 2015, the Maine Turnpike Authority issued $144.9 million of Series 2015 Revenue Refunding Bonds. The proceeds from the bonds were used to advance refund $43.8 million of principal amounts of the Series 2005, Series 2007, and Series 2009 bonds outstanding which mature between 2016 and 2035. The advance refunding took advantage of a general reduction in interest rates to achieve an overall reduction in future debt service costs. The reacquisition price exceeded the carrying amount of the old debt by $7.5 million. This amount is reported as a deferred outflow of resources and amortized over the life of the old debt. The transaction resulted in a reduction in future debt service payments of $33.4 million and an economic gain of $24.6 million.

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	MTA	UMS	MHHEFA
2017	$ 6,973	$ 116,449	$ 131	$ 42,540	$ 18,700	$ 8,793	$ 35,680
2018	6,879	134,824	827	62,450	19,830	9,798	39,660
2019	6,679	134,460	870	54,080	20,640	9,339	40,040
2020	6,805	127,195	833	51,755	14,945	10,104	40,925
2021	11,456	127,160	880	51,005	16,015	8,975	40,670
2021 - 2026	25,630	514,875	5,006	238,480	96,880	42,688	192,175
2027 - 2031	14,793	219,561	5,969	263,930	121,520	40,360	179,205
2032 - 2036	24,600	57,730	4,219	252,855	56,355	20,060	113,535
2037 - 2041	4,885	9,630	-	202,630	30,905	445	57,180
2042 - 2046	-	3,400	-	53,950	8,365	-	-
2047 - 2051	-	-	-	-	-	-	-
Net Unamortized Premium or (Deferred Amount)	(1,797)	90,199	2,549	1,480	39,984	12,040	-
Total Principal Payments	$ 106,903	$1,535,483	$ 21,284	$1,275,155	$ 444,139	$ 162,602	$ 739,070

NOTE 12 - SELF-INSURANCE

A. RISK MANAGEMENT

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

Insurance plans offered include property, vehicle, boat and aircraft, tort, civil rights, employee bonds, police professionals, and a variety of other insurance products. These plans have limits of liability of as much as $2 million per occurrence.

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

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

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
Aircraft Liability*[3]	3 million	none	3 million
Data Breach*	3 million	400 thousand	3 million

* These lines of insurance have commercial excess insurance covering losses above the risk retention amount up to the per occurrence amount listed. All other insurance programs are wholly self-insured.
[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.
[3] $3 million is the maximum limit for per occurrence coverage. Some agencies have chosen $500 thousand.

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

All risk-financing liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities represent the estimated cost of claims as of March 31, 2016. 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, 2016 and 2015, the present value of the claims payable for the State's self-insurance plan was estimated at $8.0 million and $4.2 million, respectively. The actuary calculated this based on the State's rate on investments.

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

	2016	2015
Liability at Beginning of Year	$ 4,228	$ 4,294
Current Year Claims and		
Changes in Estimates	8,829	2,007
Claims Payments	5,041	2,073
Liability at End of Year	$ 8,016	$ 4,228

As of June 30, 2016, fund assets of $26.2 million exceeded fund liabilities of $8.8 million by $17.4 million. The portion of this amount that may be reserved for catastrophic losses has not been determined.

B. UNEMPLOYMENT INSURANCE

The State is self-insured for unemployment compensation. As a direct reimbursement employer, the State recognizes all costs for unemployment compensation as claims are paid. These costs totaled $696 thousand for the fiscal year ended June 30, 2016.

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, 2016:

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

	2016	2015
Liability at Beginning of Year	$ 47,045	$ 44,749
Current Year Claims and		
Changes in Estimates	9,766	12,091
Claims Payments	8,618	9,795
Liability at End of Year	$ 48,193	$ 47,045

Based on the actuarial calculation as of June 30, 2016, the State is liable for unfunded claims, and incurred but not reported claims, of approximately $58.6 million. The discounted amount is $48.2 million and was calculated based on a 3.0 percent interest rate on investments.

D. EMPLOYEE HEALTH INSURANCE

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

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

There are two primary health plans available. A Point-of-Service plan is available to all active employees and retirees not eligible for Medicare. A Medicare Advantage plan is available to Medicare eligible retirees. Total enrollment averaged approximately 37,300 covered individuals. This total includes 29,350 active employees and dependents and 7,950 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, 2016 the State recorded a receivable of $1.3 million for an overpayment of health care premiums.

Expenses and liabilities for incurred but not reported claims, based on an actuarial analysis of claim lag pattern, have been recorded as liabilities in the amount of $23.2 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2016 follows:

(Expressed in Thousands)

	Employee Health Fund	Retiree Health Fund
Liability at Beginning of Year	$ 17,020	$ 5,673
Current Year Claims and Changes in Estimates	153,317	33,421
Claims Payments	152,930	33,291
Liability at End of Year	$ 17,407	$ 5,803

The table above reflects actual activity of the employee health and retiree health insurance programs. In accordance with GASB Statement No. 45, certain costs reported above were reclassified for financial statement purposes. Retiree healthcare costs of $48.1 million were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, $15.0 million of active employee healthcare costs were 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 2016, 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	$ 12,297
Noncurrent Assets	30,471
Total Assets	$ 42,768
Current Liabilities	$ 10,395
Long-term Liabilities	23,541
Total Liabilities	33,936
Designated Prize Reserves	4,346
Reserve for Unrealized Gains	4,486
Total Net Position	8,832
Total Liabilities and Net Position	$ 42,768
Total Revenue	$ 58,557
Total Expenses	39,124
Allocation to Member States	19,433
Change in Unrealized Gain on Investments Held for Resale	447
Change in Net Position	$ 447

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 37 member State lotteries, including the District of Columbia and the United States Virgin Islands. The MUSL is managed by a board of directors, which is comprised of the lottery directors or their designee from each of the party States, and authorized to initiate, promulgate, administer and carry out one or more lottery product offerings that will enhance the participating parties' lottery revenue.

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

The Multi-State Lottery Association's financial report for fiscal year 2016 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	$ 373,330
Investments in US Government Securities	66,335
US Government Securities Held for Prize Annuities	83,445
Due from Party Lotteries	36,249
Patent, net of accumulated amortization	6,583
Other Assets	894
Total Assets	$ 566,836
Amount Held for Future Prizes	$ 472,578
Grand Prize Annuities Payable	83,596
Other Liabilities	3,719
	559,893
Net Position, Unrestricted	6,943
Total Liabilities and Net Position	$ 566,836
Total Revenue	$ 4,618
Total Expenses	6,135
Excess of revenue over expenses	(1,517)
Net Position, beginning	8,460
Net Position, ending	$ 6,943

NOTE 14 - RELATED PARTY TRANSACTIONS

PRIMARY GOVERNMENT

The State of Maine entered into memoranda of understanding with the Wells National Estuarine Research Reserve Management Authority, a jointly governed organization, through the Bureau of Parks and Lands. These agreements outline each entity's responsibilities in relation to the operation of the Reserve and the management of the property included within the boundaries of the Reserve. The Authority's responsibilities are generally to manage the Reserve consistent with the Wells National Estuarine Research Reserve Management Plan dated 2013 to 2018.

COMPONENT UNITS

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, $243.7 million; Maine Community College System, $71.7 million; Maine Municipal Bond Bank, $39.9 million; Finance Authority of Maine, $16.0 million; and Maine State Housing Authority, $15.9 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total $29.4 million at June 30, 2016, as a liability in Amounts Held Under State Revolving Loan Programs in their fiduciary financial statements. The state reports the asset as a receivable in the Special Revenue Fund. During fiscal year 2016, the State expended $3.3 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. FAME paid approximately $9.2 million in grants to the University of Maine System (UMS) on behalf of eligible students. The UMS reflected these as grant revenues from the State.

The Maine Turnpike Authority (MTA) pays the State for services rendered by the Maine State Police (MSP). MSP has a separate troop responsible for patrolling the Maine Turnpike. MTA pays all costs associated with that troop. For fiscal year 2016, the amount billed totaled $5.9 million.

NOTE 15 – DEFERRED OUTFLOWS AND DEFERRED INFLOWS

The following table provides additional detail regarding deferred outflows of resources and deferred inflows of resources reported on the government-wide Statement of Net Position.

(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Deferred Outflows of Resources:				
Accumulated Decrease in Fair Value of Hedging Derivatives	$ -	$ -	$ -	$ 13,977
Refunding of Debt	1,523	-	1,523	66,776
Pension Related	311,070	3,184	314,254	37,888
Total Deferred Outflows of Resouces	$ 312,593	$ 3,184	$ 315,777	$ 118,641
Deferred Inflows of Resources:				
Grant Income	$ -	$ -	$ -	$ 1,833
Loan Origination Fees	-	-	-	611
Pension Related	134,369	1,534	135,903	28,215
Total Deferred Inflows of Resources	$ 134,369	$ 1,534	$ 135,903	$ 30,659

The following table provides additional detail regarding deferred inflows of resources reported on the Governmental Funds Balance Sheet:

Governmental Funds
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources:						
Tax Revenue or Assessments	$ 203,150	$ 742	$ 49	$ 28,154	$ -	$ 232,095
Total Deferred Inflows of Resources	$ 203,150	$ 742	$ 49	$ 28,154	$ -	$ 232,095

NOTE 16 - 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.

Adle v. State of Maine, Department of Public Safety, Department of Inland Fisheries and Wildlife and unnamed state officials and employees.(D. Me).This lawsuit relates to a standoff involving State Police troopers during which Shad Gerken (who had the knife) was shot and killed. A state investigation into the incident found that the officers involved reasonably believed that unlawful deadly force was imminently threatened against them and other officers. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Boland v. Bouffard et al.,. This lawsuit relates to Micah Boland's death while an inmate at the Maine State Prison. A fellow prisoner was prosecuted in connection with this incident. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Edson v. Maine Department of Health and Human Services, Maine Department of Corrections and a number of state officials and employees. (Me. Superior Ct.). This lawsuit relates to an incident which occurred on December 2, 2013 in which she alleges that she was assaulted and pepper-sprayed with claimed damages in excess of one million dollars. The defendants are the Department of Health and Human Services, the Department of Corrections and a number of state officials and employees. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Eves v. Lepage. (D. Me.). The Speaker of the House has filed a lawsuit in federal court alleging First Amendment retaliation based upon the claim that the Governor threatened to withhold funds from a private school unless the school terminated its employment agreement with the Speaker. The lawsuit was recently amended to include a state law claim of intentional interference with contract . Outside counsel has been authorized to represent the Governor. The lower court has ruled in favor of the Governor. The case is currently on appeal to the First Circuit Court of Appeals. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Filler v. Hancock County et al. (D. Me) Plaintiff alleges that he was wrongfully arrested, prosecuted and convicted of gross sexual assault. He has filed a multi-count civil rights and tort complaint against multiple defendants, including an assistant district attorney and two prior district attorneys. The claimed damages are in excess of $1 million dollars. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

John F Murphy Homes v. State of Maine (Law Court). This lawsuit is in the amount of $7+ million for payments allegedly due for educational services over the last dozen years. The Superior Court ruled in favor of the State. The case is currently on appeal to the Maine Supreme Judicial Court. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

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

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

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

ENCUMBRANCES

Encumbrances are reported in the restricted, committed, and assigned fund balances of the governmental funds. General fund, highway fund, federal fund, other special revenue fund and other governmental funds balances are $47.3 million, $1.5 million, $144.2 million, $23.9 million and $1.9 million, respectively.

FEDERAL GRANTS

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

POLLUTION REMEDIATION

The Department of Environmental Protection (DEP) and Department of Transportation (DOT) have pollution remediation obligations as defined by Governmental Accounting Standards Board (GASB) Statement No. 49. The State's total amount of pollution remediation obligation as of June 30, 2016 is $22.3 million. Superfund sites account for approximately $8.3 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 $549 thousand. Currently the State shares the costs with Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in September of 2018, the State will assume 100 percent of the operation and maintenance and long-term monitoring costs.

Eastern Surplus – The State recorded a liability for pollution remediation activities of approximately $1.4 million. Beginning in August of 2012, the State assumed 100 percent of the operation and maintenance and monitoring costs. As of June 30, 2016 the State has received $2.1 million in recoveries from the Department of Defense. The State expects to recover additional costs of $140 thousand.

Callahan Mine – The State recorded a liability for pollution remediation activities of approximately $6.4 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 $14 million (net of unrealized recoveries of $827 thousand) related to five uncontrolled hazardous substance sites. The State expects to recover $1.5 million in costs. The Uncontrolled Hazardous Substance Sites Program was created in response to the threats and potential threats to human health and the environment posed primarily by abandoned hazardous waste sites. The Uncontrolled Hazardous Substance Sites program is the State's equivalent to the Federal Superfund Program.

The State has the knowledge and expertise to estimate the remediation obligation based on prior experience in identifying and funding similar remediation activities. The standard requires the liability to be measured using the expected cash flow technique. The remediation obligation estimates are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to 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

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

The Dolby Landfill no longer accepts solid waste. In calendar year 2016 the first of phase of a multi-year plan to cap approximately 100 acres at the facility was completed. The State allocated $6 million of current bond funds and anticipates another $6 million in bonds funds to complete the closure of the facility. In addition to the closure of the facility, the State anticipates additional post-closure maintenance and monitoring costs of approximately $6 million over the next 30 years. Actual costs may be higher due to inflation, changes in technology or changes in applicable laws or regulations.

Cost-Sharing Program – Title 38 M.R.S.A., §1310-F establishes within the Department of Environmental Protection (DEP) a cost-sharing program for the closure and remediation of municipal solid waste landfills that pose a potential hazard and that meet other qualifying criteria. The law provides for reimbursement of 75 percent of a municipality's closure expenses. If the initial closure fails to protect public health and the environment, DEP is obligated to reimburse up to 90 percent of a municipality's subsequent remediation expenses. However, these obligations are subject to the availability of funds approved for that purpose. In 2012, DEP through bonds, had paid all of the outstanding match requirements for closure, but had $2.6 million in outstanding match obligation for remediation. Additionally, several municipalities needed to close their failing landfills early, but could not afford to do so without the state match for closure, which had expired. Therefore, the legislature reopened the program to match closure costs and enacted a fee on disposal of certain Construction and Demolition Debris (CDD) effective in 2013, to pay for the ongoing program. In FY2016 the DEP received $994 thousand from the CDD fee. All of this money was used to reimburse municipalities for eligible expenses.

In addition to the backlog of reimbursements that DEP owes to municipalities, DEP continues to incur match obligations as additional qualifying landfills close and others undertake necessary remediation. The Legislature has extended the eligibility date for reimbursement of closure costs from 2015 to 2025; and there is no eligibility end date for reimbursement of remediation costs. At the beginning of FY16, DEP's total outstanding reimbursement obligation to municipalities was $7.5 million. At the end of FY16 the outstanding match obligation was $6.9 million. Although, the overall outstanding debt during the year decreased, additional debt was incurred due primarily to landfill remediation expenses which were submitted over the course of the year. DEP incurred the oldest outstanding match obligations in 2008.

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 $5.1 million. This consists of approximately $2.1 million for State-owned facilities and approximately $3 million for the State's share, under a cost sharing arrangement, for municipal facilities.

POLLUTION ABATEMENT PROGRAM

Title 38 MRSA §411, §411-A, and §412 establish within DEP cost-sharing programs for pollution abatement projects. Subject to funding by the Legislature and the approval of the Commissioner, the State may contribute to the planning of municipal pollution abatement facilities; the design, engineering, and construction of private, commercial, and municipal pollution abatement facilities; and make payments to the Maine Municipal Bond Bank to supply the State's share of the revolving loan fund established by Title 30-A §6006-A. During the 2016 fiscal year, $465 thousand of general obligation bond funds and $2.1 million of Liquor Operation Revenue Funds were expended for pollution abatement projects. As of June 30, 2016 amounts encumbered for pollution abatement projects totaled $137 thousand, and general obligation bonds authorized for these projects, but not yet encumbered, totaled $2.4 million. As of June 30, 2016, DEP estimates 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 48.1 percent of the annual payments. As of June 30, 2016 outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled $775.9 million.

At June 30, 2016, the Department of Transportation had contractual commitments of approximately $262.3 million for construction of various highway projects. The State's share of that amount is expected to be approximately $40.7 million. Of these amounts, $6.3 million has already been accrued. Federal and State funds plus bond proceeds are expected to fund these future expenditures.

TOBACCO SETTLEMENTS

On November 23, 1998, Maine along with 45 other states and six civil jurisdictions, collectively known under the Master Settlement Agreement (MSA) as the "Settling States", entered into the 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 2016, Maine received a total of $51.8 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, 2016, the Fund included $3.9 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2016 of approximately $225.1 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, 2016, the amount reported in the Fund for claimant liability is $37.6 million. The General Fund shows a $33.2 million payable to the Escheat Fund.

CONSTITUTIONAL OBLIGATIONS

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

Article 9, § 14-A, C, and D of the Maine State Constitution provides that the State may insure the payment of mortgage loans for industrial, manufacturing, fishing, agricultural and recreational enterprises; mortgage loans for the acquisition, construction, repair and remodeling of houses owned or to be owned by members of two tribes on several Indian reservations; and mortgage loans to resident Maine veterans of the Armed Forces of the United States, including loans to a business organization owned in whole or in part by resident Maine veterans. The aggregate of these obligations, at any one time, may not exceed $90 million, $1 million, and $4 million, respectively. At June 30, 2016, loans outstanding pursuant to these authorizations are $79.1 million, less than $1 million, and $3.4 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, 2016.

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, 2016, 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, 2016.

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 Authorities are 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	$ 739,070	$ 65,954	no limit	22 MRSA § 2075
Finance Authority of Maine	45,291	-	$ 642,000	10 MRSA §1032, 1053
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
	107,815	11,962	225,000	20-A MRSA §11424
Loring Development Authority *	-	-	100,000	5 MRSA §13080-N
Maine Municipal Bond Bank	1,141,508	143,714	no limit	30-A MRSA §6006
Maine State Housing Authority	1,235,250	101,438	2,150,000	30-A MRSA §4906
Total	$ 3,268,934	$ 323,068		

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

COMPONENT UNITS

CONSTRUCTION CONTRACTS

At June 30, 2016, UMS had outstanding commitments on uncompleted construction contracts that totaled $10.8 million.

At June 30, 2016, MCCS had $7.1 million remaining in construction and renovation contracts.

At December 31, 2015, the Maine Turnpike Authority had $35.0 million remaining in commitments on outstanding construction projects for improvements and maintenance.

MORTGAGE COMMITMENTS

Mortgage commitments are agreements to lend provided there is no violation of any term or condition of the agreement. Generally, once exercised, the loans made under the terms of such commitments are secured by a lien on the related property and other collateral as deemed necessary. At December 31, 2015 Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately $45.7 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2015, single-family loans being processed by lenders totaled $23.6 million.

INSURED LOAN COMMITMENTS

The Finance Authority of Maine (FAME) insures loans made by financial institutions to qualifying businesses under various insurance programs. FAME is contingently liable for the insured portion of payments due on these loans. At June 30, 2016, FAME had insurance outstanding for commercial loans under the Loan Insurance Program totaling approximately $112.0 million. At June 30, 2016, FAME was insuring loans with an aggregate outstanding principle balance approximating $1.9 million which were 90 or more days delinquent. The aggregate insured balance of these loans was approximately $1.2 million at June 30, 2016. In addition, FAME has entered into commitments to insure loans at some future date. At June 30, 2016, these commitments under the Loan Insurance Program were approximately $5.4 million.

FEDERAL STUDENT LOAN RESERVE FUND

FAME holds and administers the Federal Student Loan Reserve Fund for the US Department of Education. Total outstanding guarantees issued under the FFELP approximated $440.9 million at June 30, 2016. A portion of the defaults on FFELP loan guarantees are paid by the US Department of Education. At June 30, 2016, the reserve level was approximately $2.6 million.

NOTE 17 - SUBSEQUENT EVENTS

PRIMARY GOVERNMENT

On October 6, 2016, the Maine Governmental Facilities Authority issued $25.0 million of Series 2016A Lease Revenue Refunding Bonds. The bonds bear interest rates from 3.0 percent to 5.0 percent and maturities from 2018 to 2029, all of which will be used to in-substance defease $26.8 million of outstanding maturities within the 2007A, 2008A and 2009A bond series. The Authority will reduce its aggregate debt service payments and the State's aggregate lease payments by approximately $3.0 million over the next thirteen years, resulting in and economic gain (difference between present value of the old debt and new debt service payments) to the State of approximately $2.6 million. The bonds do not constitute a legal debt or obligation of the State.

On October 6, 2016, the Maine Governmental Facilities Authority issued $18.0 million of Series 2016B Lease Revenue Bonds to fund various State projects. The bonds bear interest rates from 3.0 percent to 5.0 percent and maturities from 2017 to 2036. The bonds do not constitute a legal debt or obligation of the State.

On November 16, 2016, the Maine Municipal Bond Bank (MMBB) issued $44.1 million of Series 2016A Grant Anticipation Bonds on behalf of the Maine Department of Transportation. The bonds bear interest rates from 2.6 percent to 5.0 percent and maturities from 2017 to 2028. The bonds do not constitute a legal debt or obligation of the State.

Maine Public Employees Retirement System (MPERS) updated their experience study from 2012 to 2015. MPERS' board of directors approved changes to the actuarial pension calculations and assumptions for June 30, 2016. The most significant ones include:

	State Employees, including judges and legislators	Teachers	PLD Employees
Investment Rate of Return	6.875% per annum, compounded annually; 7.125% was used for the year ended June 30, 2015		
Inflation Rate	2.75%; 3.50% was used for the year ended June 30, 2015		
Annual Salary Increases, including inflation	For the year ended June 30, 2016		
	2.75% - 8.75%	2.75% - 14.50%	2.75% - 9.00%
	For the year ended June 30, 2015		
	3.50% - 10.50%	3.50% - 13.50%	3.50% - 9.50%
Mortality Rates	For the year ended June 30, 2016		
	For active members and non-disabled retirees fo the State employees, legislative, judicial, and PLD plans, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used.		
	For the year ended June 30, 2015		
	For active members and non-disabled retirees fo the State employees, legislative, judicial, and PLD plans, the RP2000 Tables projected forward to 2015 using Scale AA are used; the ages are set back two years for employess of the teacher plan. For all recipients of disability benefits, the Revenue Ruling 96-7 Disabled Mortality Table for Males and Females is used.		

COMPONENT UNITS

Through March 29, 2016, Maine State Housing Authority (MSHA) issued at par $65.0 million of bonds in the General Mortgage Purchase Bond Resolution. Through March 29, 2016, MSHA redeemed, at par $19.6 million of bonds in the General Mortgage Purchase Bond Resolution. Between March 30, 2016 and December 22, 2016, MSHA issued, at par $150.0 million of bonds in the General Mortgage Purchase Bond Resolution. Between March 30, 2016 and December 22, 2016, MSHA redeemed at par $131.4 million of bonds in the General Mortgage Purchase Bond Resolution. On December 28, 2016, MSHA will issue at par, $28.0 million of bonds in the General Mortgage Purchase Bond Resolution.

On November 3, 2016, MMBB issued $29.9 million of Series 2016C General Resolution Tax Exempt bonds for making loans to several municipal governments. MMBB is currently working on a $100.5 million General Resolution stand-alone issue for Sanford School Department. The bond issue is expected to close in late January or early February 2017.

On July 13, 2016, MHHEFA issued $170.8 million of bonds for Eastern Maine Health Systems under the General Bond resolution with an average interest rate of 4.57% and a final maturity date of July 1, 2046. The borrower also contributed $6.3 million of equity for the project.

NOTE 18 – SPECIAL ITEMS

Change in Accounting Estimate

As stated in Note 3 – Accounting Changes and Restatements, the State changed the allocation methodology for allocating pension costs to funds. For fiscal year 2015, the State allocated pension costs to individual funds using an average of seven years worth of salary costs. After reconsideration, management changed its allocation basis to reflect a five year rolling average allocation of employer contributions made by each fund. Management believes the new measure more accurately aligns the pension costs, which are directly related to and expected to be paid from, each fund. The result on the Maine Military Authority, a non-major enterprise fund, was a decrease of $11.3 million of pension liability. Given the significant impact on that fund a special item has been recorded to reflect that adjustment.


DIRIGO
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STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2016
(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	$ 3,174,020	$ 3,227,484	$ 3,244,441	$ 16,957	$ 220,812	220,812	$ 221,173	$ 361
Assessments and Other	100,343	102,019	104,803	2,784	89,130	91,710	96,465	4,755
Federal Grants	1,895	2,030	1,952	(78)	-	-	-	-
Service Charges	39,322	39,962	38,984	(978)	6,380	6,497	5,997	(500)
Income from Investments	439	1,076	2,045	969	337	245	255	10
Miscellaneous Revenue	4,122	4,444	14,200	9,756	2,813	3,474	3,617	143
Total Revenues	3,320,141	3,377,015	3,406,425	29,410	319,472	322,738	327,507	4,769
Expenditures								
Governmental Support and Operations	276,519	276,590	258,258	18,332	1,437	2,418	2,205	213
Economic Development & Workforce Training	42,465	42,513	39,865	2,648	-	-	-	-
Education	1,434,900	1,446,429	1,420,893	25,536	-	-	-	-
Health and Human Services	1,190,371	1,204,588	1,154,944	49,644	-	-	-	-
Business Licensing & Regulation	-	-	-	-	-	-	-	-
Natural Resources Development & Protection	76,944	77,824	74,296	3,528	33	33	27	6
Justice and Protection	342,732	356,647	330,344	26,303	28,721	28,435	26,410	2,025
Arts, Heritage & Cultural Enrichment	8,606	8,388	7,614	774	-	-	-	-
Transportation Safety & Development	-	-	-	-	286,402	342,013	304,840	37,173
Total Expenditures	3,372,537	3,412,979	3,286,214	126,765	316,593	372,899	333,482	39,417
Revenues Over (Under) Expenditures	(52,396)	(35,964)	120,211	156,175	2,879	(50,161)	(5,975)	44,186
Other Financing Sources (Uses)								
Operating Transfers Net	(23,932)	(35,847)	(47,219)	(11,372)	-	-	15,209	15,209
Other Budgeted Resources								
Proceeds from Pledged Future Revenues								
Net Other Financing Sources (Uses)	(23,932)	(35,847)	(47,219)	(11,372)	-	-	15,209	15,209
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (76,328)	$ (71,811)	$ 72,992	$ 144,803	$ 2,879	$ (50,161)	$ 9,234	$ 59,395
Fund Balances at Beginning of Year			314,857				63,199	
Fund Balances at End of Year			$ 387,849				$ 72,433	

Federal Funds				Other Special Revenue Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
$ -	$ -	$ -	$ -	$ 289,439	$ 285,782	$ 284,412	$ (1,370)
-	-	-	-	184,159	186,736	162,343	(24,393)
2,990,420	3,113,026	2,578,411	(534,615)	12,982	13,068	11,922	(1,146)
483	483	406	(77)	185,133	195,172	257,729	62,557
-	-	15	15	967	961	513	(448)
13,110	12,937	7,341	(5,596)	252,022	282,008	290,064	8,056
3,004,013	3,126,446	2,586,173	(540,273)	924,702	963,727	1,006,983	43,256
5,424	5,892	2,437	3,455	141,232	154,792	144,738	10,054
117,508	130,859	81,888	48,971	49,667	56,495	44,915	11,580
296,333	297,909	201,839	96,070	48,170	46,795	38,589	8,206
2,315,282	2,355,343	1,981,252	374,091	489,819	501,953	451,820	50,133
117	117	75	42	67,091	70,094	58,565	11,529
61,137	76,297	51,276	25,021	126,887	156,695	105,734	50,961
156,964	143,034	54,741	88,293	47,588	57,383	44,435	12,948
3,472	4,351	3,094	1,257	2,086	2,210	1,119	1,091
194,238	233,220	204,469	28,751	77,892	153,512	126,455	27,057
3,150,475	3,247,022	2,581,071	665,951	1,050,432	1,199,929	1,016,370	183,559
(146,462)	(120,576)	5,102	125,678	(125,730)	(236,202)	(9,387)	226,815
75	75	(17,665)	(17,740)	94,552	111,663	(16,033)	(127,696)
				42,510	63,510	46,455	(17,055)
75	75	(17,665)	(17,740)	137,062	175,173	30,422	(144,751)
$ (146,387)	$ (120,501)	$ (12,563)	$ 107,938	$ 11,332	$ (61,029)	$ 21,035	$ 82,064
		29,233				330,319	
		$ 16,670				$ 351,354	


DIRIGO
MAINE

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION

Fiscal Year Ended June 30, 2016
(Expressed in Thousands)

	General Fund	Highway Fund	Federal Funds	Special Revenue Fund
Fund Balances - Non-GAAP Budgetary Basis	$ 387,849	$ 72,433	$ 16,670	$ 351,354
Basis Differences				
Revenue Accruals/Adjustments:				
Taxes Receivable	211,369	1,802	-	12,204
Intergovernmental Receivables	-	-	271,819	-
Other Receivables	56,836	2,644	91,030	64,432
Inventories	2,475	-	439	-
Due from Component Units	25		-	63,859
Due from Other Funds	16,291	15,590	-	77,107
Other Assets	183	-	67	206
Unearned Revenues	-	(4,792)	(439)	21,536
Deferred Inflows - Taxes and Assessment Revenues	(203,150)	(742)	(49)	(28,154)
Total Revenue Accruals/Adjustments	84,029	14,502	362,867	211,190
Expenditure Accruals/Adjustments:				
Accounts Payable	(138,183)	(24,824)	(222,719)	(20,772)
Due to Component Units	(1,744)	(25)	(5,516)	(3,972)
Accrued Liabilities	(20,521)	(8,138)	(5,970)	(8,270)
Taxes Payable	(209,089)	-	-	-
Intergovernmental Payables	-	-	(90,981)	-
Pollution Remediation and Landfill Obligation	-	-	-	(1,243)
Due to Other Funds	(57,007)	(3,976)	(17,214)	(20,639)
Total Expenditure Accruals/Adjustments	(426,544)	(36,963)	(342,400)	(54,896)
Fund Balances - GAAP Basis	$ 45,334	$ 49,972	$ 37,137	$ 507,648

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING

Statutory/Budgetary Presentation

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

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

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

Detailed budgetary control is maintained at the program and line category level at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers. Except in specific instances, only the Legislature may transfer appropriations between departments. Increases in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget or separate pieces of legislation. For the year ended June 30, 2016, the legislature decreased appropriations to the General Fund by $3.4 million.

Governmental funds use encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of the applicable appropriation or allocation. Unencumbered appropriations in the General Fund and Highway Fund lapse at June 30 unless, by law, they are carried forward to a subsequent year. For financial statement purposes, unless amounts would create deficits, fund balance is classified based on existing resources, if any, which will liquidate the encumbrances outstanding at June 30 (shown as restrictions, commitments or assignments of fund balance).

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

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

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

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

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

The budgetary comparison schedule presented for the General Fund, the Highway Fund, the Federal Fund, and the Other Special Revenue Fund presents the original and final appropriated budgets for fiscal year 2016-2017, as well as the actual resource inflows, outflows and fund balances stated on the budgetary basis.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of June 30, 2015, 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, 2016 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.

STATE OF MAINE
SCHEDULE OF CHANGES IN
THE NET PENSION LIABILITY (ASSET)
JUDICIAL PENSION PLAN

June 30, 2016

(Expressed in Thousands)

	2016	2015
Service Cost	$ 1,606	$ 1,518
Interest	3,863	3,736
Changes in Benefit Terms	28	17
Differences Between Expected and Actual Experience	2,238	(292)
Changes of Assumptions	-	426
Benefit Payments, Including Refunds of Member Contributions	(3,384)	(3,219)
Net Change in Total Pension Liability	4,351	2,186
Beginning Total Pension Liability	54,561	52,375
Ending Total Pension Liability	58,912	54,561
Plan Fiduciary Net Position		
Employer Contributions	979	932
Member Contributions	550	528
Net Investment Income	1,055	8,416
Benefit Payments, Including Refunds of Member Contributions	(3,384)	(3,219)
Administrative Expense	(49)	(42)
Net Change in Plan Fiduciary Net Position	(849)	6,615
Beginning Plan Fiduciary Net Position	57,190	50,575
Ending Plan Fiduciary Net Position	56,341	57,190
Ending Net Pension Liability	$ 2,571	$ (2,629)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.6%	104.8%
Covered-employee Payroll	$ 7,186	$ 6,742
Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	35.8%	-39.0%

STATE OF MAINE
SCHEDULE OF CHANGES IN
THE NET PENSION LIABILITY (ASSET)
LEGISLATIVE PENSION PLAN

June 30, 2016

(Expressed in Thousands)

	2016	2015
Service Cost	$ 451	$ 450
Interest	545	503
Changes in Benefit Terms	4	4
Differences Between Expected and Actual Experience	(508)	(93)
Changes of Assumptions	-	86
Benefit Payments, Including Refunds of Member Contributions	(439)	(318)
Net Change in Total Pension Liability	53	632
Beginning Total Pension Liability	7,505	6,873
Ending Total Pension Liability	7,558	7,505
Plan Fiduciary Net Position		
Employer Contributions	4	4
Member Contributions	193	140
Net Investment Income	206	1,622
Benefit Payments, Including Refunds of Member Contributions	(439)	(318)
Administrative Expense	(9)	(8)
Net Change in Plan Fiduciary Net Position	(45)	1,440
Beginning Plan Fiduciary Net Position	11,120	9,680
Ending Plan Fiduciary Net Position	11,075	11,120
Ending Net Pension Liability	$ (3,517)	$ (3,615)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	146.5%	148.2%
Covered-employee Payroll	$ 2,528	$ 2,590
Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	-139.2%	-139.6%

STATE OF MAINE
SCHEDULE OF STATE CONTRIBUTIONS
SINGLE EMPLOYER DEFINED BENEFIT PENSION PLANS - EMPLOYER CONTRIBUTIONS

Last Three Fiscal Years
(Expressed in Thousands)

	2016	2015	2014
Judicial Pension Plan			
Actuarially Determined Contribution	$ 1,078	$ 951	$ 932
Contributions in Relation to the Actuarially Determined Employer Contribution	(1,078)	(951)	(932)
	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered-employee payroll	$ 7,188	$ 7,186	$ 6,742
Contributions as a percentage of covered-employee payroll	14.99%	13.24%	13.83%
Legislative Pension Plan			
Actuarially Determined Contribution	$ -	$ -	$ -
Contributions in Relation to the Actuarially Determined Employer Contribution	-	-	(4)
	-	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ (4)
Covered-employee payroll	$ 2,590	$ 2,528	$ 2,535
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.15%

Notes to Schedule:

Valuation date	June 30, 2012

June 30, 2015 actuarially determined contribution rates are calculated based on a 2012 actuarial valuation developed as a roll-forward of the 2011 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2012 using actual assets as of June 30, 2012.

Actuarial cost method	Entry age normal
Asset valuation method	3 - Year smoothed market
Amortization method	Level percent of payroll, open 10-year amortization of the 2012 UAL
Investment rate of return	7.25%
Amortization growth rate	3.50%
Price inflation	3.50%
Salary increases	3.5% plus merit component based on employee's years of service
Retirement age	100% retirement assumed to occur at age 60 for members with at least 10 years of creditable service on July 1, 1993. For members with less than 5 years of creditable service on July 1, 2001, 50% are assumed to retire each year after reaching age 65.
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA
Most recent review of plan experience:	2011

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2015 can be found in the June 30, 2012 actuarial valuation report.

Revised actuarial assumption:

Investment rate of return	7.125%

Benefit changes. By law, the COLA is based on the Consumer Price Index for Urban Consumers (CPI-U) as of June 30th applied to the statutory COLA base. If the percentage is negative, then no adjustment is made in that year. In subsequent years the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. This process of adjustment may occur over a multi-year period if needed to recoup the full actuarial value of the negative CPI-U. The MainePERS Board of Trustees set the 2014 COLA at 2.1% (the CPI-U at June 30, 2014) at their August meeting. Cost-of-living adjustments are effective September 1. Retirees are eligible to receive a cost-of-living adjustment after being retired for at least 12 months, except that retirees with less than 10 years of service on July 1, 1993 who retire prior to normal retirement age are not eligible to receive a cost-of-living adjustment until 12 months after reaching normal retirement age. The maximum annual limit is 3% of up to the first $20,000 of annual benefit, indexed. This is a permanent increase in retiree's benefit. The $20,000 COLA base is indexed each year going forward by the same percentage as the COLA that is paid.

Per GASB Statement No. 68, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

STATE OF MAINE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE EMPLOYEES AND TEACHERS PLAN - STATE EMPLOYEES ONLY

Last Two Fiscal Years
(Expressed in Thousands)

	2016	2015
State Employees		
Proportion of the Collective Net Pension Liability	92.825250%	92.853946%
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 950,597	$ 837,743
Covered-employee Payroll	$ 520,115	$ 525,765
Proportionate Share of the Net Pension Liability As a Percentage of Its Covered-Employee Payroll	182.77%	159.34%
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	76 80%	79.21%
Maine Community College System		
Proportion of the Collective Net Pension Liability	6 640831%	6.618303%
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 68,007	$ 59,710
Covered-employee Payroll	$ 32,008	$ 31,679
Proportionate Share of the Net Pension Liability As a Percentage of Its Covered-Employee Payroll	212.47%	188.48%
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	76.80%	79.21%
Maine Educational Center for the Deaf and Hard of Hearing		
Proportion of the Collective Net Pension Liability	0.462378%	0.455434%
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 4,735	$ 4,108
Covered-employee Payroll	$ 3,492	$ 3,359
Proportionate Share of the Net Pension Liability As a Percentage of Its Covered-Employee Payroll	135.60%	122 30%
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	76 80%	79.21%
Northern New England Passenger Rail Authority		
Proportion of the Collective Net Pension Liability	0 071541%	0.072317%
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 733	$ 652
Covered-employee Payroll	$ 435	$ 417
Proportionate Share of the Net Pension Liability As a Percentage of Its Covered-Employee Payroll	168.51%	156 35%
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	76 80%	79.21%
Total SETP - State of Maine Employees		
Proportion of the Collective Net Pension Liability	100.000000%	100 000000%
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 1,024,072	$ 902,213
Covered-employee Payroll	$ 556,050	$ 561,220
Proportionate Share of the Net Pension Liability As a Percentage of Its Covered-Employee Payroll	184.17%	160.76%
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	76 80%	79.21%

Notes to Schedule:

The SETP includes the State and 3 of its non-major discretely presented component units in its definition of state employees.

Per GASB Statement No. 68, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

STATE OF MAINE
SCHEDULE OF STATE CONTRIBUTIONS
COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS - EMPLOYER CONTRIBUTIONS
STATE EMPLOYEES AND TEACHERS PLAN - STATE EMPLOYEES ONLY

Last Three Fiscal Years
(Expressed in Thousands)

	2016	2015	2014
State Employees			
Actuarially Determined Contribution	$ 136,139	$ 107,807	$ 117,380
Contributions in Relation to the Actuarially Determined Employer Contribution	(136,139)	(107,807)	(117,380)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered-Employee Payroll	$ 588,415	$ 521,846	$ 525,765
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered-Employee Payroll	23.14%	20 66%	22.33%
Maine Community College System			
Actuarially Determined Contribution	$ 7,159	$ 8,135	$ 3,133
Contributions in Relation to the Actuarially Determined Employer Contribution	(7,159)	(8,135)	(3,133)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered-Employee Payroll	$ 32,627	$ 30,257	$ 31,679
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered-Employee Payroll	21.94%	26 89%	9.89%
Maine Educational Center for the Deaf and Hard of Hearing			
Actuarially Determined Contribution	$ 667	$ 554	$ 451
Contributions in Relation to the Actuarially Determined Employer Contribution	(667)	(554)	(451)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered-Employee Payroll	$ 2,985	$ 3,517	$ 3,359
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered-Employee Payroll	22.35%	15.75%	13.43%
Northern New England Passenger Rail Authority			
Actuarially Determined Contribution	$ 99	$ 81	$ 71
Contributions in Relation to the Actuarially Determined Employer Contribution	(99)	(81)	(71)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered-Employee Payroll	$ 439	$ 430	$ 417
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered-Employee Payroll	22.55%	18 84%	17.03%
Total SETP - State of Maine Employees			
Actuarially Determined Contribution	$ 144,064	$ 116,577	$ 121,035
Contributions in Relation to the Actuarially Determined Employer Contribution	(144,064)	(116,577)	(121,035)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered-Employee Payroll	$ 624,466	$ 556,050	$ 561,220
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered-Employee Payroll	23.07%	20 97%	21.57%

Required Supplementary Information - State Retirement Plans

Notes to Schedule

The SETP includes the State and 3 of its non-major discretely presented component units in its definition of state employees.

Valuation date	June 30, 2012

June 30, 2015 actuarially determined contribution rates are calculated based on a 2012 actuarial valuation developed as a roll-forward of the 2011 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2012 using actual assets as of June 30, 2012.

Actuarial cost method	Entry age normal
Asset valuation method	3 - Year smoothed market
Amortization method	Level percent of payroll, closed 16-year amortization of the 2012 UAL
Investment rate of return	7 25%
Amortization growth rate	3 50%
Price inflation	3 50%
Salary increases	3 5% plus merit component based on employee's years of service
Retirement age	100% retirement assumed to occur at age 60 for members with at least 10 years of creditable service on July 1, 1993. For members with less than 5 years of creditable service on July 1, 2001, 50% are assumed to retire each year after reaching age 65.
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA
Most recent review of plan experience:	2011

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2015 can be found in the June 30, 2012 actuarial valuation report.

Revised actuarial assumption:	
Investment rate of return	7.125%

Benefit changes. By law, the COLA is based on the Consumer Price Index for Urban Consumers (CPI-U) as of June 30th applied to the statutory COLA base. If the percentage is negative, then no adjustment is made in that year. In subsequent years the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. This process of adjustment may occur over a multi-year period if needed to recoup the full actuarial value of the negative CPI-U. The MainePERS Board of Trustees set the 2014 COLA at 2.1% (the CPI-U at June 30, 2014) at their August meeting. Cost-of-living adjustments are effective September 1. Retirees are eligible to receive a cost-of-living adjustment after being retired for at least 12 months, except that retirees with less than 10 years of service on July 1, 1993 who retire prior to normal retirement age are not eligible to receive a cost-of-living adjustment until 12 months after reaching normal retirement age. The maximum annual limit is 3% of up to the first $20,000 of annual benefit, indexed. This is a permanent increase in retiree's benefit. The $20,000 COLA base is indexed each year going forward by the same percentage as the COLA that is paid.

STATE OF MAINE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
STATE EMPLOYEES AND TEACHERS PLAN - TEACHERS

Last Two Fiscal Years
(Expressed in Thousands)

	2016	2015
Non-employer Contributing Entity's Proportion of:		
Percentage of the Collective Net Pension Liability	95.036038%	95.069591%
Amount of the Collective Net Pension Liability	$ 1,350,118	$ 1,027,065
Plan's Fiduciary Net Position As a Percentage of the Total Pension Liability	83.60%	86.46%

Per GASB Statement No. 68, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

STATE OF MAINE
SCHEDULE OF STATE CONTRIBUTIONS
COST-SHARING MULTIPLE EMPLOYER DEFINED BENEFIT PENSION PLANS - NON-EMPLOYER CONTRIBUTIONS
STATE EMPLOYEES AND TEACHERS PLAN - TEACHERS

Last Three Fiscal Years
(Expressed in Thousands)

	2016	2015	2014
Teachers - Non-Employer Contributor			
Actuarially Determined Contribution	$ 112,478	$ 147,048	$ 146,362
Contributions in Relation to the Actuarially Determined Non-employer Contribution	(112,478)	(147,048)	(146,362)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Employer Contributors			
Actuarially Determined Contribution	$ 45,349	$ 38,404	$ 36,931
Contributions in Relation to the Actuarially Determined Employer Contribution	(45,349)	(38,404)	(36,931)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Total SETP - Teachers			
Actuarially Determined Contribution	$ 157,827	$ 185,452	$ 183,293
Contributions in Relation to the Actuarially Determined Employer Contribu ion	(157,827)	(185,452)	(183,293)
Contribution Deficiency (Excess)	$ -	$ -	$ -

Notes to Schedule:

Valuation date	June 30, 2012

June 30, 2015 actuarially determined contribution rates are calculated based on a 2012 actuarial valuation developed as a roll-forward of the 2011 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2012 using actual assets as of June 30, 2012.

Actuarial cost method	Entry age normal
Asset valuation method	3 - Year smoothed market
Amortization method	Level percent of payroll, closed 16-year amortization of the 2012 UAL
Investment rate of return	7.25%
Amortization growth rate	3.50%
Price inflation	3.50%
Salary increases	3.5% plus merit component based on employee's years of service
Retirement age	100% retirement assumed to occur at age 60 for members with at least 10 years of creditable service on July 1, 1993. For members with less than 5 years of creditable service on July 1, 2001, 50% are assumed to retire each year after reaching age 65.
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA
Most recent review of plan experience:	2011

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2015 can be found in the June 30, 2012 actuarial valuation report.

Revised actuarial assumption:

Investment rate of return	7.125%

Benefit changes. By law, the COLA is based on the Consumer Price Index for Urban Consumers (CPI-U) as of June 30th applied to the statutory COLA base. If the percentage is negative, then no adjustment is made in that year. In subsequent years the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. This process of adjustment may occur over a multi-year period if needed to recoup the full actuarial value of the negative CPI-U. The MainePERS Board of Trustees set the 2014 COLA at 2.1% (the CPI-U at June 30, 2014) at their August meeting. Cost-of-living adjustments are effective September 1. Retirees are eligible to receive a cost-of-living adjustment after being retired for at least 12 months, except that retirees with less than 10 years of service on July 1, 1993 who retire prior to normal retirement age are not eligible to receive a cost-of-living adjustment until 12 months after reaching normal retirement age. The maximum annual limit is 3% of up to the first $20,000 of annual benefit, indexed. This is a permanent increase in retiree’s benefit. The $20,000 COLA base is indexed each year going forward by the same percentage as the COLA that is paid.

Required Supplementary Information – Other Post-employment Benefit Plans

Schedules of Funding Progress

Healthcare Plans

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)
	June 30, 2015	184	1,275	1,157	14 43%	561	206 24%
State Employees	June 30, 2014	167	1,224	1,057	13 64%	543	194 66%
(in millions)	June 30, 2013	150	1,166	1,016	12 86%	518	196 14%
Teachers	June 30, 2015	0	739	739	0 00%	1,142	64 71%
(in millions)	June 30, 2014	0	684	684	0 00%	1,106	61 84%
	June 30, 2013	0	685	685	0 00%	1,194	57 37%
	June 30, 2015	0	21,822	21,822	0 00%	54,030	40 39%
First Responders	June 30, 2014	0	24,055	24,055	0 00%	54,967	43 76%
(in thousands)	June 30, 2013	0	22,369	22,369	0 00%	53,366	41 92%

Group Life Insurance Plans

(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)
	June 30, 2016	32,300	89,900	57,600	35 93%	578,279	9 96%
State Employees	June 30, 2015	32,300 *	89,500 *	57,200	36 09%	556,900 *	10 27%
	June 30, 2014	31,800	87,300	55,500	36 43%	556,900 *	9 97%
	* restated						
	June 30, 2016	49,800	85,700	35,900	58 11%	698,700	5 14%
Teachers	June 30, 2015	48,000	79,000	31,000	60 76%	666,200	4 65%
	June 30, 2014	45,100	75,600	30,500	59 66%	666,200	4 58%

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

Schedule of Employer Contributions

(Expressed in Thousands)

	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 - 2016	$88,000	76.14%	$48,000	56.25%	$1,883	35.53%
Healthcare - 2015	84,000	79.76%	46,000	56.52%	1,976	38.26%
Healthcare - 2014	99,000	63.87%	45,000	55.46%	1,769	33.52%
Healthcare - 2013	94,000	72.34%	44,000	56.82%	1,689	34.16%
Healthcare - 2012	126,000	57.94%	55,000	40.00%	1,350	32.15%
Group Life - 2016	4,670	93.49%	3,160	100.00%	-	-
Group Life - 2015	4,935	86.67%	3,660	100.00%	-	-
Group Life - 2014	4,768	88.07%	3,440	100.00%	-	-
Group Life - 2013	4,591	101.79%	3,099	100.00%	-	-
Group Life - 2012	3,250	144.13%	2,959	100.00%	-	-

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 8,809 highway miles or 17,911 lane miles of roads and 2,967 bridges having a total deck area of 12.2 million square feet that the State is responsible to maintain.

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

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

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

Highways

Measurement Scale for Highways

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

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

Bridges

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

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
2016	75.3	76.0
2015	75.5	78.0
2014	75.5	78.0

Comparison of Estimated-to-Actual Preservation Costs

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

Actual Preservation Costs
(Expressed in millions)

	2016	2015	2014	2013	2012
Highways	$ 110.7	$ 110.2	$ 163.0 [1]	$ 90.5	$ 91.5
Bridges	4.9	5.5	71.0 [1]	14.7	13.2
Total	$ 115.6	$ 115.7	$ 234.0	$ 105.2	$ 104.7

Estimated Preservation Costs
(Expressed in millions)

	2016	2015	2014	2013	2012
Highways	$ 113.4	$ 71.9	$ 24.7	$ 84.1	$ 155.0
Bridges	8.8	3.9	3.1	13.7	30.0
Total	$ 122.2	$ 75.8	$ 27.8	$ 97.8	$ 185.0

[1] As restated

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

Transportation Bonds

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 429, PL 2013, $26 million in General fund bonds were spent during FY2016. Of the amount authorized by Chapter 305, PL 2015, $20 million in General fund bonds were spent during FY

STATE OF MAINE
INDEPENDENT AUDITOR'S REPORTS
ON INTERNAL CONTROL AND COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2016

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Michael D. Thibodeau
President of the Senate

Honorable Sara Gideon
Speaker of the House of Representatives

We have audited, in accordance with the 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, the 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, 2016, and the related notes to the financial statements, which collectively comprise the State of Maine's basic financial statements, and have issued our report thereon dated December 22, 2016. Our report includes a reference to other auditors who audited the financial statements of the following component units: Child Development Services, ConnectME Authority, Efficiency Maine Trust, Finance Authority of Maine, Loring Development Authority, Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, Maine Educational Loan Authority, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Port Authority, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Technology Institute, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, Small Enterprise Growth Fund, and the University of Maine System, as described in our report on the State of Maine's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Maine Educational Loan Authority, the Maine Technology Institute and the Small Enterprise Growth Fund were not audited in accordance with *Government Auditing Standards.*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State of Maine's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Maine's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Maine's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pola Buckley

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

Augusta, Maine
December 22, 2016

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Honorable Michael D. Thibodeau
President of the Senate

Honorable Sara Gideon
Speaker of the House of Representatives

Report on Compliance for Each Major Federal Program
We have audited the State of Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State of Maine's major Federal programs for the year ended June 30, 2016. The State of Maine's major Federal programs are identified in the Summary of Auditor's Results (E-3 to E-4) of the accompanying Schedule of Findings and Questioned Costs (E-10 to E-93).

The State of Maine's basic financial statements included the operations of the following component units: Child Development Services, ConnectME Authority, Efficiency Maine Trust, Finance Authority of Maine, Loring Development Authority, Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, Maine Educational Loan Authority, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Port Authority, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Technology Institute, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, Small Enterprise Growth Fund, and the University of Maine System. The Federal awards that these component units received are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2016. Our audit, described below, did not include the operations of these component units because the component units engaged other auditors to perform an audit in accordance with the Uniform Guidance, if required.

Management's Responsibility
Management is responsible for compliance with the requirements of Federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of the State of Maine's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the State of Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the State of Maine's compliance.

Basis for Qualified Opinion on the Coastal Zone Management Administration Awards Program
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Coastal Zone Management Administration Awards program (CFDA #11.419) as described in finding number 2016-003 for Procurement and Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

Qualified Opinion on the Coastal Zone Management Administration Awards Program
In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Coastal Zone Management Administration Awards program for the year ended June 30, 2016.

Basis for Qualified Opinion on the Unemployment Insurance Program
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Unemployment Insurance program (CFDA #17.225) as described in finding number 2016-005 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

Qualified Opinion on the Unemployment Insurance Program
In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Unemployment Insurance program for the year ended June 30, 2016.

Basis for Qualified Opinion on the TANF Cluster
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the TANF Cluster (Temporary Assistance for Needy Families, CFDA #93.558) as described in finding number 2016-014 for Activities Allowed or Unallowed and

Subrecipient Monitoring, and finding number 2016-015 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

Qualified Opinion on the TANF Cluster

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TANF Cluster for the year ended June 30, 2016.

Basis for Qualified Opinion on the Children's Health Insurance Program

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Children's Health Insurance Program (CFDA #93.767) as described in finding number 2016-019 for Allowable Costs/Cost Principles and Reporting. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

Qualified Opinion on the Children's Health Insurance Program

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Children's Health Insurance Program for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2016-030. Our opinion on each major Federal program is not modified with respect to this matter.

The State of Maine's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The State of Maine's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the State of Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Maine's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-003, 2016-005, 2016-014, 2016-015 and 2016-019 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2016-001, 2016-002, 2016-004, 2016-006 through 2016-013, 2016-016 through 2016-018, and 2016-020 through 2016-032 to be significant deficiencies.

The State of Maine's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The State of Maine's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pola Buckley

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

Augusta, Maine
March 31, 2017

STATE OF MAINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016


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STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Agency CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total	
Department of Agriculture					
10 025	Plant and Animal Disease, Pest Control, and Animal Care	7,700	266,023	273,723	
10.156	Federal-State Marketing Improvement Program	-	784,032	784,032	
10.162	Inspection Grading and Standardization	-	884,976	884,976	
10.163	Market Protection and Promotion	325,091	-	325,091	
10.170	Specialty Crop Block Grant Program - Farm Bill	567,647	65,902	633,550	
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection	-	260,867	260,867	
10 546	Supplemental Nutrition Assistance Program (SNAP) Recipient Integrity Information Technology Grants	-	132,864	132,864	
10 557	Special Supplemental Nutrition Program for Women, Infants, and Children	4,240,299	12,100,383	16,340,683	
10 558	Child and Adult Care Food Program	10,603,451	104,175	10,707,626	*
10 560	State Administrative Expenses for Child Nutrition	-	1,010,327	1,010,327	
10 572	WIC Farmers' Market Nutrition Program (FMNP)	13,817	45,143	58,959	
10 576	Senior Farmers Market Nutrition Program	757,467	96,970	854,437	
10 578	WIC Grants To States (WGS)	-	333,233	333,233	
10 579	Child Nutrition Discretionary Grants Limited Availability	75,542	-	75,542	
10 580	Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	-	19,598	19,598	
10 582	Fresh Fruit and Vegetable Program	1,893,555	87,715	1,981,270	
10.652	Forestry Research	-	448,055	448,055	
10.664	Cooperative Forestry Assistance	288,206	2,932,793	3,220,999	
10.676	Forest Legacy Program	-	7,334,361	7,334,361	*
10.678	Forest Stewardship Program	-	7,379	7,379	
10.680	Forest Health Protection	13,801	47,324	61,125	
10 902	Soil and Water Conservation	2,000	7,371	9,371	
10 912	Environmental Quality Incentives Program	-	16,736	16,736	
SNAP Cluster					
10 551	Supplemental Nutrition Assistance Program	-	260,398,524	260,398,524	*
10 561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	4,382,662	11,662,787	16,045,449	*
SNAP Cluster Total		4,382,662	272,061,311	276,443,973	
Food Distribution Cluster					
10 565	Commodity Supplemental Food Program	121,636	19,898	141,534	
10 568	Emergency Food Assistance Program (Administrative Costs)	220,628	38,057	258,685	
10 569	Emergency Food Assistance Program (Food Commodities)	-	3,697,015	3,697,015	
Food Distribution Cluster Total		342,264	3,754,969	4,097,234	
Child Nutrition Cluster					
10 555	National School Lunch Program	47,146,215	4,384,514	51,530,730	
10 559	Summer Food Service Program for Children	2,116,626	74,229	2,190,855	
Child Nutrition Cluster Total		49,262,842	4,458,743	53,721,585	
Department of Agriculture Total		72,776,345	307,261,254	380,037,599	
Department of Commerce					
11.407	Interjurisdictional Fisheries Act of 1986	-	144,434	144,434	
11.417	Sea Grant Support	-	9	9	[1]
11.419	Coastal Zone Management Administration Awards	411,156	2,017,429	2,428,586	*
11.454	Unallied Management Projects	1,232,528	148,656	1,381,184	
11.472	Unallied Science Program	399,826	1,241,656	1,641,481	
11.474	Atlantic Coastal Fisheries Cooperative Management Act	-	626,532	626,532	[2]
Department of Commerce Total		2,043,510	4,178,717	6,222,227	
Department of Defense					
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	-	627,950	627,950	
12.400	Military Construction, National Guard	-	7,748,216	7,748,216	*
12.401	National Guard Military Operations and Maintenance (O&M) Projects	-	18,898,391	18,898,391	
12.617	Economic Adjustment Assistance for State Governments	5,450	42,929	48,378	
Department of Defense Total		5,450	27,317,486	27,322,936	
Department of Housing And Urban Development					
14.171	Manufactured Home Dispute Resolution	-	16,677	16,677	
14 228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii	-	10,920,927	10,920,927	
14 238	Shelter Plus Care	6,853,723	-	6,853,723	
14.401	Fair Housing Assistance Program State and Local	-	163,489	163,489	
Department of Housing And Urban Development Total		6,853,723	11,101,093	17,954,816	

Federal Agency CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total	
Department of the Interior					
15.424	Marine Minerals Activities - Hurricane Sandy	-	75,420	75,420	
15.608	Fish and Wildlife Management Assistance	25,894	146	26,040	
15.614	Coastal Wetlands Planning, Protection and Restoration Program	219,645	1,205,525	1,425,170	
15.615	Cooperative Endangered Species Conservation Fund	-	52,135	52,135	
15.616	Clean Vessel Act Program	179,422	95,181	274,603	
15.622	Sportfishing and Boating Safety Act	-	144,356	144,356	
15.634	State Wildlife Grants	256,029	650,768	906,797	
15.637	Migratory Bird Joint Ventures	-	30,000	30,000	
15.649	Service Training and Technical Assistance (Generic Training)	-	50,023	50,023	
15.657	Endangered Species Conservation – Recovery Implementation Funds	-	18,082	18,082	
15.663	National Fish and Wildlife Foundation	-	45,367	45,367	
15 810	National Cooperative Geologic Mapping Program	-	72,535	72,535	
15 814	National Geological and Geophysical Data Preservation Program	-	3,531	3,531	
15 904	Historic Preservation Fund Grants-In-Aid	-	715,351	715,351	
15 916	Outdoor Recreation Acquisition, Development and Planning	405,800	-	405,800	
15 931	Conservation Activities by Youth Service Organizations	-	56,021	56,021	
Fish and Wildlife Cluster					
15.605	Sport Fish Restoration Program	31,959	3,485,546	3,517,504	
15.611	Wildlife Restoration and Basic Hunter Education	296,910	7,605,685	7,902,595	
Fish and Wildlife Cluster Total		328,869	11,091,231	11,420,099	
Department of the Interior Total		1,415,659	14,305,671	15,721,330	
Department of Justice					
16 017	Sexual Assault Services Formula Program	261,732	6,005	267,737	
16 523	Juvenile Accountability Block Grants	113,723	-	113,723	
16 527	Supervised Visitation, Safe Havens for Children	45,833	6,643	52,476	
16 540	Juvenile Justice and Delinquency Prevention Allocation to States	165,287	220,925	386,212	
16 543	Missing Children's Assistance	-	346,115	346,115	3
16 550	State Justice Statistics Program for Statistical Analysis Centers	118,688	-	118,688	
16 554	National Criminal History Improvement Program (NCHIP)	-	230,513	230,513	
16 575	Crime Victim Assistance	2,720,746	556,580	3,277,326	
16 576	Crime Victim Compensation	-	137,284	137,284	
16 585	Drug Court Discretionary Grant Program	51,806	1,118	52,924	
16 588	Violence Against Women Formula Grants	751,359	197,187	948,545	
16 590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	-	689	689	4
16 593	Residential Substance Abuse Treatment for State Prisoners	45,286	3,052	48,337	
16.606	State Criminal Alien Assistance Program	-	148,963	148,963	
16.609	Project Safe Neighborhoods	38,166	450	38,616	
16.710	Public Safety Partnership and Community Policing Grants	-	394,018	394,018	
16.726	Juvenile Mentoring Program	-	39,116	39,116	5
16.738	Edward Byrne Memorial Justice Assistance Grant Program	206,218	659,385	865,602	
16.741	DNA Backlog Reduction Program	-	142,344	142,344	
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	-	78,868	78,868	
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program	-	5,313	5,313	
16.750	Support for Adam Walsh Act Implementation Grant Program	-	9,128	9,128	
16.754	Harold Rogers Prescription Drug Monitoring Program	-	106,452	106,452	
16 812	Second Chance Act Reentry Initiative	-	109,990	109,990	
16 922	Equitable Sharing Program	-	6,657	6,657	
16.U01	2014-078 - Domestic Cannabis Eradication	-	21,366	21,366	
Department of Justice Total		4,518,841	3,428,160	7,947,001	
Department of Labor					
17 002	Labor Force Statistics	-	1,125,000	1,125,000	
17 005	Compensation and Working Conditions	-	134,833	134,833	
17 225	Unemployment Insurance	-	133,766,457	133,766,457	*
17 235	Senior Community Service Employment Program	411,598	36,982	448,581	
17 245	Trade Adjustment Assistance	-	4,279,925	4,279,925	
17 261	WIA/WIOA Pilots, Demonstrations, and Research Projects	-	275,371	275,371	
17 267	Incentive Grants - WIA Section 503	312,784	416,552	729,336	
17 271	Work Opportunity Tax Credit Program (WOTC)	-	82,327	82,327	
17 273	Temporary Labor Certification for Foreign Workers	-	246,193	246,193	
17 277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	2,101,601	712,412	2,814,013	
17 281	WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training	-	1,507	1,507	
17 503	Occupational Safety and Health State Program	-	361,062	361,062	
17 504	Consultation Agreements	-	668,524	668,524	
17.600	Mine Health and Safety Grants	-	61,616	61,616	

Federal Agency CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total	
WIA/WIOA Cluster					
17 258	WIA/WIOA Adult Program	3,001,057	289,708	3,290,765	*
17 259	WIA/WIOA Youth Activities	2,932,317	290,865	3,223,182	*
17 278	WIA/WIOA Dislocated Worker Formula Grants	2,307,186	996,579	3,303,766	*
WIA/WIOA Cluster Total		8,240,560	1,577,152	9,817,712	
Employment Service Cluster					
17 207	Employment Service/Wagner-Peyser Funded Activities	252,073	3,835,589	4,087,662	
17 801	Disabled Veterans' Outreach Program (DVOP)	-	528,511	528,511	
17 804	Local Veterans' Employment Representative Program	-	441,964	441,964	
Employment Service Cluster Total		252,073	4,806,064	5,058,137	
Department of Labor Total		11,318,616	148,551,978	159,870,594	
Department of Transportation					
20.106	Airport Improvement Program	-	340,801	340,801	
20 218	National Motor Carrier Safety	-	533,462	533,462	
20 232	Commercial Driver's License Program Improvement Grant	-	293,145	293,145	
20 233	Border Enforcement Grants	-	135,424	135,424	
20 234	Safety Data Improvement Program	-	86,640	86,640	
20 237	Commercial Vehicle Information Systems and Networks	-	1,070,256	1,070,256	
20 240	Fuel Tax Evasion-Intergovernmental Enforcement Effort	-	1,444	1,444	
20 505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	-	177,767	177,767	
20 509	Formula Grants for Rural Areas	-	6,795,434	6,795,434	
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants	-	29,989	29,989	
20.700	Pipeline Safety Program State Base Grant	-	408,078	408,078	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	135,688	-	135,688	
20.721	PHMSA Pipeline Safety Program One Call Grant	-	68,284	68,284	
Transit Services Programs Cluster					
20 513	Enhanced Mobility of Seniors and Individuals with Disabilities	-	1,166,643	1,166,643	
20 521	New Freedom Program	-	249,962	249,962	
Transit Services Programs Cluster Total		-	1,416,604	1,416,604	
Highway Safety Cluster					
20.600	State and Community Highway Safety	508,128	1,624,770	2,132,899	
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	14,617	191,813	206,430	
20.602	Occupant Protection Incentive Grants	3,252	2	3,254	
20.610	State Traffic Safety Information System Improvement Grants	-	359,199	359,199	
20.612	Incentive Grant Program to Increase Motorcyclist Safety	14,337	3,719	18,055	
20.613	Child Safety and Child Booster Seats Incentive Grants	5,000	41,996	46,995	
20.616	National Priority Safety Programs	865,087	477,649	1,342,736	
Highway Safety Cluster Total		1,410,421	2,699,148	4,109,569	
Highway Planning and Construction Cluster					
20 205	Highway Planning and Construction	-	206,672,647	206,672,647	
20 219	Recreational Trails Program	1,163,407	235,216	1,398,623	
Highway Planning and Construction Cluster Total		1,163,407	206,907,863	208,071,270	
Federal Transit Cluster					
20 500	Federal Transit Capital Investment Grants	-	603,499	603,499	
20 507	Federal Transit Formula Grants	-	574,028	574,028	
Federal Transit Cluster Total		-	1,177,527	1,177,527	
Department of Transportation Total		2,709,516	222,141,867	224,851,383	
Department of the Treasury					
21 000	Treasury Forfeiture Program	-	83,728	83,728	
21.U01	ED-8-CO-0037-NAEP GRANT	-	112,052	112,052	
Department of the Treasury Total		-	195,780	195,780	
Equal Employment Opportunity Commission					
30 001	Employment Discrimination Title VII of the Civil Rights Act of 1964	-	196,725	196,725	
Equal Employment Opportunity Commission Total		-	196,725	196,725	
General Services Administration					
39 003	Donation of Federal Surplus Personal Property	-	657,960	657,960	
General Services Administration Total		-	657,960	657,960	

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Agency CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total	
Institute Of Museum And Library Services					
45 310	Grants to States	-	1,654,048	1,654,048	
Institute Of Museum And Library Services Total		-	1,654,048	1,654,048	
National Endowment For The Arts					
45 025	Promotion of the Arts Partnership Agreements	-	725,386	725,386	
National Endowment For The Arts Total		-	725,386	725,386	
Department of Veterans Affairs					
64 038	Grants for the Rural Veterans Coordination Pilot	387,244	471,718	858,962	
64 203	State Cemetery Grants	-	1,227,498	1,227,498	
Department of Veterans Affairs Total		387,244	1,699,216	2,086,460	
Environmental Protection Agency					
66 032	State Indoor Radon Grants	-	202,583	202,583	
66 034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	-	273,474	273,474	
66 039	National Clean Diesel Emissions Reduction Program	668,569	-	668,569	
66 040	State Clean Diesel Grant Program	93,864	-	93,864	
66.432	State Public Water System Supervision	-	923,329	923,329	
66.454	Water Quality Management Planning	41,126	64,639	105,765	
66.461	Regional Wetland Program Development Grants	-	203,032	203,032	
66.472	Beach Monitoring and Notification Program Implementation Grants	188,817	77,936	266,753	
66.605	Performance Partnership Grants	612,354	7,392,684	8,005,038	*
66 802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	-	861,221	861,221	
66 804	Underground Storage Tank Prevention, Detection and Compliance Program	-	304,348	304,348	
66 805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	-	823,158	823,158	
66 809	Superfund State and Indian Tribe Core Program Cooperative Agreements	-	164,029	164,029	
66 817	State and Tribal Response Program Grants	-	823,714	823,714	
66 818	Brownfields Assessment and Cleanup Cooperative Agreements	-	339,140	339,140	
Drinking Water State Revolving Fund Cluster					
66.468	Capitalization Grants for Drinking Water State Revolving Funds	-	1,771,880	1,771,880	
Drinking Water State Revolving Fund Cluster Tota		-	1,771,880	1,771,880	
Environmental Protection Agency Total		1,604,730	14,225,166	15,829,895	
Department of Energy					
81 041	State Energy Program	-	426,138	426,138	
81.119	State Energy Program Special Projects	-	12,824	12,824	
81.138	State Heating Oil and Propane Program	-	2,352	2,352	
Department of Energy Total		-	441,313	441,313	
Department of Education					
84 002	Adult Education - Basic Grants to States	1,371,822	279,462	1,651,284	
84 010	Title I Grants to Local Educational Agencies	46,782,085	1,135,153	47,917,238	
84 011	Migrant Education State Grant Program	768,746	234,467	1,003,213	
84 013	Title I State Agency Program for Neglected and Delinquent Children and Youth	-	257,767	257,767	
84 048	Career and Technical Education -- Basic Grants to States	4,437,786	670,019	5,107,806	
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	-	18,792,542	18,792,542	*
84.161	Rehabilitation Services Client Assistance Program	-	131,059	131,059	
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	-	80,666	80,666	
84.181	Special Education-Grants for Infants and Families	2,081,673	69,439	2,151,113	
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	-	318,440	318,440	
84.196	Education for Homeless Children and Youth	199,451	52,415	251,865	
84 264	Rehabilitation Training Continuing Education	-	6,119	6,119	
84 287	Twenty-First Century Community Learning Centers	5,956,975	305,684	6,262,658	
84 323	Special Education - State Personnel Development	152,809	320,126	472,935	
84 330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	74,538	-	74,538	
84 358	Rural Education	1,210,953	66,524	1,277,477	
84 365	English Language Acquisition State Grants	527,614	121,862	649,477	
84 366	Mathematics and Science Partnerships	674,194	51,320	725,514	
84 367	Improving Teacher Quality State Grants	10,149,008	273,794	10,422,802	
84 369	Grants for State Assessments and Related Activities	-	3,445,391	3,445,391	

Federal Agency CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total
84 374	Teacher Incentive Fund	1,575,120	1,433,983	3,009,103
84 377	School Improvement Grants	-	2,228,372	2,228,372
84 384	Statewide Data Systems, Recovery Act	-	315,807	315,807
84.419	Preschool Development Grants	4,068,327	187,762	4,256,089
Special Education Cluster (IDEA)				
84 027	Special Education Grants to States	50,268,904	3,152,249	53,421,153
84.173	Special Education Preschool Grants	2,711,576	1,687	2,713,263
Special Education Cluster (IDEA) Total		52,980,480	3,153,936	56,134,415
Department of Education Total		133,011,581	33,932,110	166,943,691
National Archives And Records Administration				
89 005	Cooperative Agreements to Support the Programs of the National Archives and Records Administration	-	15,003	15,003
National Archives And Records Administration Total		-	15,003	15,003
U.S. Election Assistance Commission				
90.401	Help America Vote Act Requirements Payments	-	885,054	885,054
U.S. Election Assistance Commission Total		-	885,054	885,054
Department of Health And Human Services				
93 041	Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	11,271	10,634	21,905
93 042	Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	79,830	-	79,830
93 043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	97,260	51	97,311
93 048	Special Programs for the Aging Title IV and Title II Discretionary Projects	324,282	109,185	433,467
93 051	Alzheimer's Disease Demonstration Grants to States	77,315	156,971	234,287
93 052	National Family Caregiver Support, Title III, Part E	562,903	-	562,903
93 070	Environmental Public Health and Emergency Response	29,869	1,583,136	1,613,005
93 071	Medicare Enrollment Assistance Program	116,503	28,874	145,377
93 074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	-	6,116,358	6,116,358
93 079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	-	100,445	100,445
93 082	Sodium Reduction in Communities	-	339,465	339,465
93 090	Guardianship Assistance	-	393,512	393,512
93 092	Affordable Care Act (ACA) Personal Responsibility Education Program	223,305	174	223,479
93.110	Maternal and Child Health Federal Consolidated Programs	-	76,728	76,728
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	-	153,036	153,036
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	-	191,424	191,424
93.136	Injury Prevention and Control Research and State and Community Based Programs	213,504	174,168	387,672
93.150	Projects for Assistance in Transition from Homelessness (PATH)	300,000	-	300,000
93.165	Grants to States for Loan Repayment Program	-	181,250	181,250
93 241	State Rural Hospital Flexibility Program	-	407,568	407,568
93 243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	1,951,087	2,136,900	4,087,987
93 251	Universal Newborn Hearing Screening	140,151	97,344	237,495
93 267	State Grants for Protection and Advocacy Services	-	212,261	212,261
93 268	Immunization Cooperative Agreements	-	14,179,526	14,179,526 *
93 270	Adult Viral Hepatitis Prevention and Control	-	108,982	108,982
93 283	Centers for Disease Control and Prevention Investigations and Technical Assistance	3,961	1,392,590	1,396,550
93 301	Small Rural Hospital Improvement Grant Program	-	168,316	168,316
93 324	State Health Insurance Assistance Program	410,073	79,102	489,175
93 369	ACL Independent Living State Grants	-	286,592	286,592
93.433	ACL National Institute on Disability, Independent Living, and Rehabilitation Research	-	3,290	3,290
93.464	ACL Assistive Technology	191,918	206,715	398,632
93 505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	3,875,237	446,170	4,321,407
93 506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	-	544,412	544,412
93 507	PPHF National Public Health Improvement Initiative	-	146,939	146,939
93 511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	-	1,045,925	1,045,925
93 521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	-	1,100,388	1,100,388

Federal Agency CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total	
93 539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	-	512,290	512,290	
93 556	Promoting Safe and Stable Families	800,481	82,305	882,786	
93 563	Child Support Enforcement	-	18,655,286	18,655,286	*
93 566	Refugee and Entrant Assistance State Administered Programs	-	1,722,409	1,722,409	
93 569	Community Services Block Grant	3,104,906	122,927	3,227,833	
93 576	Refugee and Entrant Assistance Discretionary Grants	-	252,704	252,704	
93 584	Refugee and Entrant Assistance Targeted Assistance Grants	-	104,986	104,986	
93 586	State Court Improvement Program	-	319,925	319,925	
93 597	Grants to States for Access and Visitation Programs	99,320	5,057	104,377	
93 599	Chafee Education and Training Vouchers Program (ETV)	-	164,922	164,922	
93.603	Adoption and Legal Guardianship Incentive Payments	-	917	917	
93.624	ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	359,020	8,523,087	8,882,108	
93.630	Developmental Disabilities Basic Support and Advocacy Grants	-	585,496	585,496	
93.643	Children's Justice Grants to States	25,214	5,552	30,766	
93.645	Stephanie Tubbs Jones Child Welfare Services Program	149,540	997,608	1,147,149	
93.658	Foster Care Title IV-E	123,933	15,423,700	15,547,633	
93.659	Adoption Assistance	-	15,263,041	15,263,041	
93.667	Social Services Block Grant	7,176,449	2,436,986	9,613,434	
93.669	Child Abuse and Neglect State Grants	101,454	65,950	167,405	
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	842,635	14,849	857,484	
93.674	Chafee Foster Care Independence Program	192,809	385,450	578,259	
93.735	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)	-	57,140	57,140	
93.748	PPHF Cooperative Agreements for Prescription Drug Monitoring Program Electronic Health Record (EHR) Integration and Interoperability Expansion	-	7,182	7,182	
93.757	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	-	1,274,308	1,274,308	
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	125,063	1,022,338	1,147,401	
93.767	Children's Health Insurance Program	-	30,832,933	30,832,933	*
93.791	Money Follows the Person Rebalancing Demonstration	299,401	787,865	1,087,266	
93 815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).	-	46,283	46,283	
93 817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	-	57,194	57,194	
93 889	National Bioterrorism Hospital Preparedness Program	-	134,242	134,242	
93 912	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program	-	295,390	295,390	
93 913	Grants to States for Operation of Offices of Rural Health	-	106,552	106,552	
93 917	HIV Care Formula Grants	157,781	1,659,099	1,816,880	
93 919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	28,004	1,852,046	1,880,049	
93 940	HIV Prevention Activities Health Department Based	447,747	350,537	798,283	
93 944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	-	133,096	133,096	
93 945	Assistance Programs for Chronic Disease Prevention and Control	-	740,781	740,781	
93 958	Block Grants for Community Mental Health Services	1,830,199	32,027	1,862,226	
93 959	Block Grants for Prevention and Treatment of Substance Abuse	4,436,056	1,281,197	5,717,252	
93 977	Preventive Health Services Sexually Transmitted Diseases Control Grants	132,255	127,247	259,502	
93 994	Maternal and Child Health Services Block Grant to the States	-	2,431,890	2,431,890	
93.U01	2016 DASIS - DASIS Federal Agreement MIS Implement of Uniform Alcohol & Drug Abuse Data Collection System	-	723,420	723,420	
TANF Cluster					
93 558	Temporary Assistance for Needy Families	11,076,963	29,022,212	40,099,174	*
TANF Cluster Total		11,076,963	29,022,212	40,099,174	
Medicaid Cluster					
93.775	State Medicaid Fraud Control Units	-	627,548	627,548	*
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	-	3,643,824	3,643,824	*
93.778	Medical Assistance Program	15,798,135	1,661,920,585	1,677,718,720	*
93.778	ARRA - Medical Assistance Program	-	16,057,924	16,057,924	*
Medicaid Cluster Total		15,798,135	1,682,249,881	1,698,048,016	
CCDF Cluster					
93 575	Child Care and Development Block Grant	100,720	11,962,541	12,063,260	
93 596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	-	8,060,870	8,060,870	
CCDF Cluster Total		100,720	20,023,411	20,124,131	

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Agency CFDA#	**Clusters and Program Titles**	**Payments to Subrecipients**	**Direct Expenditures**	**CFDA Total**	
Aging Cluster					
93 044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	1,952,661	543,479	2,496,139	
93 045	Special Programs for the Aging Title III, Part C Nutrition Services	2,700,632	-	2,700,632	
93 053	Nutrition Services Incentive Program	648,105	-	648,105	
Aging Cluster Total		5,301,397	543,479	5,844,876	
Department of Health And Human Services Total		61,317,951	1,873,615,621	1,934,933,572	
Corporation For National And Community Service					
94 003	State Commissions	-	286,008	286,008	
94 006	AmeriCorps	1,444,559	388,189	1,832,747	
94 013	Volunteers in Service to America	-	11,146	11,146	
Corporation For National And Community Service Total		1,444,559	685,342	2,129,901	
Social Security Administration					
Disability Insurance/SSI Cluster					
96 001	Social Security Disability Insurance	-	8,400,953	8,400,953	
Disability Insurance/SSI Cluster Total		-	8,400,953	8,400,953	
Social Security Administration Total		-	8,400,953	8,400,953	
Department of Homeland Security					
97 012	Boating Safety Financial Assistance	-	1,097,674	1,097,674	
97 036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	148,915	2,519,291	2,668,206	
97 039	Hazard Mitigation Grant	208,983	2,779	211,761	
97 041	National Dam Safety Program	-	83,886	83,886	
97 042	Emergency Management Performance Grants	2,382,868	1,384,475	3,767,343	
97 045	Cooperating Technical Partners	-	272,489	272,489	
97 047	Pre-Disaster Mitigation	26,518	1,258	27,776	
97 067	Homeland Security Grant Program	3,304,439	818,277	4,122,716	*
97.120	Border Interoperability Demonstration Project	1,579,060	15,026	1,594,086	
Department of Homeland Security Total		7,650,782	6,195,155	13,845,936	
Total Federal Expenditures		**303,743,743**	**2,685,125,822**	**2,988,869,565**	

The State of Maine spent pass-through funds received from:

[1] 11.417	Virigina Institute of Marine Sciences
[2] 11.474	Atlantic States Marine Fisheries Commission
[3] 16 543	National CASA
[4] 16 590	Cumberland Cty
[5] 16.726	National CASA

STATE OF MAINE
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

1. Purpose of the Schedule

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to the State's basic financial statements (BFS) and is presented for purposes of additional analysis. Total expenditures for each federal financial assistance program as identified in the Catalog of Federal Domestic Assistance (CFDA) are shown. Federal financial assistance programs, which have not been assigned a CFDA number, have been identified using the two-digit federal agency number and a suffix containing a "U". Federal award amounts aggregated by federal agency, direct and pass-through amounts are reported by the primary recipient to prevent overstatement of expenditures of federal awards. This schedule is required by *Title 2 U.S. Code of Federal Regulations §200, Uniform Administrative Requirements Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance).

2. Significant Accounting Policies

A. *Reporting Entity* – The reporting entity is defined in Note 1 to the BFS. The accompanying Schedule includes all federal financial assistance programs of the State of Maine reporting entity for the fiscal year ended June 30, 2016, with the exception of the discrete component units identified in Note 1 to the BFS. The discrete component units engaged other auditors.

B. *Basis of Presentation* – The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with the Uniform Guidance.

1) Federal Awards – A federal award is defined by the Uniform Guidance as federal financial assistance and federal cost-reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance. Accordingly, non-cash federal assistance is included in federal financial assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.

2) ARRA Reporting – To maximize the transparency and accountability of the American Recovery and Reinvestment Act spending required by Congress and in accordance with 2 CFR 215, section__. 21 "Uniform Administrative Requirements for Grants and Agreements" and the A-102 Common Rule provisions, recipients agree to maintain records that identify adequately the source and application of ARRA funds. For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, recipients agree to separately identify the expenditures for federal awards under the ARRA on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133. This shall be accomplished by identifying expenditures for federal awards made under the ARRA separately. ARRA expenditures are no longer required to be identified on the Data Collection Form.

3) Type A and Type B Programs – Levels of expenditures to be used in defining Type A and Type B federal financial assistance programs are specified by the Uniform Guidance. Type A programs for the State of Maine are those programs that equal or exceed $8.97 million in expenditures, distributions, or issuances for the year ended June 30, 2016. Programs audited as major programs are marked with asterisks in the accompanying schedule.

C. *Basis of Accounting* – The information presented in the Schedule of Expenditures of Federal Awards is presented primarily on the cash basis of accounting, which is consistent with the other Federal grant reports. The fund level financial statements are reported on the modified accrual basis of accounting. Consequently, the schedule's data may not be directly traceable to the financial statements.

3. Indirect Costs

The State of Maine did not elect to use the 10% de minimis indirect cost rate with the exception of the following program:

20.700 Pipeline Safety Program State Base Grant

4. Unemployment Insurance Program

The expenditures reported on the Schedule for Unemployment Insurance (CFDA 17.225) include:

State Funds	$109,399,997
Federal Funds	24,366,460
Total	$133,766,457

5. Noncash Awards

The State of Maine is the recipient of federal financial assistance programs that do not result in cash receipts or disbursements. Noncash awards received by the State are included in the Schedule of Expenditures of Federal Awards as follows:

CFDA Number	Program Title	Noncash Awards
10.551	SNAP (Supplemental Nutrition Assistance Program)	$260,398,524
10.555	National School Lunch Program	$4,169,746
10.569	Emergency Food Assistance Program	$3,697,015
10.664	Cooperative Forestry Assistance	$1,787,641
12.401	National Guard Military Operations & Maint. Proj.	$29,194
39.003	Donation of Federal Surplus Personal Property	$657,960
93.268	Immunization Grants	$11,675,728


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STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section I – Summary of Auditor's Results

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
• Material weaknesses identified?	YES ☐	NO ☑
• Significant deficiencies identified that were not considered to be material weaknesses?	YES ☐	NO ☑
• Noncompliance material to financial statements noted?	YES ☐	NO ☑

Federal Awards:

Internal control over major programs:		
• Material weaknesses identified?	YES ☑	NO ☐
• Significant deficiencies identified that were not considered to be material weaknesses?	YES ☑	NO ☐

Type of auditor's report issued on compliance for major programs:

<u>Unmodified</u>
Child and Adult Care Food Program
Child Support Enforcement
Forest Legacy Program
Homeland Security Grant Program
Immunization Cooperative Agreements
Medicaid Cluster
Military Construction, National Guard
Performance Partnership Grants
Rehabilitation Services_Vocational Rehabilitation Grants to States
SNAP Cluster
WIA Cluster

<u>Qualified</u>
Children's Health Insurance Program
Coastal Zone Management Administration Awards
TANF Cluster
Unemployment Insurance

Any audit findings that are required to be reported in accordance with Uniform Guidance, 2 CFR 200.516?	YES ☑	NO ☐

Clusters Identified as Major Programs:

CFDA #	Name of Federal Program or Cluster
SNAP Cluster	
10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

WIA Cluster

17.258	WIA Adult Program
17.259	WIA Youth Activities
17.278	WIA Dislocated Worker Formula Grants

TANF Cluster

93.558	Temporary Assistance for Needy Families

Medicaid Cluster

93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program

Other Major Programs:

10.558	Child and Adult Care Food Program
10.676	Forest Legacy Program
11.419	Coastal Zone Management Administration Awards
12.400	Military Construction, National Guard
17.225	Unemployment Insurance
66.605	Performance Partnership Grants
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States
93.268	Immunization Cooperative Agreements
93.563	Child Support Enforcement
93.767	Children’s Health Insurance Program
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between type A and type B programs: $8,966,609

Does the auditee qualify as low risk? YES ☐ NO ☑

Summary of Questioned Costs:

Federal Agency	**Federal Program**	**Known Questioned Costs**	**Finding Number**
U.S. Department of Health and Human Services	Children’s Health Insurance Program (CHIP)	$ 2,775	2016-019
	Medicaid Cluster	$6,260	2016-030

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section II – Financial Statement Findings

FINANCIAL STATEMENT FINDINGS

No financial statement findings were issued for the fiscal year ending June 30, 2016.

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section III - Indexes to Federal Program Findings

INDEXES TO FEDERAL PROGRAM FINDINGS

State of Maine
Fiscal Year 2016
Index to Federal Findings
By Federal Program

Program / Finding #	Brief Summary of Finding	State Dept	Page
<u>SNAP Cluster</u> CFDA# 10.551, 10.561			
2016-001	Information ______ to ensure that ______ need improvement (The content of this finding has been redacted. This appears as blank underlining).	DHHS	E-23
2016-002	Controls over Federal cash management need improvement	DAFS	E-25
2016-016	Controls over required Income and Eligibility Verification System data exchanges are not adequate	DAFS DHHS	E-57
2016-017	Income Eligibility and Verification System procedures need improvement	DHHS	E-60
2016-020	Inadequate management controls over ______ (The content of this finding has been redacted. This appears as blank underlining).	DAFS	E-67
2016-024	No ______ is in place over the ______ (The content of this finding has been redacted. This appears as blank underlining).	DAFS DHHS	E-75
<u>Coastal Zone Management Administration Awards</u> CFDA# 11.419			
2016-003	Internal controls over suspension and debarment need improvement	DACF	E-27
2016-004	Procedures to ensure compliance with subrecipient monitoring requirements need improvement	DACF	E-29
<u>Unemployment Insurance</u> CFDA# 17.225			
2016-005	Internal control over continuing eligibility is not adequate	DAFS DOL	E-31
2016-006	______ controls related to the Unemployment Insurance Benefit ______ need improvement (The content of this finding has been redacted. This appears as blank underlining).	DAFS DOL	E-34
2016-007	The ______ is too fragile to perform routine ______ and ______. (The content of this finding has been redacted. This appears as blank underlining).	DAFS DOL	E-36
2016-008	Internal control over ______ is not adequate (The content of this finding has been redacted. This appears as blank underlining).	DAFS DOL	E-38
<u>WIA/WIOA Cluster</u> CFDA# 17.258, 17.259, 17.278			
2016-009	Controls over data accuracy related to performance reporting need improvement	DOL	E-40

State of Maine
Fiscal Year 2016
Index to Federal Findings
By Federal Program

Program / Finding #	Brief Summary of Finding	State Dept	Page
Performance Partnership Grants CFDA# 66.605			
2016-010	Internal controls over financial reporting need strengthening	DAFS	E-42
2016-011	Internal controls over subrecipient monitoring need improvement	DEP	E-44
Rehabilitation Services – Vocational Rehabilitation Grants to States CFDA# 84.126			
2016-012	Procedures are not adequate to ensure timely eligibility decisions	DOL	E-46
2016-013	Individualized Plans for Employment not completed on a timely basis	DOL	E-48
TANF Cluster CFDA# 93.558			
2016-001	Information ______ to ensure that ______ need improvement (The content of this finding has been redacted. This appears as blank underlining).	DHHS	E-23
2016-014	TANF grant funds transferred to the Social Services Block Grant were used for unallowable purposes	DHHS	E-50
2016-015	Monitoring of subrecipients needs improvement	DHHS	E-54
2016-016	Controls over required Income and Eligibility Verification System data exchanges are not adequate	DAFS DHHS	E-57
2016-017	Income Eligibility and Verification System procedures need improvement	DHHS	E-60
2016-018	Controls over financial reporting need improvement	DAFS	E-62
2016-024	No ______ is in place over the ______ (The content of this finding has been redacted. This appears as blank underlining).	DAFS DHHS	E-75
Children's Health Insurance Program CFDA# 93.767			
2016-016	Controls over required Income and Eligibility Verification System data exchanges are not adequate	DAFS DHHS	E-57
2016-017	Income Eligibility and Verification System procedures need improvement	DHHS	E-60
2016-019	Procedures over drug rebate accounting and reporting need improvement	DAFS DHHS	E-64
2016-021	Information technology controls provided by the contractor to ensure that pharmacy claims are processed accurately, completely, securely, and without disruption need improvement	DHHS	E-69
Children's Health Insurance Program continued on next page			

Program / Finding #	Brief Summary of Finding	State Dept	Page
Children's Health Insurance Program continued from previous page			
2016-022	______ controls over ______are not adequate (The content of this finding has been redacted. This appears as blank underlining).	DHHS	E-71
2016-023	The ______ associated with the ______ is not adequate (The content of this finding has been redacted. This appears as blank underlining).	DAFS DHHS	E-73
2016-024	No ______ is in place over the ______ (The content of this finding has been redacted. This appears as blank underlining.	DAFS DHHS	E-75
2016-028	Provider eligibility procedures need to integrate Automated Data Exchange	DHHS	E-83
<u>Medicaid Cluster</u> CFDA# 93.775, 93.777, 93.778			
2016-016	Controls over required Income and Eligibility Verification System data exchanges are not adequate	DAFS DHHS	E-57
2016-017	Income Eligibility and Verification System procedures need improvement	DHHS	E-60
2016-019	Procedures over drug rebate accounting and reporting need improvement	DAFS DHHS	E-64
2016-020	Inadequate management controls over ______ (The content of this finding has been redacted. This appears as blank underlining).	DAFS	E-67
2016-021	Information technology controls provided by the contractor to ensure that pharmacy claims are processed accurately, completely, securely, and without disruption need improvement	DHHS	E-69
2016-022	______controls over ______ are not adequate (The content of this finding has been redacted. This appears as blank underlining).	DHHS	E-71
2016-023	The ______ associated with the ______ is not adequate (The content of this finding has been redacted. This appears as blank underlining).	DAFS DHHS	E-73
2016-024	No ______ is in place over the ______ (The content of this finding has been redacted. This appears as blank underlining).	DAFS DHHS	E-75
2016-025	Procedures related to Long Term Care Facility audits need improvement	DHHS	E-77
2016-026	Procedures related to Medicare Part B premium payments need improvement	DAFS DHHS	E-79
2016-027	Riverview	DAFS DHHS	E-81
Medicaid Cluster continued on next page			

Program / Finding #	Brief Summary of Finding	State Dept	Page
Medicaid Cluster continued from previous page			
2016-028	Provider eligibility procedures need to integrate Automated Data Exchange	DHHS	E-83
2016-029	Provider eligibility procedures need to address Advance Directives	DHHS	E-85
2016-030	Controls to ensure the members' share of Cost of Care amounts are properly deducted from nursing home and private non-medical institution provider payments need improvement	DHHS	E-87
2016-031	Surveillance and utilization review of Medicaid services is not adequate	DHHS	E-89
2016-032	Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review	DHHS	E-92

Legend of State Agency Abbreviations:

DACF	Department of Agriculture, Conservation and Forestry
DAFS	Department of Administrative and Financial Services
DEP	Department of Environmental Protection
DHHS	Department of Health and Human Services
DOL	Department of Labor

State of Maine
Fiscal Year 2016
Index to Federal Findings
By State Agency and Federal Compliance Area

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions	Page
Department of Administrative and Financial Services														
2016-002	SNAP Cluster			✓										E-25
2016-005	Unemployment Insurance				✓									E-31
2016-006	Unemployment Insurance				✓									E-34
2016-007	Unemployment Insurance				✓									E-36
2016-008	Unemployment Insurance				✓									E-38
2016-010	Performance Partnership Grants										✓			E-42
2016-016	Multiple Programs												✓	E-57
2016-018	TANF Cluster										✓			E-62
2016-019	Medicaid Cluster, CHIP		✓								✓			E-64
2016-020	Medicaid Cluster, SNAP Cluster				✓									E-67
2016-023	Medicaid Cluster, CHIP				✓									E-73
2016-024	Multiple Programs		✓											E-75
2016-025	Medicaid Cluster												✓	E-77
2016-026	Medicaid Cluster	✓			✓									E-79
2016-027	Medicaid Cluster		✓											E-81
Department of Agriculture, Conservation and Forestry														
2016-003	Coastal Zone Management Administration Awards								✓					E-27
2016-004	Coastal Zone Management Administration Awards											✓		E-29
Department of Environmental Protection														
2016-011	Performance Partnership Grants											✓		E-44

State of Maine
Fiscal Year 2016
Index to Federal Findings
By State Agency and Federal Compliance Area

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions	Page
Department of Health and Human Services														
2016-001	SNAP Cluster, TANF Cluster		✓											E-23
2016-014	TANF Cluster	✓										✓		E-50
2016-015	TANF Cluster											✓		E-54
2016-016	Multiple Programs												✓	E-57
2016-017	Multiple Programs				✓								✓	E-60
2016-019	Medicaid Cluster, CHIP		✓								✓			E-64
2016-021	Medicaid Cluster, CHIP		✓											E-69
2016-022	Medicaid Cluster, CHIP		✓											E-71
2016-023	Medicaid Cluster, CHIP				✓									E-73
2016-024	Multiple Programs		✓											E-75
2016-025	Medicaid Cluster												✓	E-77
2016-026	Medicaid Cluster	✓			✓									E-79
2016-027	Medicaid Cluster		✓											E-81
2016-028	Medicaid Cluster, CHIP												✓	E-83
2016-029	Medicaid Cluster												✓	E-85
2016-030	Medicaid Cluster		✓											E-87
2016-031	Medicaid Cluster												✓	E-89
2016-032	Medicaid Cluster												✓	E-92
Department of Labor														
2016-005	Unemployment Insurance				✓									E-31
2016-006	Unemployment Insurance				✓									E-34
2016-007	Unemployment Insurance				✓									E-36
2016-008	Unemployment Insurance				✓									E-38
2016-009	WIA/WIOA Cluster										✓			E-40
Department of Labor continued on next page														

State of Maine
Fiscal Year 2016
Index to Federal Findings
By State Agency and Federal Compliance Area

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions	Page
Department of Labor continued from previous page														
2016-012	Rehabilitation Services_ Vocational Rehabilitation Grants to States				✓									E-46
2016-013	Rehabilitation Services_ Vocational Rehabilitation Grants to States												✓	E-48

State of Maine
Fiscal Year 2016
Index to Federal Findings in Finding Number Order by Finding Type

Finding #	Page	Compliance Area	Finding Type			
			Material Non-compliance	Internal Control		Known / Likely Questioned Costs
				Material Weakness	Significant Deficiency	
2016-001	E-23	Allowable Costs/Cost Principles			✓	
2016-002	E-25	Cash Management			✓	
2016-003	E-27	Procurement and Suspension and Debarment	✓	✓		
2016-004	E-29	Subrecipient Monitoring			✓	
2016-005	E-31	Eligibility	✓	✓		
2016-006	E-34	Eligibility			✓	
2016-007	E-36	Eligibility			✓	
2016-008	E-38	Eligibility			✓	
2016-009	E-40	Reporting			✓	
2016-010	E-42	Reporting			✓	
2016-011	E-44	Subrecipient Monitoring			✓	
2016-012	E-46	Eligibility			✓	
2016-013	E-48	Special Tests and Provisions			✓	
2016-014	E-50	Activities Allowed/ Subrecipient Monitoring	✓	✓		
2016-015	E-54	Subrecipient Monitoring	✓	✓		
2016-016	E-57	Special Tests and Provisions			✓	
2016-017	E-60	Special Tests and Provisions/ Eligibility			✓	
2016-018	E-62	Reporting			✓	
2016-019	E-64	Allowable Costs/ Reporting	✓	✓		$2,775 / $2,918,716
2016-020	E-67	Eligibility			✓	

State of Maine
Fiscal Year 2016
Index to Federal Findings in Finding Number Order by Finding Type

Finding #	Page	Compliance Area	Finding Type			
			Material Non-compliance	Internal Control		Known / Likely Questioned Costs
				Material Weakness	Significant Deficiency	
2016-021	E-69	Allowable Costs/Cost Principles			✓	
2016-022	E-71	Allowable Costs/Cost Principles			✓	
2016-023	E-73	Eligibility			✓	
2016-024	E-75	Allowable Costs/Cost Principles			✓	
2016-025	E-77	Special Tests and Provisions			✓	
2016-026	E-79	Activities Allowed/ Eligibility			✓	
2016-027	E-81	Allowable Costs/Cost Principles			✓	
2016-028	E-83	Special Tests and Provisions			✓	
2016-029	E-85	Special Tests and Provisions			✓	
2016-030	E-87	Allowable Costs/Cost Principles			✓	$6,260 / $4,432,490
2016-031	E-89	Special Tests and Provisions			✓	
2016-032	E-92	Special Tests and Provisions			✓	

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016

Section III – Federal Findings and Questioned Costs

Due to a change in Federal requirements, the Corrective Action Plan is reported separately in Section F.

(2016-001) Confidential finding, see Condition Section below for more information

Title: Information _______ to ensure that _______ need improvement (The content of this finding has been redacted. This appears as blank underlining).

Prior Year Findings: None

FY15	FY14	FY13	FY12	FY11	FY10	FY09

State Department: Health and Human Services (DHHS)
State Bureau: Office of Family Independence
Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services
CFDA Title: SNAP Cluster (SNAP)
TANF Cluster (TANF)
CFDA #: 10.551, 10.561, 93.558
Federal Award Identification #: 15154ME401S2514, 15154ME401S8036, 16164ME401S2514, 16164ME401S8036, 16164ME421Q7503, 16164ME401S2520, 1402METANF, 1502METANF, 1602METANF

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: Federal_______; State of Maine______

Condition: Controls provided by _______ need improvement.
This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Carol Monteiro, Regional Program Manager, Administration for Children and Families, Office of Family Assistance, Boston, MA and
- Jessica Shahin, Acting Administrator, U.S. Department of Agriculture, Supplemental Nutrition Assistance Program, Alexandria, VA.

A copy of that correspondence has also been sent to:

- Greg Dowell, Manager, Office of Inspector General, U.S. Department of Health and Human Services, Office of Audit Services, National External Audit Review Center, Kansas City, MO and
- Kimberly Weiss, Audit Liaison, U.S. Department of Agriculture, Food and Nutrition Services, Northeast Regional Office, Boston, MA.

Context: The Federal and State shares of benefits issued for SNAP and TANF exceed $300 million annually. DHHS requires the contractor to provide adequate controls over their operations. In order for there to be a mutually acceptable contractual relationship, DHHS must be able to rely on the suitability of the design and operating effectiveness of controls provided by the contractor.

Cause: The contractor did not ensure that **_______** were in place and operating effectively to provide assurance that **_______**.

Effect: Inadequate **_______** created the unnecessary risk for potential **_______**.

Recommendation: We recommend that **_______** be strengthened to include. This should result in audit resolution.

Corrective Action Plan: See F-4

Management's Response: The Department agrees with the finding.

Contact: Bethany Hamm, Director, Office for Family Independence, 207-624-4103

(State Number: 16-0922-05)

(2016-002)

Title: Controls over Federal cash management need improvement

Prior Year Findings:

FY15	FY14	FY13	FY12	FY11	FY10	FY09
2015-017		13-1108-01	12-1108-01			

State Department: Administrative and Financial Services
State Bureau: Health and Human Services Service Center
Federal Agency: U.S. Department of Agriculture
CFDA Title: SNAP Cluster (SNAP)
CFDA #: 10.551, 10.561
Federal Award Identification #: 15154ME401S2514, 15154ME401S8036, 16164ME401S2514, 16164ME401S8036, 16164ME421Q7503, 16164ME401S2520

Compliance Area: Cash management

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 31 CFR 205 (B)

Condition: The Department did not minimize the time between drawdown and disbursement of Federal funds in accordance with Federal regulations. The Department had excess cash on hand during six separate months. Average cash on hand ranged from eight to one hundred twenty-nine days during those six months.

Context: The Department drew approximately $14 million in SNAP administrative funds during fiscal year 2016.

Cause: Procedures to minimize the number of days of cash on hand were not adequate.

Effect:

- The Federal government may require the use of a more stringent cash drawdown method for the program.
- Potential interest liability

Recommendation: We recommend that the Department continue to improve its procedures to ensure that Federal cash is requested based on immediate cash needs

Corrective Action Plan: See F-4

Management's Response: The Department agrees with the finding.

The Department has required additional management oversight of cash management to ensure that staff adhere to established internal controls and that excess federal cash on hand is not retained.

Contact: David Whitt, Director, 207-248-7150

(State Number: 16-1108-01)

(2016-003)

Title: Internal controls over suspension and debarment need improvement

Prior Year Findings: None

FY15	FY14	FY13	FY12	FY11	FY10	FY09

State Department: Agriculture, Conservation and Forestry
State Bureau: Resource Information and Land Use Planning
Federal Agency: U.S. Department of Commerce
CFDA Title: Coastal Zone Management Administration Awards
CFDA #: 11.419
Federal Award Identification #: NA13NOS4190045, NA13NOS4190138, NA14NOS4190066, NA14NOS4190047, NA15NOS4190208, NA15NOS4190210

Compliance Area: Procurement and suspension and debarment

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 180, OMB Guidelines to Agencies on Governmentwide Debarment and Suspension.

Condition: The Department did not have policies and procedures in place to verify that awards were made only to parties who were not suspended or debarred from participating in Federal assistance programs. In our test of eight subrecipient awards, the Department did not verify that the entities were not suspended or debarred. We checked the status of the subrecipients for the eight subawards tested and found none to be suspended or debarred.

The Office of the State Auditor selected a non-statistical random sample.

Context: Federal funds totaling $441,876 were passed through to subrecipients for this grant.

Cause: The Department was unaware of the Federal suspension and debarment requirement.

Effect: The State could enter into a covered transaction with a suspended or debarred party, resulting in potential disallowances.

Recommendation: We recommend that procedures be established to verify that subrecipients are not suspended, debarred or otherwise excluded from participating in Federal programs.

Corrective Action Plan: See F-5

Management's Response: The Department agrees with the finding.

The Department will utilize the current version of the Request for Proposal (RFP) form available on the Division of Purchases website. The RFP form includes a section that requires the entity to certify that they are not suspended or debarred from receiving Federal funds. The Department will also require the use of the form "Certification Regarding Debarment, Suspension and Other Responsibility Matters Primary Covered Transactions" available on the Division of Purchases website as a rider to federal contracts. Utilizing these forms will address the suspension and debarment deficiencies.

Contact: Aimee Carlton, Business Operations Manager, 207-287-5783

(State Number: 16-1560-02)

(2016-004)

Title: Procedures to ensure compliance with subrecipient monitoring requirements need improvement

Prior Year Findings: None

FY15	FY14	FY13	FY12	FY11	FY10	FY09

State Department: Agriculture, Conservation and Forestry
State Bureau: Resource Information and Land Use Planning
Federal Agency: U.S. Department of Commerce
CFDA Title: Coastal Zone Management Administration Awards
CFDA #: 11.419
Federal Award Identification #: NA13NOS4190045, NA13NOS4190138, NA14NOS4190066, NA14NOS4190047, NA15NOS4190208, NA15NOS4190210

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments, 2 CFR 200.331(f), 2 CFR 200.521(c), 2 CFR 200.331(a)(1)(xi), 2 CFR 200.331 (a)(2)

Condition: The Department did not have procedures in place to ensure that subrecipients obtained a Single Audit. These audits are required by the Single Audit Act of 1984, as amended. Therefore, audit reports were not reviewed for adequacy and no management decisions on audit findings were issued. Additionally, the Department did not ensure that all subawards contained the required Federal award information including the CFDA name and number, as well as any updated requirements of the program.

Context: Federal funds totaling $441,876 were passed through to subrecipients for this grant.

Cause: There was a misunderstanding regarding the applicability of Federal administrative requirements.

Effect:

- Noncompliance by a subrecipient may go undetected.
- Subrecipients may be unaware of Federal requirements.

Recommendation: We recommend that the Department obtain, review and follow up on subrecipient Single Audit reports. We further recommend that the Department develop procedures to ensure that subrecipients are made aware of Federal funding sources and updated program requirements.

Corrective Action Plan: See F-5

Management's Response: The Department agrees with the finding.

The Department will work with the Division of Purchases to design a form to include as a rider to federal contracts. This form will include any required federal award information, such as CFDA name and number. Utilizing the form will address the issue with future contract agreements. Additionally, when a subrecipient Single Audit is received, the Department will review the audit and issue management decisions when necessary.

Contact: Aimee Carlton, Business Operations Manager, 207-287-5783

(State Number: 16-1560-01)

(2016-005)

Title: Internal control over continuing eligibility is not adequate

Prior Year Findings:

FY15	FY14	FY13	FY12	FY11	FY10	FY09
2015-031	2014-039	13-1302-01	12-1302-01	11-1302-06		

State Department: Labor
Administrative and Financial Services
State Bureau: Unemployment Compensation (BUC)
Office of Information Technology (OIT)
Federal Agency: U.S. Department of Labor (U.S. DOL)
CFDA Title: Unemployment Insurance
CFDA #: 17.225
Federal Award Identification #: Unemployment Insurance Trust Fund, Maine

Compliance Area: Eligibility

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: Unemployment Insurance Program Letter (UIPL) No. 5-13; 26 MRSA 1192 Eligibility Conditions; 26 MRSA 1194 Claims for Benefits; Pub. L No. 112-96; SSA Sec. 303(12)[16]; 20 CFR 603.2 and 20 CFR 615.8; 2 CFR 200.303

Background: The Office of the State Controller (OSC) received a letter from the U.S. Department of Labor, Employment and Training Administration (ETA) dated February 7, 2017. This letter stated that the equivalent finding for fiscal year 2015, based on a certain understanding of the facts of the finding, had been corrected. OSC forwarded a copy of this letter to the Office of the State Auditor (OSA). On March 7, 2017, OSA sent a letter to the U.S. DOL seeking further clarification and resolution. As of March 31, 2017 OSA has not received a response from U.S. DOL.

Condition: A State administering the Unemployment Insurance (UI) program must have properly designed internal control procedures in place to determine claimants' continuing eligibility. BUC has an internal control process in place in which they audit a random sample of weekly benefit payments for compliance with work search requirements. We reviewed a random sample of sixty weekly benefit payments from the population of claimants audited by BUC as part of their own internal control process. We noted that BUC's own internal audit process established overpayments for seventeen of the sixty cases due to claimant work search noncompliance. This overpayment rate for fiscal year 2016 approximates the overpayment rate realized since the work search audit procedures' inception during fiscal year 2014 and thus provides evidence that the procedure is not providing adequate control over claimants' compliance with continuing eligibility requirements, despite noted improvements to the system during our audits.

The absence of additional internal control procedures to ensure claimants are in compliance with continuing eligibility requirements leaves a significant risk that benefits were paid to noncompliant claimants who were possibly not actively looking for work.

The Office of the State Auditor selected a non-statistical random sample.

Context: One hundred fifteen million dollars in benefits were paid in fiscal year 2016. This includes $109 million of employer-funded benefit payments and $6 million in Federally-funded benefit payments.

Cause: Internal control procedures relating to continuing eligibility are not adequate.

Effect: Claims funded by Maine's employers and Federally-funded unemployment claims were paid to persons who might not have been actively searching for a job and obtaining timely re-employment. The potential effect would be to improperly reduce Maine's Unemployment Fund held by the U.S. Treasury and to cause an unemployment tax rate increase in order to replenish the fund.

Recommendation: We recommend that the Department implement procedures and system improvements to ensure that eligibility requirements for UI benefits are met and are adequately supported.

Corrective Action Plan: See F-5

Management's Response: The Department disagrees with the finding.

The Department's work search audit standard operating procedure (SOP) complies with federal and state regulations. In the cases noted as noncompliant by the Office of the State Auditor, adequate reviews of the claimant's work searches were conducted after the claimant had been determined noncompliant with their work search efforts. When a claimant is in "pay status", the Department is prohibited by law from stopping benefit payments until there has been a fact finding and an adjudication of a week(s) filed. The Department is required to provide notice to a claimant of a fact finding, so at a minimum, a claimant may file at least two weeks after a determination has been made that a claimant's work search efforts for a claim week were inadequate.

In addition to the detailed sampling taken during the FY audit, our quality control data (Benefits Accuracy Measurement within the Unemployment Insurance Program), shows that work search issues, as a root cause of overpayments, is in a declining trend since 2013 as noted below:

Federal FY	WS as % of total improper payments	OPY rate
2013	76.39%	16.28%
2014	77.14%	16.73%
2015	62.39%	16.87%
2016	64.33%	14.16%

Contact: Patricia O'Brien, Deputy Bureau Director, 207-621-5161

Auditor's Concluding Remarks: Our finding is supported by the improper payment rates for work search noncompliance that the work search audit standard operating procedure has identified. Therefore, we are not reporting that those procedures are out of compliance with any Federal or State regulation. We have audited the results of the work search audit standard operating procedure which, since placed into operation, has supported an unacceptable improper payment rate. Our finding above states that the procedures audited do not provide adequate control over claimants noncompliance such that acceptable rates of improper payments are being realized.

Furthermore, within the management's response above, a table has been included which shows the results of the Benefits Accuracy Measurement Unit. While that unit is separate from the work search audit standard operating procedures, it supports our conclusions regarding the improper payment rates related to work search issues. To put this into context, the work search compliance overpayment rate of 14.16% applied over the population of $115 million dollars in fiscal year 2016 benefits paid would equal approximately $16 million dollars in actual payments that were not supported by evidence of work search.

The finding remains as stated.

(State Number: 16-1302-01)

(2016-006) Confidential finding, see Condition Section below for more information

Title: _______ controls related to the Unemployment Insurance Benefit **_______** need improvement (The content of this finding has been redacted. This appears as blank underlining).

Prior Year Findings:

FY15	FY14	FY13	FY12	FY11	FY10	FY09
2015-034	2014-042					

State Department: Labor
Administrative and Financial Services
State Bureau: Unemployment Compensation
Office of Information Technology
Federal Agency: U.S. Department of Labor
CFDA Title: Unemployment Insurance
CFDA #: 17.225
Federal Award Identification #: Unemployment Insurance Trust Fund, Maine

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: Federal **_______**; State **_______**

Condition: _______ controls need improvement.
This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Gay M. Gilbert, Administrator, U.S. Department of Labor, Office of Unemployment Insurance, Washington, DC.

A copy of that correspondence has also been sent to:

- Melvin F. Reid, Director of Single Audit Oversight, Office of Inspector General, U.S. Department of Labor, Office of Audit, Washington, DC.

Context: The UI Benefits system processed over $132 million in benefits during fiscal year 2016.

Cause: Competing priorities

Effect: Lack of proper controls could lead to _______.

Recommendation: We recommend that steps are taken to enhance _______.

Corrective Action Plan: See F-6

Management's Response: The Department agrees with the finding.

A formal exit process was established in the prior fiscal year. The Department acknowledges that an issue with the process was identified and remediated in FY 2017 (January 2017).

As it relates to the remainder of the finding recommendations, the Department intends to implement corrective action in October 2017.

To protect confidential information, the remainder of the Department's response has been excluded, and provided to the Office of the State Auditor under separate cover.

Contact: Patricia O'Brien, Deputy Bureau Director, 207-621-5161

(State Number: 16-1302-04)

(2016-007) Confidential finding, see Condition Section below for more information

Title: The _______ is _______ to perform routine _______ and _______. (The content of this finding has been redacted. This appears as blank underlining).

Prior Year Findings:

FY15	FY14	FY13	FY12	FY11	FY10	FY09
2015-032	2014-040					

State Department: Labor
Administrative and Financial Services
State Bureau: Unemployment Compensation
Office of Information Technology
Federal Agency: U.S. Department of Labor
CFDA Title: Unemployment Insurance
CFDA #: 17.225
Federal Award Identification #: Unemployment Insurance Trust Fund, Maine

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: Federal _______; and State _______

Condition: _______ used by the _______, and have _______ that cannot be readily _______ and are no longer _______. Although we determined that remediation was in progress during the year, it was not yet resolved during fiscal year 2016.
This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Gay M. Gilbert, Administrator, U.S. Department of Labor, Office of Unemployment Insurance, Washington, DC.

A copy of that correspondence has also been sent to:

- Melvin F. Reid, Director of Single Audit Oversight, Office of Inspector General, U.S. Department of Labor, Office of Audit, Washington, DC.

Context: The _______ drives funding for payments to unemployed residents who depend upon the financial assistance for themselves and possibly their families.

Cause: The _______ used by the _______ and _______.

Effect: Due to the lack of _______ and _______ could lead to _______.

Recommendation: No further recommendation. The auditee took corrective action and implemented new _______ in February 2017.

Corrective Action Plan: See F-6

Management's Response: The Department agrees with the finding.

Contact: Patricia O'Brien, Deputy Bureau Director, 207-621-5161

(State Number: 16-1302-02)

(2016-008) Confidential finding, see Condition Section below for more information

Title: Internal control over _______ is not adequate (The content of this finding has been redacted. This appears as blank underlining).

Prior Year Findings:

FY15	FY14	FY13	FY12	FY11	FY10	FY09
2015-033	2014-041					

State Department: Labor (MDOL)
Administrative and Financial Services
State Bureau: Unemployment Compensation
Office of Information Technology (OIT)
Federal Agency: U.S. Department of Labor
CFDA Title: Unemployment Insurance
CFDA #: 17.225
Federal Award Identification #: Unemployment Insurance Trust Fund, Maine

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: Federal _______

Condition: _______ controls need improvement.
This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Gay M. Gilbert, Administrator, U.S. Department of Labor, Office of Unemployment Insurance, Washington, DC

A copy of that correspondence has also been sent to:

- Melvin F. Reid, Director of Single Audit Oversight, Office of Inspector General, U.S. Department of Labor, Office of Audit, Washington, DC.

Context: The _______ drives funding for payments to unemployed residents who may depend upon this financial assistance for themselves and possibly their families.

Cause: Competing internal priorities within MDOL and OIT

Effect: Lack of proper controls could lead to **_______**

Recommendation: Since the auditee took corrective action and implemented new **_______** in February 2017, there is no further recommendation.

Corrective Action Plan: See F-7

Management's Response: The Department agrees with the finding.

A formal exit process was established in the prior fiscal year. The Department acknowledges that an issue with the process was identified, but that additional controls have been implemented to remediate the deficiency.

As it relates to the remainder of the finding, the Department intends to implement corrective action in August 2018.

To protect confidential information, the remainder of the Department's response has been excluded, and provided to the Office of the State Auditor under separate cover.

Contact: Patricia O'Brien, Deputy Bureau Director, 207-621-5161

(State Number: 16-1302-03)

(2016-009)

Title: Controls over data accuracy related to performance reporting need improvement

Prior Year Findings: None

FY15	FY14	FY13	FY12	FY11	FY10	FY09

State Department: Labor
State Bureau: Employment Services (BES)
Federal Agency: U.S. Department of Labor
CFDA Title: WIA/WIOA Cluster
CFDA #: 17.258, 17.259, 17.278
Federal Award Identification #: AA-24096-13-55-A-23, AA-25357-14-55-A-23, AA-26783-15-55-A-23

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 20 CFR 667.300(a)

Condition: Fifteen out of forty client records sampled included inaccurate information related to employment and wages for the quarters after the client exited the program. Three out of forty records did not include actual training certifications earned. One record denoted an incorrect training completion date. This rate of exception clearly indicates that controls need to be improved.

The Office of the State Auditor selected a non-statistical random sample.

Context: As of June 30, 2016, records for all 105,701 past and current clients were maintained electronically.

From April 1, 2016 to June 30, 2016, 506 clients received direct services from State employees working from the four career centers in Augusta, Skowhegan, Machias and Calais. The other eight career centers are staffed by service providers that are contractors to the Local Workforce Investment Boards. Examples of these services are assistance in obtaining or maintaining a job, educational assistance, or career building assistance.

Cause: An incorrect default setting in a new Management Information System (MIS) caused the wage and employment records for quarters after a client exited the program, to be incorrect. Employee turnover and inadequate training caused the remaining errors.

Effect: The 2015 annual report (ETA 9091) was not accurate. This could potentially lead to faulty decision making and Federal penalties.

Recommendation: We recommend that BES continue to work with their MIS provider to work out the issues that cause errors. This will ensure that the supporting data is accurate and appropriate. We also recommend that BES continue to develop and implement training to ensure that service provider staff are documenting the client records completely and accurately.

Corrective Action Plan: See F-7

Management's Response: The Department agrees with the finding.

An issue with the management information system (MIS) software (Maine JobLink) caused the inappropriate designations, which subsequently resulted in inaccurate reporting. The Department and the MIS provider have quickly responded to the issue and plan to release a software enhancement to resolve the issue on March 29, 2017.

The Department has determined that data entry issues resulted in the incomplete and inaccurate certification records. The Department has reviewed and updated the customer files that were questioned, and moving forward, intends to maintain correct credential dates and documentation in the MIS. The Department issued an *Exit Outcome Tracking* standard operating procedure in February 2017 and intends to provide detailed training to staff prior to June 30, 2017.

The Department is confident that the software updates, the issued policy, and the planned training will resolve the noted control deficiencies.

Contact: Edward Upham, Bureau Director of Employment Services, 207-623-7996

(State Number: 16-1315-01)

(2016-010)

Title: Internal controls over financial reporting need strengthening

Prior Year Findings: None

FY15	FY14	FY13	FY12	FY11	FY10	FY09

State Department: Administrative and Financial Services
State Bureau: Natural Resources Service Center (NRSC)
Federal Agency: U.S. Environmental Protection Agency (EPA)
CFDA Title: Performance Partnership Grants (PPG)
CFDA #: 66.605
Federal Award Identification #: 96189001

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 40 CFR 31.41(b) and 31.50(b)

Condition: The Department did not submit the required SF-425 report for the Federal reporting period ending September 30, 2015 for one of three reports due in fiscal year 2016.

The Office of the State Auditor haphazardly selected two of the three reports due to the Federal government in fiscal year 2016.

Context: The State must submit an annual Federal Financial Report (SF-425) to the EPA no later than ninety calendar days following the end of the Federal reporting year ending September 30th.

Cause: The NRSC staff was unaware that a new grant award included the requirement for annual financial reporting. This was a change from prior awards that only required a final report.

Effect: The State was not in compliance with PPG program financial reporting requirements.

Recommendation: We recommend that the NRSC accounting staff thoroughly review grant award documents in order to meet all administrative requirements.

Corrective Action Plan: See F-7

Management's Response: The Department agrees with the finding.

Historically, the Department was required to submit a final Federal Financial Report (SF-425) for the Performance Partnership Grants (PPG) award. Beginning with the FY 2015 PPG award, the Environmental Protection Agency (EPA) established a new requirement for the submission of an interim SF-425. Unfortunately, the Department overlooked the new requirement and the EPA did not notify the Department that the report was delinquent. The Department submitted the September 30, 2015 SF-425 to the EPA on February 21, 2017.

Contact: Christopher George, Managing Staff Accountant, 207-624-6384

(State Number: 16-1520-01)

(2016-011)

Title: Internal controls over subrecipient monitoring need improvement

Prior Year Findings: None

FY15	FY14	FY13	FY12	FY11	FY10	FY09

State Department: Environmental Protection
State Bureau: Water Quality
Federal Agency: U.S. Environmental Protection Agency
CFDA Title: Performance Partnership Grants
CFDA #: 66.605
Federal Award Identification #: 99182904, 99182905

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.331; 2 CFR 25 Appendix A; 2 CFR 200.501

Condition: The Department did not have procedures in place to ensure that subrecipients obtained a Single Audit. The audits are required by the Single Audit Act of 1984, as amended. Therefore, audit reports were not reviewed for adequacy and no management decisions on audit findings were issued. Additionally, two of eight subrecipients were not asked by the Department to provide their DUNS number.

The Office of the State Auditor utilized a non-statistical random sample for the testing of the collection of subrecipient DUNS numbers.

Context:

- The four subrecipients that were required to obtain a Single Audit were awarded a total of $202,662 in fiscal year 2016.
- The two subrecipients that did not provide a DUNS number were awarded a total of $114,460 in fiscal year 2016.

Cause:

- The Department's program responsibilities were in transition due to a retirement. As a result this requirement was not performed in fiscal year 2016. It had been completed in prior years.
- The Department did not utilize agency resources to fully accomplish this task.

Effect:

- The Department did not follow up on audit findings that appeared in required subrecipient Single Audits.
- The Department is not properly tracking grant funding through the appropriate DUNS number for subrecipients.

Recommendation:

- We recommend that the Department develop procedures to ensure that subrecipient Single Audit reports are obtained, reviewed and that appropriate action is taken.
- We recommend that the Department develop procedures to ensure that subrecipient DUNS numbers are obtained prior to awarding Federal funding.

Corrective Action Plan: See F-8

Management's Response: The Department agrees with the finding.

The Department will provide the necessary guidance to program staff that award funds to subrecipients. Additionally, the Department will ensure that employees, directly responsible for compliance with the requirements, have the appropriate controls in place.

Contact: Catherine Levesque, Resource Administrator, 207-287-7835

(State Number: 16-1520-03)

(2016-012)

Title: Procedures are not adequate to ensure timely eligibility decisions

Prior Year Findings:

FY15	FY14	FY13	FY12	FY11	FY10	FY09
2015-035	2014-037					

State Department: Labor
State Bureau: Rehabilitation Services
Federal Agency: U.S. Department of Education
CFDA Title: Rehabilitation Services_Vocational Rehabilitation Grants to States
CFDA #: 84.126
Federal Award Identification #: H126A150085, H126A150026, H126A160085, H126A160026

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 34 CFR 361.41(b)

Condition: Eligibility decisions were not completed in the sixty day timeframe required by Federal regulations. The exception rate is nine percent. Those decisions that were not completed in the sixty day timeframe were completed in an average timeframe of 140 days.

DOL, Rehabilitation Services	Eligibility Decisions Sampled					
	Sample Size		Exceptions Noted		Rate of Exception	Number of days since the application date for Exceptions Noted
	No.	%	No.	%	%	
Division for the Blind and Visually Impaired (DBVI)	3	5	0	0	0	0
Division of Vocational Rehabilitation (DVR)	57	95	4	100	7	65, 89, 105, 300 (average of 4 Exceptions Noted is 140 days)
Total	60	100	4	100	7	140 (average of 4 Exceptions Noted)

The Office of the State Auditor selected a non-statistical random sample.

Context: This Federal program provides vocational rehabilitation services to individuals with disabilities so they may prepare for and engage in competitive employment.

Cause: Lack of control over the timeliness of eligibility decisions.

Effect: Eligible participants may not receive services in a timely manner.

Recommendation: We recommend that the Department implement controls to improve the timeliness of eligibility decisions.

Corrective Action Plan: See F-8

Management's Response: The Department agrees with the finding.

The Department has established that compliance with this requirement is a performance expectation for each counselor, provides ongoing training to employees and reviews monthly eligibility determination reports in an effort to monitor compliance.

Contact: Betsy Hopkins, Director, Division of Vocational Rehabilitation, 207-623-6745

(State Number: 16-1308-01)

(2016-013)

Title: Individualized Plans for Employment not completed on a timely basis

Prior Year Findings:

FY15	FY14	FY13	FY12	FY11	FY10	FY09
2015-036						

State Department: Labor
State Bureau: Rehabilitation Services
Federal Agency: U.S. Department of Education
CFDA Title: Rehabilitation Services_Vocational Rehabilitation Grants to States
CFDA #: 84.126
Federal Award Identification #: H126A150085, H126A150026, H126A160085, H126A160026

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 29 USC 722(b)(3)(F)

Condition: Individualized Plans for Employment (IPE's) were not regularly completed by Rehabilitation Services within the ninety day timeframe required by Federal regulations.

In the auditor's sample of sixty cases, six IPE's were not completed timely. All six cases were DVR cases ranging between 109 and 273 days late.

The Office of the State Auditor selected a non-statistical random sample.

Context: The Division of the Blind and Visually Impaired (DBVI) and the Division of Vocational Rehabilitation (DVR) manage this program within the Bureau of Rehabilitation Services of Maine's Department of Labor.

Cause: Lack of control over the timely completion of IPE's

Effect: Eligible participants may not receive services in a timely manner.

Recommendation: We recommend that the Department implement controls to improve the timeliness of IPE's.

Corrective Action Plan: See F-9

Management's Response: The Department agrees with the finding.

Management notes that the completion of Individualized Plans for Employment (IPE) within 90 days (previously, 120 days) is a new requirement of the Workforce Innovation and Opportunity Act. The law went into effect upon enactment in July 2014; however, the new regulations were not released until September 2016.

Contact: Betsy Hopkins, Director, Division of Vocational Rehabilitation, 207-623-6745

(State Number: 16-1308-02)

(2016-014)

Title: TANF grant funds transferred to the Social Services Block Grant were used for unallowable purposes

Prior Year Findings: None

FY15	FY14	FY13	FY12	FY11	FY10	FY09

State Department: Health and Human Services (DHHS)
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: TANF Cluster (TANF)
CFDA #: 93.558
Federal Award Identification #: 1502METANF, 1602METANF

Compliance Area: Activities allowed or unallowed
Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: $13.4 million of TANF grant funds were transferred to the Social Services Block Grant (SSBG) and used for unallowable purposes. However, the entire $13.4 million was returned to the Federal government by July 2016.

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 42 USC 604(d)(3)(B); 2 CFR 200.407; 2 CFR 200.331(d)

Condition: The Department did not ensure that TANF funds drawn from the Federal government and transferred to the Social Services Block Grant (SSBG) were earmarked for children or their families whose income is less than 200% of the poverty level. The Department used the transferred TANF money to fund subrecipient contracts for the Home Based Care (HBC) program. HBC supports the elderly and adults with disabilities, rather than children or their families. Furthermore, the Department did not obtain documentation from the subrecipients to ensure the required population was served.

Context: The Department drew down and transferred $7.8 million from the Federal fiscal year 2015 grant and $5.6 million from the Federal fiscal year 2016 TANF grants to SSBG between September 2015 and June 2016. The total of $13.4 million was returned to the Federal government by July 2016. We reviewed four large SSBG contracts that received funding through the TANF transfers.

Cause: The Department took an overly aggressive approach to maximize Federal funds. The Department was encouraged by the State's Department of Administrative and Financial Services to seek written Federal approval for the Department's revised plan for the use of these TANF funds. This prior written approval is explicitly allowed by the Federal government's Uniform Guidance (2 CFR 200.407). The Department, however, did not obtain this prior written approval from the Federal Administration for Children and Families (ACF) even though the allowability of the intended use of these grant funds was known to them as being questionable. The Department relied on their ability to return the Federal funds if the use of these funds was later questioned, rather than first determining if the intended use was allowable.

Effect: The Department did not spend Federal grant funds in accordance with Federal grant regulations.

Recommendation: As the Department pursues their efforts to maximize Federal funds, we recommend that the Department thoroughly consider and document not only their intentions, but also, how they will achieve compliance with Federal requirements. We recommend that the Department refrain from using Federal funds where compliance is uncertain until appropriate approvals have been secured. We also recommend that the Department consider legal and ethical restraints when using Federal funds.

Corrective Action Plan: See F-9

Management's Response: The Department disagrees with the finding.

In an August 2016 meeting with the Office of the State Auditor, Department officials made clear that this misconceived finding should not exist. Furthermore, we question the timing of the finding outside the normal schedule of State Auditor reports. Such timing raises serious concerns about politicization of the State Auditor process and of this matter.

First the "Questioned Costs" and "Context" section are telling. As stated during the August meeting, the Department sought to maximize federal block grant dollars to benefit needy Mainers. When the Department could not obtain formal guidance from federal officials permitting more flexible use of the TANF dollars, the Department reversed prior transfers. Funds from those transfers that were directed to community-based services contracts were replaced by General Fund dollars. Each of these actions occurred within the allowable time-period of the federal grant, thereby mitigating any actual impact to Department finances. That is why the finding explicitly states in the Questioned Costs section that there were no questioned costs. Moreover, the Context section states that, "The total of $13.4 million was returned to the Federal government by July 2016," meaning that the transfers in question had no effect. This review of expenditures throughout a federal fiscal year related to federal grants is not only allowable, it is expected. The purpose of any review by the State of current expenditures related to federal grants is then to utilize the process of reversing such transactions, if necessary, based on that review.

Second, the finding's "Cause" and "Effect" sections are both misleading. The former states that, "The Department was encouraged by the State's Department of Administrative and Financial Services to seek written Federal approval for the Department's revised plan for the use of these TANF funds," subsequently claiming that the Department did not do so. That is not the case, however, as Department officials explained to the Office of the State Auditor in August 2016. The fact is that the Department did seek—and continues to seek—formal guidance from Federal officials. Indeed, not receiving formal, written guidance factored prominently into the Department's decision to reverse the transfers.

In addition, the "Effect" section states that, "The Department did not spend Federal grant funds in accordance with Federal grant regulations." But, if there were no questioned costs—which the finding states clearly—then the Office of the State Auditor has already conceded that the Department did not spend funds inappropriately. Otherwise, there would be questioned costs.

Next, the finding recommends that, "the Department refrain from using Federal funds where compliance is uncertain until appropriate approvals have been secured." Because the grant period remained ongoing, however, the Department did just that. Had the transfer occurred outside the Federal grant period—and had Maine been liable for penalties—then the recommendation would be merited. As it is, the latter just affirms that the Department's actions were appropriate.

Finally, the "Recommendation" section concludes by stating, "We also recommend that the Department consider legal and ethical restraints when using Federal funds." The Department adheres to this standard; did so in this case; and rejects the unfounded implication otherwise.

Contact: Bethany Hamm, Director, Office for Family Independence, 624-4103

Auditor's Remarks Dated October 18, 2016, Report to the Governor and State Legislature Consistent With State Law Title 5 Section 243-B and Title 5 Section 244: The objectives of internal control over compliance requirements for Federal awards as defined in 2 CFR section 200.62 is to provide reasonable assurance that *transactions* are executed in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award that could have a direct and material effect on a Federal program; and any other Federal statutes and regulations that are identified in the Compliance Supplement issued by the United States, Office of Management and Budget. The Compliance Supplement clearly identifies the allowable uses for TANF grant funds transferred to the SSBG. The decision to spend Federal funds on costs unallowed by Federal regulations with the intent of returning the funds to the Federal government if and when the unallowed costs are questioned, does not represent a valid system of internal control over Federal awards. Furthermore, there is no allowable time period where DHHS is permitted by the Federal government to spend grant funds on unallowable costs. The fact that DHHS considers this acceptable is troublesome. It is further troublesome that the *DHHS Management Response*, does not address the seriousness of the audit finding and does not focus their attention on the key control and compliance issues.

The Office of the State Auditor conducts audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). DHHS is responsible for establishing and maintaining effective internal control over compliance and it is the responsibility of the Office of the State Auditor to report deficiencies in those controls to the appropriate parties at the appropriate time. In accordance with auditing standards, early communication of identified internal control deficiencies to management and those charged with governance is encouraged to allow management to take corrective action as quickly as possible and mitigate the risk of further improper award expenditures. The Office of the State Auditor felt the amount and circumstances surrounding this serious matter met the criteria for communication.

Auditor's Additional Remarks, Updated March 31, 2017: DHHS sent a letter to the U.S. Administration for Children & Families' (ACF) dated August 15, 2016 seeking formal guidance regarding the use of TANF grant funds transferred to SSBG. This letter was sent after the Department used the TANF transferred funds for unallowable purposes and after the Department returned the TANF funds in question. In a letter dated October 13, 2016, ACF responded to DHHS. This response confirmed that TANF funds transferred to SSBG should be spent only on children or their families whose income is less than 200% of the poverty level.

The finding remains as stated.

(State Number: 16-1111-01)

(2016-015)

Title: Monitoring of subrecipients needs improvement

Prior Year Findings: None

FY15	FY14	FY13	FY12	FY11	FY10	FY09

State Department: Health and Human Services (DHHS)
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: TANF Cluster (TANF)
CFDA #: 93.558
Federal Award Identification #: 1502METANF, 1602METANF

Compliance Area: Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 2 CFR 200.331(a); 2 CFR 200.331(d)

Condition: The Department did not sufficiently monitor subrecipients to ensure TANF funds were used for authorized purposes in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

The TANF grant award information was not properly identified to the subrecipient in five of the thirteen subrecipient contracts tested. It was also determined that the target population specified in eleven of the thirteen contracts tested included populations other than TANF-eligible clients. In addition, the Department did not monitor subrecipients to ensure that TANF funds were only spent on eligible populations.

The Office of the State Auditor selected a non-statistical random sample.

Context: The Department awarded $11 million to subrecipients from the total TANF grant funds of $39.5 million during fiscal year 2016.

Cause: A significant portion of the TANF grant was awarded to subrecipients for the first time in fiscal year 2016. This was done without an adequate system of checks and balances (internal control).

Effect: TANF grant funds could be spent on ineligible target groups.

Recommendation: We recommend that the Department include the required grant information in all of their contracts. We also recommend the Department effectively monitor their subrecipients to ensure TANF funds are spent in accordance with TANF grant regulations.

Corrective Action Plan: See F-10

Management's Response: The Department disagrees with the finding.

The Department understands the finding's Recommendation; and the Department has already implemented the suggested measures to enhance subrecipient guidance and standardize reporting of block grant expenditures.

However, the Department has concerns that the finding misunderstands the Department's utilization of TANF funds to support delivery of expanded social services in Maine and/or the federal requirements that govern TANF fund use. Whereas the Condition suggests that each contract the State Auditor reviewed consisted of TANF funding alone, in fact 12 of the 13 contracts in question contained blended funding sources, including State General Fund dollars and other federal funds. Additionally, the TANF-funded services in each contract are reasonably calculated to accomplish TANF purposes three or four (see 45 C.F.R. § 260.20).

Therefore, despite the finding's suggestion to the contrary, it was allowable to provide services under the contracts in question to recipients who were not "TANF eligible." And—per the federal guidance used by the auditor during the review—TANF expenditures for services to the non-needy are clearly described in such guidance: "States may choose to use Federal only TANF funds to provide benefits that do not constitute 'assistance' to the non-needy pursuant to TANF purpose 3 or 4 only." Because of that flexibility—and the fact that the funding was blended such that TANF dollars did not support all services under most of the contracts in question—the Department does not believe TANF dollars were spent improperly and rejects any assertion otherwise.

Relatedly, the Department disagrees with the finding's Effect, as well, because the groups served by the contracts in question may properly receive TANF support. The suggestion that Maine used TANF funds to support ineligible individuals is incorrect and fails to account for the flexibility yielded under block grant regulations.

Contact: Bethany Hamm, Director, Office for Family Independence, 207-624-4103

Auditor's Concluding Remarks are on the following page.

Auditor's Concluding Remarks: The Office of the State Auditor did not misunderstand the results of our audit testing. The State of Maine may pass Federal grant funds to another entity, known as the "subrecipient" of the grant funds. However, when the State of Maine does pass through Federal grant funds, they are required by 2 CFR 200.331 to properly identify the Federal award and monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes and complies with the terms and conditions of the subaward. The Department did not consistently identify the subaward as TANF funds, and the Department did not monitor the TANF subrecipients as required by Federal regulations. Without these monitoring activities, the Department cannot claim with certainty that Federal TANF funds were spent in accordance with TANF grant regulations. Finally, the Office of the State Auditor is always willing to meet with Department officials to discuss the results of our audit testing prior to writing and circulating the audit finding. DHHS did not discuss their disagreement with our Office in advance to writing this response. This lack of communication does not allow our Office to validate any of the information provided in the Management's Response.

The finding remains as stated.

(State Number: 16-1111-03)

(2016-016)

Title: Controls over required Income and Eligibility Verification System data exchanges are not adequate

Prior Year Findings:

FY15	FY14	FY13	FY12	FY11	FY10	FY09
2015-022	2014-022	13-1111-01	12-1111-01			

State Department: Administrative and Financial Services (DAFS)
Health and Human Services (DHHS)
State Bureau: Office of Information Technology (OIT)
Office for Family Independence (OFI)
Federal Agency: U.S. Department of Health and Human Services
U.S. Department of Agriculture
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
SNAP Cluster (SNAP)
TANF Cluster (TANF)
CFDA #: 93.775, 93.777, 93.778, 93.767, 10.551, 10.561, 93.558
Federal Award Identification #: 05-1505ME5MAP, 05-1605ME5MAP, 05-1405ME5021, 05-1505ME5021, 05-1505ME1081, 15154ME401S2514, 15154ME401S8036, 16164ME401S2514, 16164ME401S8036, 16164ME421Q7503, 16164ME401S2520, 1402METANF, 1502METANF, 1602METANF

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: State of Maine Information System Security Policy; Federal Information System Controls Audit Manual (FISCAM) IN-1.0, IN-2.0, IN-2.2, BP-2.8, BP-2.9, BP-3.4, AS-2.5, AS-2.6

Condition: OIT's internal controls over Federally required Income and Eligibility Verification System (IEVS) data exchanges are not adequate. We noted:

- A lack of institutional knowledge within OIT regarding IEVS data exchanges.
- Outdated and inaccurate documentation at OIT describing methods used to process IEVS data exchanges.
- Inadequate monitoring and feedback controls present a risk that some exchanges may be performed ineffectively or in an insecure manner.

In a prior year audit test of thirty data exchanges, the Office of the State Auditor found that all thirty sampled exchanges did run. However, OIT had no feedback controls to ensure complete and accurate record transmissions.

In another prior year audit test, auditors determined that total records sent by the Social Security Administration (SSA) did not agree with the number of records received by the State for the two largest inbound data exchanges. The Beneficiary Earnings Exchange Report (BEER) and the Beneficiary Earnings and Data Exchange (BENDEX) are the two largest inbound data exchanges. The State received 386 more BEER records than the SSA sent and 735 more BENDEX records than the SSA sent.

Corrective action has not yet been taken on this prior year finding.

Context: OIT did not have controls in place over these exchanges to provide assurance that the State is in compliance with Federal-State IEVS exchange agreements established to comply with Federal Medicaid, CHIP, SNAP and TANF program rules and regulations. The State is required to exchange data, through IEVS, with other agencies and Federally assisted benefit programs and use the income and benefit information when determining eligibility.

Cause:

- The current DAFS-OIT-DHHS technology servicing structure does not hold any individual person or group accountable for IEVS processes.
- Data exchanges are not tested periodically to ensure program integrity and continued compliance with Federal regulations.
- System batch jobs relevant to IEVS were designed by State contractors more than twenty years ago and are not being reviewed to ensure ongoing reliability and compliance.
- Institutional knowledge at OIT has been lost due to the retirement of one technical person four years ago. There has not been adequate training of replacement personnel.
- No batch control totals are sent to the State as part of the IEVS transmissions from the Federal government. The Federal government does send record counts.

Effect:

- Potential sanctions from the Federal oversight entity
- Potential disallowed Federal expenditures resulting from ineligible clients
- Exchanges may be performed ineffectively or in an insecure manner
- No method is in place to identify deliverables that would ensure DHHS business needs are being met

- Potential overspending in the General Fund associated with the State share of payments for ineligible clients
- The risk to the State is a financial penalty of up to two percent of these Federal assistance grants

Recommendation: We recommend that the OIT:

- Actively design and document procedures relevant to these daily, weekly, bi-weekly, monthly and annual IEVS exchanges to ensure appropriate action is being taken by staff to update and maintain DHHS eligibility information.
- Actively manage and periodically monitor the reasonableness of current incoming and outgoing IEVS exchanges to ensure compliance with Federal requirements.
- Establish a feedback exchange method to provide assurance that all eligibility records sent from the SSA or the Centers for Medicare and Medicaid Services (CMS) were received by the State; and that all eligibility records sent from the State were received by the SSA or CMS.
- Increase the number of OIT personnel assigned to this effort.

We recommend that the OFI identify deliverables which OIT could be held accountable for when business needs are not met.

Corrective Action Plan: See F-11

Management's Response: The Department agrees with the finding.

Contact: Bethany Hamm, Director, Office for Family Independence, 207-624-4103

(State Number: 16-0922-02)

(2016-017)

Title: Income Eligibility and Verification System procedures need improvement

Prior Year Findings:

FY15	FY14	FY13	FY12	FY11	FY10	FY09
2015-021		13-1111-02	12-1111-01	11-1111-01	10-1111-01	09-1111-01

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
U.S. Department of Agriculture
CFDA Title: Medicaid Cluster
Children's Health Insurance Program
SNAP Cluster
TANF Cluster
CFDA #: 93.775, 93.777, 93.778, 93.767, 10.551, 10.561, 93.558
Federal Award Identification #: 05-1505ME5MAP, 05-1605ME5MAP,
05-1405ME5021, 05-1505ME5021, 05-1505ME1081,
15154ME401S2514, 15154ME401S8036,
16164ME401S2514, 16164ME401S8036,
16164ME421Q7503, 16164ME401S2520,
1402METANF, 1502METANF, 1602METANF

Compliance Area: Special tests and provisions
Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 42 USC 1320b-7; 45 CFR 205.56; 42 CFR 435.952

Condition: Policies and procedures in place to ensure that Income Eligibility and Verification System (IEVS) information is utilized in determining eligibility and level of benefits or in maintaining case records in the Automated Client and Eligibility System (ACES) are not always followed.

Our testing indicated that the Department did not document any follow-up for 25 of the 240 client cases examined:

- Four of 40 alerts on the *Bendex Income Discrepancy Report* were not addressed.
- Thirteen of 40 alerts on the *Quarterly Earnings Discrepancy Report* were not addressed.
- One of 40 alerts on the *Buy-In Discrepancy Report* were not addressed.
- Seven of 40 alerts on the *Discrepancy in Unemployment Insurance Benefits Report* were not addressed.

The Office of the State Auditor selected a non-statistical random sample of 40 clients for each of the 6 IEVS reports for a total of 240 clients.

Context: The State is required to comply with Federal IEVS exchange rules and regulations in accordance with program agreements. IEVS is an exchange of information with State and Federal agencies to verify income and expense information needed to determine eligibility for Federal financial assistance.

Cause:

- Lack of staff resources
- Caseworkers did not follow up on reported discrepancies in a timely manner

Effect:

- Incorrect eligibility decisions could be made.
- Failure to participate in IEVS may result in the U.S. Department of Health and Human Services penalizing the State for up to two percent of the State Family Assistance Grant.

Recommendation: We recommend that the Department continue with IEVS training efforts. This training must include the required case action that must be taken and the documentation that must exist in response to IEVS alert information included in Match Reports. Appropriate responses must be made to IEVS information on a timely basis.

Corrective Action Plan: See F-11

Management's Response: The Department agrees that certain alerts were not addressed and has made significant efforts to address the deficiencies surrounding the IEVS reports including: assigning the oversight and coordination of IEVS to the Compliance and Program Integrity Program Manager and development of a formal training that will be provided to all dedicated IEVS staff. Additionally, the Department has maintained an internal quality assurance review in order to ensure that appropriate and timely actions are taken to address any outstanding deficiencies.

Contact: Amber McAllister, Compliance and Program Integrity Program Manager, 207-624-4171

(State Number: 16-1111-02)

(2016-018)

Title: Controls over financial reporting need improvement

Prior Year Findings: None

FY15	FY14	FY13	FY12	FY11	FY10	FY09

State Department: Administrative and Financial Services (DAFS)
State Bureau: Health and Human Services Service Center
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: TANF Cluster (TANF)
CFDA #: 93.558
Federal Award Identification #: 1402METANF

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 45 CFR 265.7

Condition: Federal expenditures reported on the 2014 TANF Financial Report (ACF-196) for quarter ending December 31, 2015 were overstated by $4 million.

Context: During fiscal year 2016, the State spent $39.5 million in Federal TANF funds. The ACF-196 Financial Reports and the State's draft Schedule of Expenditures of Federal Awards (SEFA) reported Federal expenditures of approximately $44 million.

Cause: To meet Federal maintenance of effort (MOE) requirements, the Department periodically prepares general ledger journal entries to charge the State's general fund for the State share of TANF costs, and to reimburse the Federal fund. The Department incorrectly excluded one of these journals from a quarterly financial report.

Effect:
- Federal expenditures on the 2014 ACF-196 Report for quarter ending December 31, 2015 were overstated by $4 million.
- The draft SEFA for fiscal year 2016 was initially overstated by $4 million.

Recommendation: We recommend that the Department implement procedures to ensure that reports are accurately prepared and complete. We further recommend that the Department revise the ACF-196 reports as needed.

Corrective Action Plan: See F-12

Management's Response: The Department agrees with the finding.

The DAFS DHHS Service Center has implemented a reconciliation requirement that includes a cumulative outlay section to reconcile reporting between grant year transitions. We will also work with our federal partners to revise the federal report.

Contact: David Whitt, Director, 207-248-7150

(State Number: 16-1111-04)

(2016-019)

Title: Procedures over drug rebate accounting and reporting need improvement

Prior Year Findings:

FY15	FY14	FY13	FY12	FY11	FY10	FY09
2015-025						

State Department: Administrative and Financial Services
Health and Human Services (DHHS)
State Bureau: Health and Human Services Service Center
Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
CFDA #: 93.775, 93.777, 93.778, 93.767
Federal Award Identification #: 05-1505ME5MAP, 05-1605ME5MAP,
05-1405ME5021, 05-1505ME5021, 05-1505ME1081

Compliance Area: Allowable costs/cost principles
Reporting

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Questioned Costs: There were no drug rebates reported on the CHIP CMS-64.21 or CMS-21 reports during fiscal year 2016. Questioned costs were calculated based on a non-statistical random sample of sixty CHIP pharmacy paid claims totaling $4,895. Of the sixty paid claims, the State received rebates for fifty-eight of these claims totaling $3,050 (62.31%). Likely questioned costs were determined by applying the rebate percent (62.31%) to the total of CHIP pharmacy paid claims for fiscal year 2016 ($5,148,446).

Questioned Costs	Total	Federal	State
Known	$3,050 CHIP ($3,050) Medicaid	$2,775 CHIP ($1,905) Medicaid	$275 CHIP ($1,145) Medicaid
Likely	$3,207,997 CHIP ($3,207,997) Medicaid	$2,918,716 CHIP ($2,004,116) Medicaid	$289,281 CHIP ($1,203,881) Medicaid
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: State Medicaid Manual, Chapter 2 Section 2500.2(E); 45 CFR 92.20 (a) (1) and (2); 2 CFR 225

Condition: Rebates associated with drugs dispensed to CHIP members were incorrectly offset against Medicaid expenditures and returned to the Federal government at the base (lower) Federal Medical Assistance Percentage (FMAP) rate instead of at the enhanced (higher) FMAP rate. In addition, these rebates were inappropriately reported on Medicaid's Form CMS-64.9 report instead of CHIP's CMS-64.21 and CHIP's CMS-21 reports.

Context: Approximately $160 million in drug rebates were reported on Medicaid's Form CMS-64.9 report for fiscal year 2016. An amount undetermined by DHHS should have been credited to CHIP.

Cause: The Department did not obtain the supporting documentation needed to accurately account for and report drug rebates for CHIP.

Effect:

- CHIP drug expenditures are overstated and Medicaid drug expenditures are understated
- Potential current and future questioned costs
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department work with their Fiscal Agent to obtain the information needed to accurately account for and report drug rebates by Federal program.

Corrective Action Plan: See F-12

Management's Response: The Department agrees with the finding; however, we disagree with the method of extrapolation. Subject matter experts reviewed the auditors' work papers and concluded that the auditors' analysis was seriously flawed; and, therefore, not a valid conclusion on the significance of program noncompliance.

Non-statistical, random sampling does not lend itself well to a program such as Medicaid – where seasonality, trend and price fluctuations are ever-present. In fact, the state subject matter experts, Molina's PRIMS team, could not duplicate or corroborate several of the underlying calculations used to establish the extrapolation rate of 62.31%.

The auditors' logic for the percentage of paid amount neglects to include any Coordination of Benefits (COB) payments and it would not be an accurate reflection of rebate percent to paid amount without including the COB. We also noted at least two diabetic supply claims listed that were not invoiced as DHHS did not receive that National Drug Code on the rate file from Change Healthcare for the quarter in question.

DHHS is currently working on finalizing the requirements of MIHMS Change Request 60015 to resolve this Pharmaceutical Rebate Information Management System issue. We are anticipating a completion date for the implementation of the change request in State Fiscal Year 2018.

Contact: Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093

Auditor's Concluding Remarks: In accordance with 2 CFR 200.516, the auditor must consider the best estimate of total costs questioned (likely questioned costs), not just the questioned costs specifically identified (known questioned costs) in evaluating the effect of questioned costs on the opinion on compliance. The Office of the State Auditor is always willing to meet with Department officials to discuss the results of our audit testing prior to writing and circulating the audit finding. Additionally, our Office specifically provided the Department with the detailed support for our calculation of these likely questioned costs and offered to meet with them to discuss any questions and/or concerns they had with the estimate. The Department elected not to discuss their disagreement with our Office in advance to writing this response. This lack of communication does not allow our Office to validate any of the information provided in the Management's Response.

The finding remains as stated.

(State Number: 16-1140-01)

(2016-020) Confidential finding, see Condition Section below for more information

Title: Inadequate management controls over **_______** (The content of this finding has been redacted. This appears as blank underlining).

Prior Year Findings:

FY15	FY14	FY13	FY12	FY11	FY10	FY09
2015-014	2014-013					

State Department: Administrative and Financial Services
State Bureau: Office of Information Technology (OIT)
Federal Agency: U.S. Department of Health and Human Services
U.S Department of Agriculture
CFDA Title: Medicaid Cluster
SNAP Cluster (SNAP)
CFDA #: 93.775, 93.777, 93.778, 10.551, 10.561
Federal Award Identification #: 05-1505ME5MAP, 05-1605ME5MAP,
4ME400401, 4ME420408, 4ME430421

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: State of Maine **_______**; Federal **_______**

Condition: Inadequate controls over **_______**.
This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Richard McGreal, Associate Regional Administration, Center for Medicare and Medicaid Services, Boston, MA and
- Jessica Shahin, Acting Administrator, U.S Department of Agriculture, Supplemental Nutrition Assistance Program, Alexandria, VA.

A copy of that correspondence has also been sent to:

- Greg Dowell, Manager, Office of Inspector General, U.S Department of Health and Human Services, Office of Audit Services, National External Audit Review Center, Kansas City, MO and

- Kimberly Weiss, Audit Liaison, U.S. Department of Agriculture, Food and Nutrition Services, Northeast Regional Office, Boston, MA.

Context: Some of the **_______** used by OIT to administer State DHHS **_______**. Medicaid and SNAP programs are explicitly listed in the CFDA Titles above because they are the largest programs affected.

Cause:

- Competing priorities provided OIT with no time to address
- OIT states they have no **_______** resources to manage **_______**.
- Service Level Agreements (SLAs) between State agencies and OIT are silent regarding **_______**.
- Business processes responsible for this concern have evolved over the course of many years.
- OIT operates in a fee-for-service environment.

Effect: Lack of proper controls could lead to **_______**

Recommendation: We recommend that OIT improve controls over **_______**.

Corrective Action Plan: See F-13

Management's Response: The Department disagrees with the notion that the **_______**.

In response to the first recommendation, the Department contends that the current **_______**.

In response to the second recommendation, the Department maintains a detailed listing of **_______**.

The Department agrees, that due to historical reasons, **_______**. The Department anticipates full corrective action will be implemented by March 31, 2018.

Contact: Victor Chakravarty, Associate CIO for Infrastructure, 207-624-9840

Auditor's Concluding Remarks: **_______**. The finding remains as stated.

(State Number: 16-0900-03)

(2016-021)

Title: Information technology controls provided by the contractor to ensure that pharmacy claims are processed accurately, completely, securely, and without disruption need improvement

Prior Year Findings: None

FY15	FY14	FY13	FY12	FY11	FY10	FY09

State Department: Health and Human Services
State Bureau: Office of MaineCare Services
Federal Agency: U.S Department of Health and Human Services
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
CFDA #: 93.775, 93.777, 93.778, 93.767
Federal Award Identification #: 05-1505ME5MAP, 05-1605ME5MAP,
05-1405ME5021, 05-1505ME5021, 05-1505ME1081

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: Federal Information System Control Audit Manual (FISCAM) CP-3.1, AS-5.3; State of Maine Information Security Policy; 45 CFR 92.20 (a) (1) and (2) Standards for financial management systems

Condition: Controls over the contractor that processes pharmacy claims need improvement. Specifically, four types of Information Technology (IT) control deficiencies were identified as a result of the independent SOC audit for the nine month period ending December 31, 2015.

- The contractor did not perform application reviews when changes were made to software (Change Management).
- Documentation was not sufficient to support that computer operations monitoring was in place to investigate and resolve incidents and to follow up on alerts (Incident Response and Remediation).

- Documentation was not sufficient to support that backup failures are detected, investigated and resolved on a timely basis (Business Continuity).
- The contractor had not done a periodic review of user roles and privileges related to the operating system, computer applications (programs), and databases. Also, the completeness of information and data provided to the SOC auditors by the contractor about the "who/what/when" of actual access to electronic data, could not be established (Access Control).

Context: The Maine Point of Purchase System is the outsourced system used to process Medicaid and CHIP pharmacy claims. These claims total over $250 million per year. It functions as a major part of Maine's Medicaid Management Information System.

Cause: The contractor did not ensure that adequate controls were in place and operating effectively to provide assurance that claims are processed accurately, completely, securely and without disruption.

Effect: The lack of effectively implemented contractor controls creates unnecessary risk for the possibility of:

- corrupted, lost, or inaccurate information, extended downtime, and system failure.
- overpayments, administrative inefficiencies, and incorrect decision making.

Recommendation: We recommend that controls over the State's pharmacy claims contractor be strengthened to include monitoring of their corrective action plan, resulting in audit resolution.

Corrective Action Plan: See F-13

Management's Response: The Department agrees with the finding and agrees that the deficiencies noted in the SOC 1 report are a concern.

Contact: Stefanie Nadeau, Director, Office of MaineCare Services 207-287-2093

(State Number: 16-0909-01)

(2016-022) Confidential finding, see Condition Section below for more information

Title: _______ controls over **_______** are not adequate (The content of this finding has been redacted. This appears as blank underlining).

Prior Year Findings: None

FY15	FY14	FY13	FY12	FY11	FY10	FY09

State Department: Health and Human Services
State Bureau: Office of MaineCare Services (OMS)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
CFDA #: 93.775, 93.777, 93.778, 93.767
Federal Award Identification #: 05-1505ME5MAP, 05-1605ME5MAP, 05-1405ME5021, 05-1505ME5021, 05-1505ME1081

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: Federal **_______**; State of Maine **_______**

Condition: Controls over the **_______** need improvement.
This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Richard McGreal, Associate Regional Administrator, Center for Medicare and Medicaid Services, Boston, MA.

A copy of that correspondence has also been sent to:

- Greg Dowell, Manager, Office of the Inspector General, U.S. Department of Health and Human Services, Office of Audit Services, National External Audit Review Center, Kansas City, MO.

Context: _______ is the outsourced system used to process **_______**. These claims total over $250 million per year. It functions as an integral part of **_______**.

Cause: Although there is an agreement in place with the Department to do so, the contractor has not provided an annual _______ to OMS. The type of _______ report that would provide this assurance is a _______ report with a focus on the _______.

Effect: Not including an examination of the _______ could potentially result in the _______.

Recommendation: We recommend that the Department continue to _______. To accomplish this, we also recommend that OMS enforce the conditions of their _______.

Corrective Action Plan: See F-13

Management's Response: The Department agrees with the finding and acknowledges that the _______. The Contractor did provide the Office of the State Auditor an opportunity to review _______, but would not release it for proprietary reasons.

Contact: Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093

Auditor's Concluding Remarks: The _______ document reviewed by the Office of State Auditor was not adequate. The remainder of the auditor rebuttal has been redacted to protect confidential information.

The finding remains as stated.

(State Number: 16-0909-03)

(2016-023) Confidential finding, see Condition Section below for more information

Title: The _______ associated with the _______ is not adequate (The content of this finding has been redacted. This appears as blank underlining).

Prior Year Findings:

FY15	FY14	FY13	FY12	FY11	FY10	FY09
2015-016	2014-018					

State Department: Administrative and Financial Services
Health and Human Services
State Bureau: Office of Information Technology
Office of MaineCare Services
Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
CFDA #: 93.775, 93.777, 93.778, 93.767
Federal Award Identification #: 05-1505ME5MAP, 05-1605ME5MAP,
05-1405ME5021, 05-1505ME5021, 05-1505ME1081

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: State _______; Federal_______

Condition: The _______ is not adequate.
This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Richard McGreal, Associate Regional Administrator, Center for Medicare and Medicaid Services, Boston, MA.

A copy of that correspondence has also been sent to:

- Greg Dowell, Manager, Office of Inspector General, U.S. Department of Health and Human Services, Office of Audit Services, National External Audit Review Center, Kansas City, MO.

Context: **_______** is **_______** for Federal assistance programs.

Cause: Competing priorities

Effect: Lack of adequate control could potentially lead **_______**

Recommendation: We recommend that the **_______** be replaced by **_______**.

Corrective Action Plan: See F-14

Management's Response: The Department agrees with the finding. The department has responded that corrective steps have been taken. The remainder of the agency's response has been redacted to protect confidential information.

Contact: Bethany Hamm, Director, Office for Family Independence, 207-624-4103

(State Number: 16-0922-01)

(2016-024) Confidential finding, see Condition Section below for more information

Title: No _______ is in place over the ______ (The content of this finding has been redacted. This appears as blank underlining).

Prior Year Findings: None

FY15	FY14	FY13	FY12	FY11	FY10	FY09

State Department: Health and Human Services (DHHS)
Administrative and Financial Services
State Bureau: Office for Family Independence
Office of Information Technology
Federal Agency: U.S. Department of Health and Human Services
U.S. Department of Agriculture
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
SNAP Cluster (SNAP)
TANF Cluster (TANF)
CFDA #: 93.775, 93.777, 93.778, 93.767, 10.551, 10.561, 93.558
Federal Award Identification #: 05-1505ME5MAP, 05-1605ME5MAP, 05-1405ME5021, 05-1505ME5021, 05-1505ME1081, 15154ME401S2514, 15154ME401S8036, 16164ME401S2514, 16164ME401S8036, 16164ME421Q7503, 16164ME401S2520, 1402METANF, 1502METANF, 1602METANF

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: State of Maine _______; Federal_______

Condition: The Department does not have a _______ plan related to the DHHS _______. This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Richard McGreal, Associate Regional Administrator, Center for Medicare and Medicaid Services, Boston, MA and
- Carol Monteiro, Reginal Program Manager, Administration for Children and Families, Office of Family Assistance, Boston, MA and
- Jessica Shahin, Acting Administrator, U.S. Department of Agriculture, Supplemental Nutrition Assistance Program, Alexandria, VA.

A copy of that correspondence has also been sent to:

- Greg Dowell, Manager, Office of Inspector General, U.S. Department of Health and Human Services, Office of Audit Services, National External Audit Review Center, Kansas City, MO and
- Kimberly Weiss, Audit Liaison, U.S. Department of Agriculture, Food and Nutrition Services, Northeast Regional Office, Boston, MA.

Context: _______ that determines _______ for major Federal assistance programs such as Medicaid, CHIP, SNAP, and TANF. The total Federal and State shares of _______ resulting from _______ for these programs exceeds $3 billion each year.

Cause: Lack of resources

Effect: In the event of a ______, the lack of a ______ could result in _______. The ______ could also be jeopardized. Also, there could be ______.

Recommendation: We recommend DHHS continue to develop, and then should implement their ______.

Corrective Action Plan: See F-14

Management's Response: The Department agrees with the finding.

Contact: Bethany Hamm, Director, Office for Family Independence, 207-624-4103

(State Number: 16-0922-03)

(2016-025)

Title: Procedures related to Long Term Care Facility audits need improvement

Prior Year Findings:

FY15	FY14	FY13	FY12	FY11	FY10	FY09
2015-005	2014-003	13-1106-14	12-1106-01	11-1106-05	10-1106-03	

State Department: Health and Human Services
State Bureau: Division of Audit
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification #: 05-1305ME5MAP, 05-1405ME5MAP, 05-1505ME5MAP

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 42 CFR 447.253(g); MaineCare Benefits Manual, Ch. III, Section 67, subsection 13.4.1.3

Condition: The Department did not issue Long Term Care Facility (LTCF) audits in accordance with Federal regulations. LTCF audits include audits of nursing facilities and audits of intermediate care facilities. The Medicaid agency must provide for periodic audits of the financial and statistical records of participating providers.

For Nursing Facility audits, the MaineCare Benefits Manual requires uniform desk reviews to be completed within 180 days after receipt of an acceptable cost report filing, including financial statements and other information requested from the provider except in unusual situations, including but not limited to delays in obtaining necessary information from a provider. We tested 105 Nursing Facility audits and found that 61 were not issued within the 180 day time frame. The 61 audits ranged from 30 to 324 days late. Between 182 and 482 days elapsed before the Department asked the provider for additional information in 38 of those 61 audits that were submitted late.

For Intermediate Care Facility - MR (ICF/MR) audits, the MaineCare Benefits Manual requires ICF/MRs to submit cost reports annually based on the facility's fiscal year end, and the Department must provide for periodic audits of these reports. We tested seventeen ICF/MR audits and fifteen were not issued within our audit period. Prior to fiscal year 2015, the Department consistently completed ICF/MR audits on an annual basis.

The Office of the State Auditor selected non-statistical random samples.

Context: Medicaid paid $278 million to LTCFs during fiscal year 2016.

Cause: Staff was diverted to areas of higher priority.

Effect: Noncompliance with Federal and State regulations

Recommendation: We recommend that the Department consistently perform internal control activities related to the LTCF audit process. Internal control activities provide assurance that these facilities are in compliance with Federal and State regulations.

Corrective Action Plan: See F-14

Management's Response: The Department agrees with the Nursing Facility portion of this finding. The Department disagrees with Intermediate Care Facilities – MR (ICF/MR) portion of this finding.

In regards to Nursing Facilities, the Department notes that, for Nursing Facility provider fiscal years ending in 2015, all 102 cost report audits are currently in compliance with the 180 day time frame. No further correction action is required.

In regards to ICF/MR, the MaineCare Benefits Manual does not contain a requirement that uniform desk reviews need to be completed within a specified time frame after receipt of an acceptable cost report. Therefore, the Department is not out of compliance with the regulations.

Contact: Herb Downs, Director, Division of Audit, 207-287-2778

Auditor's Concluding Remarks: Although the MaineCare Benefits Manual does not contain a specific time requirement to complete uniform desk reviews, it does require ICF/MRs to submit cost reports annually. Therefore, it would be reasonable to expect DHHS to complete a uniform desk review of each ICF/MR's cost report annually. The Code of Federal Regulations (2 CFR 200.303) states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with the Federal statutes, regulations and the terms and conditions of the Federal award.

The finding remains as stated.

(State Number: 16-1106-01)

(2016-026)

Title: Procedures related to Medicare Part B premium payments need improvement

Prior Year Findings:

FY15	FY14	FY13	FY12	FY11	FY10	FY09
2015-010			12-1106-08	11-1106-08	10-1106-01	

State Department: Administrative and Financial Services
Health and Human Services
State Bureau: Health and Human Services Service Center
Office for Family Independence
Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification #: 05-1505ME5MAP, 05-1605ME5MAP

Compliance Area: Activities allowed or unallowed
Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 42 CFR 431.625(d)(1)

Condition: The Department receives invoices from the Centers for Medicare and Medicaid Services (CMS) for Medicare Part B premiums on a monthly basis. Around the same time, CMS sends a separate detailed listing of Medicaid members which supports the invoice to the Office of Information Technology. The Department did not verify that the members from the detailed listing were eligible prior to paying the CMS invoice for Medicare Part B premiums.

Context: Approximately $112 million was paid to CMS for Medicare Part B premiums in fiscal year 2016.

Cause: The procedures utilized by the Department do not include verifying the eligibility of the members included in the listing that supports the CMS invoice.

Effect:

- Medicare Part B premiums may be billed to the State by CMS for ineligible members
- Possible disallowances

Recommendation: We recommend that the Department develop procedures to verify that only eligible members are included on the detailed listing that supports the CMS invoice.

Corrective Action Plan: See F-15

Management's Response: The Department agrees with the finding. The Department has implemented procedures to compare eligibility periods with the return CMS eligibility file on which the CMS invoice is based.

Contact: Bethany Hamm, Director, Office for Family Independence, 207-624-4103

(State Number: 16-1106-02)

(2016-027)

Title: Riverview

Prior Year Findings:

FY15	FY14	FY13	FY12	FY11	FY10	FY09
2015-006	2014-006					

State Department: Administrative and Financial Services
Health and Human Services (DHHS)
State Bureau: Health and Human Services Service Center
Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification #: 05-1505ME5MAP, 05-1605ME5MAP

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 42 CFR 482.1(a)(5)

Condition: The Centers for Medicare and Medicaid Services (CMS) decertified Riverview as a Medicare provider of psychiatric hospital service on September 2, 2013. The State continues to draw Federal funds for these services.

Context: The State drew Federal funds of $14 million in fiscal year 2016, $16 million in fiscal year 2015 and $10.5 million in fiscal year 2014, subsequent to decertification by CMS. In fiscal year 2017, the state continues to draw Federal funds.

Cause: The Department obtained legal advice to continue claiming these costs on the CMS-64 report.

Effect:
- Possible disallowances
- Possible noncompliance with Federal regulations

Recommendation: We recommend that DHHS work with CMS to resolve this matter.

Corrective Action Plan: See F-15

Management's Response: The Department disagrees with the finding. As stated in response to prior findings, the Department of Health and Human Services does not believe that this matter constitutes a finding nor that it is a "significant deficiency" in Department operations.

The fact that CMS has refused to recertify Riverview—and has given no clear guidance on how the State would achieve that—is not new to the State. Indeed, the Department has routinely communicated to the Legislature the continued risk associated with using DSH funding for Riverview.

Notably, the Department believes the decertification of Riverview was unjustified, and that nothing in Federal law or rule prohibits the State from continuing to use DSH funds to support Riverview. Furthermore, whereas the Effect of "Possible Disallowances" is a potential outcome, "Possible Noncompliance with Federal Regulations" is not. Any noncompliance that would occur already has occurred, resulting in the disputed decertification.

Contact: Anthony Madden, Deputy Director, Division of Audit, 207-287-2834

Auditor's Concluding Remarks: The Office of the State Auditor is not making a determination as to whether or not Riverview should have been decertified as a Medicare provider of psychiatric hospital services. However, we are reporting on the fact that the State continued using Federal funds after Riverview was decertified.

Federal officials are in the process of finalizing their decision regarding the disallowance of these Federal expenditures.

The finding remains as stated.

(State Number: 16-1106-03)

(2016-028)

Title: Provider eligibility procedures need to integrate Automated Data Exchange

Prior Year Findings:

FY15	FY14	FY13	FY12	FY11	FY10	FY09
2015-008				11-1106-12		

State Department: Health and Human Services
State Bureau: Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
CFDA #: 93.775, 93.777, 93.778, 93.767
Federal Award Identification #: 05-1505ME5MAP, 05-1605ME5MAP,
05-1405ME5021, 05-1505ME5021, 05-1505ME1081

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: Request for Proposal (RFP) associated with Fiscal Agent, sections 4.22.5.3.1.2, 4.22.5.3.1.10, 4.22.5.3.1.1, Automation/Data Exchange/Interface

Condition: The Maine Integrated Health Management Solution (MIHMS) system does not automatically cross-reference license, accreditation, and sanction information, nor does it support automated data exchanges with the Center for Medicare and Medicaid Services, the Drug Enforcement Agency, and other sources. Provider enrollment personnel employed by the Fiscal Agent must manually link to numerous websites to query sanction and license information that will affect enrollment.

Context: The Department's manual process is inherently subject to human error due to the size and complexity of Medicaid.

Cause: The Fiscal Agent did not comply with Section 4 of the Request for Proposal (RFP) that enumerates their responsibilities for automation, data exchange, and interface.

Effect:

- Potentially ineligible providers being allowed to participate in the program
- Potential questioned costs and disallowances

Recommendation: We recommend that the Department ensure the Fiscal Agent complies with Section 4 of the RFP.

Corrective Action Plan: See F-15

Management's Response: The Department agrees with the finding.

The Maine Integrated Health Management Solution (MIHMS) system did not have automated processes to update license, accreditation or sanction information; however, each provider record was reviewed by Provider Enrollment staff prior to the Affordable Care Act provider enrollment change in 2017. Therefore, the Department disagrees with the finding's "effect", specifically that the manual review process has enabled ineligible providers to participate in the MaineCare program, or, yielded questioned costs or disallowances.

Due to the more extensive reviews required by the Affordable Care Act's provider enrollment changes, the MIHMS system was updated in FY 2017 (January 17, 2017). The Department's fiscal agent has contracted with a third-party vendor to provide these automated services and data exchanges.

Contact: Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093

(State Number: 16-1106-04)

(2016-029)

Title: Provider eligibility procedures need to address Advance Directives

Prior Year Findings:

FY15	FY14	FY13	FY12	FY11	FY10	FY09
2015-007	2014-004	13-1106-09	12-1106-14	11-1106-12	10-1106-11	09-1106-08

State Department: Health and Human Services
State Bureau: Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification #: 05-1505ME5MAP, 05-1605ME5MAP

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 42 CFR 431.107(b)(4); 42 CFR 455.105(b)

Condition: For provider agreements entered into prior to July 1, 2013, the Department did not ensure that these agreements contained all required provisions related to advance directives requirements and disclosure of certain types of business transactions. As of July 1, 2013, the new provider agreements contain the necessary information; however, the Department acknowledged that they did not revise older provider agreements.

The Office of the State Auditor selected a non-statistical random sample for testing.

Context: In our test of forty provider agreements, we found that thirty-two were entered into prior to July 1, 2013 and did not contain the required terms and conditions. Eight were entered into after July 1, 2013 and did contain the required terms and conditions.

Cause: Competing priorities

Effect:

- Potentially ineligible providers being allowed to participate in the program
- Potential questioned costs and disallowances
- Noncompliance with the required provider documentation requirements

Recommendation: We recommend that the Department ensure that all provider agreements meet the advance directives and business transaction requirements.

Corrective Action Plan: See F-16

Management's Response: The Department agrees with the finding. All active providers in the MIHMS system have a signed provider agreement on file. As noted in the Department's response to the SFY2014 finding, language regarding advance directive requirements and disclosure of certain types of business transactions was added to the agreement on June 26, 2013. The provider agreement with the added language has been used since then for all newly enrolling providers. As part of the Affordable Care Act provider revalidation initiative, all providers are required to re-enroll and will sign the revised agreement then. The system was upgraded on January 17, 2017 and we anticipate provider revalidation to begin in Summer 2017.

Contact: Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093

(State Number: 16-1106-05)

(2016-030)

Title: Controls to ensure the members' share of Cost of Care amounts are properly deducted from nursing home and private non-medical institution provider payments need improvement

Prior Year Findings:

FY15	FY14	FY13	FY12	FY11	FY10	FY09
2015-012	2014-014	13-1106-02 13-1106-19 Cost of Care Only	12-1106-12	11-1106-14		

State Department: Health and Human Services
State Bureau: Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification #: 05-150ME5MAP, 05-1605ME5MAP

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency
Questioned costs

Questioned Costs: Likely questioned costs ($7,095,106) were determined by comparing the total Cost of Care assessments for members who had institutional claims paid on their behalf ($102,268,040) to the actual Cost of Care deductions that were applied to institutional claims ($95,172,934) for fiscal year 2016. The allocation between Federal and State was calculated using the blended FMAP rate.

Questioned Costs	Total	Federal	State
Known	$10,020	$6,260	$3,760
Likely	$7,095,106	$4,432,490	$2,662,616
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 42 CFR 435.725; 2 CFR 200; MaineCare Eligibility Manual, Part 12 (Residential Care) and Part 14 (Individuals in Medical Institutions)

Condition: Controls in place to ensure that members' share of Cost of Care is properly deducted prior to paying nursing home (NH) and private non-medical institution (PNMI) claims need improvement. In a sample of sixty paid claims where Cost of Care should have been deducted, there were five instances where the members' share of Cost of Care was not deducted.

The Office of the State Auditor selected a non-statistical random sample.

Context: Collectively, recipients of Long Term Care (LTC) assistance were responsible for paying $102.3 million of their Cost of Care during fiscal year 2016. Of this amount, only $95.2 million was deducted from LTC facility payments.

Cause:

- Maine Integrated Health Management Solution (MIHMS) system edits are not set to properly deduct Cost of Care from claims with a primary carrier, where MaineCare was the secondary carrier.
- Lack of procedures to automatically detect and re-open claims for retroactive adjustments.

Effect:

- Over the last three years, an estimated $22.8 million has been overpaid to LTC facilities.
- Current and future questioned costs

Recommendation: We recommend that the Department:

- as a temporary measure, direct the Fiscal Agent to pend, deny or re-open LTC claims for manual review prior to payment. This will provide an opportunity for personnel to make manual corrections to current claims before they are paid incorrectly.
- make system corrections and continue to implement additional controls that will allow the members' share of the Cost of Care to be properly deducted from monthly NH and PNMI payments.
- assign additional personnel to generate and review exception reports or use other tools that will detect errors and track error resolution.

Corrective Action Plan: See F-16

Management's Response: The Department agrees in part with the finding.

The Department has made significant system modifications in the past three years that have significantly reduced the number of Cost of Care issues with Long Term Care (LTC) claims. We have also included PNMIs in the external audit and recoupment performed by the vendor that has traditionally handled Nursing Home overpayments. With these changes, we believe it would be an inefficient use of limited staff resources to divert them to manual review of paid or denied claims.

The remaining issue with LTC claims was addressed by Change Request (CR) 49974, which was implemented in MIHMS on July 20, 2016. There is a report that was run as part of this Change Request and the associated claims are being adjusted.

Contact: Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093

(State Number: 16-1106-06)

(2016-031)

Title: Surveillance and utilization review of Medicaid services is not adequate

Prior Year Findings:

FY15	FY14	FY13	FY12	FY11	FY10	FY09
2015-013	2014-011	13-1106-04			10-1106-08	09-1106-05

State Department: Health and Human Services
State Bureau: Division of Audit – Program Integrity Unit
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification #: 05-1505ME5MAP, 05-1605ME5MAP

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 42 CFR 433.112 and 433.116; 42 CFR 455.13; 42 CFR 456 Subpart B; State Medicaid Manual, Part 11, particularly Sections 11335 and 11350; MaineCare Benefits Manual, Sections 1.17 and 1.18

Condition: Surveillance and utilization review activities performed to monitor Medicaid expenditures need improvement:

- A post-payment review sampling plan was not implemented for the first half of fiscal year 2016.
- The sampling plan that was introduced in January 2016 was adequately designed, but only partially executed and then unexpectedly interrupted during fiscal year 2016.
- The JSURS module was acquired as part of the Maine Integrated Health Management Solution (MIHMS) implementation to monitor Medicaid expenditures. JSURS includes three components: Report Generator, Top N and Advanced Drilldown. The Department has not adequately utilized the Report Generator tool as part of its ongoing surveillance and utilization review activities.

Context: Medicaid expenditures of approximately $2.5 billion were paid to providers in fiscal year 2016. Surveillance and utilization controls are important safeguards against the unnecessary or inappropriate use of Medicaid services.

Cause:

- Resources that were assigned to develop and fully execute the sampling plan were not adequate.
- Report Generator software runs very slowly so the Department used Advanced Drilldown to obtain claims data and detect anomalies. Procedures or system enhancements have not been developed or placed in operations to compensate for the slow running time that has been characteristic of Report Generator since the MIHMS implementation.
- Competing priorities

Effect:

- Increased risk that errors, or fraud, waste and abuse will remain undetected
- Potential disallowance of Federal funds

Recommendation: We recommend that the Department develop and fully execute a post-payment review sampling plan that will promote the timely detection of potential errors, or fraud, waste and abuse. We further recommend that the Department continue to take steps to ensure the utilization of all JSURS software modules are incorporated into the execution of the sampling plan.

Corrective Action Plan: See F-16

Management's Response: The Department disagrees with the finding that Surveillance and Utilization of Medicaid services was not adequate. The Program Integrity Unit (PI) uses multiple systems that provide effective surveillance capabilities for the Medicaid program. In addition, the PI Team members are highly trained in detecting payment errors, fraud, waste and abuse and receive on-going training to remain abreast of the latest developments and strategies to detect payment errors, fraud, waste and abuse.

PI uses numerous tools that have proven to be effective in detecting fraud and abuse in the State's Medicaid system, including development of our own systems to utilize JSURS. These tools, used together, provide for an effective surveillance and utilization capability for the Medicaid program.

PI is involved in a continuous improvement program to drive efficiency and effectiveness. Several recent examples include a reorganization of the PI Unit that occurred during SFY2016 with redefining roles and responsibilities and to provide for enhanced clinical reviews. The Peer-to-Peer tool was developed to enhance the effectiveness of the PI Unit's surveillance capabilities. Additionally, the PI Unit has contracted with a data analytics consultant to seek further operational improvements.

Contact: Denise Osgood, Program Manager, Program Integrity Unit, 207-287-9276

Auditor's Concluding Remarks: According to 42 CFR 456 Subpart B, the State Medicaid agency must have procedures for the ongoing evaluation, on a sample basis, of the need for and the quality and timeliness of Medicaid services. Management's response to the finding does not address the Program Integrity Unit's inability to adequately implement and execute their sampling plan in fiscal year 2016.

The Peer-to-Peer tool referenced above was developed approximately three years ago as a workaround to aid in the Unit's review of JSURS data. However, through a comprehensive inquiry of Unit staff, we know this tool was not used in fiscal year 2016. Additionally, the Unit contracted with the data analytics consultant after fiscal year 2016.

This finding is based, in part, on Section 11335 of the U.S. DHHS, State Medicaid Manual. This section titled Surveillance and Utilization Review also has the following requirements:

- Develop a comprehensive statistical profile of health care delivery and utilization patterns established by provider and recipient participants in various categories of services authorized under the Medicaid program.
- Investigate and reveal misutilization of the State's Medicaid program by individual participants and promote correction.
- Provide information which reveals and facilitates investigation of potential defects in the level of care and quality of service provided under the Medicaid program.
- By means of computerized exception processing techniques, provide the ability to perform analyses and produce reports responsive to the changing needs of Title XIX managers, peer review organizations, and State Medicaid fraud control units.
- Be capable of developing provider, physician, and patient profiles, sufficient to provide specific information as to the use of covered types of services and items, including prescribed drugs.

According to 42 CFR 433.116, the Medicaid Management Information System must provide both patient and provider profiles for program management and utilization review purposes. 42 CFR 433.112 states that it must produce transaction data, reports, and performance information that would contribute to program evaluation, continuous improvement in business operations, and transparency and accountability. Also, 42 CFR 455.13(a) states that the Medicaid agency must have methods and criteria for identifying suspected fraud cases. It is reasonable to expect that this should be proactive, systematic, comprehensive, and not anecdotal.

The opinion of the Office of the State Auditor is that although the Program Integrity Unit claims an effective surveillance and utilization capability for the Medicaid program, these activities do not rise to the level of compliance with Federal requirements.

The finding remains as stated.

(State Number: 16-1106-07)

(2016-032)

Title: Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review

Prior Year Findings: None

FY15	FY14	FY13	FY12	FY11	FY10	FY09

State Department: Health and Human Services
State Bureau: Division of Audit – Program Integrity Unit
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification #: 05-1505ME5MAP, 05-1605ME5MAP

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			
A Known Questioned Cost is the amount *specifically* identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 42 CFR 455.13 to .15; MaineCare Benefits Manual, Section 1.17 and 1.18

Condition: Supervisory review of cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review. In a sample of forty cases:

- Five cases had no attention from a supervisor for a period ranging from seven to sixteen months;
- One case was inadvertently closed and not detected; and
- One case had two complaints, yet due to an oversight, one of the complaints was not researched.

The Office of the State Auditor selected a non-statistical random sample.

In addition to the seven exceptions listed above, there are older cases that have not been closed. These older cases were originally opened in fiscal years 2013 through 2015 (three from fiscal year 2013, eight from fiscal year 2014, and twenty-one from fiscal year 2015).

Context: Medicaid expenditures of approximately $2.5 billion were paid to providers in fiscal year 2016. Case reviews are an important safeguard against the unnecessary or inappropriate use of Medicaid services.

Cause:

- Competing priorities
- Staff turnover
- Lack of staff resources
- Limited supervisory oversight over how staff manages their own caseloads

Effect:

- Case reviews of potential provider or recipient fraud, abuse, or questionable practices are delayed or remain unresolved.
- Increased risk that fraud, abuse, or questionable practices will remain undetected

Recommendation: We recommend that the Department improve supervisory review of open cases, including monitoring the progress of open cases over time. We further recommend that older cases be evaluated to determine whether they should be closed due to insufficient evidence or referred to another unit or law enforcement agency for a full investigation.

Corrective Action Plan: See F-17

Management's Response: The Department disagrees with the finding. Program Integrity (PI) is in compliance with all criteria cited in this finding. PI has a robust system for identification, prioritizing, investigation and referral of all suspected fraud and abuse cases.

All provider and member complaints forwarded to Program Integrity (PI) are reviewed by the PI manager/designee and then entered into the PI electronic tracking (Workflow) system upon receipt of the complaint. Complaints meeting the criteria of imminent harm to the MaineCare population and/or with significant risk of fraud were immediately assigned to PI staff for investigation. Complaints with minimal or no risk to the MaineCare population and with low risk of fraud, waste or abuse were assigned to PI staff as resources became available.

PI continuously reviews its methods to improve their effectiveness and efficiency. For example, a pilot project of rapid response team are bringing resolution to low risk complaints within 5-7 business days. Additionally, PI has contracted with a data analytics consultant to further increase the effectiveness of the program.

Contact: Denise Osgood, Program Manager, Program Integrity Unit, 207-287-9276

Auditor's Concluding Remarks: Regarding the assignment of provider and member complaints, while the Program Integrity Unit does have a prioritization process in place, we found that open cases needed improved supervisory review.

The finding remains as stated.

(State Number: 16-1106-08)

STATE OF MAINE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2016


DIRIGO
MAINE

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

SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

RICHARD W. ROSEN
COMMISSIONER

DOUGLAS E. COTNOIR, CPA, CIA
STATE CONTROLLER

CORRECTIVE ACTION PLAN
Fiscal Year Ended June 30, 2016

Corrective Action Plan

The *Corrective Action Plan* (CAP) is compiled by the Office of the State Controller (OSC) on behalf of the State of Maine. The objective of this report is to document the corrective action steps that will be completed in response to each Single Audit Report finding, identify the individual(s) responsible for ensuring that corrective action is completed, and to provide an anticipated date for complete implementation of corrective action. The CAP complies with 2 CFR 200, Subpart F, § 200.511 Audit Findings Follow-Up, (c) Corrective Action Plan.

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Finding Number	Corrective Action Plan	
2016-001	Department:	Health and Human Services
	Title:	Information _______ to ensure that _______ need improvement (The content of this finding has been redacted. This appears as blank underlining).
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Department agrees with the finding. The remainder of the Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	January 18, 2017
	Agency Contact:	Bethany Hamm, Director, Office for Family Independence, 207-624-4103
2016-002	Department:	Administrative and Financial Services
	Title:	Controls over Federal cash management need improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Department agrees with the finding. The Department conducted a detailed review of cash management procedures for this grant and implemented an additional control step that requires ongoing management review of the grant's cash balance.
	Completion Date:	March 22, 2017

Finding Number	Corrective Action Plan	
	Agency Contact:	David Whitt, Director, 207-248-7150
2016-003	Department:	Agriculture, Conservation and Forestry
	Title:	Internal controls over suspension and debarment need improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department will utilize the current version of the Request for Proposal (RFP) form available on the Division of Purchases website. The RFP form includes a section that requires the entity to certify that they are not suspended or debarred from receiving Federal funds. The Department will also require the use of the form, "Certification Regarding Debarment, Suspension and Other Responsibility Matters Primary Covered Transactions," available on the Division of Purchases website as a rider to federal contracts. Utilizing these forms will address the suspension and debarment deficiencies noted in the finding. The issue, and the updated policy and procedure have been communicated to Department staff for immediate implementation.
	Completion Date:	March 24, 2017
	Agency Contact:	Aimee Carlton, Business Operations Manager, 207-287-5783
2016-004	Department:	Agriculture, Conservation and Forestry
	Title:	Procedures to ensure compliance with subrecipient monitoring requirements need improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Department agrees with the finding. The Department will work with the Division of Purchases to design an "audit requirements" certification form as a rider to include with federal contracts. The certification form will address the need for awardees to have a Single Audit completed if they receive more than $750,000 in federal funds annually. The certification form will also require that the awardee inform the Department if their status changes during the contract period. The Department will establish a process to review the subrecipient Single Audits and issue management decisions when necessary. The form will include any required federal award information, such as CFDA name and number.
	Completion Date:	November 30, 2017
	Agency Contact:	Aimee Carlton, Business Operations Manager, 207-287-5783
2016-005	Department:	Administrative and Financial Services Labor
	Title:	Internal control over continuing eligibility is not adequate
	Questioned Costs:	None
	Status:	Management's opinion is that no additional corrective action is required

<table>
<tr><th>Finding Number</th><th colspan="2">Corrective Action Plan</th></tr>
<tr><td></td><td>Corrective Action:</td><td>The Department disagrees with the finding.

The Department's work search audit standard operating procedure (SOP) complies with federal and state regulations. In the cases noted as noncompliant by the Office of the State Auditor, adequate reviews of the claimant's work searches were conducted after the claimant had been determined noncompliant with their work search efforts. When a claimant is in "pay status", the Department is prohibited by law from stopping benefit payments until there has been a fact finding and an adjudication of the week(s) filed. The Department is required to provide notice to a claimant of a fact finding, so at a minimum, a claimant may file at least two weeks after a determination has been made that a claimant's work search efforts for a claim week were inadequate.

In addition to the detailed sampling taken during the FY audit, our quality control data (Benefits Accuracy Measurement within the Unemployment Insurance Program), shows that work search issues, as a root cause of overpayments, is in a declining trend since 2013 (summarized below):

<table>
<tr><th>Federal FY</th><th>WS as % of total improper payments</th><th>OPY rate</th></tr>
<tr><td>2013</td><td>76.39%</td><td>16.28%</td></tr>
<tr><td>2014</td><td>77.14%</td><td>16.73%</td></tr>
<tr><td>2015</td><td>62.39%</td><td>16.87%</td></tr>
<tr><td>2016</td><td>64.33%</td><td>14.16%</td></tr>
</table>
</td></tr>
<tr><td></td><td>Completion Date:</td><td>Not applicable</td></tr>
<tr><td></td><td>Agency Contact:</td><td>Patricia O'Brien, Deputy Bureau Director, 207-621-5161</td></tr>
<tr><td>2016-006</td><td>Department:</td><td>Administrative and Financial Services
Labor</td></tr>
<tr><td></td><td>Title:</td><td>_______ controls related to the Unemployment Insurance Benefit _______ need improvement (The content of this finding has been redacted. This appears as blank underlining).</td></tr>
<tr><td></td><td>Questioned Costs:</td><td>None</td></tr>
<tr><td></td><td>Status:</td><td>Corrective action in progress</td></tr>
<tr><td></td><td>Corrective Action:</td><td>The Department agrees with the finding. The Department intends to complete corrective action in FY 2017. The remainder of the Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.</td></tr>
<tr><td></td><td>Completion Date:</td><td>October 31, 2017</td></tr>
<tr><td></td><td>Agency Contact:</td><td>Patricia O'Brien, Deputy Bureau Director, 207-621-5161</td></tr>
<tr><td>2016-007</td><td>Department:</td><td>Administrative and Financial Services
Labor</td></tr>
<tr><td></td><td>Title:</td><td>The _______ is _______ to perform routine _______ and _______. (The content of this finding has been redacted. This appears as blank underlining).</td></tr>
<tr><td></td><td>Questioned Costs:</td><td>None</td></tr>
<tr><td></td><td>Status:</td><td>Corrective action completed</td></tr>
</table>

Finding Number	**Corrective Action Plan**	
	Corrective Action:	The Department agrees with the finding. Corrective action completed in FY 2017. The remainder of the Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	February 13, 2017
	Agency Contact:	Patricia O'Brien, Deputy Bureau Director, 207-621-5161
2016-008	Department:	Administrative and Financial Services Labor
	Title:	Internal control over _______ is not adequate (The content of this finding has been redacted. This appears as blank underlining).
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department intends to complete corrective action in FY 2018. The remainder of the Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	August 31, 2018
	Agency Contact:	Patricia O'Brien, Deputy Bureau Director, 207-621-5161
2016-009	Department:	Labor
	Title:	Controls over data accuracy related to performance reporting need improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department issued a work order to the management information system (MIS) provider on March 15, 2017. The MIS provider is in the process of reviewing the software issues that caused the inappropriate designations. The Department and the MIS intend to release a software update to correct the deficiency on March 29, 2017. The data entry deficiencies noted by the Office of the State Auditor were researched and corrected as of March 15, 2017. Additionally, the Department developed and issued the *Exit Outcome Tracking* standard operating procedure (SOP) on February 7, 2017. The Department intends to develop and provide detailed training on the SOP to the Service Provider staff by June 30, 2017.
	Completion Date:	June 30, 2017
	Agency Contact:	Edward Upham, Bureau Director of Employment Services, 207-623-7996
2016-010	Department:	Administrative and Financial Services
	Title:	Internal controls over financial reporting need strengthening
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department prepared the September 30, 2015 SF-425 and submitted the report to the Environmental Protection Agency on February 21, 2017. Additionally, the Department will immediately implement the following controls:

Finding Number	Corrective Action Plan	
		• Review all open grants to ensure that the reporting frequency is correctly identified in the Department's grant list; • Review reporting requirements for new grants; if the reporting requirements are not specified, the Department will confirm with the awarding agency; • Require quarterly review of the grant list to ensure accuracy with reporting requirements; and, • Create electronic calendar reminders to ensure reports are prepared, reviewed and submitted on-time.
	Completion Date:	March 31, 2017
	Agency Contact:	Christopher George, Managing Staff Accountant, 207-624-6384
2016-011	Department:	Environmental Protection
	Title:	Internal controls over subrecipient monitoring need improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Department agrees with the finding. The Department now includes a link to the Single Audit requirements in the contracts/agreements. The Department requires that prior to signing a contract/agreement, SAMS is verified and the required DUNS number fields are included in contract/agreement for each subrecipient. Following notification of conditional grant awards, the Department's staff utilizes a checklist to develop project contracts. The DUNS number will now be included in this checklist. The annual grant Requests for Proposals will also notify bidders that their DUNS numbers are required as part of the contract finalization process.
	Completion Date:	March 24, 2017
	Agency Contact:	Catherine Levesque, Resource Administrator, 207-287-7835
2016-012	Department:	Labor
	Title:	Procedures are not adequate to ensure timely eligibility decisions
	Questioned Costs:	None
	Status:	Correction action in progress
	Corrective Action:	The Department agrees with the finding. As of March 21, 2017, the Department determined that corrective action steps would include staff refresher training and a review of the "extended eligibility" option available to counselors when sufficient information is not available to make the eligibility determination within the 60 day requirement. Compliance with the 60 day eligibility determination requirement is a management expectation for all counselors. The expectation is included in each counselor's Performance Management Form. Management conducts individual counseling, and if necessary, initiates the disciplinary process for counselors that do not meet the performance expectation. The Department will continue with this process. The Department reviews monthly eligibility determination reports in an effort to monitor compliance, and react to issues, in each DVR region. The Department will continue with this process.
	Completion Date:	March 31, 2017

Finding Number	**Corrective Action Plan**	
	Agency Contact:	Betsy Hopkins, Director, Division of Vocational Rehabilitation, 207-623-6745
2016-013	Department:	Labor
	Title:	Individualized Plans for Employment not completed on a timely basis
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. In FY 2016 (8/10/15), the Department provided training to staff, informing them of the change (Individualized Plans for Employment (IPE) completed within 90 days). Additionally, the training included methods the counselors can employ to develop the IPEs within the new timeframe. The information provided during the training has been subsequently reinforced during regular staff meetings and during individual supervisor/counselor meetings. Currently, management monitors the time it takes to complete IPEs utilizing a *tracking graph* (which breaks out cases determined eligible in the last year). Any issues identified through this process are communicated monthly to the Regional managers. The Department will continue with this process. Compliance with the completion of IPE plan within 90 days is a management expectation for all counselors. The performance management system is used with employees who are not meeting the expectation. The Department will continue with this process. The Department will provide another training session to all staff by May 31, 2017. This training will emphasize compliance with the 90 day IPE requirement and will identify specific methods the counselors can employ in order to comply with this requirement.
	Completion Date:	May 31, 2017
	Agency Contact:	Betsy Hopkins, Director, Division of Vocational Rehabilitation, 207-623-6745
2016-014	Department:	Health and Human Services
	Title:	TANF grant funds transferred to the Social Services Block Grant were used for unallowable purposes
	Questioned Costs:	None
	Status:	Management’s opinion is that no additional corrective action is required
	Corrective Action:	The Department disagrees with the finding. In an August 2016 meeting with the Office of the State Auditor, Department officials made clear that this misconceived finding should not exist. Furthermore, we question the timing of the finding outside the normal schedule of State Auditor reports. Such timing raises serious concerns about politicization of the State Auditor process and of this matter. First the “Questioned Costs” and “Context” section are telling. As stated during the August meeting, the Department sought to maximize federal block grant dollars to benefit needy Mainers. When the Department could not obtain formal guidance from federal officials permitting more flexible use of TANF dollars, the Department reversed prior transfers. Funds from those transfers that were directed to community-based services contracts were replaced by General Fund dollars. Each of these actions occurred within the allowable time-period of the federal grant, thereby mitigating any actual impact to Department finances. That is why

Finding Number	Corrective Action Plan	
		the finding explicitly states in the Questioned Costs section that there were no questioned costs. Moreover, the Context section states that, "The total of $13.4 million was returned to the Federal government by July 2016," meaning that the transfers in question had no effect. This review of expenditures throughout a federal fiscal year related to federal grants is not only allowable, it is expected. The purpose of any review by the State of current expenditures related to federal grants is then to utilize the process of reversing such transactions, if necessary, based on that review. Second, the finding's "Cause" and "Effect" sections are both misleading. The former states that, "The Department was encouraged by the State's Department of Administrative and Financial Services to seek written Federal approval for the Department's revised plan for the use of these TANF funds," subsequently claiming that the Department did not do so. That is not the case, however, as Department officials explained to the Office of the State Auditor in August 2016. The fact is that the Department did seek—and continues to seek—formal guidance from Federal officials. Indeed not receiving formal, written guidance factored prominently into the Department's decision to reverse the transfers. In addition, the "Effect" section states that, "The Department did not spend Federal grant funds in accordance with Federal grant regulations." But, if there were no questioned costs—which the finding states clearly—then the Office of the State Auditor has already conceded that the Department did not spend funds inappropriately. Otherwise, there would be questioned costs. Next, the finding recommends that, "the Department refrain from using Federal funds where compliance is uncertain until appropriate approvals have been secured." Because the grant period remained ongoing, however, the Department did just that. Had the transfer occurred outside the Federal grant period—and had Maine been liable for penalties—then the recommendation would be merited. As it is, the latter just affirms that the Department's actions were appropriate. Finally, the "Recommendation" section concludes by stating, "We also recommend that the Department consider legal and ethical restraints when using Federal funds." The Department adheres to this standard; did so in this case; and rejects the unfounded implication otherwise.
	Completion Date:	Not applicable
	Agency Contact:	Bethany Hamm, Director, Office for Family Independence, 207-624-4103
2016-015	Department:	Health and Human Services
	Title:	Monitoring of subrecipients needs improvement
	Questioned Costs:	None
	Status:	Management's opinion is that no additional corrective action is required
	Corrective Action:	The Department disagrees with the finding. The Department understands the finding's Recommendation; and the Department has already implemented the suggested measures to enhance subrecipient guidance and standardize reporting of block grant expenditures. However, the Department has concerns that the finding misunderstands the Department's utilization of TANF funds to support delivery of expanded social services in Maine and/or the federal requirements that govern TANF fund use. Whereas the Condition suggests that each contract the State Auditor reviewed

Finding Number		Corrective Action Plan
		consisted of TANF funding alone, in fact 12 of the 13 contracts in question contained blended funding sources, including State General Fund dollars and other federal funds. Additionally, the TANF-funded services in each contract are reasonably calculated to accomplish TANF purposes three or four (see 45 C.F.R. § 260.20). Therefore, despite the finding's suggestion to the contrary, it was allowable to provide services under the contracts in question to recipients who were not "TANF eligible." And—per the federal guidance used by the auditor during the review—TANF expenditures for services to the non-needy are clearly described in such guidance: "States may choose to use Federal only TANF funds to provide benefits that do not constitute 'assistance' to the non-needy pursuant to TANF purpose 3 or 4 only." Because of that flexibility—and the fact that the funding was blended such that TANF dollars did not support all services under most of the contracts in question—the Department does not believe TANF dollars were spent improperly and rejects any assertion otherwise. Relatedly, the Department disagrees with the finding's Effect, as well, because the groups served by the contracts in question may properly receive TANF support. The suggestion that Maine used TANF funds to support ineligible individuals is incorrect and fails to account for the flexibility yielded under block grant regulations.
	Completion Date:	Not applicable
	Agency Contact:	Bethany Hamm, Director, Office for Family Independence, 207-624-4103
2016-016	Department:	Administrative and Financial Services Health and Human Services
	Title:	Controls over required Income and Eligibility Verification System data exchanges are not adequate
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Department agrees with the finding. The Office for Family Independence (OFI) will continue to attend an established weekly meeting, with representation from the Office of Information Technology (OIT), to remain engaged and informed of progress of corrective actions implemented and to ensure allocation of appropriate resources. By February 28, 2017, OFI and OIT will develop a monthly report of all Income and Eligibility Verification System (IEVS) related interfaces, listing: • Scheduled run frequency with specified date and time; and, • Actual run date, time and outcomes (including record counts sent, received, and the OIT employee who recorded the data). During the weekly meetings, OFI and OIT will review the data collected in the report and identify any IEVS interface-related defects that require assignment for correction from the OIT maintenance and operations team. Additionally, the report will be used to monitor progress of corrections and updates to the interfaces and identify any staffing deficiencies to be addressed.
	Completion Date:	February 28, 2017
	Agency Contact:	Bethany Hamm, Director, Office for Family Independence, 207-624-4103
2016-017	Department:	Health and Human Services

<table>
<tr><th>Finding Number</th><th colspan="5">Corrective Action Plan</th></tr>
<tr><td></td><td>Title:</td><td colspan="4">Income Eligibility and Verification System procedures need improvement</td></tr>
<tr><td></td><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td></td><td>Status:</td><td colspan="4">Corrective action in progress</td></tr>
<tr><td></td><td>Corrective Action:</td><td colspan="4">The Department agrees with the finding.

A formal training will be provided to all dedicated IEVS staff and supervisors. The Compliance and Program Integrity Program Manager will perform regular quality assurance checks to ensure that all alerts from all reports are being adequately and properly addressed and cleared.</td></tr>
<tr><td></td><td>Completion Date:</td><td colspan="4">July 31, 2017</td></tr>
<tr><td></td><td>Agency Contact:</td><td colspan="4">Amber McAllister, Compliance and Program Integrity Program Manager, 207-624-4171</td></tr>
<tr><td>2016-018</td><td>Department:</td><td colspan="4">Administrative and Financial Services</td></tr>
<tr><td></td><td>Title:</td><td colspan="4">Controls over financial reporting need improvement</td></tr>
<tr><td></td><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td></td><td>Status:</td><td colspan="4">Corrective action completed</td></tr>
<tr><td></td><td>Corrective Action:</td><td colspan="4">The Department agrees with the finding.

The DAFS DHHS Service Center has implemented a reconciliation requirement that includes a cumulative outlay section to reconcile reporting between grant year transitions. We will also work with our federal partners to revise the federal report.</td></tr>
<tr><td></td><td>Completion Date:</td><td colspan="4">March 22, 2017</td></tr>
<tr><td></td><td>Agency Contact:</td><td colspan="4">David Whitt, Director, 207-248-7150</td></tr>
<tr><td>2016-019</td><td>Department:</td><td colspan="4">Administrative and Financial Services
Health and Human Services</td></tr>
<tr><td></td><td>Title:</td><td colspan="4">Procedures over drug rebate accounting and reporting need improvement</td></tr>
<tr><td></td><td>Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td></td><td></td><td>Known</td><td>$3,050 CHIP
($3,050) Medicaid</td><td>$2,775 CHIP
($1,905) Medicaid</td><td>$275 CHIP
($1,145) Medicaid</td></tr>
<tr><td></td><td></td><td>Likely</td><td>$3,207,997 CHIP
($3,207,997) Medicaid</td><td>$2,918,716 CHIP
($2,004,116) Medicaid</td><td>$289,281 CHIP
($1,203,881) Medicaid</td></tr>
<tr><td></td><td>Status:</td><td colspan="4">Corrective action in progress</td></tr>
<tr><td></td><td>Corrective Action:</td><td colspan="4">The Department agrees with the finding; however, we disagree with the method of extrapolation. Subject matter experts reviewed the auditors' work papers and concluded that the auditors' analysis was seriously flawed; and, therefore, not a valid conclusion on the significance of program noncompliance.

Non-statistical, random sampling does not lend itself well to a program such as Medicaid – where seasonality, trend and price fluctuations are ever-present. In fact, the state subject matter experts, Molina’s PRIMS team, could not duplicate or corroborate several of the underlying calculations used to establish the extrapolation rate of 62.31%.

The auditors' logic for the percentage of paid amount neglects to include any Coordination of Benefits (COB) payments and it would not be an accurate reflection of rebate percent to paid amount without including the COB. We also noted at least two diabetic supply claims listed that were not invoiced as DHHS did</td></tr>
</table>

Finding Number	Corrective Action Plan	
		not receive that National Drug Code on the rate file from Change Healthcare for the quarter in question. DHHS is currently working on finalizing the requirements of MIHMS Change Request 60015 to resolve this Pharmaceutical Rebate Information Management System issue. We are anticipating a completion date for the implementation of the change request in State Fiscal Year 2018.
	Completion Date:	FY 2018
	Agency Contact:	Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093
2016-020	Department:	Administrative and Financial Services
	Title:	Inadequate management controls over _______ (The content of this finding has been redacted. This appears as blank underlining).
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees in part with the finding. The Department has communicated the specific issues it disagrees with to the Office of the State Auditor. The Department has responded, that for the recommendation that it agrees with, corrective action is in progress. The remainder of the Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	March 31, 2018
	Agency Contact:	Victor Chakravarty, Associate CIO for Infrastructure, 207-624-9840
2016-021	Department:	Health and Human Services
	Title:	Information technology controls provided by the contractor to ensure that pharmacy claims are processed accurately, completely, securely, and without disruption need improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding and agrees that the deficiencies noted in the SOC 1 report are a concern. The Department will take the following actions with the Contractor: 1. Require a corrective action plan (CAP) describing the steps that the Contractor is taking to improve in the deficient areas. The CAP must define what the Contractor will do to ensure more complete documentation. 2. Require that the Contractor provide monthly or quarterly reports, as appropriate, attesting that the necessary access control reviews have been conducted. These should be included in the regular reporting package that the Contractor sends to the State. 3. The Department will review the Contractor's external audit SOC 1 report for confirmation that deficiencies have been corrected, and will require an annual corrective action plan as indicated above for any new or incomplete findings.
	Completion Date:	June 30, 2017
	Agency Contact:	Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093
2016-022	Department:	Health and Human Services
	Title:	_______ controls over _______ are not adequate (The content of this finding has

Finding Number	Corrective Action Plan	
		been redacted. This appears as blank underlining).
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The remainder of the Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 30, 2017
	Agency Contact:	Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093
2016-023	Department:	Administrative and Financial Services Health and Human Services
	Title:	The _______ associated with the _______ is not adequate (The content of this finding has been redacted. This appears as blank underlining).
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Department agrees with the finding. Corrective action completed in FY 2017. The remainder of the Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	August 26, 2016
	Agency Contact:	Bethany Hamm, Director, Office for Family Independence, 207-624-4103
2016-024	Department:	Administrative and Financial Services Health and Human Services
	Title:	No _______ is in place over the ________ (The content of this finding has been redacted. This appears as blank underlining).
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The remainder of the Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 30, 2017
	Agency Contact:	Bethany Hamm, Director, Office for Family Independence, 207-624-4103
2016-025	Department:	Health and Human Services
	Title:	Procedures related to Long Term Care Facility audits need improvement
	Questioned Costs:	None
	Status:	*Nursing Facilities* – Corrective action completed *Intermediate Care Facilities / MR* – Management's opinion is that corrective action is not required
	Corrective Action:	*Nursing Facilities:* The Department agrees with the finding. However, the Department notes that, for Nursing Facility provider fiscal years ending in 2015, all 102 cost report audits are currently in compliance with the 180 day time frame. No further corrective action is required. *Intermediate Care Facilities / MR (ICF M/R):* The Department disagrees with the finding. The MaineCare Benefits Manual does not contain a requirement that uniform desk reviews need to be completed within a specified time frame after

Finding Number	Corrective Action Plan	
		receipt of an acceptable cost report. Therefore, the Department is not out of compliance with the regulations.
	Completion Date:	*Nursing Facilities* – Completed *Intermediate Care Facilities / MR* – Not applicable
	Agency Contact:	Herb Downs, Director, Division of Audit, 207-287-2778
2016-026	Department:	Administrative and Financial Services Health and Human Services
	Title:	Procedures related to Medicare Part B premium payments need improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The Department has performed the reconciliation which will be the framework for full implementation of the corrective action.
	Completion Date:	September 30, 2017
	Agency Contact:	Bethany Hamm, Director, Office for Family Independence, 207-624-4103
2016-027	Department:	Administrative and Financial Services Health and Human Services
	Title:	Riverview
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with the finding. As stated in response to prior findings, the Department of Health and Human Services does not believe that this matter constitutes a finding nor that it is a "significant deficiency" in Department operations. The fact that CMS has refused to recertify Riverview—and has given no clear guidance on how the State would achieve that—is not new to the State. Indeed, the Department has routinely communicated to the Legislature the continued risk associated with using DSH funding for Riverview. Notably, the Department believes the decertification of Riverview was unjustified, and that nothing in Federal law or rule prohibits the State from continuing to use DSH funds to support Riverview. Furthermore, whereas the Effect of "Possible Disallowances" is a potential outcome, "Possible Noncompliance with Federal Regulations" is not. Any noncompliance that would occur already has occurred, resulting in the disputed decertification.
	Completion Date:	Not applicable
	Agency Contact:	Anthony Madden, Deputy Director, Division of Audit, 207-287-2834
2016-028	Department:	Health and Human Services
	Title:	Provider eligibility procedures need to integrate Automated Data Exchange
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Department agrees with the finding. The Department's fiscal agent has contracted with a third party vendor to provide these automated services and data exchanges in FY 2017.
	Completion Date:	January 17, 2017
	Agency Contact:	Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093

<table>
<tr><th>Finding Number</th><th colspan="5">Corrective Action Plan</th></tr>
<tr><td rowspan="7">2016-029</td><td>Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>Title:</td><td colspan="4">Provider eligibility procedures need to address Advance Directives</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>Status:</td><td colspan="4">Corrective action in progress</td></tr>
<tr><td>Corrective Action:</td><td colspan="4">The Department agrees with the finding.

Providers will sign updated agreements as part of the provider revalidation that begins in the Summer of 2017 and will continue for approximately three years.</td></tr>
<tr><td>Completion Date:</td><td colspan="4">May 31, 2020</td></tr>
<tr><td>Agency Contact:</td><td colspan="4">Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093</td></tr>
<tr><td rowspan="9">2016-030</td><td>Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>Title:</td><td colspan="4">Controls to ensure the members’ share of Cost of Care amounts are properly deducted from nursing home and private non-medical institution provider payments need improvement</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$10,020</td><td>$6,260</td><td>$3,760</td></tr>
<tr><td>Likely</td><td>$7,095,106</td><td>$4,432,490</td><td>$2,662,616</td></tr>
<tr><td>Status:</td><td colspan="4">Corrective action completed</td></tr>
<tr><td>Corrective Action:</td><td colspan="4">The Department agrees in part with the finding.

The Department has made significant system modifications in the past three years that have significantly reduced the number of Cost of Care issues with Long Term Care (LTC) claims. We have also included PNMIs in the external audit and recoupment performed by the vendor that has traditionally handled Nursing Home overpayments. With these changes, we believe it would be an inefficient use of limited staff resources to divert them to manual review of paid or denied claims.

The remaining issue with LTC claims was addressed by Change Request (CR) 49974, which was implemented in MIHMS on July 20, 2016. There is a report that was run as part of this Change Request and the associated claims are being adjusted.</td></tr>
<tr><td>Completion Date:</td><td colspan="4">July 20, 2016</td></tr>
<tr><td>Agency Contact:</td><td colspan="4">Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093</td></tr>
<tr><td rowspan="5">2016-031</td><td>Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>Title:</td><td colspan="4">Surveillance and utilization review of Medicaid services is not adequate</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>Status:</td><td colspan="4">Management’s opinion is that no additional corrective action is required</td></tr>
<tr><td>Corrective Action:</td><td colspan="4">The Department disagrees with the finding that surveillance and utilization of Medicaid services was not adequate. The Program Integrity Unit (PI) uses multiple systems that provide effective surveillance capabilities for the Medicaid program. In addition, the PI Team members are highly trained in detecting payment errors, fraud, waste and abuse and receive on-going training to remain abreast of the latest developments and strategies to detect payment errors, fraud, waste and abuse.

PI uses numerous tools that have proven to be effective in detecting fraud and abuse in the State's Medicaid system, including development of our own systems to utilize JSURS. These tools, used together, provide for an effective surveillance and utilization capability for the Medicaid program.</td></tr>
</table>

Finding Number	Corrective Action Plan	
		PI is involved in a continuous improvement program to drive efficiency and effectiveness. Several recent examples include a reorganization of the PI Unit that occurred during SFY2016 with redefining roles and responsibilities and to provide for enhanced clinical reviews. The Peer-to-Peer tool was developed to enhance the effectiveness of the PI Unit's surveillance capabilities. Additionally, the PI Unit has contracted with a data analytics consultant to seek further operational improvements.
	Completion Date:	Not applicable
	Agency Contact:	Denise Osgood, Program Manager, Program Integrity Unit, 207-287-9276
2016-032	Department:	Health and Human Services
	Title:	Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review
	Questioned Costs:	None
	Status:	Management's opinion is that no corrective action is required
	Corrective Action:	The Department disagrees with the finding. Program Integrity (PI) is in compliance with all criteria cited in this finding. PI has a robust system for identification, prioritizing, investigation and referral of all suspected fraud and abuse cases. All provider and member complaints forwarded to Program Integrity (PI) are reviewed by the PI manager/designee and then entered into the PI electronic tracking (Workflow) system upon receipt of the complaint. Complaints meeting the criteria of imminent harm to the MaineCare population and/or with significant risk of fraud were immediately assigned to PI staff for investigation. Complaints with minimal or no risk to the MaineCare population and with low risk of fraud, waste or abuse were assigned to PI staff as resources became available. PI continuously reviews its methods to improve their effectiveness and efficiency. For example, a pilot project of rapid response team are bringing resolution to low risk complaints within 5-7 business days. Additionally, PI has contracted with a data analytics consultant to further increase the effectiveness of the program.
	Completion Date:	Not applicable
	Agency Contact:	Denise Osgood, Program Manager, Program Integrity Unit, 207-287-9276


DIRIGO
MAINE

STATE OF MAINE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016


DIRIGO
MAINE

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

SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

RICHARD W. ROSEN
COMMISSIONER

DOUGLAS E. COTNOIR, CPA, CIA
STATE CONTROLLER

Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2016

Summary Schedule of Prior Audit Findings

The *Summary Schedule of Prior Audit Findings* (SSPAF) is compiled by the Office of the State Controller (OSC) on behalf of the State of Maine. The objective of the SSPAF is to report on the status of audit findings reported in the prior: (1) audit's schedule of findings and questioned costs, and (2) audit's summary schedule of prior audit findings.

For each prior year audit finding, the SSPAF reports the current status of corrective action; for findings in which corrective action has either not been taken, or not completed, explanations are generally provided that describe the reason(s) for the finding's recurrence, the planned corrective action, and any partial corrective action taken. In the event that corrective action differs significantly from previously reported corrective action, an additional explanation has been provided. The SSPAF complies with 2 CFR 200, Subpart F, § 200.511 Audit Findings Follow-Up.

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
13-0308-01	Finding Title:	Accounting for the employer-funded unemployment insurance program needs to be improved
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	Not applicable
	Initial Finding FY:	2012
	Questioned Costs:	None
	FY16 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Office of the State Controller (OSC) has a process for estimating the reserve amount for uncollectible receivables using an aging methodology, which is considered a common and acceptable method within the industry. Management's opinion is that this method is not overly sensitive to variations, is consistent with historical patterns and is not overly subjective or susceptible to bias. Applying this methodology, the OSC and the Department of Labor (DOL) accumulate relevant, sufficient and reliable data on which to base the estimate. Additionally, we believe that the estimate is presented in conformity with applicable accounting principles and that disclosure is adequate. With information provided by the DOL, the OSC performed a five year trend analysis of historical collections. The OSC compared the percentages and assumptions used in the past and updated the reserve

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		percentage accordingly. The OSC will continue to use a rolling five year trend analysis with actual collection data, as provided by the DOL, to update the reserve percentage.
	FY 2016 Finding:	ML 16-0308-01
13-1106-02	Finding Title:	Controls to ensure "cost of care" amounts are properly deducted from nursing home and private non-medical institution provider payments need improvement
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.778
	Initial Finding FY:	2010
	Questioned Costs:	Any Questioned Costs from this finding are included as part of a finding from FY2013 Paid Claims testing on 13-1106-19
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	The Department completed corrective action in early FY 2017. Change Request 49974 was placed into production in the Maine Integrated Health Information Solution (MIHMS) on July 20, 2016.
	FY 2016 Finding:	2016-030
13-1106-03	Finding Title:	The Decision Support System/Data Warehouse is not reconciled to the Statewide accounting system
	State Department:	Health and Human Services
	CFDA Number:	93.778, 93.767
	Initial Finding FY:	2011
	Questioned Costs:	None
	FY16 Status:	Corrective action completed in FY 2016
13-1106-04	Finding Title:	Surveillance activities performed by the Program Integrity Unit to monitor Medicaid expenditures are inadequate
	State Department:	Health and Human Services
	CFDA Number:	93.778
	Initial Finding FY:	2013
	Questioned Costs:	None
	FY16 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Department contends that current surveillance and utilization review activities comply with federal requirements. That being said, the Department continues to take steps to enhance and improve the program. In addition to the SURS activities already in place, the Department engaged Maine's MMIS contractor to perform an ongoing data analytics project and began developing a work plan in October 2016. To date, this additional project effort has identified $161,274 in claims overpayments.
	FY 2016 Finding:	2016-031
13-1106-05	Finding Title:	Reversed pharmacy claims payments not recovered
	State Department:	Health and Human Services
	CFDA Number:	93.778, 93.767
	Initial Finding FY:	2012

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Questioned Costs:	None
	FY16 Status:	Corrective action completed in FY 2016
13-1106-09	Finding Title:	Provider eligibility procedures need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.777, 93.778
	Initial Finding FY:	2009
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	The Department initiated partial corrective action in FY 2014, by including the required language in the provider agreements (complying with the requirements for newly enrolled providers and providers reenrolling). As part of the ACA provider revalidation initiative, all providers are required to reenroll and sign the revised provider agreement. In FY 2017 (January 17, 2017), the Department began the reenrollment process and is currently in the initial phase of provider reenrollment and revalidation. The Department anticipates that full corrective action will implemented by the end of FY 2020.
	FY 2016 Finding:	2016-029
13-1106-10	Finding Title:	Automated data processing (ADP) risk analysis and system security reviews were not performed
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.778
	Initial Finding FY:	2012
	Questioned Costs:	None
	FY16 Status:	Corrective action completed in FY 2016
13-1106-14	Finding Title:	Procedures related to nursing facility desk reviews need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.778
	Initial Finding FY:	2010
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	The Department has been in the process of completing older audits, including outstanding audits of programs that are no longer cost-settled. The Department's plan is to concentrate on the timely completion of Nursing Facility audits and the required periodic audits of the Intermediate Care Facilities – MR cost reports in FY 2017.
	FY 2016 Finding:	2016-025
13-1106-17	Finding Title:	Procedures for the allocation and timely refunding of the Federal share of Medicaid overpayments need improvement
	State Department:	Administrative and Financial Services
	CFDA Number:	93.778
	Initial Finding FY:	2012
	Questioned Costs:	Undeterminable

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td></td><td>FY16 Status:</td><td colspan="4">Corrective action completed in FY 2016</td></tr>
<tr><td rowspan="10">13-1106-19</td><td>Finding Title:</td><td colspan="4">Controls in place to detect and correct known Maine Integrated Health Management System (MIHMS) payment processing errors do not ensure appropriate resolution</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services
Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.778, 93.767</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2013</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$2,038 Medicaid ($285) CHIP</td><td>$1,277 Medicaid ($211) CHIP</td><td>$761 Medicaid ($74) CHIP</td></tr>
<tr><td>Likely</td><td>44.2 million Medicaid ($92,806) CHIP</td><td>$27.8 million Medicaid ($58,231) CHIP</td><td>$16.4 million Medicaid ($34,575) CHIP</td></tr>
<tr><td>FY16 Status:</td><td colspan="4">Corrective action not completed in FY 2016</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department completed corrective action in early FY 2017. Change Request 49974 was placed into production in the Maine Integrated Health Information Solution (MIHMS) on July 20, 2016.</td></tr>
<tr><td>FY 2016 Finding:</td><td colspan="4">2016-030</td></tr>
<tr><td rowspan="8">13-1111-01</td><td>Finding Title:</td><td colspan="4">Inadequate controls over required Income and Eligibility Verification System (IEVS) data exchanges</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services
Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.558, 10.551, 93.778, 93.767</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2012</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY16 Status:</td><td colspan="4">Corrective action not completed in FY 2016</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department of Health and Human Services, Office of Family Independence (OFI), in conjunction with the Department of Administrative and Financial Services, Office of Information Technology (OIT), have continued efforts to address the deficiencies noted in this finding. OFI and OIT are currently developing a report to capture the relevant data. The report will provide OFI and OIT the necessary information to effectively identify interface defects and monitor corrective action. The anticipated completion date of the report is February 28, 2017.</td></tr>
<tr><td>FY 2016 Finding:</td><td colspan="4">2016-016</td></tr>
<tr><td rowspan="4">13-1111-04</td><td>Finding Title:</td><td colspan="4">Controls over performance reporting need improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.558</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2013</td></tr>
</table>

<table>
<tr><th colspan="3">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="2">Prior Audit Finding Status</th></tr>
<tr><td rowspan="2"></td><td>Questioned Costs:</td><td>None</td></tr>
<tr><td>FY16 Status:</td><td>Corrective action completed in FY 2016</td></tr>
<tr><td rowspan="8">13-1113-03</td><td>Finding Title:</td><td>Internal controls over subrecipient cash management need improvement</td></tr>
<tr><td>State Department:</td><td>Administrative and Financial Services</td></tr>
<tr><td>CFDA Number:</td><td>10.557</td></tr>
<tr><td>Initial Finding FY:</td><td>2013</td></tr>
<tr><td>Questioned Costs:</td><td>None</td></tr>
<tr><td>FY16 Status:</td><td>Corrective action not completed in FY 2016</td></tr>
<tr><td>Explanation:</td><td>The Department has continued to implement corrective action. A management level monitoring report was designed and implemented in FY 2016 (April 2016). However, the report does not identify all of the issues that result in noncompliance; therefore, the Department is currently in the process of enhancing the report to ensure full compliance with the requirements. The Department anticipates that full corrective action will be implemented by June 30, 2017.</td></tr>
<tr><td>FY 2016 Finding:</td><td>Finding was not reissued</td></tr>
<tr><td rowspan="8">13-1140-04</td><td>Finding Title:</td><td>Internal controls were not adequate to ensure the transfer of accurate client eligibility information from the Automated Client Eligibility System (ACES) to the Maine Integrated Health Management Solution (MIHMS)</td></tr>
<tr><td>State Department:</td><td>Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td>93.767, 93.720, 93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td>2006</td></tr>
<tr><td>Questioned Costs:</td><td><table>
<tr><th>Questioned Costs</th><th>Total</th><th>Federal</th><th>State</th></tr>
<tr><td>Known</td><td>$22 CHIP ($19) Medicaid</td><td>$16 CHIP ($14) Medicaid</td><td>$6 CHIP ($5) Medicaid</td></tr>
<tr><td>Likely</td><td>$545,000 CHIP ($463,000) Medicaid</td><td>$403,000 CHIP ($342,000) Medicaid</td><td>$142,000 CHIP ($121,000) Medicaid</td></tr>
</table></td></tr>
<tr><td>FY16 Status:</td><td>Corrective action not completed in FY 2016</td></tr>
<tr><td>Explanation:</td><td>The Department has implemented partial corrective action. The Department maintains that the necessary reports have been designed to identify discrepancies. To complete corrective action, the Department needs to implement controls to ensure that the reports are adequately reviewed and that the issues are resolved timely.</td></tr>
<tr><td>FY 2016 Finding:</td><td>Finding was not reissued</td></tr>
<tr><td rowspan="6">13-1302-01</td><td>Finding Title:</td><td>Procedures to determine continuing eligibility needs improvement</td></tr>
<tr><td>State Department:</td><td>Administrative and Financial Services
Labor</td></tr>
<tr><td>CFDA Number:</td><td>17.225</td></tr>
<tr><td>Initial Finding FY:</td><td>2011</td></tr>
<tr><td>Questioned Costs:</td><td>Undeterminable</td></tr>
<tr><td>FY16 Status:</td><td>Management’s opinion is that no additional corrective action is required</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Explanation:	The Department contends that the current work search audit process complies with federal requirements. That being said, the Department continues to take steps to enhance and improve the review and monitoring of claimants selected for a work search audit. In addition to reviewing and assessing documentation of a claimant's activities in seeking work, the Department implemented additional controls over "high risk" claimants that were found noncompliant during the initial audit process. Additional monitoring is being performed to ensure that "high risk" claimants are maintaining compliance with the work search requirements. If a "high risk" claimant is found noncompliant, they receive formal notice of noncompliance with the work search requirements and the amounts due back to the State. This aids in BUC's continued effort to monitor and reduce improper payments.
	FY 2016 Finding:	2016-005
2014-003	Finding Title:	Procedures related to nursing facility desk reviews need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2010
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	The Department has been in the process of completing older audits, including outstanding audits of programs that are no longer cost-settled. The Department's plan is to concentrate on the timely completion of Nursing Facility audits and the required periodic audits of the Intermediate Care Facilities – MR cost reports in FY 2017.
	FY 2016 Finding:	2016-025
2014-004	Finding Title:	Provider eligibility procedures need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2009
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	The Department initiated partial corrective action in FY 2014, by including the required language in the provider agreements (complying with the requirements for newly enrolled providers and providers reenrolling). As part of the ACA provider revalidation initiative, all providers are required to reenroll and sign the revised provider agreement. In FY 2017 (January 17, 2017), the Department began the reenrollment process and is currently in the initial phase of provider reenrollment and revalidation. The Department anticipates that full corrective action will implemented by the end of FY 2020.
	FY 2016 Finding:	2016-029
2014-006	Finding Title:	Decertification of Riverview
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2014

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Questioned Costs:	Not specified
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	Federal officials are in the process of finalizing their decision regarding the potential disallowance of these federal expenditures.
	FY 2016 Finding:	2016-027
2014-008	Finding Title:	Procedures for the timely refunding of the Federal share of Medicaid overpayments need improvement
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2013
	Questioned Costs:	None
	FY16 Status:	Corrective action completed in FY 2016
2014-009	Finding Title:	Procedures to ensure notices of debt are issued in compliance with Federal and State regulations to private non-medical institutions (PNMI) for Cost of Care overpayments need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2014
	Questioned Costs:	Undeterminable
	FY16 Status:	Corrective action completed in FY 2016
2014-011	Finding Title:	Surveillance of Medicaid expenditures needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2013
	Questioned Costs:	None
	FY16 Status:	Management’s opinion is that no additional corrective action is required
	Explanation:	The Department contends that current surveillance and utilization review activities comply with federal requirements. That being said, the Department continues to take steps to enhance and improve the program. In addition to the SURS activities already in place, the Department engaged Maine’s MMIS contractor to perform an ongoing data analytics project and began developing a work plan in October 2016. To date, this additional project effort has identified $161,274 in claims overpayments.
	FY 2016 Finding:	2016-031
2014-012	Finding Title:	Confidential finding, confidential distribution
	State Department:	Administrative and Financial Services
	CFDA Number:	93.775, 93.777, 93.778, 10.555, 10.561
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY16 Status:	Corrective action completed in FY 2016
2014-013	Finding Title:	Confidential finding, confidential distribution
	State Department:	Administrative and Financial Services

<table>
<tr><th colspan="3">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="2">Prior Audit Finding Status</th></tr>
<tr><td rowspan="6"></td><td>CFDA Number:</td><td>93.775, 93.777, 93.778, 10.551, 10.561</td></tr>
<tr><td>Initial Finding FY:</td><td>2014</td></tr>
<tr><td>Questioned Costs:</td><td>None</td></tr>
<tr><td>FY16 Status:</td><td>Corrective action not completed in FY 2016</td></tr>
<tr><td>Explanation:</td><td>The Department continues to implement corrective action and intends to complete the remaining corrective action step during FY 2017.</td></tr>
<tr><td>FY 2016 Finding:</td><td>2016-020</td></tr>
<tr><td rowspan="9">2014-014</td><td>Finding Title:</td><td>Controls to ensure Cost of Care amounts are properly deducted from nursing home and private non-medical institution (PNMI) provider payments need improvement</td></tr>
<tr><td>State Department:</td><td>Administrative and Financial Services
Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td>93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td>2010</td></tr>
<tr><td>Questioned Costs:</td><td><table><tr><th>Questioned Costs</th><th>Total</th><th>Federal</th><th>State</th></tr><tr><td>Known</td><td>$56,065</td><td>$32,572</td><td>$23,491</td></tr><tr><td>Likely</td><td>$11,700,000</td><td>$6,800,000</td><td>$4,900,000</td></tr></table></td></tr>
<tr><td>FY16 Status:</td><td>Corrective action not completed in FY 2016</td></tr>
<tr><td>Explanation:</td><td>The Department completed corrective action in early FY 2017. Change Request 49974 was placed into production in the Maine Integrated Health Information Solution (MIHMS) on July 20, 2016.</td></tr>
<tr><td>FY 2016 Finding:</td><td>2016-030</td></tr>
<tr><td rowspan="6">2014-016</td><td>Finding Title:</td><td>Automated Data Processing (ADP) risk analysis and system security reviews were not performed</td></tr>
<tr><td>State Department:</td><td>Administrative and Financial Services
Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td>93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td>2012</td></tr>
<tr><td>Questioned Costs:</td><td>None</td></tr>
<tr><td>FY16 Status:</td><td>Corrective action completed in FY 2016</td></tr>
<tr><td rowspan="6">2014-017</td><td>Finding Title:</td><td>The Decision Support System/Data Warehouse (DSS/DW) is not reconciled to the statewide accounting system</td></tr>
<tr><td>State Department:</td><td>Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td>93.775, 93.777, 93.778, 93.767</td></tr>
<tr><td>Initial Finding FY:</td><td>2011</td></tr>
<tr><td>Questioned Costs:</td><td>None</td></tr>
<tr><td>FY16 Status:</td><td>Corrective action completed in FY 2016</td></tr>
<tr><td rowspan="4">2014-018</td><td>Finding Title:</td><td>Confidential finding, confidential distribution</td></tr>
<tr><td>State Department:</td><td>Administrative and Financial Services
Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td>93.775, 93.777, 93.778, 93.767</td></tr>
<tr><td>Initial Finding FY:</td><td>2014</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	Corrective action was completed in FY 2017 (August 26, 2016).
	FY 2016 Finding:	2016-023
2014-020	Finding Title:	Confidential finding, confidential distribution
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	10.551, 10.561, 93.558
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY16 Status:	Corrective action completed in FY 2016
2014-022	Finding Title:	Inadequate controls over required Income and Eligibility Verification System (IEVS) data exchanges
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.558, 93.775, 93.777, 93.778, 93.767, 10.551, 10.561
	Initial Finding FY:	2012
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	The Department of Health and Human Services, Office of Family Independence (OFI), in conjunction with the Department of Administrative and Financial Services, Office of Information Technology (OIT), have continued efforts to address the deficiencies noted in this finding. OFI and OIT are currently developing a report to capture the relevant data. The report will provide OFI and OIT the necessary information to effectively identify interface defects and monitor corrective action. The anticipated completion date of the report is February 28, 2017.
	FY 2016 Finding:	2016-016
2014-025	Finding Title:	Controls over special reporting need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY16 Status:	Corrective action completed in FY 2016
2014-027	Finding Title:	Inadequate procedures to report accurate Unsubsidized Employment data
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2013
	Questioned Costs:	None
	FY16 Status:	Corrective action completed in FY 2016
2014-029	Finding Title:	Cash management procedures need improvement
	State Department:	Administrative and Financial Services

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="4"></td><td>CFDA Number:</td><td colspan="4">10.558</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2014</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY16 Status:</td><td colspan="4">Corrective action completed in FY 2016</td></tr>
<tr><td rowspan="10">2014-032</td><td>Finding Title:</td><td colspan="4">Internal controls to ensure the transfer of accurate client eligibility information from the Automated Client Eligibility System (ACES) to the Maine Integrated Health Management Solution (MIHMS) need improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.767, 93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2007</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$293 CHIP ($247) Medicaid</td><td>$214 CHIP ($181) Medicaid</td><td>$79 CHIP ($66) Medicaid</td></tr>
<tr><td>Likely</td><td>$416,000 CHIP ($351,000) Medicaid</td><td>$305,000 CHIP ($257,000) Medicaid</td><td>$111,000 CHIP ($94,000) Medicaid</td></tr>
<tr><td>FY16 Status:</td><td colspan="4">Corrective action not completed in FY 2016</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department has implemented partial corrective action. The Department maintains that the necessary reports have been designed to identify discrepancies. To complete corrective action, the Department needs to implement controls to ensure that the reports are adequately reviewed and that the issues are resolved timely.</td></tr>
<tr><td>FY 2016 Finding:</td><td colspan="4">Finding was not reissued</td></tr>
<tr><td rowspan="8">2014-037</td><td>Finding Title:</td><td colspan="4">Procedures to ensure timely eligibility decisions need improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Labor</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">84.126</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2014</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY16 Status:</td><td colspan="4">Corrective action not completed in FY 2016</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department has continued to take steps in an effort to implement full corrective action. Management has ongoing communications with the eligibility determination staff, regarding the requirements for 60 day eligibility determinations. Additionally, individual meetings are held between supervisory level staff and eligibility determination staff to monitor and review individual caseloads in effort to minimize the number of eligibility determinations that exceed the 60 day requirement. Management has also continued to provide Maine AwareVR system training to assist staff in managing their caseload requirements. Staff turnover, time required to adequately train new staff, and difficulties in obtaining signed releases from parents/guardians of youth with disabilities continue to impact the Department's compliance with the 60 day requirement.</td></tr>
<tr><td>FY 2016 Finding:</td><td colspan="4">2016-012</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2014-039	Finding Title:	Inadequate internal control over continuing eligibility
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2011
	Questioned Costs:	Undeterminable
	FY16 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Department contends that the current work search audit process complies with federal requirements. That being said, the Department continues to take steps to enhance and improve the review and monitoring of claimants selected for a work search audit. In addition to reviewing and assessing documentation of a claimant's activities in seeking work, the Department implemented additional controls over "high risk" claimants that were found noncompliant during the initial audit process. Additional monitoring is being performed to ensure that "high risk" claimants are maintaining compliance with the work search requirements. If a "high risk" claimant is found noncompliant, they receive formal notice of noncompliance with the work search requirements and the amounts due back to the State. This aids in BUC's continued effort to monitor and reduce improper payments.
	FY 2016 Finding:	2016-005
2014-040	Finding Title:	Confidential finding, confidential distribution
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	The Department completed corrective action in FY 2017 (February 13, 2017).
	FY 2016 Finding:	2016-007
2014-041	Finding Title:	Confidential finding, confidential distribution
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	The Departments have implemented partial corrective action. The remaining corrective action steps will be fully completed with the implementation of the new UI Tax system. The anticipated completion date for full corrective action is August 2018.
	FY 2016 Finding:	2016-008
2014-042	Finding Title:	Confidential finding, confidential distribution
	State Department:	Administrative and Financial Services Labor

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	CFDA Number:	17.225
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	The Departments have implemented partial corrective action. The remaining corrective action steps will be fully completed with the implementation of the new UI Benefits system. The anticipated completion date for full corrective action is October 2017.
	FY 2016 Finding:	2016-006
2015-001	Finding Title:	Controls over reporting component of Net Position need improvement
	State Department:	Administrative and Financial Services
	CFDA Number:	Not applicable
	Initial Finding FY:	2015
	Questioned Costs:	None specified
	FY16 Status:	Corrective action completed in FY 2016
2015-002	Finding Title:	Controls over accounts receivable need improvement
	State Department:	Administrative and Financial Services
	CFDA Number:	Not applicable
	Initial Finding FY:	2015
	Questioned Costs:	None specified
	FY16 Status:	Corrective action completed in FY 2016
2015-003	Finding Title:	Inadequate accounting for the State Radio Network
	State Department:	Administrative and Financial Services
	CFDA Number:	Not applicable
	Initial Finding FY:	2015
	Questioned Costs:	None specified
	FY16 Status:	Corrective action completed in FY 2016
2015-004	Finding Title:	The Decision Support System/Data Warehouse (DSS/DW) is not reconciled to the statewide accounting system
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767
	Initial Finding FY:	2011
	Questioned Costs:	None
	FY16 Status:	Corrective action completed in FY 2016
2015-005	Finding Title:	Procedures related to long term care facility audits need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2010
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	The Department has been in the process of completing older audits, including outstanding audits of programs that are no longer cost-settled.

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		The Department's plan is to concentrate on the timely completion of Nursing Facility audits and the required periodic audits of the Intermediate Care Facilities – MR cost reports in FY 2017.
	FY 2016 Finding:	2016-025
2015-006	Finding Title:	Riverview
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	Federal officials are in the process of finalizing their decision regarding the potential disallowance of these federal expenditures.
	FY 2016 Finding:	2016-027
2015-007	Finding Title:	Provider eligibility procedures need to address Advance Directives
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2009
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	The Department initiated partial corrective action in FY 2014, by including the required language in the provider agreements (complying with the requirements for newly enrolled providers and providers reenrolling). As part of the ACA provider revalidation initiative, all providers are required to reenroll and sign the revised provider agreement. In FY 2017 (January 17, 2017), the Department began the reenrollment process and is currently in the initial phase of provider reenrollment and revalidation. The Department anticipates that full corrective action will implemented by the end of FY 2020.
	FY 2016 Finding:	2016-029
2015-008	Finding Title:	Provider eligibility procedures need to integrate Automated Data Exchange
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	Corrective action completed in FY 2017 (January 17, 2017)
	FY 2016 Finding:	2016-028
2015-009	Finding Title:	Procedures to ensure notices of debt are issued in compliance with Federal and State regulations to private non-medical institutions (PNMI) for Cost of Care overpayments need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status				
	Initial Finding FY:	2014			
	Questioned Costs:	Undeterminable			
	FY16 Status:	Corrective action completed in FY 2016			
2015-010	Finding Title:	Procedures related to Medicare Part B premium payments need improvement			
	State Department:	Administrative and Financial Services Health and Human Services			
	CFDA Number:	93.775, 93.777, 93.778			
	Initial Finding FY:	2015			
	Questioned Costs:	None			
	FY16 Status:	Corrective action not completed in FY 2016			
	Explanation:	The Department has continued with the stated corrective action plan. The Department has developed a report query that compares, for a specified time period, the clients the Department has open for MSP in the Automated Client Eligibility System (ACES) to the status file provided by CMS (the CMS status file includes various status types; i.e. open, denied, closed, etc.). The Department intends to coordinate with the State's information technology and finance staff to obtain the detailed support for the Medicare Part B premium invoice, which will subsequently be matched to the Department's open list. The Department will coordinate with CMS to develop a process to communicate, and potentially seek reimbursement, for any individuals identified as ineligible. The Department expects that full corrective action will be implemented by the end of FY 2017.			
	FY 2016 Finding:	2016-026			
2015-011	Finding Title:	Procedures for the timely refunding of the Federal share of Medicaid overpayments identified by the provider need improvement			
	State Department:	Administrative and Financial Services			
	CFDA Number:	93.775, 93.777, 93.778			
	Initial Finding FY:	2013			
	Questioned Costs:	None			
	FY16 Status:	Corrective action completed in FY 2016			
2015-012	Finding Title:	Controls to ensure the members' share of Cost of Care amounts are properly deducted from nursing home and private non-medical institution provider payments need improvement			
	State Department:	Health and Human Services			
	CFDA Number:	93.775, 93.777, 93.778			
	Initial Finding FY:	2011			
	Questioned Costs:	Questioned Costs	Total	Federal	State
		Known	$3,312	$2,047	$1,265
		Likely	$4,000,000	$2,500,000	$1,500,000
	FY16 Status:	Corrective action not completed in FY 2016			

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Explanation:	The Department completed corrective action in early FY 2017. Change Request 49974 was placed into production in the Maine Integrated Health Information Solution (MIHMS) on July 20, 2016.
	FY 2016 Finding:	2016-030
2015-013	Finding Title:	Inadequate surveillance and utilization review of Medicaid services
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2013
	Questioned Costs:	Undeterminable
	FY16 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Department contends that current surveillance and utilization review activities comply with federal requirements. That being said, the Department continues to take steps to enhance and improve the program. In addition to the SURS activities already in place, the Department engaged Maine's MMIS contractor to perform an ongoing data analytics project and began developing a work plan in October 2016. To date, this additional project effort has identified $161,274 in claims overpayments.
	FY 2016 Finding:	2016-031
2015-014	Finding Title:	Inadequate management controls over __________ (The content of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services
	CFDA Number:	93.775, 93.777, 93.778, 10.551, 10.561
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	The Department continues to implement corrective action and intends to complete the remaining corrective action step during FY 2017.
	FY 2016 Finding:	2016-020
2015-015	Finding Title:	Office of Information Technology controls need improvement (The content of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767, 93.558, 10.551, 10.561
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY16 Status:	Corrective action completed in FY 2016
2015-016	Finding Title:	The ________ associated with the __________ is not adequate (The content of this finding has been redacted. This appears as a blank underlining).
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767
	Initial Finding FY:	2014
	Questioned Costs:	None

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	Corrective action was completed in FY 2017 (August 26, 2016).
	FY 2016 Finding:	2016-023
2015-017	Finding Title:	Inadequate controls over Federal cash management
	State Department:	Administrative and Financial Services
	CFDA Number:	10.551, 10.561
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	The Department continues to implement corrective action. In the beginning of FY 2017, the Department implemented a policy and procedure to ensure that invoices, paid in whole, or in part, with federal funds, are prioritized and processed accordingly by the accounts payable unit. This procedural change has minimized the time between when funds are drawn from the federal government and when federal funds are expended by the Department. Beginning in FY 2016, the Department transitioned several of the cost allocated accounts to estimated revenue (i.e. temporarily utilize State resources prior to drawing funds from the federal government). Therefore, estimated federal draws are no longer necessary, effectively minimizing the time federal cash is on-hand. For the cost allocated accounts that do not operate with estimated revenue, the Department continues to coordinate with the Office of the State Controller and the Bureau of the Budget to improve processes that impact the Department's ability to manage cash effectively.
	FY 2016 Finding:	2016-002
2015-018	Finding Title:	Internal control over ________ needs improvement (The content of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.558, 10.551, 10.561
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY16 Status:	Corrective action completed in FY 2016
2015-019	Finding Title:	Controls over special reporting need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY16 Status:	Corrective action completed in FY 2016
2015-020	Finding Title:	Inadequate procedures to report accurate Unsubsidized Employment data
	State Department:	Health and Human Services

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	CFDA Number:	93.558
	Initial Finding FY:	2013
	Questioned Costs:	None
	FY16 Status:	Corrective action completed in FY 2016
2015-021	Finding Title:	Income Eligibility and Verification System (IEVS) procedures need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558, 93.775, 93.777, 93.778, 93.767, 10.551, 10.561
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	A formal training will be provided to all dedicated IEVS staff and supervisors. The Compliance and Program Integrity Program Manager will perform regular quality assurance checks to ensure that all alerts from all reports are being adequately and properly addressed and cleared.
	FY 2016 Finding:	2016-017
2015-022	Finding Title:	Inadequate controls over required Income and Eligibility Verification System (IEVS) data exchanges
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.558, 93.775, 93.777, 93.778, 93.767, 10.551, 10.561
	Initial Finding FY:	2012
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	The Department of Health and Human Services, Office of Family Independence (OFI), in conjunction with the Department of Administrative and Financial Services, Office of Information Technology (OIT), have continued efforts to address the deficiencies noted in this finding. OFI and OIT are currently developing a report to capture the relevant data. The report will provide OFI and OIT the necessary information to effectively identify interface defects and monitor corrective action. The anticipated completion date of the report is February 28, 2017.
	FY 2016 Finding:	2016-016
2015-023	Finding Title:	Cash management procedures need improvement
	State Department:	Administrative and Financial Services
	CFDA Number:	10.558
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY16 Status:	Corrective action completed in FY 2016
2015-024	Finding Title:	Controls over financial reporting need improvement
	State Department:	Administrative and Financial Services
	CFDA Number:	10.558
	Initial Finding FY:	2015

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="2"></td><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY16 Status:</td><td colspan="4">Corrective action completed in FY 2016</td></tr>
<tr><td rowspan="11">2015-025</td><td>Finding Title:</td><td colspan="4">Procedures over drug rebate accounting and reporting need improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services
Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778, 93.767</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2015</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$6,069 CHIP ($5,119) Medicaid</td><td>$4,446 CHIP ($3,750) Medicaid</td><td>$1,623 CHIP ($1,369) Medicaid</td></tr>
<tr><td>Likely</td><td>$2,806,000 CHIP ($2,367,000) Medicaid</td><td>$2,056,000 CHIP ($1,734,000) Medicaid</td><td>$750,000 CHIP ($633,000) Medicaid</td></tr>
<tr><td>FY16 Status:</td><td colspan="4">Corrective action not completed in FY 2016</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department has continued with the stated corrective action plan. The multi-agency team was formed in FY 2016. The team is currently finalizing the requirements for the MMIS change request. The Department expects that full corrective action will be implemented in FY 2018.</td></tr>
<tr><td>FY 2016 Finding:</td><td colspan="4">2016-019</td></tr>
<tr><td>Finding Title:</td><td colspan="4">Controls over level of effort requirements need improvement</td></tr>
<tr><td rowspan="8">2015-026</td><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.505</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2015</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY16 Status:</td><td colspan="4">Corrective action not completed in FY 2016</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department completed corrective action in FY 2017 (August 11, 2016). The Department drafted a formal “Maintenance of Effort” policy and procedures document to address the internal control deficiencies noted in the finding. The policy and procedures are intended to ensure that the required level of State funds is expended and appropriately identified/documented.</td></tr>
<tr><td>FY 2016 Finding:</td><td colspan="4">Finding was not reissued</td></tr>
<tr><td rowspan="6">2015-027</td><td>Finding Title:</td><td colspan="4">Automated Data Processing (ADP) risk analysis and system security reviews were not performed</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services
Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.563</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2012</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY16 Status:</td><td colspan="4">Corrective action completed in FY 2016</td></tr>
<tr><td>2015-028</td><td>Finding Title:</td><td colspan="4">Internal controls over State matching requirements need improvement</td></tr>
</table>

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status				
	State Department:	Education			
	CFDA Number:	10.555, 10.559			
	Initial Finding FY:	2015			
	Questioned Costs:	None			
	FY16 Status:	Corrective action not completed in FY 2016			
	Explanation:	The Department of Education met the federal match requirements for fiscal year 2016. The Department of Education and the Department of Administrative and Financial Services, General Government Service Center are in the process of reviewing the budgetary and procedural changes necessary to implement complete corrective action. The anticipated completion date for full corrective action is in FY 2017.			
	FY 2016 Finding:	Finding was not reissued			
2015-029	Finding Title:	Warehouse inspections and Child Nutrition Services record keeping need improvement			
2015-029	State Department:	Education			
2015-029	CFDA Number:	10.555, 10.559			
2015-029	Initial Finding FY:	2015			
2015-029	Questioned Costs:	None			
2015-029	FY16 Status:	Corrective action completed in FY 2016			
2015-030	Finding Title:	Background check procedures need improvement			
2015-030	State Department:	Agriculture, Conservation and Forestry Education			
2015-030	CFDA Number:	94.006			
2015-030	Initial Finding FY:	2015			
2015-030	Questioned Costs:	Questioned Costs	Total	Federal	State
2015-030		*Known*	$6,696	$6,696	
2015-030		*Likely*	$59,310	$59,310	
2015-030	FY16 Status:	Corrective action completed in FY 2016			
2015-031	Finding Title:	Inadequate internal control over continuing eligibility			
2015-031	State Department:	Administrative and Financial Services Labor			
2015-031	CFDA Number:	17.225			
2015-031	Initial Finding FY:	2011			
2015-031	Questioned Costs:	Undeterminable			
2015-031	FY16 Status:	Management's opinion is that no additional corrective action is required			
2015-031	Explanation:	The Department contends that the current work search audit process complies with federal requirements. That being said, the Department continues to take steps to enhance and improve the review and monitoring of claimants selected for a work search audit. In addition to reviewing and assessing documentation of a claimant's activities in seeking work, the Department implemented additional controls over "high risk" claimants that were found noncompliant during the initial audit process. Additional monitoring is being performed to ensure that "high risk" claimants are maintaining compliance with the work search			

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
		requirements. If a "high risk" claimant is found noncompliant, they receive formal notice of noncompliance with the work search requirements and the amounts due back to the State. This aids in BUC's continued effort to monitor and reduce improper payments.
	FY 2016 Finding:	2016-005
2015-032	Finding Title:	The ________ is too _________ to perform routine ________ and ________ (The content of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	The Department completed corrective action in FY 2017 (February 13, 2017).
	FY 2016 Finding:	2016-007
2015-033	Finding Title:	Internal control over _________ is inadequate (The content of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	The Departments have implemented partial corrective action. The remaining corrective action steps will be fully completed with the implementation of the new UI Tax system. The anticipated completion date for full corrective action is August 2018.
	FY 2016 Finding:	2016-008
2015-034	Finding Title:	_________ controls related to the Unemployment Insurance (UI) _________ need improvement (The content of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	The Departments have implemented partial corrective action. The remaining corrective action steps will be fully completed with the implementation of the new UI Benefits system. The anticipated completion date for full corrective action is October 2017.
	FY 2016 Finding:	2016-006
2015-035	Finding Title:	Procedures are not adequate to ensure timely eligibility decisions

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	State Department:	Labor
	CFDA Number:	84.126
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	The Department has continued to take steps in an effort to implement full corrective action. Management has ongoing communications with the eligibility determination staff, regarding the requirements for 60 day eligibility determinations. Additionally, individual meetings are held between supervisory level staff and eligibility determination staff to monitor and review individual caseloads in an effort to minimize the number of eligibility determinations that exceed the 60 day requirement. Management has also continued to provide Maine AwareVR system training to assist staff in managing their caseload requirements. Staff turnover, time required to adequately train new staff, and difficulties in obtaining signed releases from parents/guardians of youth with disabilities continue to impact the Department's ability to comply with the 60 day requirement.
	FY 2016 Finding:	2016-012
2015-036	Finding Title:	Individualized Plans for Employment not completed on a timely basis
	State Department:	Labor
	CFDA Number:	84.126
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	The Department has continued to take steps in an effort to implement full corrective action. Management has ongoing communications with staff and has provided training regarding how the Individualized Plans for Employment (IPE) can be developed to comply with the 90 day requirement. Management monitors and tracks the timeliness of IPE development in order to respond to potential deficiencies.
	FY 2016 Finding:	2016-013
2015-037	Finding Title:	Inadequate internal control over subrecipient payment approval
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.258, 17.259, 17.278
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY16 Status:	Corrective action completed in FY 2016
2015-038	Finding Title:	Cash management procedures need improvement
	State Department:	Administrative and Financial Services Public Safety
	CFDA Number:	20.600, 20.601, 20.602, 20.610, 20.612, 20.613, 20.616
	Initial Finding FY:	2015
	Questioned Costs:	None

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	In Fiscal Year 2016, the Department of Public Safety, Bureau of Highway Safety (BHS) and the Department of Administrative and Financial Services, Security and Employment Service Center (SESC) completed a reconciliation of the BHS federal account. Effective January 30, 2017, the BHS federal account is operating with State estimated revenue; the federal dollars are drawn only on a reimbursement basis.
	FY 2016 Finding:	Finding was not reissued
2015-039	Finding Title:	Controls over maintenance of effort requirements need improvement
	State Department:	Public Safety
	CFDA Number:	20.600, 20.601, 20.602, 20.610, 20.612, 20.613, 20.616
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY16 Status:	Corrective action not completed in FY 2016
	Explanation:	Corrective action was completed in FY 2017 (December 2016).
	FY 2016 Finding:	Finding was not reissued
2015-040	Finding Title:	Internal controls over suspension and debarment need improvement
	State Department:	Inland Fisheries and Wildlife
	CFDA Number:	15.605, 15.611
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY16 Status:	Corrective action completed in FY 2016

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