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# MAINE



*Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2008*

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# **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

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# **STATE OF MAINE**



**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

**JOHN ELIAS BALDACCI**  
*Governor*

**RYAN LOW**  
*Commissioner*  
*Department of Administrative & Financial Services*

**EDWARD A. KARASS**  
*State Controller*

*Prepared by the Office of the State Controller*

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State of Maine  
Office of the State Controller  
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14 State House Station  
Augusta, ME 04333-0014

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**[financialreporting@maine.gov](mailto:financialreporting@maine.gov)**

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

**<http://www.maine.gov>**

**STATE OF MAINE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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# INTRODUCTORY SECTION

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

EDWARD A. KARASS  
STATE CONTROLLER



TERRY E. BRANN, CPA  
DEPUTY STATE CONTROLLER

February 19, 2009

**To the Honorable John Elias Baldacci, Governor,  
The Honorable Members of the Legislature, and  
Citizens of the State of Maine**

We are pleased to present the State of Maine's Fiscal Year 2008 (FY2008) Comprehensive Annual Financial Report (CAFR) prepared in accordance with Generally Accepted Accounting Principles (GAAP). The annual CAFR, required by Title 5 MRSA § 1547, is compiled and published by the Office of the State Controller (OSC). The report is the primary means of reporting the State's financial activities. The objective of this report is to provide a clear picture of our government as a single, unified entity, as well as providing traditional fund based financial statements.

## **INTRODUCTION TO THE REPORT**

### **Responsibility**

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

### **Adherence to Generally Accepted Accounting Principles**

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

### **Format of Report**

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

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

### **Internal Control Structure**

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

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

As a recipient of federal financial assistance for federal programs, the State is also responsible for ensuring that an adequate internal control structure is in place to ensure and document compliance with applicable laws and regulations related to these federal programs. The internal control structure is subject to periodic evaluation by management and by the State Department of Audit as part of the annual Single Audit.

### **Independent Auditors**

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

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

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

### **Management's Discussion and Analysis (MD&A)**

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

## **PROFILE OF THE GOVERNMENT**

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

### **Reporting Entity**

The Governor and Legislature govern all funds and accounts for every executive agency, board, commission, public trust, authority and component unit. The State of Maine financial reporting entity reflected in the CAFR, which is more fully described in Note 1 to the Basic Financial Statements, includes these funds, agencies, organizations, boards, commissions, Authorities and major component units in accordance with GASB Statement No. 14 as amended by GASB Statement No. 39. There are 6 major component units, 9 nonmajor component units, one blended component unit, and one fiduciary component unit included in the CAFR. The major component units are discretely presented in the financial statements, and the blended component unit is included as a separate fund in the fund financial statements. The fiduciary component unit is presented in the fiduciary fund and similar component unit financial statements, along with the other fiduciary activities of the State. The fiduciary activities are not included in the government-wide financial statements because the resources of these funds are not available to support the State's own programs.

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

### **Budgetary Control**

The Governor presents a biennial budget for the General Fund and the Special Revenue Funds to the Legislature for enactment or revision. The State Constitution provides the Governor a "line item" veto, which allows an Executive dollar substitution for those amounts disapproved, as long as an appropriation or allocation is not increased (or a deappropriation or deallocation decreased) either in the specified line or in any other line in the legislative document.

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

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

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

The State maintains budgetary control at the account and line category levels. The head of each department and agency of State government must submit a work program to the Bureau of the Budget for the ensuing fiscal year. The work program is classified to show allotments requested for specific amounts for personal services, capital expenditures, and all other departmental expenses. These are the levels at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Controller authorizes all expenditures to be made from the amounts available on the basis of these allotments and not otherwise.

Budget revisions during the year, reflecting program changes or intradepartmental administrative transfers, require the approval of the State Budget Officer and the Governor. Except in specific instances, only the Legislature may transfer appropriations between departments. Agency requests for increases in appropriations, allocations, or funding for new programs are presented to the Legislature as a supplemental budget.

The State uses encumbrance accounting as an extension of formal budgetary control. This requires that purchase orders, contracts, and other commitments be recorded to reserve a portion of an appropriation or allocation for expenditure. Appropriated and allocated balances are available for subsequent expenditure to the extent that there are approved encumbrances at the end of a fiscal year. The State reports encumbrances outstanding at year-end as reservations of fund balances to identify those portions of fund balances that are not available for allocation or expenditure, or that are legally segregated for specific future uses. Unencumbered appropriations in the General Fund and in the Highway Fund are carried forward to a subsequent year only when authorized by law, otherwise the balances lapse at year-end.

### **Maine Budget Stabilization Fund**

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

Balances in the fund do not lapse; but carry forward each year. The money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. In addition to interest earnings, the fund is capitalized at the close of each fiscal year. In fiscal year 2008, 10 million was transferred into the fund from the unappropriated surplus of the General Fund in accordance with Public Law 2007, Chapter 700, Part C.

The statutory cap for the fund is 12 percent of the total General Fund revenue received in the immediately preceding fiscal year. At the close of the fiscal year, the cap is based on the revenue received in the fiscal year being closed. Based on fiscal year 2008 actual General Fund revenue, the statutory cap at the close of fiscal year 2008 and during fiscal year 2008 was \$370.5 million. At the close of fiscal year 2008, the balance of the Maine Budget Stabilization Fund was \$128.9 million, an increase of \$13.4 million over fiscal year 2007. 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.

## **ECONOMIC CONDITIONS AND OUTLOOK**

Maine continues to grow consistent with the other New England states. Our State is home to many renowned institutions of higher education, both public and private, industries, vacation areas, and world famous retailers, keeping the economy relatively stable and an incubator for new ideas and growth. Unemployment has remained at or below the national average due to these stabilization factors. The State of Maine with an international reputation for recreational, cultural, historical and educational institutions remains a significant spoke of the New England economy. Maine's economy remains diversified.

Inflation continued to rise through the past year. The Consumer Price Index rose by 5.6 percent from July 2007 to July 2008; however, fuel and utilities prices rose much faster. The rise in oil prices to almost \$150 a barrel in early summer put pressure on both household and government budgets. The dramatic decline in recent months of oil prices has provided both households and governments with needed relief as the winter heating season gets underway.

Personal income continues to rise in Maine faster than inflation. According to the latest statistics available, personal income is estimated to have risen by 5.5 percent in calendar year 2007. Unemployment has increased throughout the year, but is well below the national average. The rate in Maine stood at 7.2 percent in December of 2008, which is consistent with other states in the region.

The national economic recession is forecasted to impact Maine, but not as severely as the rest of the nation. While the housing market has slowed in Maine, homes prices have mostly held steady and most financial institutions in Maine are solid. Maine's economy is not heavily dependent on financial services jobs, and therefore is not expected to be significantly affected by the crisis in the nation's financial sector. The one area that is estimated to be strongly affected by the recession is the retail sector. Employment in the retail sector is forecasted to contract during the first-half of 2009 as consumers continue to retrench. Unemployment is expected to soar to 9% during calendar year 2009 and perhaps maintain that rate into 2010.

## **CURRENT DEVELOPMENTS AND INITIATIVES**

Public Law 2007, Chapter 240, amended Title 5 Chapter 421 by establishing an Irrevocable Trust to account for and invest funds to amortize the unfunded liabilities related to the other post-employment benefits (OPEB) for state employees of the primary government. The Maine Public Employees Retirement System holds and invests the long-term funds in the irrevocable trust fund. An initial deposit of \$100 million was made to the trust in January of 2008. Beginning with the 2010 Fiscal Year, an actuarially determined funding plan will be adopted to continue to make regular and predicable payments toward the annual required contribution.

During Fiscal Year 2008, the Department of Health and Human Services began an extensive project to outsource the claims management and fiscal operations of the State's Medicaid Program known as MaineCare. The initiative to move to a fiscal agent to administer the program results from the largely unsuccessful implementation effort of the electronic data processing system for claims management known as MECMS. It is expected that the fiscal agent project will span two years from the commencement of the project to implementation.

## **FINANCIAL INFORMATION**

### **Cash Management**

The State pools cash for a variety of State agencies and public sector entities. Interest earned on pooled cash is allocated to the various funds, generally based on their average equity balances. In accordance with statute, the Treasurer of State may deposit State funds in any of the banking institutions organized under the laws of this State, and any national bank or federal savings and loan association located in the State. All State money in any depository of State Government shall be to the credit of the State but the Treasurer of State shall not withdraw any of the funds except upon the authority of the State Controller.

The Treasurer of State may invest funds that exceed current obligations, with the concurrence of the State Controller or the Commissioner of Administrative and Financial Services, and the consent of the Governor. The list of approved pool investments includes: U.S. Treasury Bills, Notes, Bonds and Agency Securities, certain secured repurchase agreements, prime commercial paper, tax-exempt obligations, banker's acceptances, and certain secured shares of an investment company registered under the Federal Investment Company Act of 1940.

### **Debt Administration**

When issuing General Obligation Bonds, the State of Maine pledges its full faith and credit to repay the financial obligation. Unless certain tax revenue streams are specifically restricted, states typically pledge all of their tax-raising powers to secure the obligations. The major bond rating agencies regularly assess the capacity and willingness of the State to repay its general obligation debt. Moody's Investors Service, Standard & Poor's, and FitchRatings make their assessments, in large part, by examining four basic analytical areas:

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

The economic base is the most critical element in determining the rating. Growth and diversity in the demographics, tax base, and employment base of the State over the last decade are indicators of future growth prospects and debt repayment capabilities. Generally, States with higher income levels and diverse economic bases have superior debt repayment capabilities and are better protected from sudden shocks or unexpected volatility in the economy. Because a strong economy does not always ensure a State's ability to meet debt payments, the State's financial management and performance are also key factors.

Financial analysis involves several factors, including: accounting and reporting methods; revenue and expenditure patterns; annual operating and budgetary performance; leverage and equity positions; budget and financial planning; and contingency obligations. These factors present a clear indication of the financial strengths and weaknesses of the State. The rating agencies' analyses of these factors provide the framework for judging Maine's capacity to manage economic, political, and financial uncertainties.

Following is a history of Maine’s credit ratings from three of the major rating agencies, and a brief explanation of their meanings:

#### Standard & Poor’s

“AAA” is the highest Issuer Credit Rating assigned by Standard & Poor’s. An obligor rated “AAA” has EXTREMELY strong capacity to meet its financial commitments. An obligor rated “AA” has VERY strong capacity to meet its financial commitments. It differs from the highest rated obligors only in small degree. Ratings from “AA” to “CCC” may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

| <u>Year</u> | <u>Rating</u> |
|-------------|---------------|
| 1997        | AA+           |
| 1998        | AA+           |
| 1999        | AA+           |
| 2000        | AA+           |
| 2001        | AA+           |
| 2002        | AA+           |
| 2003        | AA+           |
| 2004        | AA            |
| 2005        | AA-           |
| 2006        | AA-           |
| 2007        | AA            |
| 2008        | AA            |

#### Moody’s Investors Service

Moody’s is one of the few major rating agencies that measures total expected credit loss over the life of the security, assessing both the likelihood that the issuer will default and the amount of loss after a default occurs. “Aaa” rated bonds are judged to be of the best quality. Generally referred to as "gilt edge," they carry the smallest degree of risk. “Aa” rated bonds are judged to be of high quality by all standards and together with the “Aaa” group they comprise what is generally known as high grade bonds. Moody’s applies one of three numerical modifiers to each generic rating classification from “Aa” to “Caa.” The modifier 1 indicates that the issue ranks at the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates that the issue ranks at the lower end of its generic category.

| <u>Year</u> | <u>Rating</u> |
|-------------|---------------|
| 1997        | Aa3*          |
| 1998        | Aa2           |
| 1999        | Aa2           |
| 2000        | Aa2           |
| 2001        | Aa2           |
| 2002        | Aa2           |
| 2003        | Aa2           |
| 2004        | Aa2           |
| 2005        | Aa3           |
| 2006        | Aa3           |
| 2007        | Aa3           |
| 2008        | Aa3           |

*\* Refinement of Aa rating, not a downgrade*

#### FitchRatings

“AAA” indicates obligations that have the highest rating assigned by FitchRatings on its national rating scale. The capacity for timely repayment of principal and interest is considered extremely strong. “AA” indicates obligations for which capacity for timely repayment of principal and interest is very strong. Obligations rated “A” indicate that the capacity for timely repayment of principal and interest is strong relative to other obligors. However, adverse changes in business, economic or financial conditions are more likely to affect the capacity for timely repayment than for obligations in higher rated categories.

| <u>Year</u> | <u>Rating</u> |
|-------------|---------------|
| 1997        | AA            |
| 1998        | AA            |
| 1999        | AA            |
| 2000        | AA+           |
| 2001        | AA+           |
| 2002        | AA+           |
| 2003        | AA+           |
| 2004        | AA+           |
| 2005        | AA            |
| 2006        | AA            |
| 2007        | AA            |
| 2008        | AA            |



Various agencies and Authorities, the Maine Community College System, and the University of Maine System issue revenue and/or lease-backed appropriation bonds. These obligations are supported solely by the revenues received by the issuing entities and the State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. More detailed information about long-term obligations and moral obligations may be found in Notes 11 and 15, respectively, of the financial statements.

### **Risk Management**

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

### **Fund Balance**

Since Fiscal Year 2003 the deficit of \$81.4 million in the State of Maine’s Unreserved Fund Balance Account in the General Fund continues to get deeper every year. For comparison purposes, at the close of Fiscal Year 2008, the negative position has increased to \$403.9 million. The deficit in 2007 amounted to \$283.5 million causing a single year increase of approximately 42.5%.

As we review the Unreserved Fund Balance Account over the past five years, the deficit has increased by almost 397%, or by approximately \$322.5 million.

There are many factors that adversely affect our General Fund Balance Sheet that we should strive to resolve over the next several years. The paramount cause for the current condition is the increasing Medicaid liabilities that accrue at the end of each fiscal year. Included in the end of the year Medicaid liabilities are the growing number of incurred but not paid claims and the unpaid hospital settlements that date back several years that are still unresolved. Over the five year period the liabilities have increased by 298% while General Fund Tax Revenue has only increased by a little over 33.5%. The increases in funding that the State has provided to local school districts has also place a huge strain on resources. Other factors that have a significant impact on the State’s Financial Statements compiled and issued in accordance with Generally Accepted Accounting Principles as applicable to governments include such factors as accruing tax revenues for budgetary purposes and for financial statement purposes without accruing the offsetting liabilities for budgetary purposes; the increase in the demand for carrying accounts and a lack of allowing money to accrue to the Unreserved Fund Balance of the General Fund.

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

## **OTHER INFORMATION**

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the State of Maine for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This is the first time that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

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

Although we face budgetary challenges as we move toward the next biennium, the State of Maine has worked diligently to improve funding of its major reserve, the Budget Stabilization Fund. The Governor and the legislature have worked cooperatively together to build reserves in the Budget Stabilization Fund and Working Capital, to approximately \$169.5 million at June 30, 2008.

In an environment where economic resources are limited and agencies are coping with budget constraints, the challenge of maintaining effective controls is greater than ever. We will continue to partner with each department, at its highest levels, to ensure that the tools are available to help each agency assess its risks and target controls to manage those risks effectively and within its budgetary constraints whenever possible.

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

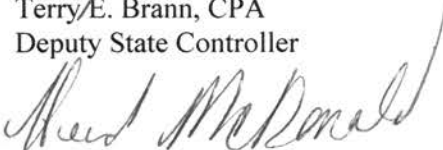
Sincerely,



Edward A. Karass, CGFM  
State Controller



Terry E. Brann, CPA  
Deputy State Controller



Heidi C. McDonald, CPA  
Principal Financial Management Coordinator



# STATE OF MAINE

## OFFICIALS OF STATE GOVERNMENT

AS OF JUNE 30, 2008

### EXECUTIVE

**John Elias Baldacci**, *Governor*

### LEGISLATIVE

**Beth Edmonds**, *President of the Senate*

**Glenn Cummings**, *Speaker of the House*

#### Constitutional/Statutory Officers

**G. Steven Rowe**, *Attorney General*

**Neria R. Douglass**, *State Auditor*

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

**David G. Lemoine**, *State Treasurer*

### JUDICIAL

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



# STATE OF MAINE ORGANIZATION CHART AS OF JUNE 30, 2008

## MAINE VOTERS

### LEGISLATIVE BRANCH

Senate  
House of Representatives  
Legislative Council  
Office of Fiscal and Program Review  
Office of Legislative Information Services  
Office of Policy and Legal Analysis  
Office of the Revisor of Statutes  
Maine-Canadian Legislative Advisory Commission  
State House and Capitol Park Commission  
Office of Executive Director of the Legislative Council  
Commission on Interstate Cooperation  
Commission on Uniform State Laws

### EXECUTIVE BRANCH

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

The Governor  
appoints all  
Judicial Officers

### JUDICIAL BRANCH

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

### CONSTITUTIONAL OFFICERS

Secretary of State  
State Treasurer  
State Attorney General

### STATUTORY OFFICER

State Auditor

### CABINET LEVEL DEPARTMENTS

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

### MISCELLANEOUS BOARDS & COMMISSIONS

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

### MAJOR COMPONENT UNITS

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

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## State of Maine

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2007

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



A handwritten signature in black ink, appearing to read "M. L. Rut".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Enos".

Executive Director



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

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NERIA R. DOUGLASS, JD, CIA  
STATE AUDITOR

## STATE OF MAINE DEPARTMENT OF AUDIT

66 STATE HOUSE STATION  
AUGUSTA, MAINE 04333-0066

TEL: (207) 624-6250  
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RICHARD H. FOOTE, CPA  
DEPUTY STATE AUDITOR  
CAROL A. LEHTO CPA, CIA  
SINGLE AUDIT COORDINATOR  
MICHAEL J. POULIN, CIA  
DIRECTOR OF AUDIT and ADMINISTRATION

### INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Maine's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following component units: Child Development Services, Finance Authority of Maine, Maine Educational Center for the Deaf and Hard of Hearing, Loring Development Authority, 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 State Housing Authority, Maine Public Employees Retirement System, Maine Community College System, Maine Technology Institute, Northern New England Passenger Rail Authority, Small Growth Enterprise Fund, and University of Maine System. We also did not audit the financial statements of the NextGen College Investing Plan. These financial statements reflect the following percentages of total assets and revenues or additions of the indicated opinion unit:

| <u>Opinion Unit</u>                            | <u>Percent of Opinion Unit's<br/>Total Assets</u> | <u>Percent of Opinion Unit's<br/>Total Revenue/ Additions</u> |
|--|---|---|
| Aggregate Discretely Presented Component Units | 100%  | 100%  |
| Aggregate Remaining Fund Information           | 96%   | 65%   |

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

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



In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

As discussed in Note 3, the State has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, GASB No. 45 *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, GASB No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and GASB No. 50, *Pension Disclosures*.

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

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



Neria R. Douglass, JD, CIA  
State Auditor

February 19, 2009

## 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, 2008. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

#### Government-wide:

- The State's net assets decreased by 0.7 percent from the previous fiscal year. Net assets of Governmental Activities decreased by \$25.7 million, while net assets of Business-type Activities decreased by \$5.7 million. The State's assets exceeded its liabilities by \$4.2 billion at the close of fiscal year 2008. Component units reported net assets of \$2.0 billion, an increase of \$74.8 million (3.9 percent) from the previous year, as restated.

#### Fund level:

- At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of \$187.9 million, a decrease of \$76.5 million from the previous year. The General Fund's total fund balance was a negative \$238.5 million, a decline of \$73.7 million from the previous year, as restated. The Highway Fund total fund balance also decreased by \$29.8 million.
- The proprietary funds reported net assets at year end of \$617.1 million, a decrease of \$89.0 million. This decrease is due to several factors: a decrease in the Retiree Health Insurance Fund of \$94.9 million, a decrease in the Dirigo Health Fund of \$26.5 million, a decrease in the Maine Military Fund of \$3.1 million, offset by an increase in the Alcoholic Beverages Fund of \$12.5 million, an increase in the Employment Security Fund of \$4.1 million, an increase in the Ferry Service Fund of \$5.7 million, and an increase in the Workers' Compensation Fund of \$3.6 million.

#### Long-term Debt:

- The State's liability for general obligation bonds increased by \$27.1 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State issued \$104.1 million in bonds and made principal payments of \$77 million.

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

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide Statements

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

The Statement of Activities presents information showing how the State's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change

occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused leave).

Both government-wide statements report three activities:

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

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

*Component units* - Although legally separate, component units are important because the State is financially accountable for these entities. The State has "blended" one component unit, the Maine Governmental Facilities Authority (MGFA) with Governmental Activities as described above. Maine reports 15 other component units (6 major and 9 non-major) as discretely presented component units of the State, and one component unit is reported with the State's fiduciary funds. Complete financial statements of the individual component units may be obtained directly from their respective administrative offices as shown in Note 1 A to the financial statements.

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

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

- Net asset balances are allocated as follows:

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

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

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

## **Fund Financial Statements**

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

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

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

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

## **Notes to the Financial Statements**

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

## Required Supplementary Information

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

## Other Supplementary Information

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

## FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

The State's net assets decreased by 0.7 percent to \$4.2 billion at June 30, 2008, as detailed in Tables A-1 and A-2.

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

|  | Governmental<br>Activities |                            | Business-type<br>Activities |                          | Total<br>Primary Government |                            |
|--|----------------------------|----------------------------|-----------------------------|--------------------------|-----------------------------|----------------------------|
|  | <u>2008</u>                | <u>2007*</u>               | <u>2008</u>                 | <u>2007</u>              | <u>2008</u>                 | <u>2007*</u>               |
| Current and other<br>noncurrent assets               | \$2,097,624                | \$1,988,591                | \$511,516                   | \$530,972                | \$2,609,140                 | \$2,519,563                |
| Capital assets                                       | <u>4,095,417</u>           | <u>3,934,171</u>           | <u>95,905</u>               | <u>90,361</u>            | <u>4,191,322</u>            | <u>4,024,532</u>           |
| <b>Total Assets</b>                                  | <b><u>6,193,041</u></b>    | <b><u>5,922,762</u></b>    | <b><u>607,421</u></b>       | <b><u>621,333</u></b>    | <b><u>6,800,462</u></b>     | <b><u>6,544,095</u></b>    |
| Current liabilities                                  | 1,610,654                  | 1,381,509                  | 44,095                      | 39,703                   | 1,654,749                   | 1,421,212                  |
| Long-term liabilities                                | <u>848,256</u>             | <u>781,373</u>             | <u>63,088</u>               | <u>75,646</u>            | <u>911,344</u>              | <u>857,019</u>             |
| <b>Total Liabilities</b>                             | <b><u>2,458,910</u></b>    | <b><u>2,162,882</u></b>    | <b><u>107,183</u></b>       | <b><u>115,349</u></b>    | <b><u>2,566,093</u></b>     | <b><u>2,278,231</u></b>    |
| <b>Net assets (deficit):</b>                         |                            |                            |                             |                          |                             |                            |
| Investment in capital assets,<br>net of related debt | 3,632,073                  | 3,519,371                  | 95,905                      | 90,361                   | 3,727,978                   | 3,609,732                  |
| Restricted   | 200,888                    | 198,786                    | 493,733                     | 489,677                  | 694,621                     | 688,463                    |
| Unrestricted (deficit)                               | <u>(98,830)</u>            | <u>41,723</u>              | <u>(89,400)</u>             | <u>(74,054)</u>          | <u>(188,230)</u>            | <u>(32,331)</u>            |
| <b>Total Net Assets</b>                              | <b><u>\$ 3,734,131</u></b> | <b><u>\$ 3,759,880</u></b> | <b><u>\$ 500,238</u></b>    | <b><u>\$ 505,984</u></b> | <b><u>\$ 4,234,369</u></b>  | <b><u>\$ 4,265,864</u></b> |

\*As Restated

## Changes in Net Assets

The State's fiscal year 2008 revenues totaled \$7.2 billion. (See Table A-2) Taxes and operating grants and contributions accounted for most of the State's revenue by contributing 48.5 percent and 35.7 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 \$7.2 billion for the year 2008. (See Table A-2) These expenses are predominantly (69.2 percent) related to health & human services and education activities. The State's governmental support & operations activities accounted for 7.5 percent of total costs. Total net assets decreased by \$31.5 million.

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

|   | <b>Governmental Activities</b> |                     | <b>Business-type Activities</b> |                    | <b>Total Primary Government</b> |                     |
|---|--------------------------------|---------------------|---------------------------------|--------------------|---------------------------------|---------------------|
|   | <b><u>2008</u></b>             | <b><u>2007*</u></b> | <b><u>2008</u></b>              | <b><u>2007</u></b> | <b><u>2008</u></b>              | <b><u>2007*</u></b> |
| <b>Revenues</b>   |                                |                     |                                 |                    |                                 |                     |
| Program Revenues:   |                                |                     |                                 |                    |                                 |                     |
| Charges for Services  | \$ 460,080                     | \$ 406,582          | \$ 493,197                      | \$ 463,518         | \$ 953,277                      | \$ 870,100          |
| Operating Grants/Contributions                                | 2,559,533                      | 2,353,398           | 22,950                          | 21,386             | 2,582,483                       | 2,374,784           |
| Capital Grants/Contributions                                  | -                              | 6,434               | -                               | 4,143              | -                               | 10,577              |
| General Revenues:   |                                |                     |                                 |                    |                                 |                     |
| Taxes   | 3,512,767                      | 3,448,127           | -                               | -                  | 3,512,767                       | 3,448,127           |
| Other   | 189,349                        | 211,168             | 2                               | 2                  | 189,351                         | 211,170             |
| <b>Total Revenues</b>   | <b>6,721,729</b>               | <b>6,425,709</b>    | <b>516,149</b>                  | <b>489,049</b>     | <b>7,237,878</b>                | <b>6,914,758</b>    |
| <b>Expenses</b>   |                                |                     |                                 |                    |                                 |                     |
| Governmental Activities:                                      |                                |                     |                                 |                    |                                 |                     |
| Governmental Support  | 540,789                        | 460,315             |                                 |                    | 540,789                         | 460,315             |
| Education   | 1,669,353                      | 1,622,653           |                                 |                    | 1,669,353                       | 1,622,653           |
| Health & Human Services                                       | 3,290,482                      | 2,989,001           |                                 |                    | 3,290,482                       | 2,989,001           |
| Justice & Protection  | 407,879                        | 358,718             |                                 |                    | 407,879                         | 358,718             |
| Transportation Safety   | 329,914                        | 267,994             |                                 |                    | 329,914                         | 267,994             |
| Other   | 412,007                        | 414,597             |                                 |                    | 412,007                         | 414,597             |
| Interest  | 35,524                         | 36,246              |                                 |                    | 35,524                          | 36,246              |
| Business-Type Activities:                                     |                                |                     |                                 |                    |                                 |                     |
| Employment Security   |                                |                     | 122,518                         | 120,215            | 122,518                         | 120,215             |
| Lottery   |                                |                     | 178,419                         | 180,722            | 178,419                         | 180,722             |
| Military Equip. Maint.  |                                |                     | 80,306                          | 35,140             | 80,306                          | 35,140              |
| Dirigo Health   |                                |                     | 76,860                          | 65,178             | 76,860                          | 65,178              |
| Other   |                                |                     | 25,322                          | 22,595             | 25,322                          | 22,595              |
| <b>Total Expenses</b>   | <b>6,685,948</b>               | <b>6,149,524</b>    | <b>483,425</b>                  | <b>423,850</b>     | <b>7,169,373</b>                | <b>6,573,374</b>    |
| <b>Excess (Deficiency) before Special Items and Transfers</b> | <b>35,781</b>                  | <b>276,185</b>      | <b>32,724</b>                   | <b>65,199</b>      | <b>68,505</b>                   | <b>341,384</b>      |
| Special Items   | (100,000)                      | -                   | -                               | -                  | (100,000)                       | -                   |
| Transfers   | 38,470                         | 40,979              | (38,470)                        | (40,979)           | -                               | -                   |
| <b>Increase (Decrease) in Net Assets</b>                      | <b>(25,749)</b>                | <b>317,164</b>      | <b>(5,746)</b>                  | <b>24,220</b>      | <b>(31,495)</b>                 | <b>341,384</b>      |
| <b>Net Assets, beginning of year</b>                          | <b>3,759,880</b>               | <b>3,442,716</b>    | <b>505,984</b>                  | <b>481,764</b>     | <b>4,265,864</b>                | <b>3,924,480</b>    |
| <b>Ending Net Assets</b>                                      | <b>\$ 3,734,131</b>            | <b>\$ 3,759,880</b> | <b>\$ 500,238</b>               | <b>\$ 505,984</b>  | <b>\$ 4,234,369</b>             | <b>\$ 4,265,864</b> |

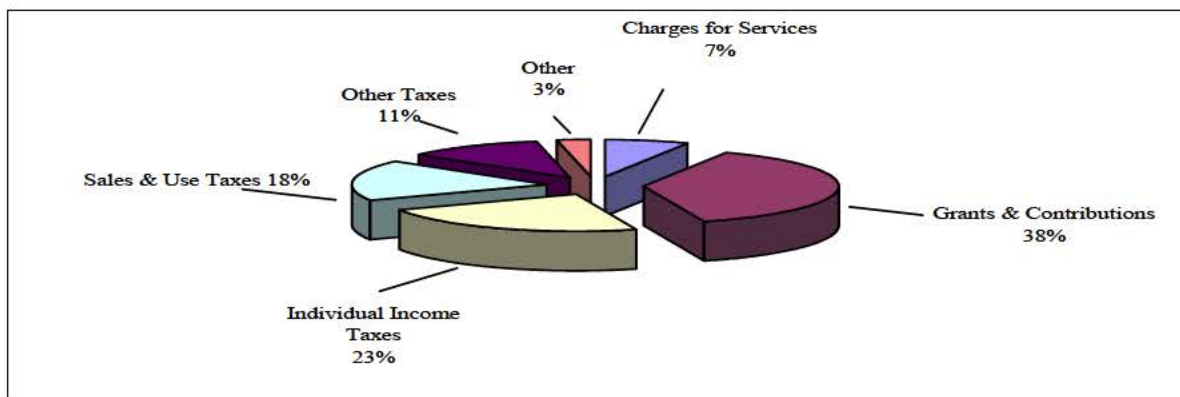
\*As Restated

## Governmental Activities

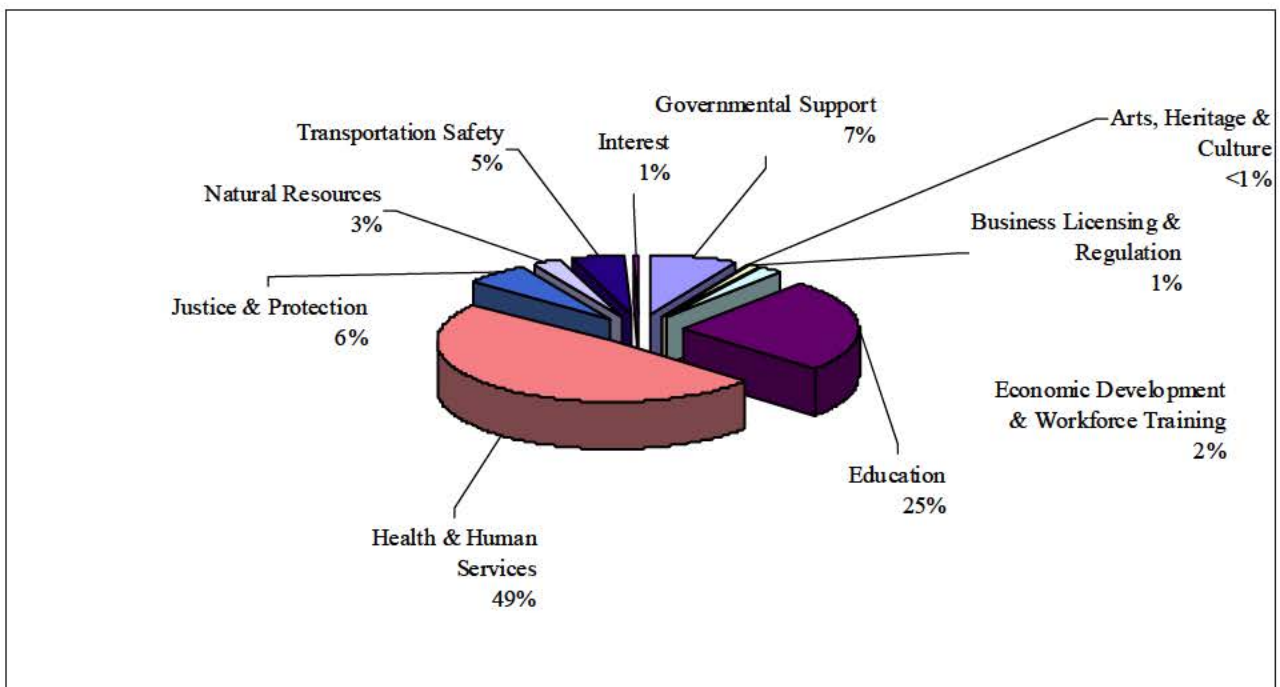
Revenues for the State's Governmental Activities totaled \$6.7 billion while total expenses equaled \$6.7 billion. The decrease in net assets for Governmental Activities was \$25.7 million in 2008. This is due, primarily, to an initial contribution during fiscal year 2008 of \$100 million to an irrevocable trust for State employees' retiree healthcare costs. Additionally, program revenues were insufficient to cover program expenses. Therefore, the net program expenses of these governmental activities were supported by general revenues, mainly taxes. Tax revenue increased by \$64.6 million from the prior year, however net expenses supported by tax revenue increased by approximately \$291.7 million.

The users of the State's programs financed \$460.1 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of \$2.6 billion. \$3.7 billion of the State's net costs were financed by taxes and other miscellaneous revenue.

**Table A-3: Total Sources of Revenues for Governmental Activities for Fiscal Year 2008**



**Table A-4: Total Expenses for Governmental Activities for Fiscal Year 2008**



## Business-type Activities

Revenues for the State's Business-type Activities totaled \$516.1 million while expenses totaled \$483.4 million. The decrease in net assets for Business-type Activities was \$5.7 million in 2008, due mainly to the timing of revenue collections from the Savings Offset Program of Dirigo Health.

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

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

| Category               | Total Cost       |                  | Net (Cost) Revenue |                 |
|------------------------|------------------|------------------|--------------------|-----------------|
|                        | <u>2008</u>      | <u>2007</u>      | <u>2008</u>        | <u>2007</u>     |
| Employment Security    | \$122,518        | \$120,215        | \$6,968            | \$13,991        |
| Alcoholic Beverages    | -                | -                | 12,527             | 12,525          |
| Lottery                | 178,419          | 180,722          | 50,561             | 50,906          |
| Military Equip. Maint. | 80,306           | 35,140           | (3,077)            | (4,822)         |
| Dirigo Health          | 76,860           | 65,178           | (22,353)           | (1,839)         |
| Other                  | <u>25,322</u>    | <u>23,595</u>    | <u>(11,902)</u>    | <u>(5,562)</u>  |
| Total                  | <u>\$483,425</u> | <u>\$424,850</u> | <u>\$32,724</u>    | <u>\$65,199</u> |

The cost of all Business-type Activities this year was \$483.4 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-type Activities was \$32.7 million, with the Lottery making up \$50.6 million of the total. The State's Business-type Activities transferred \$38.5 million (net) to the Governmental Activities in statutorily required profit transfers.



## FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

| Fund                  | Total Cost       |                  | Change            |
|-----------------------|------------------|------------------|-------------------|
|                       | <u>2008</u>      | <u>2007*</u>     |                   |
| General               | (\$238,472)      | (\$164,779)      | (\$73,693)        |
| Highway               | (2,263)          | 27,559           | (29,822)          |
| Federal               | 38,155           | 37,595           | 560               |
| Other Special Revenue | 291,084          | 263,983          | 27,101            |
| Other Governmental    | 99,404           | 100,098          | (694)             |
| Total                 | <u>\$187,908</u> | <u>\$264,456</u> | <u>(\$76,548)</u> |

\* As restated

The State's governmental fund balances decreased during fiscal year 2008 from fiscal year 2007 by \$76.5 million. The General Fund's decrease of \$73.7 million was due mainly to an increase in the Medicaid hospital and IBNP accruals of approximately \$60.8 million. The Highway Fund fund balance decreased by \$29.8 million from fiscal year 2007. Transportation, safety and development expenditures were \$31.5 million higher in fiscal year 2008. However, revenues to support those expenditures, mainly taxes, decreased by \$5.6 million.

### Budgetary Highlights

For the 2008 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to \$3.2 billion, an increase of about \$18.7 million from the original legally adopted budget of approximately \$3.2 billion. Actual expenditures on a budgetary basis amounted to approximately \$93.6 million less than those authorized in the final budget; however, after deducting the encumbered obligations and other commitments that will come due in fiscal year 2009, \$44.6 million of funds remained as a result of a continuing concerted effort to control spending, primarily in the broad categories of education and social services. Of this amount, all but \$935 thousand was designated for Mainecare appropriations in fiscal year 2009. Actual revenues exceeded final budget forecasts by \$44.3 million. The unobligated balance reported on a budgetary basis was overstated by \$11.1 million due to an accounting/programming error. This accounting error was corrected legislatively in fiscal year 2009 by transferring funds from the State's Budget Stabilization Fund.

As a part of the final budget adjustment for Fiscal Year 2008, the Legislature approved a direct appropriation to the State's Budget Stabilization Fund in the amount of \$10 million. The additional appropriation and interest earnings increased the balance in the Fund to \$128.9 million as of June 30, 2008. 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 2008, the State had roughly \$4.2 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2008, the State acquired or constructed more than \$230.4 million of capital assets. The most significant impact on capital assets during the year resulted from continued construction and rehabilitation of roads and bridges, and major construction and renovation of State-owned facilities. More detailed information about the State's capital assets and significant construction commitments is presented in Notes 8 and 15 to the financial statements.

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

|                          | <b>Governmental<br/>Activities</b> |                     | <b>Business-type<br/>Activities</b> |                    | <b>Total<br/>Primary Government</b> |                     |
|--------------------------|------------------------------------|---------------------|-------------------------------------|--------------------|-------------------------------------|---------------------|
|                          | <b><u>2008</u></b>                 | <b><u>2007</u></b>  | <b><u>2008</u></b>                  | <b><u>2007</u></b> | <b><u>2008</u></b>                  | <b><u>2007</u></b>  |
| Land                     | \$ 434,230                         | \$ 424,331          | \$ 43,345                           | \$ 38,417          | \$ 477,575                          | \$ 462,748          |
| Buildings                | 564,182                            | 560,307             | 9,499                               | 9,769              | 573,681                             | 570,076             |
| Equipment                | 250,828                            | 248,129             | 44,194                              | 43,385             | 295,022                             | 291,514             |
| Improvements             | 19,541                             | 18,246              | 62,607                              | 61,218             | 82,148                              | 79,464              |
| Infrastructure           | 3,178,666                          | 3,023,973           | -                                   | -                  | 3,178,666                           | 3,023,973           |
| Construction in Progress | 24,175                             | 10,230              | 10,368                              | 3,613              | 34,543                              | 13,843              |
| Total Capital Assets     | 4,471,622                          | 4,285,216           | 170,013                             | 156,402            | 4,641,635                           | 4,441,618           |
| Accumulated Depreciation | 376,205                            | 351,045             | 74,108                              | 66,041             | 450,313                             | 417,086             |
| Capital Assets, net      | <u>\$ 4,095,417</u>                | <u>\$ 3,934,171</u> | <u>\$ 95,905</u>                    | <u>\$ 90,361</u>   | <u>\$ 4,191,322</u>                 | <u>\$ 4,024,532</u> |

### Modified Approach for Infrastructure

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

Highways and bridges are included in the State's infrastructure. There are 8,816 highway miles or 17,912 lane miles within the State. Bridges have a deck area of 11.5 million square feet among 2,962 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2008, the actual average condition was 75.6. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 79 at June 30, 2008. Preservation costs for fiscal year 2008 totaled \$81.6 million compared to estimated preservation costs of \$99.7 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 39, PL 2007, \$60 million was spent during FY 2008.

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 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)

|                    | <b>Governmental<br/>Activities</b> |                          | <b>Business-type<br/>Activities</b> |                      | <b>Total<br/>Primary Government</b> |                          |
|--------------------|------------------------------------|--------------------------|-------------------------------------|----------------------|-------------------------------------|--------------------------|
|                    | <b><u>2008</u></b>                 | <b><u>2007</u></b>       | <b><u>2008</u></b>                  | <b><u>2007</u></b>   | <b><u>2008</u></b>                  | <b><u>2007</u></b>       |
| General Obligation |                                    |                          |                                     |                      |                                     |                          |
| Bonds              | \$ 475,835                         | \$ 448,760               | \$ -                                | \$ -                 | \$ 475,835                          | \$ 448,760               |
| Other Long-Term    |                                    |                          |                                     |                      |                                     |                          |
| Obligations        | <u>523,906</u>                     | <u>470,815</u>           | <u>750</u>                          | <u>718</u>           | <u>524,656</u>                      | <u>471,533</u>           |
| Total              | <u><u>\$ 999,741</u></u>           | <u><u>\$ 919,575</u></u> | <u><u>\$ 750</u></u>                | <u><u>\$ 718</u></u> | <u><u>\$1,000,491</u></u>           | <u><u>\$ 920,293</u></u> |

During the year, the State reduced outstanding long-term obligations by \$77 million for outstanding general obligation bonds and \$230.4 million for other long-term debt. Also during fiscal year 2008, the State incurred \$387.6 million of additional long-term obligations.

## Credit Ratings

Three of the major bond rating agencies regularly assess the State's credit rating. During fiscal year 2008, Moody's Investors Service rated the State at Aa3, Standard & Poor's rated it at AA, and Fitch Ratings rated it at AA. For fiscal year 2007, the Moody's rating was Aa3, Standard & Poor's was AA, and Fitch Ratings was AA.

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

Inflation continued to rise though the past year. The Consumer Price Index rose nearly 2.6 percent from July 2007 to July 2008; however, fuel and utilities prices rose much faster. The rise in oil prices to over \$140 a barrel in late summer due to unrest in the Middle East and a strained dollar put pressure on both household and government budgets. Oil prices throughout the summer of 2008 in the \$140 a barrel range, are imposing significant challenges to Maine households and governmental operations at all levels in the State during the winter heating season. Fuel oil prices started 2008 at approximately \$3.34 per gallon rising steadily through the summer months to \$4.65 per gallon in July which is the peak of the pre-buy season for consumers in Maine, and then declined steadily to \$2.64 per gallon in December 2008. The decline in fuel oil prices was driven by the worsening economy in the US driven by the crises in the subprime mortgage credit markets which developed into a nationwide recession and banking credit crunch.

Personal income continues to rise in Maine faster than inflation. According to the latest statistics available, the average weekly wage in Maine is estimated to have risen by 3.9 percent in calendar year 2007 and personal income by 5.5 percent. The moderate growth in 2007 is in contrast to the much slower growth in 2005 when the state was affected by a number of events, the most significant of which was the Base Realignment and Closure Commission process. Unemployment has hovered around the national average throughout the year. The rate in Maine stood at 7.2 percent in December of 2008 which was consistent with the rest of New England; however, unemployment in Maine is expected to reach 9 percent in calendar year 2009 as the nationwide recession continues.

The General Fund Revenue estimate accepted by the Independent Revenue Forecasting Commission for the 2010-2011 Biennium provides approximately \$6.1 billion in resources to be available for general purpose spending. The 2008-2009 biennial budget had to be brought into balance by a curtailment order issued by the Governor and enacted into law by a supplemental budget Public Law 2009, Chapter 1. We expect the upcoming biennial budget will require several adjustments to keep in balance throughout the next biennium as revenues continue to erode. The Budget will be amended several times through various public laws to ensure adequate resources are available for the fiscal years of the biennium as revenues and resources appear to be in decline as the result of high energy costs, inflation, and the real estate market's sub prime mortgage crises.

The national economic recession is forecasted to impact Maine, but not as severely as the rest of the nation. While the housing market has slowed in Maine, homes prices have mostly held steady and most financial institutions in Maine are solid. Maine's economy is not heavily dependent on financial services jobs, and therefore is not expected to be significantly affected by the crisis in the nation's financial sector. The one area that is estimated to be strongly affected by the recession is the retail sector. Employment in the retail sector is forecasted to contract during the first half of 2009 as consumers continue to retrench.

At the close of fiscal year 2008, the deficit balance in the State of Maine's Unreserved Fund Balance Account in the General Fund has increased to \$403.9 million. The deficit in 2007 amounted to \$283.5 million causing a single year increase of approximately 42.5 percent.

There are many factors that adversely affect our General Fund Balance Sheet that we should strive to resolve over the next several years. The paramount cause for the current condition is the increasing Medicaid liabilities that accrue at the end of each fiscal year. Included in the end of the year Medicaid liabilities are the growing number of incurred but not paid claims and the unpaid hospital settlements that date back several years that are still unresolved. In the past year, Medicaid liabilities increased by 23 percent while General Fund Tax Revenue only increased by approximately 3 percent. The increases in funding that the State has provided to local school districts has also placed a huge strain on resources. Other factors that have a significant impact on the State's Financial Statements compiled and issued in accordance with Generally Accepted Accounting Principles as applicable to governments include such factors as accruing tax revenues for budgetary purposes and for financial statement

purposes without accruing the offsetting liabilities for budgetary purposes, the increase in the demand for carrying accounts and a lack of allowing money to accrue to the Unreserved Fund Balance of the General Fund.

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

These factors will have a significant impact on Maine's economy and the State's budget for the next several years.

### **CONTACTING THE STATE'S FINANCIAL MANAGEMENT**

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

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



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# **BASIC FINANCIAL STATEMENTS**

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# STATE OF MAINE STATEMENT OF NET ASSETS

June 30, 2008  
(Expressed in Thousands)

|  | Primary Government         |                             |              | Component<br>Units |
|--|----------------------------|-----------------------------|--------------|--------------------|
|  | Governmental<br>Activities | Business-Type<br>Activities | Totals       |                    |
| <b>Assets</b>  |                            |                             |              |                    |
| Current Assets:  |                            |                             |              |                    |
| Equity in Treasurer's Cash Pool                        | \$ 436,430                 | \$ 3,253                    | \$ 439,683   | \$ 53,342          |
| Cash and Cash Equivalents                              | 289                        | 2,848                       | 3,137        | 52,783             |
| Cash with Fiscal Agent                                 | 72,139                     | -                           | 72,139       | -                  |
| Investments  | 74,975                     | -                           | 74,975       | 738,425            |
| Restricted Assets:                                     |                            |                             |              |                    |
| Restricted Equity in Treasurer's Cash Pool             | 9,201                      | -                           | 9,201        | -                  |
| Restricted Deposits and Investments                    | 24,112                     | 463,574                     | 487,686      | -                  |
| Inventories  | 7,918                      | 849                         | 8,767        | 2,142              |
| Receivables, Net of Allowance for Uncollectibles:      |                            |                             |              |                    |
| Taxes Receivable                                       | 384,522                    | -                           | 384,522      | -                  |
| Loans Receivable                                       | 5,853                      | -                           | 5,853        | 77,045             |
| Notes Receivable                                       | -                          | -                           | -            | 145                |
| Other Receivables                                      | 229,706                    | 55,825                      | 285,531      | 57,277             |
| Internal Balances                                      | 17,377                     | (17,377)                    | -            | -                  |
| Due from Other Governments                             | 693,846                    | -                           | 693,846      | 143,045            |
| Due from Primary Government                            | -                          | -                           | -            | 28,501             |
| Loans receivable from primary government               | -                          | -                           | -            | 4,617              |
| Due from Component Units                               | 180                        | 73                          | 253          | -                  |
| Other Current Assets                                   | 4,054                      | 76                          | 4,130        | 39,621             |
| Total Current Assets                                   | 1,960,602                  | 509,121                     | 2,469,723    | 1,196,943          |
| Noncurrent Assets:                                     |                            |                             |              |                    |
| Equity in Treasurer's Cash Pool                        | 28,640                     | 210                         | 28,850       | 3,272              |
| Assets Held in Trust                                   | -                          | -                           | -            | 4,205              |
| Restricted Assets:                                     |                            |                             |              |                    |
| Restricted Equity in Treasurer's Cash Pool             | 380                        | -                           | 380          | -                  |
| Restricted Deposits and Investments                    | -                          | -                           | -            | 785,128            |
| Investments  | -                          | -                           | -            | 339,612            |
| Receivables, Net of Current Portion:                   |                            |                             |              |                    |
| Taxes Receivable                                       | 50,724                     | -                           | 50,724       | -                  |
| Loans Receivable                                       | -                          | -                           | -            | 2,557,204          |
| Notes Receivable                                       | -                          | -                           | -            | 269,130            |
| Other Receivables                                      | -                          | -                           | -            | 10,387             |
| Due from Other Governments                             | 4,075                      | -                           | 4,075        | 1,136,345          |
| Loans receivable from primary government               | -                          | -                           | -            | 34,203             |
| Due From Primary Government                            | -                          | -                           | -            | 2,386              |
| Other Noncurrent Assets                                | -                          | -                           | -            | 33,883             |
| Post-Employment Benefit Asset                          | 53,203                     | 2,185                       | 55,388       | -                  |
| Capital Assets:  |                            |                             |              |                    |
| Land, Infrastructure, and Other Non-Depreciable Assets | 3,637,071                  | 53,713                      | 3,690,784    | 106,293            |
| Buildings, Equipment and Other Depreciable Assets      | 834,551                    | 116,300                     | 950,851      | 1,129,389          |
| Less: Accumulated Depreciation                         | (376,205)                  | (74,108)                    | (450,313)    | (390,462)          |
| Capital Assets, Net of Accumulated Depreciation        | 4,095,417                  | 95,905                      | 4,191,322    | 845,220            |
| Total Noncurrent Assets                                | 4,232,439                  | 98,300                      | 4,330,739    | 6,020,975          |
| Total Assets   | \$ 6,193,041               | \$ 607,421                  | \$ 6,800,462 | \$ 7,217,918       |

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



|  | Primary Government      |                          |              |                 |
|--|-------------------------|--------------------------|--------------|-----------------|
|  | Governmental Activities | Business-Type Activities | Totals       | Component Units |
| <b>Liabilities</b>   |                         |                          |              |                 |
| Current Liabilities:   |                         |                          |              |                 |
| Accounts Payable   | \$ 1,109,584            | \$ 7,486                 | \$ 1,117,070 | \$ 78,843       |
| Accrued Payroll  | 50,258                  | 1,632                    | 51,890       | 842             |
| Tax Refunds Payable  | 147,719                 | -                        | 147,719      |                 |
| Due to Component Units   | 30,909                  | -                        | 30,909       |                 |
| Due to Primary Government                                      | -                       | -                        | -            | 253             |
| Undistributed Grants and Administrative Funds                  | -                       | -                        | -            | 10,970          |
| Allowances for Losses on Insured Commercial Loans              | -                       | -                        | -            | 9,208           |
| Current Portion of Long-Term Obligations:                      |                         |                          |              |                 |
| Compensated Absences   | 5,294                   | 162                      | 5,456        | 2,280           |
| Due to Other Governments                                       | 87,606                  | -                        | 87,606       | 1,931           |
| Amounts Held under State & Federal Loan Programs               | -                       | -                        | -            | 19,664          |
| Claims Payable   | 24,964                  | -                        | 24,964       | -               |
| Bonds and Notes Payable  | 79,190                  | -                        | 79,190       | 151,546         |
| Revenue Bonds Payable  | 15,625                  | -                        | 15,625       | 41,089          |
| Obligations under Capital Leases                               | 6,247                   | -                        | 6,247        | 301             |
| Certificates of Participation and Other Financing Arrangements | 30,785                  | -                        | 30,785       | -               |
| Pledged Future Revenues  | 4,135                   | -                        | 4,135        | -               |
| Accrued Interest Payable                                       | 7,611                   | -                        | 7,611        | 46,983          |
| Deferred Revenue   | 949                     | 14,051                   | 15,000       | 42,753          |
| Other Current Liabilities                                      | 9,778                   | 20,764                   | 30,542       | 50,078          |
| Total Current Liabilities                                      | 1,610,654               | 44,095                   | 1,654,749    | 456,741         |
| Long-Term Liabilities:   |                         |                          |              |                 |
| Compensated Absences   | 39,340                  | 588                      | 39,928       | -               |
| Due to Other Governments                                       | 253                     | -                        | 253          | 14,655          |
| Amounts Held under State & Federal Loan Programs               | -                       | -                        | -            | 45,391          |
| Claims Payable   | 41,457                  | -                        | 41,457       | -               |
| Bonds and Notes Payable  | 396,645                 | -                        | 396,645      | 3,176,211       |
| Revenue Bonds Payable  | 192,935                 | -                        | 192,935      | 1,413,479       |
| Obligations under Capital Leases                               | 31,275                  | -                        | 31,275       | 4,563           |
| Certificates of Participation and Other Financing Arrangements | 44,073                  | -                        | 44,073       | -               |
| Pledged Future Revenues  | 34,203                  | -                        | 34,203       | -               |
| Deferred Revenue   | 14,502                  | 62,500                   | 77,002       | 23,454          |
| Pension Obligation   | 18,708                  | -                        | 18,708       | -               |
| Other Post-Employment Benefit Obligation                       | 34,865                  | -                        | 34,865       | -               |
| Other Noncurrent Liabilities                                   | -                       | -                        | -            | 88,821          |
| Total Long-Term Liabilities                                    | 848,256                 | 63,088                   | 911,344      | 4,766,574       |
| Total Liabilities  | 2,458,910               | 107,183                  | 2,566,093    | 5,223,315       |
| <b>Net Assets</b>  |                         |                          |              |                 |
| Invested in Capital Assets, Net of Related Debt                | 3,632,073               | 95,905                   | 3,727,978    | 611,964         |
| Restricted:  |                         |                          |              |                 |
| Federal Programs   | 38,155                  | -                        | 38,155       | -               |
| Natural Resources  | 16,458                  | -                        | 16,458       | -               |
| Capital Projects and Debt Service                              | 24,342                  | -                        | 24,342       | -               |
| Unemployment Compensation                                      | -                       | 493,733                  | 493,733      | -               |
| Other Purposes   | 46,871                  | -                        | 46,871       | 1,103,699       |
| Funds Held as Permanent Investments:                           |                         |                          |              |                 |
| Expendable   | 62,171                  | -                        | 62,171       | -               |
| Nonexpendable  | 12,891                  | -                        | 12,891       | -               |
| Unrestricted   | (98,830)                | (89,400)                 | (188,230)    | 278,940         |
| Total Net Assets   | \$ 3,734,131            | \$ 500,238               | \$ 4,234,369 | \$ 1,994,603    |

# STATE OF MAINE STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|   | Expenses     | Program Revenues     |                                    |                                  |
|---|--------------|----------------------|------------------------------------|----------------------------------|
|   |              | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary government:</b>                                  |              |                      |                                    |                                  |
| Governmental activities:                                    |              |                      |                                    |                                  |
| Governmental Support & Operations                           | \$ 540,789   | \$ 86,178            | \$ 8,315                           | \$ -                             |
| Arts, Heritage & Cultural Enrichment                        | 12,406       | 1,303                | 2,567                              | -                                |
| Business Licensing & Regulation                             | 63,417       | 69,845               | 597                                | -                                |
| Economic Development & Workforce Training                   | 149,970      | 2,361                | 75,490                             | -                                |
| Education   | 1,669,353    | 3,653                | 187,014                            | -                                |
| Health & Human Services                                     | 3,290,482    | 11,694               | 2,013,056                          | -                                |
| Justice & Protection  | 407,879      | 89,580               | 72,543                             | -                                |
| Natural Resources Development & Protection                  | 186,214      | 92,737               | 34,571                             | -                                |
| Transportation Safety & Development                         | 329,914      | 102,729              | 165,380                            | -                                |
| Interest Expense  | 35,524       | -                    | -                                  | -                                |
| Total Governmental Activities                               | 6,685,948    | 460,080              | 2,559,533                          | -                                |
| Business-Type Activities:                                   |              |                      |                                    |                                  |
| Employment Security   | 122,518      | 106,536              | 22,950                             | -                                |
| Alcoholic Beverages   | -            | 12,527               | -                                  | -                                |
| Lottery   | 178,419      | 228,980              | -                                  | -                                |
| Transportation  | 7,432        | 2,089                | -                                  | -                                |
| Marine Ports  | 1,925        | 315                  | -                                  | -                                |
| Ferry Services  | 9,292        | 4,116                | -                                  | -                                |
| Military Equipment Maintenance                              | 80,306       | 77,229               | -                                  | -                                |
| Dirigo Health   | 76,860       | 54,507               | -                                  | -                                |
| Other   | 6,673        | 6,898                | -                                  | -                                |
| Total Business-Type Activities                              | 483,425      | 493,197              | 22,950                             | -                                |
| Total Primary Government                                    | \$ 7,169,373 | \$ 953,277           | \$ 2,582,483                       | \$ -                             |
| <b>Component Units:</b>                                     |              |                      |                                    |                                  |
| Finance Authority of Maine                                  | 50,579       | 19,233               | 28,691                             | -                                |
| Maine Community College System                              | 106,194      | 25,266               | 28,414                             | 2,651                            |
| Maine Health & Higher Educational Facilities Authority      | 73,670       | 70,087               | 7,235                              | -                                |
| Maine Municipal Bond Bank                                   | 65,272       | 47,418               | 14,790                             | 21,432                           |
| Maine State Housing Authority                               | 226,865      | 73,386               | 179,250                            | -                                |
| University of Maine System                                  | 654,380      | 278,178              | 163,337                            | 5,624                            |
| All Other Non-Major Component Units                         | 97,014       | 33,722               | 41,566                             | 3,990                            |
| Total Component Units                                       | \$ 1,273,974 | \$ 547,290           | \$ 463,283                         | \$ 33,697                        |
| General Revenues:   |              |                      |                                    |                                  |
| Taxes:  |              |                      |                                    |                                  |
| Corporate   |              |                      |                                    |                                  |
| Individual Income   |              |                      |                                    |                                  |
| Fuel  |              |                      |                                    |                                  |
| Property  |              |                      |                                    |                                  |
| Sales & Use   |              |                      |                                    |                                  |
| Other   |              |                      |                                    |                                  |
| Unrestricted Investment Earnings                            |              |                      |                                    |                                  |
| Non-Program Specific Grants, Contributions & Appropriations |              |                      |                                    |                                  |
| Miscellaneous Income  |              |                      |                                    |                                  |
| Loss on Assets Held for Sale                                |              |                      |                                    |                                  |
| Tobacco Settlement  |              |                      |                                    |                                  |
| Special Items   |              |                      |                                    |                                  |
| Transfers - Internal Activities                             |              |                      |                                    |                                  |
| Total General Revenues and Transfers                        |              |                      |                                    |                                  |
| Change in Net Assets  |              |                      |                                    |                                  |
| Net Assets - Beginning (As Restated)                        |              |                      |                                    |                                  |
| Net Assets - Ending   |              |                      |                                    |                                  |

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

| Net (Expenses) Revenues and<br>Changes in Net Assets |                             |                       |                     |
|--|-----------------------------|-----------------------|---------------------|
| Primary Government                                   |                             |                       |                     |
| Governmental<br>Activities                           | Business-type<br>Activities | Total                 | Component<br>Units  |
| \$ (446,296)   | \$ -                        | \$ (446,296)          | \$ -                |
| (8,536)  | -                           | (8,536)               | -                   |
| 7,025  | -                           | 7,025                 | -                   |
| (72,119)   | -                           | (72,119)              | -                   |
| (1,478,686)  | -                           | (1,478,686)           | -                   |
| (1,265,732)  | -                           | (1,265,732)           | -                   |
| (245,756)  | -                           | (245,756)             | -                   |
| (58,906)   | -                           | (58,906)              | -                   |
| (61,805)   | -                           | (61,805)              | -                   |
| (35,524)   | -                           | (35,524)              | -                   |
| <u>(3,666,335)</u>                                   | <u>-</u>                    | <u>(3,666,335)</u>    | <u>-</u>            |
| -  | 6,968                       | 6,968                 | -                   |
| -  | 12,527                      | 12,527                | -                   |
| -  | 50,561                      | 50,561                | -                   |
| -  | (5,343)                     | (5,343)               | -                   |
| -  | (1,610)                     | (1,610)               | -                   |
| -  | (5,176)                     | (5,176)               | -                   |
| -  | (3,077)                     | (3,077)               | -                   |
| -  | (22,353)                    | (22,353)              | -                   |
| -  | 225                         | 225                   | -                   |
| -  | <u>32,722</u>               | <u>32,722</u>         | <u>-</u>            |
| <u>\$ (3,666,335)</u>                                | <u>\$ 32,722</u>            | <u>\$ (3,633,613)</u> | <u>\$ -</u>         |
| -  | -                           | -                     | (2,655)             |
| -  | -                           | -                     | (49,863)            |
| -  | -                           | -                     | 3,652               |
| -  | -                           | -                     | 18,368              |
| -  | -                           | -                     | 25,771              |
| -  | -                           | -                     | (207,241)           |
| -  | -                           | -                     | (17,736)            |
| <u>\$ -</u>  | <u>\$ -</u>                 | <u>\$ -</u>           | <u>\$ (229,704)</u> |
| 291,463  | -                           | 291,463               | -                   |
| 1,552,412  | -                           | 1,552,412             | -                   |
| 177,937  | -                           | 177,937               | -                   |
| 43,672   | -                           | 43,672                | -                   |
| 1,192,986  | -                           | 1,192,986             | -                   |
| 254,297  | -                           | 254,297               | -                   |
| 5,857  | -                           | 5,857                 | 8,532               |
| -  | -                           | -                     | 293,613             |
| 120,109  | 2                           | 120,111               | 2,854               |
| (1,016)  | -                           | (1,016)               | (492)               |
| 64,399   | -                           | 64,399                | -                   |
| (100,000)  | -                           | (100,000)             | -                   |
| 38,470   | (38,470)                    | -                     | -                   |
| <u>3,640,586</u>                                     | <u>(38,468)</u>             | <u>3,602,118</u>      | <u>304,507</u>      |
| (25,749)   | (5,746)                     | (31,495)              | 74,803              |
| 3,759,880  | 505,984                     | 4,265,864             | 1,919,800           |
| <u>\$ 3,734,131</u>                                  | <u>\$ 500,238</u>           | <u>\$ 4,234,369</u>   | <u>\$ 1,994,603</u> |



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# GOVERNMENTAL FUND FINANCIAL STATEMENTS

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## MAJOR FUNDS

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

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

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

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

## NON-MAJOR FUNDS

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

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

# STATE OF MAINE BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2008  
(Expressed in Thousands)

|   | General           | Highway          | Federal           | Other Special<br>Revenue | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|-------------------|------------------|-------------------|--------------------------|--------------------------------|--------------------------------|
| <b>Assets</b>                                     |                   |                  |                   |                          |                                |                                |
| Equity in Treasurer's Cash Pool                   | \$ 62,935         | \$ 20,422        | \$ 3,982          | \$ 217,703               | \$ 78                          | \$ 305,120                     |
| Cash and Short-Term Investments                   | 124               | 116              | 4                 | 42                       | -                              | 286                            |
| Cash with Fiscal Agent                            | 603               | 2,986            | -                 | 50,664                   | -                              | 54,253                         |
| Investments                                       | -                 | -                | -                 | -                        | 74,975                         | 74,975                         |
| Restricted Assets:                                |                   |                  |                   |                          |                                |                                |
| Restricted Equity in Treasurer's Cash Pool        | 3,370             | -                | -                 | -                        | 6,211                          | 9,581                          |
| Restricted Deposits and Investments               | -                 | -                | -                 | -                        | 21,150                         | 21,150                         |
| Inventories                                       | 1,984             | -                | 613               | -                        | -                              | 2,597                          |
| Receivables, Net of Allowance for Uncollectibles: |                   |                  |                   |                          |                                |                                |
| Taxes Receivable                                  | 405,747           | 19,688           | -                 | 9,811                    | -                              | 435,246                        |
| Loans Receivable                                  | 1                 | 62               | -                 | 5,790                    | -                              | 5,853                          |
| Other Receivable                                  | 83,191            | 1,767            | 62,395            | 73,459                   | -                              | 220,812                        |
| Due from Other Funds                              | 43,321            | 2,873            | 16,039            | 19,459                   | 159                            | 81,851                         |
| Due from Other Governments                        | -                 | -                | 693,301           | -                        | -                              | 693,301                        |
| Due from Component Units                          | 51                | -                | 10                | -                        | 119                            | 180                            |
| Other Assets                                      | 2,989             | -                | 52                | -                        | -                              | 3,041                          |
| Working Capital Advances Receivable               | 111               | -                | -                 | -                        | -                              | 111                            |
| <b>Total Assets</b>                               | <u>\$ 604,427</u> | <u>\$ 47,914</u> | <u>\$ 776,396</u> | <u>\$ 376,928</u>        | <u>\$ 102,692</u>              | <u>\$ 1,908,357</u>            |
| <b>Liabilities and Fund Balances</b>              |                   |                  |                   |                          |                                |                                |
| Accounts Payable                                  | \$ 381,876        | \$ 30,201        | \$ 626,056        | \$ 32,377                | \$ 875                         | \$ 1,071,385                   |
| Accrued Payroll                                   | 22,845            | 9,967            | 5,494             | 8,585                    | -                              | 46,891                         |
| Tax Refunds Payable                               | 147,561           | 158              | -                 | -                        | -                              | 147,719                        |
| Due to Other Governments                          | -                 | -                | 87,606            | -                        | -                              | 87,606                         |
| Due to Other Funds                                | 64,887            | 2,409            | 8,043             | 4,745                    | 27                             | 80,111                         |
| Due to Component Units                            | 3,371             | 58               | 9,911             | 1,474                    | 2,386                          | 17,200                         |
| Deferred Revenue                                  | 215,541           | 7,382            | 650               | 35,708                   | -                              | 259,281                        |
| Other Accrued Liabilities                         | 6,818             | 2                | 481               | 2,955                    | -                              | 10,256                         |
| <b>Total Liabilities</b>                          | <u>842,899</u>    | <u>50,177</u>    | <u>738,241</u>    | <u>85,844</u>            | <u>3,288</u>                   | <u>1,720,449</u>               |
| <b>Fund Balances:</b>                             |                   |                  |                   |                          |                                |                                |
| Reserved  |                   |                  |                   |                          |                                |                                |
| Continuing Appropriations                         | 118,657           | 35,591           | 48,403            | 228,317                  | 155                            | 431,123                        |
| Capital Projects                                  | -                 | -                | -                 | -                        | 24,342                         | 24,342                         |
| Permanent Trusts                                  | -                 | -                | -                 | -                        | 12,891                         | 12,891                         |
| Other   | 46,745            | 62               | -                 | 46,461                   | 62,016                         | 155,284                        |
| Unreserved  | (403,874)         | (37,916)         | (10,248)          | 16,306                   | -                              | (435,732)                      |
| <b>Total Fund Balances</b>                        | <u>(238,472)</u>  | <u>(2,263)</u>   | <u>38,155</u>     | <u>291,084</u>           | <u>99,404</u>                  | <u>187,908</u>                 |
| <b>Total Liabilities and Fund Balances</b>        | <u>\$ 604,427</u> | <u>\$ 47,914</u> | <u>\$ 776,396</u> | <u>\$ 376,928</u>        | <u>\$ 102,692</u>              | <u>\$ 1,908,357</u>            |

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

# STATE OF MAINE

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

June 30, 2008  
(Expressed in Thousands)

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|  |    |         |
|--|----|---------|
| Total fund balances for governmental funds | \$ | 187,908 |
|--|----|---------|

Amounts reported for governmental activities in the Statement of Net Assets are different because:

|  |           |           |
|--|-----------|-----------|
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. | 4,167,592 |           |
| Less: Accumulated depreciation   | (193,681) | 3,973,911 |

|  |  |        |
|--|--|--------|
| Other Post-Employment Benefit Assets are not financial resources |  | 53,203 |
|--|--|--------|

Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental fund statements. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement:

|  |           |           |
|--|-----------|-----------|
| Bonds Payable  | (475,835) |           |
| Interest Payable Related to Long-term Financing                | (4,650)   |           |
| Certificates of Participation and Other Financing Arrangements | (25,736)  |           |
| Pledged Future Revenues  | (38,338)  |           |
| Compensated Absences   | (40,786)  |           |
| Pension Obligation   | (18,708)  |           |
| Other Post-Employment Benefit Obligation                       | (34,865)  | (638,918) |

|   |  |         |
|---|--|---------|
| Certain revenues are earned but not available and therefore are not reported in the governmental fund statements. |  | 249,716 |
|---|--|---------|

|   |  |          |
|---|--|----------|
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets. |  | (91,689) |
|---|--|----------|

|                                       |    |           |
|---------------------------------------|----|-----------|
| Net assets of governmental activities | \$ | 3,734,131 |
|---------------------------------------|----|-----------|

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, 2008  
(Expressed in Thousands)

|  | General             | Highway           | Federal          | Other<br>Special<br>Revenue | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-------------------|------------------|-----------------------------|--------------------------------|--------------------------------|
| <b>Revenues:</b>   |                     |                   |                  |                             |                                |                                |
| Taxes  | \$ 3,079,706        | \$ 221,492        | \$ -             | \$ 209,439                  | \$ -                           | \$ 3,510,637                   |
| Assessments and Other Revenue  | 116,742             | 93,714            | -                | 109,907                     | -                              | 320,363                        |
| Federal Grants and Reimbursements                                      | 11,041              | 465               | 2,551,346        | 6,780                       | -                              | 2,569,632                      |
| Service Charges  | 47,262              | 6,995             | 1,449            | 89,385                      | -                              | 145,091                        |
| Investment Income (Loss)   | 2,562               | 675               | 222              | 1,640                       | (2,743)                        | 2,356                          |
| Miscellaneous Revenue  | 7,872               | -                 | 3,891            | 117,933                     | 4,414                          | 134,110                        |
| Total Revenues   | <u>3,265,185</u>    | <u>323,341</u>    | <u>2,556,908</u> | <u>535,084</u>              | <u>1,671</u>                   | <u>6,682,189</u>               |
| <b>Expenditures</b>  |                     |                   |                  |                             |                                |                                |
| Current:   |                     |                   |                  |                             |                                |                                |
| Governmental Support & Operations                                      | 280,871             | 37,749            | 9,431            | 167,181                     | 7,891                          | 503,123                        |
| Economic Development & Workforce Training                              | 39,360              | -                 | 80,649           | 27,428                      | 4,966                          | 152,403                        |
| Education  | 1,478,192           | -                 | 184,441          | 5,918                       | 12,545                         | 1,681,096                      |
| Health and Human Services  | 1,063,499           | -                 | 2,028,571        | 261,913                     | 2,700                          | 3,356,683                      |
| Business Licensing & Regulation  | -                   | -                 | 548              | 64,922                      | -                              | 65,470                         |
| Natural Resources Development & Protection                             | 72,709              | 28                | 32,426           | 85,951                      | 4,216                          | 195,330                        |
| Justice and Protection   | 267,117             | 36,229            | 72,495           | 39,436                      | 368                            | 415,645                        |
| Arts, Heritage & Cultural Enrichment                                   | 8,632               | -                 | 2,566            | 1,258                       | 261                            | 12,717                         |
| Transportation Safety & Development                                    | -                   | 273,852           | 152,451          | 21,349                      | 69,104                         | 516,756                        |
| Debt Service:  |                     |                   |                  |                             |                                |                                |
| Principal Payments   | 66,250              | 10,750            | 4,015            | -                           | -                              | 81,015                         |
| Interest Payments  | 16,058              | 2,051             | 1,466            | -                           | -                              | 19,575                         |
| Total Expenditures   | <u>3,292,688</u>    | <u>360,659</u>    | <u>2,569,059</u> | <u>675,356</u>              | <u>102,051</u>                 | <u>6,999,813</u>               |
| Revenue over (under) Expenditures                                      | <u>(27,503)</u>     | <u>(37,318)</u>   | <u>(12,151)</u>  | <u>(140,272)</u>            | <u>(100,380)</u>               | <u>(317,624)</u>               |
| Other Financing Sources (Uses):  |                     |                   |                  |                             |                                |                                |
| Transfer from Other Funds  | 101,092             | 8,162             | 28,195           | 173,314                     | 1,391                          | 312,154                        |
| Transfer to Other Funds  | (152,813)           | (3,995)           | (15,484)         | (47,623)                    | (5,780)                        | (225,695)                      |
| COP's and Other  | 5,531               | 3,329             | -                | 41,682                      | -                              | 50,542                         |
| Bonds Issued   | -                   | -                 | -                | -                           | 104,075                        | 104,075                        |
| Net Other Finance Sources (Uses)                                       | <u>(46,190)</u>     | <u>7,496</u>      | <u>12,711</u>    | <u>167,373</u>              | <u>99,686</u>                  | <u>241,076</u>                 |
| Revenues and Other Sources over (under)<br>Expenditures and Other Uses | <u>(73,693)</u>     | <u>(29,822)</u>   | <u>560</u>       | <u>27,101</u>               | <u>(694)</u>                   | <u>(76,548)</u>                |
| Fund Balances at Beginning of Year (As Restated)                       | <u>(164,779)</u>    | <u>27,559</u>     | <u>37,595</u>    | <u>263,983</u>              | <u>100,098</u>                 | <u>264,456</u>                 |
| Fund Balances at End of Year   | <u>\$ (238,472)</u> | <u>\$ (2,263)</u> | <u>\$ 38,155</u> | <u>\$ 291,084</u>           | <u>\$ 99,404</u>               | <u>\$ 187,908</u>              |

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



# STATE OF MAINE

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

June 30, 2008  
(Expressed in Thousands)

|  |                 |                 |
|--|-----------------|-----------------|
| Net change in fund balances - total governmental funds   | \$              | (76,548)        |
| Amounts reported for governmental activities in the statement of activities are different because:   |                 |                 |
| Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, the amounts are:  |                 |                 |
| Capital outlay   | 177,432         |                 |
| Depreciation expense   | <u>(18,796)</u> | 158,636         |
| The net effect of various transactions involving capital assets (ie. sales, trade ins and contributions) is to increase net assets.  |                 | (1,316)         |
| Post-employment benefit asset funding, net   |                 | 53,203          |
| The issuance of long-term debt provides current financial resources to governmental funds which increases long-term debt in the Statement of Net Assets. Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but repayment reduces long-term debt in the Statement of Net Assets. This is the amount that proceeds exceed repayments: |                 |                 |
| Bond proceeds  | (104,075)       |                 |
| Proceeds from other financing arrangements   | (8,860)         |                 |
| Repayment of bond principal  | 77,000          |                 |
| Repayment of other financing debt  | 10,840          |                 |
| Accrued interest   | <u>101</u>      | (24,994)        |
| Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported as expenditures on the Statement of Net Assets and have been eliminated from the Statement of Activities as follows:  |                 |                 |
| Pension obligation   | (264)           |                 |
| Other post-employment benefit obligation   | (34,865)        |                 |
| Pledged future revenues  | 4,015           |                 |
| Compensated absences   | <u>(2,693)</u>  | (33,807)        |
| Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.  |                 | 8,262           |
| Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is included in governmental activities in the Statement of Activities.  |                 | (109,185)       |
| Changes in net assets of governmental activities   | <u>\$</u>       | <u>(25,749)</u> |

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



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# PROPRIETARY FUND FINANCIAL STATEMENTS

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## MAJOR FUND

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

## NON-MAJOR FUNDS

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

Non-major enterprise funds are presented beginning on page 127.

Combining fund statements for the internal service funds, whose combined totals are presented on these statements, begin on page 135.

# STATE OF MAINE STATEMENT OF NET ASSETS PROPRIETARY FUNDS

June 30, 2008  
(Expressed in Thousands)

|  | Business-Type Activities<br>Enterprise Funds |                     |          | Governmental<br>Activities<br>Internal |
|--|--|---------------------|----------|--|
|  | Major  | Non-Major           | Totals   | Service Funds                          |
|  | Employment<br>Security                       | Other<br>Enterprise |          |  |
| <b>Assets</b>  |  |                     |          |  |
| Current Assets:  |  |                     |          |  |
| Equity in Treasurer's Cash Pool                                | \$ -   | \$ 3,253            | \$ 3,253 | \$ 150,172                             |
| Cash and Short-Term Investments                                | 2,091  | 757                 | 2,848    | 3                                      |
| Cash with Fiscal Agent   | -  | -                   | -        | 17,886                                 |
| Restricted Assets:   |  |                     |          |  |
| Restricted Deposits and Investments                            | 463,574                                      | -                   | 463,574  | 2,962                                  |
| Inventories  | -  | 849                 | 849      | 5,321                                  |
| Receivables, Net of Allowance for Uncollectibles:              |  |                     |          |  |
| Loans Receivable   | -  | -                   | -        | 15,625                                 |
| Other Receivable   | 30,273                                       | 25,552              | 55,825   | 3,231                                  |
| Due from Other Funds   | 25   | 542                 | 567      | 45,940                                 |
| Due from Component Units                                       | -  | 73                  | 73       | -                                      |
| Other Current Assets   | -  | 76                  | 76       | 1,013                                  |
| Total Current Assets   | 495,963                                      | 31,102              | 527,065  | 242,153                                |
| Noncurrent Assets:   |  |                     |          |  |
| Equity in Treasurer's Cash Pool                                | -  | 210                 | 210      | 9,778                                  |
| Receivables, Net of Allowance for Uncollectibles:              |  |                     |          |  |
| Loans Receivable   | -  | -                   | -        | 192,935                                |
| Post-Employment Benefit Asset                                  | -  | 2,185               | 2,185    | -                                      |
| Capital Assets - Net of Depreciation                           | -  | 95,905              | 95,905   | 121,506                                |
| Total Noncurrent Assets  | -  | 98,300              | 98,300   | 324,219                                |
| Total Assets   | 495,963                                      | 129,402             | 625,365  | 566,372                                |
| <b>Liabilities</b>   |  |                     |          |  |
| Current Liabilities:   |  |                     |          |  |
| Accounts Payable   | 1,358  | 6,128               | 7,486    | 21,254                                 |
| Accrued Payroll  | -  | 1,632               | 1,632    | 3,367                                  |
| Due to Other Governments                                       | -  | -                   | -        | 253                                    |
| Due to Other Funds   | -  | 19,353              | 19,353   | 40,175                                 |
| Due to Component Units   | -  | -                   | -        | 13,709                                 |
| Current Portion of Long-Term Obligations:                      |  |                     |          |  |
| Certificates of Participation and Other Financing Arrangements | -  | -                   | -        | 20,701                                 |
| Revenue Bonds Payable  | -  | -                   | -        | 15,625                                 |
| Obligations Under Capital Leases                               | -  | -                   | -        | 6,247                                  |
| Claims Payable   | -  | -                   | -        | 24,964                                 |
| Compensated Absences   | -  | 162                 | 162      | 481                                    |
| Deferred Revenue   | -  | 14,051              | 14,051   | 299                                    |
| Other Accrued Liabilities                                      | 872  | 19,892              | 20,764   | 2,483                                  |
| Total Current Liabilities                                      | 2,230  | 61,218              | 63,448   | 149,558                                |
| Long-Term Liabilities:   |  |                     |          |  |
| Working Capital Advances Payable                               | -  | -                   | -        | 111                                    |
| Deferred Revenue   | -  | 62,500              | 62,500   | 967                                    |
| Certificates of Participation and Other Financing Arrangements | -  | -                   | -        | 28,421                                 |
| Revenue Bonds Payable  | -  | -                   | -        | 192,935                                |
| Obligations Under Capital Leases                               | -  | -                   | -        | 31,275                                 |
| Claims Payable   | -  | -                   | -        | 41,457                                 |
| Compensated Absences   | -  | 588                 | 588      | 3,367                                  |
| Total Long-Term Liabilities                                    | -  | 63,088              | 63,088   | 298,533                                |
| Total Liabilities  | 2,230  | 124,306             | 126,536  | 448,091                                |
| <b>Net Assets</b>  |  |                     |          |  |
| Invested in Capital Assets, Net of Related Debt                | -  | 95,905              | 95,905   | 64,096                                 |
| Restricted for:  |  |                     |          |  |
| Unemployment Compensation                                      | 493,733                                      | -                   | 493,733  | -                                      |
| Other Purposes   | -  | -                   | -        | 2,676                                  |
| Unrestricted   | -  | (90,809)            | (90,809) | 51,509                                 |
| Total Net Assets   | \$ 493,733                                   | \$ 5,096            | 498,829  | \$ 118,281                             |

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

1,409

Net Assets of Business-Type Activities

\$ 500,238

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

# STATE OF MAINE

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

### PROPRIETARY FUNDS

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|  | Business-Type Activities<br>Enterprise Funds |                                  |                   | Governmental<br>Activities<br>Internal<br>Service<br>Funds |
|--|--|----------------------------------|-------------------|--|
|  | Major<br>Employment<br>Security              | Non-Major<br>Other<br>Enterprise | Totals            |  |
| <b>Operating Revenues</b>  |  |                                  |                   |  |
| Charges for Services   | \$ -   | \$ 371,576                       | \$ 371,576        | \$ 420,721   |
| Assessments  | 105,986                                      | 1,746                            | 107,732           | -  |
| Miscellaneous Revenues   | 550  | 576                              | 1,126             | 16,128   |
| <b>Total Operating Revenues</b>  | <b>106,536</b>                               | <b>373,898</b>                   | <b>480,434</b>    | <b>436,849</b>   |
| <b>Operating Expenses</b>  |  |                                  |                   |  |
| General Operations   | -  | 350,917                          | 350,917           | 349,217  |
| Depreciation   | -  | 10,139                           | 10,139            | 18,077   |
| Claims/Fees Expense  | 122,518                                      | -                                | 122,518           | 10,197   |
| Other Operating Expenses   | -  | -                                | -                 | 719  |
| <b>Total Operating Expenses</b>  | <b>122,518</b>                               | <b>361,056</b>                   | <b>483,574</b>    | <b>378,210</b>   |
| <b>Operating Income (Loss)</b>   | <b>(15,982)</b>                              | <b>12,842</b>                    | <b>(3,140)</b>    | <b>58,639</b>  |
| <b>Nonoperating Revenues (Expenses)</b>  |  |                                  |                   |  |
| Investment Revenue (Expense) - net   | 22,950                                       | -                                | 22,950            | 3,501  |
| Interest Expense   | -  | -                                | -                 | (16,053)   |
| Other Nonoperating Revenues (Expenses)- net  | -  | 12,763                           | 12,763            | 317  |
| <b>Total Nonoperating Revenues (Expenses)</b>  | <b>22,950</b>                                | <b>12,763</b>                    | <b>35,713</b>     | <b>(12,235)</b>  |
| <b>Income (Loss) Before Capital Contributions,<br/>Transfers and Special Items</b>   | <b>6,968</b>                                 | <b>25,605</b>                    | <b>32,573</b>     | <b>46,404</b>  |
| <b>Capital Contributions, Transfers and Special Items</b>  |  |                                  |                   |  |
| Capital Contributions from (to) Other Funds  | -  | 14,371                           | 14,371            | 3,177  |
| Transfers from Other Funds   | -  | 4,564                            | 4,564             | 916  |
| Transfers to Other Funds   | (2,912)                                      | (54,498)                         | (57,410)          | (33,570)   |
| Special Items  | -  | -                                | -                 | (100,000)  |
| <b>Total Capital Contributions, Transfers In (Out)<br/>and Special Items</b>   | <b>(2,912)</b>                               | <b>(35,563)</b>                  | <b>(38,475)</b>   | <b>(129,477)</b>   |
| <b>Change in Net Assets</b>  | <b>4,056</b>                                 | <b>(9,958)</b>                   | <b>(5,902)</b>    | <b>(83,073)</b>  |
| <b>Total Net Assets - Beginning of Year</b>  | <b>489,677</b>                               | <b>15,054</b>                    |                   | <b>201,354</b>   |
| <b>Total Net Assets - End of Year</b>  | <b>\$ 493,733</b>                            | <b>\$ 5,096</b>                  |                   | <b>\$ 118,281</b>  |
| Amounts reported for business-type activities in the government-wide Statement of Activities<br>are different due to elimination of the State's internal business-types activities |  |                                  | 156               |  |
| Changes in Business-Types Net Assets   |  |                                  | <u>\$ (5,746)</u> |  |

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

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

June 30, 2008  
(Expressed in Thousands)

|   | Business-Type Activities<br>Enterprise Funds |                                  |            | Governmental<br>Activities<br>Internal<br>Service<br>Funds |
|---|--|----------------------------------|------------|--|
|   | Major<br>Employment<br>Security              | Non-Major<br>Other<br>Enterprise | Totals     |  |
| <b>Cash Flows from Operating Activities</b>   |  |                                  |            |  |
| Receipts from Customers and Users   | \$ 105,093                                   | \$ 378,819                       | \$ 483,912 | \$ 389,993   |
| Payments of Benefits  | (123,454)                                    | -                                | (123,454)  | -  |
| Payments to Prize Winners   | -  | (143,951)                        | (143,951)  | -  |
| Payments to Suppliers   | -  | (156,245)                        | (156,245)  | (244,638)  |
| Payments to Employees   | -  | (37,917)                         | (37,917)   | (74,528)   |
| Net Cash Provided (Used) by Operating Activities  | (18,361)                                     | 40,706                           | 22,345     | 70,827   |
| <b>Cash Flows from Noncapital Financing Activities</b>  |  |                                  |            |  |
| Operating Transfers in  | -  | 4,564                            | 4,564      | 916  |
| Operating Transfers out   | (2,912)                                      | (54,498)                         | (57,410)   | (33,570)   |
| Special Items - Initial OPEB Trust Contribution   | -  | -                                | -          | (100,000)  |
| Net Cash Provided (Used) by Noncapital Financing Activities                                       | (2,912)                                      | (49,934)                         | (52,846)   | (132,654)  |
| <b>Cash Flows from Capital and Related Financing Activities</b>                                   |  |                                  |            |  |
| Payments for Acquisition of Capital Assets  | -  | (1,449)                          | (1,449)    | (19,435)   |
| Proceeds from Financing Arrangements  | -  | -                                | -          | 42,285   |
| Principal and Interest Paid on Financing Arrangements   | -  | -                                | -          | (40,087)   |
| Proceeds from Sale of Capital Assets  | -  | 137                              | 137        | 1,353  |
| Net Cash Provided (Used) by Capital Financing Activities  | -  | (1,312)                          | (1,312)    | (15,884)   |
| <b>Cash Flows from Investing Activities</b>   |  |                                  |            |  |
| Interest Revenue  | 22,950                                       | 263                              | 23,213     | 3,501  |
| Net Cash Provided (Used) by Investing Activities  | 22,950                                       | 263                              | 23,213     | 3,501  |
| Net Increase (Decrease) in Cash/Cash Equivalents  | 1,677  | (10,277)                         | (8,600)    | (74,210)   |
| Cash/Cash Equivalents - Beginning of Year   | 463,988                                      | 14,497                           | 478,485    | 255,011  |
| Cash/Cash Equivalents - End of Year   | \$ 465,665                                   | \$ 4,220                         | \$ 469,885 | \$ 180,801   |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Used by Operating Activities</b>     |  |                                  |            |  |
| Operating Income (Loss)   | \$ (15,982)                                  | \$ 12,842                        | \$ (3,140) | \$ 58,639  |
| <b>Adjustments to Reconcile Operating Income to Net Cash<br/>Provided by Operating Activities</b> |  |                                  |            |  |
| Depreciation Expense  | -  | 10,139                           | 10,139     | 18,077   |
| Decrease (Increase) in Assets   |  |                                  |            |  |
| Accounts Receivable   | (1,434)                                      | (3,467)                          | (4,901)    | (23,368)   |
| Interfund Balances  | (9)  | 18,047                           | 18,038     | (13,123)   |
| Inventories   | -  | (70)                             | (70)       | (630)  |
| Increase (Decrease) in Liabilities  |  |                                  |            |  |
| Accounts Payable  | (938)  | 3,355                            | 2,417      | 15,442   |
| Accrued Payroll Expenses  | -  | 187                              | 187        | 302  |
| Change in Compensated Absences  | -  | 32                               | 32         | 261  |
| Other Accruals  | 2  | (359)                            | (357)      | 15,227   |
| Total Adjustments   | (2,379)                                      | 27,864                           | 25,485     | 12,188   |
| Net Cash Provided (Used) by Operating Activities  | \$ (18,361)                                  | \$ 40,706                        | \$ 22,345  | \$ 70,827  |
| <b>Non Cash Investing, Capital and Financing Activities</b>                                       |  |                                  |            |  |
| Property Leased, Accrued, or Acquired   | -  | -                                | -          | 526  |
| Contributed Capital Assets  | -  | 14,371                           | 14,371     | 3,177  |
| Recognize revenue from the prior sale of liquor operations  | -  | 12,500                           | 12,500     | -  |

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

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# FIDUCIARY FUND FINANCIAL STATEMENTS

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Pension (and Other Employee Benefit) Trusts – accounts for funds held by the Maine Public Employees Retirement System (the System), a component unit included with Fiduciary Funds per GASB Statement No. 34. The System provides pension, death, and disability benefits to its members, including State employees, some public school employees, and employees of approximately 270 local municipalities and other public entities in Maine.

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

A listing of fiduciary funds and combining fund statements for private-purpose trusts and agency funds begins on page 147.

# STATE OF MAINE

## STATEMENT OF FIDUCIARY NET ASSETS

### FIDUCIARY FUNDS

June 30, 2008  
(Expressed in Thousands)

|  | Pension<br>(and Other<br>Employee<br>Benefit)<br>Trusts | Private<br>Purpose<br>Trusts | Agency<br>Funds |
|--|---|------------------------------|-----------------|
| <b>Assets</b>  |   |                              |                 |
| Equity in Treasurer's Cash Pool  | \$ -  | \$ 1,276                     | \$ 7,002        |
| Cash and Short-Term Investments  | 568,402   | -                            | 42              |
| Receivables, Net of Allowance for Uncollectibles:  |   |                              |                 |
| State and Local Agency Contributions   | 10,289  | -                            | -               |
| Interest and Dividends   | 23,065  | 442                          | -               |
| Due from Brokers for Securities Sold   | 187,899   | -                            | -               |
| Investments at Fair Value:   |   |                              |                 |
| Debt Securities  | 4,245,834   | -                            | -               |
| Equity Securities  | 1,998,003   | -                            | -               |
| Common/Collective Trusts   | 3,944,741   | -                            | -               |
| Other  | 5,552   | 10,980                       | -               |
| Securities Lending Collateral  | 2,689,790   | -                            | -               |
| Due from other funds   | -   | 16,937                       | 7               |
| Investments Held on Behalf of Others   | -   | 5,316,066                    | 60,263          |
| Capital Assets - Net of Depreciation   | 4,898   | -                            | -               |
| Other Assets   | -   | 14,195                       | 6,115           |
| Total Assets   | <u>13,678,473</u>                                       | <u>5,359,896</u>             | <u>73,429</u>   |
| <b>Liabilities</b>   |   |                              |                 |
| Accounts Payable   | 4,878   | 417                          | 27              |
| Due to Other Funds   | -   | 15                           | 5,648           |
| Due to Brokers for Securities Purchased  | 198,802   | -                            | -               |
| Agency Liabilities   | -   | -                            | 67,738          |
| Obligations Under Securities Lending   | 2,689,790   | -                            | -               |
| Other Accrued Liabilities  | 137,821   | -                            | 16              |
| Total Liabilities  | <u>3,031,291</u>  | <u>432</u>                   | <u>73,429</u>   |
| <b>Net Assets</b>  |   |                              |                 |
| Net Assets Held in Trust for Pension, Disability, Death,<br>Group Life Insurance Benefits and Other Purposes | <u>10,647,182</u>                                       | <u>5,359,464</u>             | <u>-</u>        |
| Total Net Assets   | <u>\$ 10,647,182</u>                                    | <u>\$ 5,359,464</u>          | <u>\$ -</u>     |

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



# STATE OF MAINE

## STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS

### FIDUCIARY FUNDS

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|   | Pension<br>(and Other<br>Employee<br>Benefit)<br>Trusts | Private<br>Purpose<br>Trusts |
|---|---|------------------------------|
| Additions:  |   |                              |
| Contributions:  |   |                              |
| Members   | \$ 163,711  | \$ 1,857,853                 |
| State and Local Agencies  | 482,780   | -                            |
| Investment Income (Loss):   |   |                              |
| Net Increase (Decrease) in the Fair Value of Investments  | (523,607)   | (748,803)                    |
| Capital Gains Distributions from Investments  | -   | 216,531                      |
| Interest and Dividends  | 218,646   | 161,153                      |
| Less Investment Expense:  |   |                              |
| Investment Activity Expense   | 34,644  | -                            |
| Net Investment Income (Loss)  | (339,605)   | (371,119)                    |
| Miscellaneous Revenues  | -   | 7,212                        |
| Transfers In  | -   | 574                          |
| <br>Total Additions   | <br>306,886   | <br>1,494,520                |
| Deductions:   |   |                              |
| Benefits Paid to Participants or Beneficiaries  | 650,945   | 1,355,735                    |
| Refunds and Withdrawals   | 27,899  | -                            |
| Administrative Expenses   | 10,544  | 44,001                       |
| Claims Processing Expense   | 621   | -                            |
| Transfers Out   | -   | 1,533                        |
| <br>Total Deductions  | <br>690,009   | <br>1,401,269                |
| <br>Net Increase (Decrease)   | <br>(383,123)   | <br>93,251                   |
| Net Assets Held in Trust for Pension, Disability, Death,<br>Group Life Insurance Benefits and Other Purposes: |   |                              |
| Beginning of Year (As Restated)   | 11,030,305  | 5,266,213                    |
| <br>End of Year   | <br>\$ 10,647,182                                       | <br>\$ 5,359,464             |

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



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# COMPONENT UNIT FINANCIAL STATEMENTS

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

Maine Community College System is Maine's primary provider of post-secondary technical education leading to a certificate, diploma, or associate degree. The financial statements of the system include the activity of seven colleges, the central administrative office, and the Maine Career Advantage.

Maine Health & Higher Educational Facilities Authority – MHHEFA assists Maine health care institutions and institutions of higher education in undertaking projects involving the acquisition, construction, improvement, reconstruction and equipping of health care and educational facilities and the refinancing of existing indebtedness. The Authority, pursuant to the Student Loan Corporations Act of 1983, may finance student loan programs of institutions of higher education.

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

Maine State Housing Authority is authorized to issue bonds for the purchase of notes and mortgages on single- and multi-family residential units to provide housing for persons and families of low income in the State. The Authority also acts as agent for the State in administering federal weatherization, energy conservation, fuel assistance and homeless grant programs, and collecting and disbursing federal rent subsidies for low income housing.

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

Non-Major Component Units combining fund statements begin on page 157.

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

June 30, 2008  
(Expressed in Thousands)

|   | Finance<br>Authority of<br>Maine | Maine<br>Community<br>College<br>System | Maine Health<br>and Higher<br>Educational<br>Facilities<br>Authority |
|---|----------------------------------|---|--|
| <b>Assets</b>                                     |                                  |   |  |
| Current Assets:                                   |                                  |   |  |
| Equity in Treasurer's Cash Pool                   | \$ 24,158                        | \$ 8,043                                | \$ -   |
| Cash and Cash Equivalents                         | 6,904                            | 671                                     | 11,452   |
| Investments                                       | 144,351                          | 24,303                                  | 22,392   |
| Restricted Assets:                                |                                  |   |  |
| Inventories                                       | -                                | 1,159                                   | -  |
| Receivables, Net of Allowance for Uncollectibles: |                                  |   |  |
| Loans Receivable                                  | -                                | -                                       | 39,935   |
| Notes Receivable                                  | -                                | -                                       | -  |
| Other Receivables                                 | 5,002                            | 3,447                                   | 1,877  |
| Due from Other Governments                        | 1,142                            | -                                       | -  |
| Due from Primary Government                       | -                                | 11,638                                  | -  |
| Loans receivable from primary government          | -                                | -                                       | -  |
| Other Current Assets                              | 2,686                            | 734                                     | 586  |
| Total Current Assets                              | <u>184,243</u>                   | <u>49,995</u>                           | <u>76,242</u>  |
| Noncurrent Assets:                                |                                  |   |  |
| Equity in Treasurer's Cash Pool                   | 1,573                            | 524                                     | -  |
| Assets Held in Trust                              | -                                | -                                       | -  |
| Restricted Assets:                                |                                  |   |  |
| Restricted Deposits and Investments               | -                                | 1,149                                   | 166,033  |
| Investments                                       | -                                | 8,631                                   | -  |
| Receivables, Net of Current Portion:              |                                  |   |  |
| Loans Receivable                                  | -                                | -                                       | 1,279,357  |
| Notes Receivable                                  | 223,841                          | -                                       | -  |
| Other Receivables                                 | -                                | -                                       | 110  |
| Due from Other Governments                        | -                                | -                                       | -  |
| Due from Primary Government                       | -                                | -                                       | -  |
| Loans receivable from primary government          | -                                | -                                       | -  |
| Capital Assets - Net of Depreciation              | 2,060                            | 109,258                                 | 3,036  |
| Other Noncurrent Assets                           | -                                | 287                                     | 974  |
| Total Noncurrent Assets                           | <u>227,474</u>                   | <u>119,849</u>                          | <u>1,449,510</u>   |
| Total Assets                                      | <u>411,717</u>                   | <u>169,844</u>                          | <u>1,525,752</u>   |
| <b>Liabilities</b>                                |                                  |   |  |
| Current Liabilities:                              |                                  |   |  |
| Accounts Payable                                  | 1,322                            | 2,281                                   | 1,128  |
| Accrued Payroll                                   | -                                | -                                       | -  |
| Compensated Absences                              | -                                | 1,860                                   | -  |
| Due to Other Governments                          | -                                | -                                       | 296  |
| Due to Primary Government                         | -                                | -                                       | -  |
| Amounts Held under State & Federal Loan Programs  | -                                | -                                       | -  |
| Undistributed Grants and Administrative Funds     | 10,919                           | -                                       | -  |
| Allowances for Losses on Insured Commercial Loans | 9,208                            | -                                       | -  |
| Bonds Payable                                     | 54                               | -                                       | 40,955   |
| Obligations under Capital Leases                  | -                                | -                                       | -  |
| Accrued Interest Payable                          | 839                              | -                                       | 27,578   |
| Deferred Revenue                                  | 1,768                            | 1,974                                   | 1,060  |
| Other Current Liabilities                         | 45                               | 8,445                                   | 1,817  |
| Total Current Liabilities                         | <u>24,155</u>                    | <u>14,560</u>                           | <u>72,834</u>  |
| Long-Term Liabilities:                            |                                  |   |  |
| Due to Other Governments                          | 1,322                            | -                                       | 2,000  |
| Amounts Held under State & Federal Loan Programs  | 45,391                           | -                                       | -  |
| Bonds Payable                                     | 303,884                          | 23,399                                  | 1,411,240  |
| Obligations under Capital Leases                  | -                                | 3,490                                   | -  |
| Deferred Revenue                                  | -                                | -                                       | -  |
| Other Noncurrent Liabilities                      | -                                | -                                       | -  |
| Total Long-Term Liabilities                       | <u>350,597</u>                   | <u>26,889</u>                           | <u>1,413,240</u>   |
| Total Liabilities                                 | <u>374,752</u>                   | <u>41,449</u>                           | <u>1,486,074</u>   |
| <b>Net Assets</b>                                 |                                  |   |  |
| Invested in Capital Assets, Net of Related Debt   | 2,060                            | 83,806                                  | 3,036  |
| Restricted  | 7,450                            | 19,531                                  | 3,841  |
| Unrestricted                                      | <u>27,455</u>                    | <u>25,058</u>                           | <u>32,801</u>  |
| Total Net Assets                                  | <u>\$ 36,965</u>                 | <u>\$ 128,395</u>                       | <u>\$ 39,678</u>   |

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

| <b>Maine<br/>Municipal<br/>Bond Bank</b> | <b>Maine State<br/>Housing<br/>Authority</b> | <b>University of<br/>Maine<br/>System</b> | <b>Non-Major<br/>Component<br/>Units</b> | <b>Totals</b>       |
|--|--|---|--|---------------------|
| \$ -                                     | \$ -   | \$ 17,839                                 | \$ 3,302                                 | \$ 53,342           |
| 49                                       | 3,236  | 1,097                                     | 29,374                                   | 52,783              |
| 20,796                                   | 389,966                                      | 133,970                                   | 2,647                                    | 738,425             |
| -  | -  | -   | 983                                      | 2,142               |
| -  | 24,801                                       | -   | 12,309                                   | 77,045              |
| -  | 2  | 113                                       | 30                                       | 145                 |
| 1,330                                    | 16,978                                       | 22,926                                    | 5,717                                    | 57,277              |
| 125,095                                  | 4,148  | 11,329                                    | 1,331                                    | 143,045             |
| -  | 1,069  | 10,595                                    | 5,199                                    | 28,501              |
| 4,617                                    | -  | -   | -  | 4,617               |
| 26,355                                   | -  | 6,924                                     | 2,336                                    | 39,621              |
| <u>178,242</u>                           | <u>440,200</u>                               | <u>204,793</u>                            | <u>63,228</u>                            | <u>1,196,943</u>    |
| -  | -  | 1,162                                     | 13                                       | 3,272               |
| -  | -  | -   | 4,205                                    | 4,205               |
| 248,910                                  | 322,024                                      | 43,098                                    | 3,914                                    | 785,128             |
| -  | 2,574  | 280,250                                   | 48,157                                   | 339,612             |
| -  | 1,182,809                                    | -   | 95,038                                   | 2,557,204           |
| -  | 661  | 43,005                                    | 1,623                                    | 269,130             |
| -  | -  | 6,687                                     | 3,590                                    | 10,387              |
| 1,136,345                                | -  | -   | -  | 1,136,345           |
| -  | -  | 2,386                                     | -  | 2,386               |
| 34,203                                   | -  | -   | -  | 34,203              |
| 775                                      | 2,323  | 621,302                                   | 106,466                                  | 845,220             |
| 3,536                                    | 4,086  | 18,778                                    | 6,222                                    | 33,883              |
| <u>1,423,769</u>                         | <u>1,514,477</u>                             | <u>1,016,668</u>                          | <u>269,228</u>                           | <u>6,020,975</u>    |
| <u>1,602,011</u>                         | <u>1,954,677</u>                             | <u>1,221,461</u>                          | <u>332,456</u>                           | <u>7,217,918</u>    |
| 361                                      | 43,308                                       | 22,828                                    | 7,615                                    | 78,843              |
| -  | -  | -   | 842                                      | 842                 |
| -  | -  | -   | 420                                      | 2,280               |
| 1,507                                    | 116  | -   | 12                                       | 1,931               |
| -  | -  | -   | 253                                      | 253                 |
| 19,664                                   | -  | -   | -  | 19,664              |
| 51                                       | -  | -   | -  | 10,970              |
| -  | -  | -   | -  | 9,208               |
| 102,548                                  | 41,245                                       | 7,699                                     | 134                                      | 192,635             |
| -  | -  | 285                                       | 16                                       | 301                 |
| 8,939                                    | 9,139  | -   | 488                                      | 46,983              |
| 1,607                                    | 8,471  | 14,815                                    | 13,058                                   | 42,753              |
| -  | -  | 34,959                                    | 4,812                                    | 50,078              |
| <u>134,677</u>                           | <u>102,279</u>                               | <u>80,586</u>                             | <u>27,650</u>                            | <u>456,741</u>      |
| 2,196                                    | 5,638  | -   | 3,499                                    | 14,655              |
| -  | -  | -   | -  | 45,391              |
| 983,065                                  | 1,509,284                                    | 209,212                                   | 149,606                                  | 4,589,690           |
| -  | -  | 1,031                                     | 42                                       | 4,563               |
| -  | 22,228                                       | -   | 1,226                                    | 23,454              |
| -  | -  | 88,821                                    | -  | 88,821              |
| <u>985,261</u>                           | <u>1,537,150</u>                             | <u>299,064</u>                            | <u>154,373</u>                           | <u>4,766,574</u>    |
| <u>1,119,938</u>                         | <u>1,639,429</u>                             | <u>379,650</u>                            | <u>182,023</u>                           | <u>5,223,315</u>    |
| -  | 2,323  | 417,633                                   | 103,106                                  | 611,964             |
| 423,197                                  | 298,322                                      | 326,627                                   | 24,731                                   | 1,103,699           |
| 58,876                                   | 14,603                                       | 97,551                                    | 22,596                                   | 278,940             |
| <u>\$ 482,073</u>                        | <u>\$ 315,248</u>                            | <u>\$ 841,811</u>                         | <u>\$ 150,433</u>                        | <u>\$ 1,994,603</u> |

# STATE OF MAINE

## STATEMENT OF ACTIVITIES

### COMPONENT UNITS

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|  | <u>Finance<br/>Authority of<br/>Maine</u> | <u>Maine<br/>Community<br/>College<br/>System</u> | <u>Maine Health<br/>and Higher<br/>Educational<br/>Facilities<br/>Authority</u> |
|--|---|---|---|
| <b>Expenses</b>  | \$ 50,579                                 | \$ 106,194  | \$ 73,670   |
| <b>Program Revenues</b>  |   |   |   |
| Charges for Services   | 19,233                                    | 25,266  | 70,087  |
| Program Investment Income  | 8,091                                     | (540)   | 7,235   |
| Operating Grants and Contributions                               | 20,600                                    | 28,954  | -   |
| Capital Grants and Contributions                                 | <u>-</u>                                  | <u>2,651</u>                                      | <u>-</u>  |
| Net Revenue (Expense)  | <u>(2,655)</u>                            | <u>(49,863)</u>                                   | <u>3,652</u>  |
| <b>General Revenues</b>  |   |   |   |
| Unrestricted Investment Earnings                                 | -   | 518   | 1,406   |
| Non-program Specific Grants,<br>Contributions and Appropriations | -   | 63,692  | -   |
| Miscellaneous Income   | -   | 1,511   | 134   |
| Gain (Loss) on Assets Held for Sale                              | <u>-</u>                                  | <u>64</u>   | <u>-</u>  |
| Total General Revenues   | <u>-</u>                                  | <u>65,785</u>                                     | <u>1,540</u>  |
| Change in Net Assets   | (2,655)                                   | 15,922  | 5,192   |
| Net Assets, Beginning of the Year (As Restated)                  | <u>39,620</u>                             | <u>112,473</u>                                    | <u>34,486</u>   |
| Net Assets, End of Year  | <u><u>\$ 36,965</u></u>                   | <u><u>\$ 128,395</u></u>                          | <u><u>\$ 39,678</u></u>   |

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

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| <b>Maine<br/>Municipal<br/>Bond Bank</b> | <b>Maine State<br/>Housing<br/>Authority</b> | <b>University of<br/>Maine<br/>System</b> | <b>Non-Major<br/>Component<br/>Units</b> | <b>Totals</b>       |
|--|--|---|--|---------------------|
| \$ 65,272                                | \$ 226,865                                   | \$ 654,380                                | \$ 97,014                                | \$ 1,273,974        |
| 47,418                                   | 73,386                                       | 278,178                                   | 33,722                                   | 547,290             |
| 10,239                                   | 44,196                                       | -   | 2,574                                    | 71,795              |
| 4,551                                    | 135,054                                      | 163,337                                   | 38,992                                   | 391,488             |
| 21,432                                   | -  | 5,624                                     | 3,990                                    | 33,697              |
| 18,368                                   | 25,771                                       | (207,241)                                 | (17,736)                                 | (229,704)           |
| 995                                      | 713  | 3,724                                     | 1,176                                    | 8,532               |
| -  | -  | 210,195                                   | 19,726                                   | 293,613             |
| 939                                      | -  | (363)                                     | 633                                      | 2,854               |
| -  | -  | -   | (556)                                    | (492)               |
| 1,934                                    | 713  | 213,556                                   | 20,979                                   | 304,507             |
| 20,302                                   | 26,484                                       | 6,315                                     | 3,243                                    | 74,803              |
| 461,771                                  | 288,764                                      | 835,496                                   | 147,190                                  | 1,919,800           |
| <u>\$ 482,073</u>                        | <u>\$ 315,248</u>                            | <u>\$ 841,811</u>                         | <u>\$ 150,433</u>                        | <u>\$ 1,994,603</u> |





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# **NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

**A. REPORTING ENTITY**

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

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

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

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

The MGFA was created in 1997, as a successor to the Maine Court Facilities Authority, for the purpose of assisting in the financing, acquisition, construction, improvement, reconstruction, and equipping of additions to structures designed for use as a court facility, State office or State activity space. The MGFA is included as an internal service fund in the State's financial statements.

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

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

*The Maine Community College System* is Maine's primary provider of post-secondary technical education leading to a certificate, diploma, or associate degree. The combined financial statements of the System include the activity

of seven colleges, the central administrative office, the Center for Career Development (including the Maine Career Advantage and Maine Quality Centers programs), and its component unit, Maine Community College Educational Foundations.

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

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

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

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

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

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

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

*Maine Public Employees Retirement System* administers an agent-multiple employer public employee retirement system. It provides pension, death, and disability benefits to its members, which include employees of the State, some public school employees, employees of approximately 270 local municipalities and other public entities in Maine. The Governor appoints four of the Board's eight voting trustees. A fifth trustee is either the Treasurer of State or the Deputy Treasurer of State.

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

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

### Related Organizations

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

## B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

### Government-Wide Financial Statements

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

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

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

**Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$694.6 million of restricted net assets, of which \$41.2 million is restricted by enabling legislation.

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

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

**Fund Financial Statements**

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

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION****Measurement Focus and Basis of Accounting**

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

As allowed by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, the State's proprietary funds follow all GASB pronouncements and those Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or prior to November 30, 1989, except those that conflict with a GASB pronouncement.

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

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

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

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

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

**Financial Statement Presentation**

The State reports the following major governmental funds:

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

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

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

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

The State reports the following major enterprise fund:

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

Additionally, the State reports the following fund types:

**Governmental Fund Types:**

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

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

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

**Proprietary Fund Types:**

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

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

**Fiduciary Fund Types:**

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

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

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

#### **D. FISCAL YEAR-ENDS**

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

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

##### **Equity in Treasurer's Cash Pool**

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

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

##### **Cash and Cash Equivalents**

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

##### **Cash with Fiscal Agent**

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

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

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

##### **Investments Held on Behalf of Others**

These assets include amounts held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds. Generally, these investments are reported at fair value or at amortized cost which approximates fair value. The State also holds \$167 million of Workers' Compensation, \$46 million of Bureau of Insurance, and \$24 million of Maine Department of Labor surety bonds and letters of credit that are not reflected on the financial statements.

##### **Restricted Deposits and Investments**

Restricted deposits and investments include: unemployment tax receipts deposited with the United States Treasury that are drawn down to pay unemployment benefits; cash and investments of the Maine Governmental Facilities Authority, a blended component unit that has been independently audited; unspent bond proceeds, and funds invested in Certificates of Deposit and other investments at various financial institutions within the State. The financial institutions lend these deposits and investments to local commercial and agricultural enterprises to foster economic growth in Maine.



**Inventories**

The costs of materials and supplies of the Governmental Funds are reported as expenditures when purchased. Undistributed vaccines and food commodities are reported as inventory and deferred revenue in the Federal Fund. Revenues and corresponding expenditures are recognized when food stamps are used (EBT cards), and when vaccines and food commodities are issued. Inventories of materials and supplies in the Proprietary Funds are determined by physical counts and by perpetual inventory systems. Proprietary Fund inventories are stated at cost or average cost.

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

**Receivables**

Receivables consist primarily of amounts due to the State from taxpayers and service providers. Also included in receivables are amounts due but not yet remitted to the State from lottery sales by agents. Loans receivable for the primary government represent low interest financing arrangements to construct and modernize agricultural storage facilities and local commercial enterprises, as well as Department of Transportation loans to local governments. Receivables in the component units' column arise in the normal course of business. Receivables are stated net of estimated allowances for uncollectible amounts that are determined based upon past collection experience and aging of the accounts. Receivables due from related providers for interim payments are \$33 million, net of an allowance for uncollectible amounts of \$19.5 million.

**Interfund Transactions and Balances**

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

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

**Due from/to Primary Government/Component Units**

Numerous transactions are made between the primary government and component units to finance operations, provide services, acquire or construct assets, or repay bonds. To the extent that transactions between funds were not completed as of June 30, "Due from Primary Government" and "Due to Component Unit" receivables and payables have been recorded. Two component units have December 31 year ends, therefore the "due to" and "due from" amounts will 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. 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 buildings and improvements, and 2-25 years for equipment. The State uses the modified approach for reporting its significant infrastructure assets. As long as the State maintains and preserves its infrastructure assets at pre-determined condition levels, maintenance costs are expensed and depreciation is not reported. This approach is discussed further in the Required Supplementary Information.

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

**Accounts Payable**

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers. Incurred but not paid (IBNP) Medicaid claims settlements are actuarially estimated. The IBNP estimate at June 30, 2008 is \$380 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 liabilities as required by GASB. In the governmental fund financial statements, vested or accumulated leave expected to be liquidated with current available financial resources is reported as an expenditure and fund liability. In the discretely presented component units, employees' accumulated compensated absences are recorded as an expense and liability as the benefits accrue.

**Deferred Revenue**

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

**Pledged Future Revenues**

In the Statement of Net Assets, the amount of bond proceeds received by a component unit for unmatured GARVEE bond proceeds is called "Pledged Future Revenues." The offsetting receivables are classified as "Loans Receivable from Primary Government."

**Long-Term Obligations**

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

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

**Net Assets/Fund Balances**

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

**Fund Balance Reservations**

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

The State reported the following fund balance reservations:

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

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

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

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

**F. REVENUES AND EXPENDITURES/EXPENSES**

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

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

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

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are subclassified by object (e.g. general operations and depreciation). Operating revenues and expenses generally result from providing

services and producing and delivering goods. All other revenues and expenses are reported as nonoperating, capital contributions, transfers or special items.

## **NOTE 2 – BUDGETING AND BUDGETARY CONTROL, AND LEGAL COMPLIANCE**

### **Appropriation Limits**

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

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

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

### **Budget Stabilization Fund**

The Maine Budget Stabilization Fund, a fund designation established under Title 5 MRSA C. 142, is included in the negative \$403.9 million unreserved General Fund fund balance. Amounts in the stabilization fund may be expended only to offset a General Fund revenue shortfall. The Governor may also allocate funds for payment of death benefits for law enforcement officers, firefighters and emergency medical services personnel.

Balances in the fund do not lapse, but carry forward each year. Money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. In addition to interest earnings, the fund received \$10.0 million according to Public Law 2007, Chapter 700, Part C.

The statutory cap for the fund is 12 percent of the total General Fund revenue received in the immediately preceding fiscal year. At the close of the fiscal year, the cap is based on the revenue received in the fiscal year being closed. Based on fiscal year 2008 actual General Fund revenue, the statutory cap at the close of fiscal year 2008 and during fiscal year 2008 was \$370.5 million. At the close of fiscal year 2008, the balance of the Maine Budget Stabilization Fund was \$128.9 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 | \$ 115,480        |
| Increase in fund balance   | 13,397            |
| Balance, end of year       | <u>\$ 128,877</u> |

**Budget and Budgetary Expenditures**

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

Except in specific instances, only the Legislature may transfer appropriations between departments. Changes in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget. For the year ended June 30, 2008, the Legislature decreased supplemental appropriations to the General Fund by \$19.5 million.

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

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

The State established, and partially funded, an irrevocable trust for postemployment benefits during fiscal 2008. The State implemented the Governmental Accounting Standards Board's Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement requires accounting and financial reporting for postretirement benefits provided to employees similarly to accounting for pension benefits. The statement provides specific guidance for plans that are held as trusts or equivalent arrangements and for plans that are not held in that manner. Required notes to the financial statements include a brief plan description, a summary of significant accounting policies, and information about contributions.

Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, is required to be implemented by the State as of June 30, 2008. The statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities/assets, note disclosures, and, if applicable, required supplementary information (RSI) in the financial statements of State governmental employers. The effects of applying this standard require the State to account for other postemployment benefits (OPEB), primarily healthcare, on an accrual basis rather than on the past pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Revenues, Expenses, and Changes in Net Assets when future retirees earn their postemployment benefits, rather than when they use their postemployment benefit. To the extent that an entity does not fund their actuarially required contribution, a post employment benefit obligation is recognized on the Balance Sheet over time. Required Supplementary Information includes a schedule of funding progress for the most recent valuation and the two preceding valuations accompanied by notes regarding factors that significantly affect the identification of trends in the amounts reported. The statement was implemented prospectively with a zero net OPEB obligation at transition.

In addition, the State has implemented Governmental Accounting Standards Board (GASB) Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. This statement establishes criteria that governments will use to ascertain whether a transaction should be regarded as a sale or as collateralized borrowings and if the resulting proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or

relinquishes control over the receivables or future revenues. Implementation of this statement did not require any modification to the financial statements.

Governmental Accounting Standards Board (GASB) Statement No. 50, *Pension Disclosures*, became effective in fiscal year 2008. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits and, in doing so, enhances information disclosed in notes to the financial statements by employers that provide pension benefits.

**Restatement – Primary Government**

The beginning net assets of the General Fund, a major governmental fund, and the Governmental Activities decreased by \$8.4 million to correct an error in reported accounts receivable.

**Restatement – Fiduciary Fund Financial Statements**

The beginning net assets on the Statement of Changes in Fiduciary Net Assets increased \$7.3 million to reflect the assets of the Defined Contribution Retirement Plans.

**Restatement – Component Units**

The beginning net assets on the Statement of Activities increased \$5.9 million with the inclusion of the Small Enterprise Growth Fund as a reported non-major component unit.

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

Four internal service funds showed deficit Net Assets for the fiscal year ended June 30, 2008. The Workers' Compensation Fund reported a deficit of \$11.6 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a fund balance deficit of \$4.3 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of \$918 thousand because expenses are recognized when incurred; however, related revenue is not earned until jobs are satisfactorily completed. The Financial & Personnel Services Fund had a fund balance deficit of \$182 thousand because rates charged were insufficient to cover expenses incurred. All of the deficits mentioned above are expected to be funded by future service charges.

The Alcoholic Beverages Enterprise Fund shows a deficit of \$75.0 million. During fiscal year 2004, the State of Maine entered into a 10 year contract with a vendor to manage and operate wholesale liquor distribution as the State's agent. The deficit reflects the deferral of license fees that will be amortized over that 10 year period.

The Maine Military Authority Enterprise Fund shows a deficit of \$3.2 million. Expenses are recognized when incurred; however, related revenue is not earned until repair projects are satisfactorily completed. The deficit will be funded by future billings as projects are completed.

The Dirigo Health Enterprise Fund shows a deficit of \$15.9 million. This deficit is the result of the timing of revenue collections from the Savings Offset Program.

The General Fund shows a deficit fund balance of \$238.5 million at June 30, 2008. This deficit is due to the full recognition of the State's share of Medicaid liabilities at fiscal year end, which are funded throughout the year with the aforementioned tax revenue. The federal portion of these liabilities is also fully accrued, with an offsetting receivable from the federal government as allowed under Governmental Accounting Standards Board (GASB) Statement No. 33. Per GASB 33, revenue associated with government mandated non-exchange transactions should be recognized when applicable eligibility requirements have been met and the resources are available. Medicaid is an entitlement program. Therefore, the funds are available when the payments for these liabilities are processed.

The Highway Fund shows a deficit fund balance of \$2.3 million. The deficit reflects the way in which the State accrues liabilities related to Highway Planning and Construction. The deficit will be funded by future federal grant payments.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

Approved investments include bonds, notes, certificates of indebtedness, other obligations of the United States that mature not more than 36 months from the date of investment; repurchase agreements secured by obligations of the United States that mature within the succeeding 12 months; prime commercial paper; tax-exempt obligations; corporate bonds rated “AAA” that mature within 36 months from the date of investment; banker’s acceptances; and “no-load” shares of an investment company registered under the Federal Investment Company Act of 1940, whose shares maintain a constant share price. Although authorized to do so, the Treasurer does not participate in the securities loan market.

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

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

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

The Primary Government's Deposits and Investments excluding component units that are fiduciary in nature at June 30, 2008:

**Primary Government Deposits and Investments**

(Expressed in Thousands)

|  | <b>Governmental<br/>Activities</b> | <b>Business-<br/>Type<br/>Activities</b> | <b>Private<br/>Purpose<br/>Trusts</b> | <b>Agency<br/>Funds</b> | <b>Total</b>        |
|--|------------------------------------|--|---------------------------------------|-------------------------|---------------------|
| Equity in Treasurer's Cash Pool            | \$ 465,070                         | \$ 3,463                                 | \$ 1,276                              | \$ 7,002                | \$ 476,811          |
| Cash and Cash Equivalents                  | 289                                | 2,848                                    | -                                     | 15                      | 3,152               |
| Cash with Fiscal Agent                     | 72,139                             | -  | -                                     | 27                      | 72,166              |
| Investments                                | 74,975                             | -  | 10,980                                | -                       | 85,955              |
| Restricted Equity in Treasurer's Cash Pool | 9,581                              | -  | -                                     | -                       | 9,581               |
| Restricted Deposits and Investments        | 24,112                             | 463,574                                  | -                                     | -                       | 487,686             |
| Investments Held on Behalf of Others       | -                                  | -  | 5,316,066                             | 60,263                  | 5,376,329           |
| Other Assets                               | -                                  | -  | -                                     | -                       | -                   |
| Total Primary Government                   | <u>\$ 646,166</u>                  | <u>\$ 469,885</u>                        | <u>\$ 5,328,322</u>                   | <u>\$ 67,307</u>        | <u>\$ 6,511,680</u> |

*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, 2008:

|   | Maturities in Years<br>(Expressed in Thousands) |                 |                |                |                         |                        |                       |
|---|---|-----------------|----------------|----------------|-------------------------|------------------------|-----------------------|
|   | <u>Less<br/>than 1</u>                          | <u>1 - 5</u>    | <u>6 - 10</u>  | <u>11 - 20</u> | <u>More<br/>than 20</u> | <u>No<br/>Maturity</u> | <u>Fair<br/>Value</u> |
| <i>Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds</i> |   |                 |                |                |                         |                        |                       |
| US Instrumentalities  | \$27,913  | \$26,009        | \$ -           | \$ -           | \$ -                    | \$ -                   | \$53,922              |
| US Treasury Notes   | 4,101   | -               | -              | -              | -                       | -                      | 4,101                 |
| Repurchase Agreements   | 73,038  | -               | -              | -              | -                       | -                      | 73,038                |
| Corporate Notes and Bonds   | 8,714   | 2,449           | -              | -              | -                       | -                      | 11,163                |
| Commercial Paper  | 5,653   | -               | -              | -              | -                       | -                      | 5,653                 |
| Certificates of Deposit   | 11,770  | -               | -              | -              | -                       | -                      | 11,770                |
| Money Market  | 327,188   | -               | -              | -              | -                       | -                      | 327,188               |
| Cash and Cash Equivalents   | -   | -               | -              | -              | -                       | 18,529                 | 18,529                |
| Unemployment Fund   |   |                 |                |                |                         |                        |                       |
| Deposits with US Treasury   | -   | -               | -              | -              | -                       | 463,574                | 463,574               |
| <i>Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds</i>            |   |                 |                |                |                         |                        |                       |
| US Instrumentalities  | 2,095   | 2,804           | 436            | 1,042          | 6,568                   | -                      | 12,945                |
| US Treasury Notes   | 1,857   | 9,882           | 4,253          | 6,262          | 4,197                   | -                      | 26,451                |
| Repurchase Agreements   | 898   | -               | -              | -              | -                       | -                      | 898                   |
| Corporate Notes and Bonds   | 745   | 3,097           | 3,531          | 401            | 1,862                   | 5,140                  | 14,776                |
| Other Fixed Income  |   |                 |                |                |                         |                        |                       |
| Securities  | -   | -               | 136            | -              | 46                      | -                      | 182                   |
| Commercial Paper  | 98  | -               | -              | -              | -                       | -                      | 98                    |
| Certificates of Deposit   | 175   | -               | -              | -              | -                       | 10,150                 | 10,325                |
| Money Market  | 5,665   | -               | -              | -              | -                       | 820                    | 6,485                 |
| Cash and Cash Equivalents   | -   | -               | -              | -              | -                       | 18,794                 | 18,794                |
| Equities  | -   | -               | -              | -              | -                       | 61,749                 | 61,749                |
| Other   | -   | -               | -              | -              | -                       | 1,807                  | 1,807                 |
|   | <u>\$469,910</u>                                | <u>\$44,241</u> | <u>\$8,356</u> | <u>\$7,705</u> | <u>\$12,673</u>         | <u>\$580,563</u>       | <u>\$1,123,448</u>    |
| NextGen College Investing Plan  |   |                 |                |                |                         |                        | 5,316,066             |
| Other Assets  |   |                 |                |                |                         |                        | -                     |
| Cash with Fiscal Agent  |   |                 |                |                |                         |                        | 72,166                |
| Total Primary Government  |   |                 |                |                |                         |                        | <u>\$6,511,680</u>    |

**Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. This credit risk is measured by the credit quality ratings of investments as described by nationally recognized statistical rating organizations. To the extent possible in the Treasurer's Cash Pool, at least 30 percent of the portfolio shall be invested in U.S. Treasury, Federal Agency or Federal Instrumentality securities, or Repurchase Agreements. The State limits credit risk in its trusts by ensuring that at least 85 percent of the debt securities are rated A or better.

The Primary Government's total investments by credit quality rating as of June 30, 2008 are presented below:

|   | Standard & Poor's Credit Rating (Expressed in Thousands) |                 |                 |             |                   |              |               |                      |                   |
|---|--|-----------------|-----------------|-------------|-------------------|--------------|---------------|----------------------|-------------------|
|   | <u>A1</u>  | <u>A</u>        | <u>AA</u>       | <u>AA+</u>  | <u>AAA</u>        | <u>BB</u>    | <u>BBB</u>    | <u>Not<br/>Rated</u> | <u>Total</u>      |
| <i>Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds</i> |  |                 |                 |             |                   |              |               |                      |                   |
| US Instrumentalities  | \$ -   | \$ -            | \$ -            | \$ -        | \$ 53,923         | \$ -         | \$ -          | \$ -                 | \$ 53,923         |
| US Treasury Notes   | -  | -               | -               | -           | -                 | -            | -             | 4,101                | 4,101             |
| Corporate Notes<br>and Bonds  | -  | -               | -               | -           | 11,163            | -            | -             | -                    | 11,163            |
| Commercial Paper  | -  | -               | -               | -           | -                 | -            | -             | 5,653                | 5,653             |
| Money Market  | -  | -               | -               | -           | 34,261            | -            | -             | 292,927              | 327,188           |
| <i>Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds</i>            |  |                 |                 |             |                   |              |               |                      |                   |
| US Instrumentalities  | -  | -               | 101             | -           | 3,688             | -            | -             | 9,156                | 12,945            |
| US Treasury Notes   | -  | -               | -               | -           | 4,999             | -            | -             | 21,452               | 26,451            |
| Corporate Notes<br>and Bonds  | -  | 2,443           | 1,320           | -           | 1,941             | 78           | 692           | 8,302                | 14,776            |
| Commercial Paper  | -  | -               | -               | -           | -                 | -            | -             | 98                   | 98                |
| Money Market  | -  | -               | -               | -           | 593               | -            | -             | 5,892                | 6,485             |
| Other Fixed Income<br>Securities  | -  | 22              | 24              | -           | -                 | -            | 136           | -                    | 182               |
| Total Primary<br>Government   | <u>\$ -</u>  | <u>\$ 2,465</u> | <u>\$ 1,445</u> | <u>\$ -</u> | <u>\$ 110,568</u> | <u>\$ 78</u> | <u>\$ 828</u> | <u>\$347,581</u>     | <u>\$ 462,965</u> |

*Concentration of Credit Risk* –Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State limits concentration of credit risk in its trusts by requiring that no single stock represent more than 10 percent of the total portfolio. There is no concentration of credit risk policy for the Treasurer's Cash Pool. At June 30, 2008, more than 5 percent of the cash pool's investments were in Bank of America and Morgan Stanley. These investments are \$28.0 million (5.17 percent) and \$30.0 million (5.5 percent), respectively, of the cash pool's total investments.

*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 \$11.8 million invested in non-negotiable certificates of deposit, \$3.5 million exceeded the FDIC insured amounts for the institutions at which they were held. The State does not have a policy regarding custodial credit risk for its trusts. The Percival P. Baxter Trust is held by the counterparty's trust department, but not in the State's name.

The fair value of the trust's investments as of June 30, 2008 was \$62.0 million and was comprised of the following:

|                               |                  |
|-------------------------------|------------------|
| U.S. Instrumentalities        | \$ 8,297         |
| US Treasury Notes             | 4,054            |
| Corporate Notes and Bonds     | 5,393            |
| Other Fixed Income Securities | 136              |
| Equities                      | 43,346           |
| Cash and Equivalents          | 289              |
| Other                         | 530              |
| Total                         | <u>\$ 62,045</u> |

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2008 these disbursements, on average, exceeded \$149.6 million per month. The funds in transit are not collateralized and are not held by the State Treasurer. Until the vendor receives payment, the State retains some liability.

#### **MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**

The Maine Public Employees Retirement System (the System) makes investments in a combination of equities, fixed income securities, mutual funds, commingled mutual and index funds, derivative financial instruments, and other investment securities established by the Trustee's investment policy. The System prohibits its investment managers from using leverage in its derivative financial instruments or from investing in speculative positions.

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

Cash open collateral is invested in a short-term investment pool, the Global Core Collateral Section. Cash collateral may also be invested separately in "term loans." At June 30, 2008, 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, 2008 was \$3.8 billion and \$3.7 billion, respectively.

#### **NEXTGEN COLLEGE INVESTING PLAN**

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

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

NextGen's investments are comprised of 47 different investment portfolios which are reported at fair value and total \$5.3 billion at June 30, 2008.

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

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

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

*Credit Risk* - The Program has not established an investment policy that specifically limits its exposure to credit risk. The Program's investments in fixed income mutual funds, the Principal Plus Portfolio, and the Account may bear credit risk. The GIC underlying the Program's investment in the Principal Plus Portfolio has not been rated by any of the nationally recognized statistical rating organizations. The fair value of the GIC at June 30, 2008 was \$79.8 million.

The assets of the Account are invested in a portfolio of high-quality, short-term money-market securities consisting primarily of direct U.S. Government obligations, U.S. Government agency securities, obligations of domestic and foreign banks, U.S. dollar denominated commercial paper, and other short-term debt securities issued by U.S. and foreign entities repurchase agreements. In addition, the Account invests in certificates of deposit issued by Maine financial institutions in accordance with instructions of FAME and the Treasurer. All Maine Certificate of Deposit's are FDIC insured or fully collateralized. The value of the Account at June 30, 2008 was \$370.6 million.

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

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

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

|                          | <u>Fair Value</u>         |
|--------------------------|---------------------------|
| Principal Plus Portfolio | \$ 79,770                 |
| Cash Allocation Account  | 370,623                   |
| Fixed Income Securities  | <u>1,228,975</u>          |
| Total Fair Value         | <u><u>\$1,679,368</u></u> |

#### COMPONENT UNITS

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

Certain component units also invest in the Treasurer's Cash Pool and comprise approximately 13 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 \$53.5 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 \$18.3 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.

**NOTE 6 - RECEIVABLES**

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

**Primary Government – Receivables**

(Expressed in Thousands)

|                              | <u>Taxes</u>     | <u>Accounts</u>  | <u>Loans</u>     | <u>Allowance<br/>for<br/>Uncollectibles</u> | <u>Net<br/>Receivables</u> |
|------------------------------|------------------|------------------|------------------|---|----------------------------|
| <b>Governmental Funds:</b>   |                  |                  |                  |   |                            |
| General                      | \$547,767        | \$143,834        | \$1              | (\$202,663)                                 | \$488,939                  |
| Highway                      | 24,954           | 1,790            | 62               | (5,289)                                     | 21,517                     |
| Federal                      | -                | 89,625           | -                | (27,230)                                    | 62,395                     |
| Other Special Revenue        | 10,166           | 78,674           | 6,127            | (5,907)                                     | 89,060                     |
| Other Governmental Funds     | -                | -                | -                | -   | -                          |
| Total Governmental Funds     | 582,887          | 313,923          | 6,190            | (241,089)                                   | 661,911                    |
| Allowance for Uncollectibles | (147,641)        | (93,111)         | (337)            |   |                            |
| Net Receivables              | <u>\$435,246</u> | <u>\$220,812</u> | <u>\$5,853</u>   |   | <u>\$661,911</u>           |
| <b>Proprietary Funds:</b>    |                  |                  |                  |   |                            |
| Employment Security          | \$0              | \$40,025         | \$0              | (\$9,752)                                   | \$30,273                   |
| Nonmajor Enterprise          | -                | 26,269           | -                | (717)                                       | 25,552                     |
| Internal Service             | -                | 3,231            | 208,560          | -   | 211,791                    |
| Total Proprietary Funds      | -                | 69,525           | 208,560          | (10,469)                                    | 267,616                    |
| Allowance for Uncollectibles | -                | (10,469)         | -                |   |                            |
| Net Receivables              | <u>\$0</u>       | <u>\$ 59,056</u> | <u>\$208,560</u> |   | <u>\$267,616</u>           |

**Component Units – Receivables**

(Expressed in Thousands)

|  | <u>Accounts</u> | <u>Loans</u> | <u>Notes</u> | <u>Allowance<br/>For<br/>Uncollectibles</u> | <u>Net<br/>Receivables</u> |
|--|-----------------|--------------|--------------|---|----------------------------|
| Finance Authority of Maine                           | \$5,002         | \$ -         | \$228,593    | (\$4,752)                                   | \$228,843                  |
| Maine Community College System                       | 4,390           | -            | -            | (943)                                       | 3,447                      |
| Maine Health and Educational<br>Facilities Authority | 2,863           | 1,319,292    | -            | (876)                                       | 1,321,279                  |
| Maine Municipal Bond Bank                            | 1,330           | -            | -            | -   | 1,330                      |
| Maine State Housing Authority                        | 16,978          | 1,216,922    | 663          | (9,312)                                     | 1,225,251                  |
| University of Maine System                           | 32,285          | -            | 44,092       | (3,646)                                     | 72,731                     |

**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, 2008 were:

**Interfund Receivables**  
(Expressed in Thousands)

| <u>Due from Other Funds</u> | <u>Due to Other Funds</u> |                 |                 |                              |                           |
|-----------------------------|---------------------------|-----------------|-----------------|------------------------------|---------------------------|
|                             | <u>General</u>            | <u>Highway</u>  | <u>Federal</u>  | <u>Other Special Revenue</u> | <u>Other Governmental</u> |
| General                     | \$ 2,238                  | \$ -            | \$ 2,287        | \$ -                         | \$ 27                     |
| Highway                     | 218                       | 1               | 2,431           | 1                            | -                         |
| Federal                     | 9,058                     | 43              | 368             | 2,135                        | -                         |
| Other Special Revenue       | 17,495                    | 370             | 634             | 582                          | -                         |
| Other Governmental          | 159                       | -               | -               | -                            | -                         |
| Employment Security         | -                         | -               | 25              | -                            | -                         |
| Non-Major Enterprise        | 98                        | 47              | 357             | 4                            | -                         |
| Internal Service            | 18,677                    | 1,948           | 1,941           | 2,023                        | -                         |
| Fiduciary                   | 16,944                    | -               | -               | -                            | -                         |
| Total                       | <u>\$ 64,887</u>          | <u>\$ 2,409</u> | <u>\$ 8,043</u> | <u>\$ 4,745</u>              | <u>\$ 27</u>              |

| <u>Due from Other Funds</u> | <u>Non-Major Enterprise</u> | <u>Internal Service</u> | <u>Fiduciary</u> | <u>Total</u>      |
|-----------------------------|-----------------------------|-------------------------|------------------|-------------------|
| General                     | \$ 19,083                   | \$ 14,038               | \$ 5,648         | \$ 43,321         |
| Highway                     | -                           | 222                     | -                | 2,873             |
| Federal                     | -                           | 4,435                   | -                | 16,039            |
| Other Special Revenue       | 27                          | 351                     | -                | 19,459            |
| Other Governmental          | -                           | -                       | -                | 159               |
| Employment Security         | -                           | -                       | -                | 25                |
| Non-Major Enterprise        | -                           | 36                      | -                | 542               |
| Internal Service            | 243                         | 21,093                  | 15               | 45,940            |
| Fiduciary                   | -                           | -                       | -                | 16,944            |
| Total                       | <u>\$ 19,353</u>            | <u>\$ 40,175</u>        | <u>\$ 5,663</u>  | <u>\$ 145,302</u> |

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, and 5) transfer accumulated surpluses from other funds to the General Fund when authorized by statute.

During fiscal year 2008, the State of Maine, in accordance with the legislatively authorized budget, recorded several non-routine, nonrecurring transfers.

The Other Special Revenue Fund transferred \$2.5 million to the unappropriated surplus of the General Fund.

The Retiree Health Insurance Fund transferred \$16.8 million to the unappropriated surplus of the General Fund, and \$3.1 million to the unappropriated surplus of the Highway Fund.

The Accident, Sickness, and Health Insurance Fund transferred \$10.4 million to the unappropriated surplus of the General Fund, and \$2.3 million to the unappropriated surplus of the Highway Fund.

Interfund transfers for the year ended June 30, 2008, consisted of the following:

**Interfund Transfers**  
(Expressed in Thousands)

| <u>Transferred To</u>    | <u>Transferred From</u> |                 |                  |                                      |                               |
|--------------------------|-------------------------|-----------------|------------------|--------------------------------------|-------------------------------|
|                          | <u>General</u>          | <u>Highway</u>  | <u>Federal</u>   | <u>Other<br/>Special<br/>Revenue</u> | <u>Other<br/>Governmental</u> |
| General                  | \$ -                    | \$ -            | \$ 2,818         | \$ 19,914                            | \$ -                          |
| Highway                  | 1,958                   | -               | -                | 524                                  | -                             |
| Federal                  | 63                      | -               | -                | 25,220                               | -                             |
| Other Special Revenue    | 149,473                 | -               | 12,500           | -                                    | 5,780                         |
| Other Governmental Funds | -                       | -               | -                | 1,391                                | -                             |
| Employment Security      | -                       | -               | -                | -                                    | -                             |
| Non-Major Enterprise     | 569                     | 3,995           | -                | -                                    | -                             |
| Internal Service         | 750                     | -               | 166              | -                                    | -                             |
| Fiduciary                | -                       | -               | -                | 574                                  | -                             |
| Total                    | <u>\$ 152,813</u>       | <u>\$ 3,995</u> | <u>\$ 15,484</u> | <u>\$ 47,623</u>                     | <u>\$ 5,780</u>               |

| <u>Transferred To</u>    | <u>Transferred From</u>        |                                 |                             |                  |                   |
|--------------------------|--------------------------------|---------------------------------|-----------------------------|------------------|-------------------|
|                          | <u>Employment<br/>Security</u> | <u>Non-Major<br/>Enterprise</u> | <u>Internal<br/>Service</u> | <u>Fiduciary</u> | <u>Total</u>      |
| General                  | \$ -                           | \$ 49,518                       | \$ 27,890                   | \$ 952           | \$ 101,092        |
| Highway                  | -                              | -                               | 5,680                       | -                | 8,162             |
| Federal                  | 2,912                          | -                               | -                           | -                | 28,195            |
| Other Special Revenue    | -                              | 4,980                           | -                           | 581              | 173,314           |
| Other Governmental Funds | -                              | -                               | -                           | -                | 1,391             |
| Employment Security      | -                              | -                               | -                           | -                | -                 |
| Non-Major Enterprise     | -                              | -                               | -                           | -                | 4,564             |
| Internal Service         | -                              | -                               | -                           | -                | 916               |
| Fiduciary                | -                              | -                               | -                           | -                | 574               |
| Total                    | <u>\$ 2,912</u>                | <u>\$ 54,498</u>                | <u>\$ 33,570</u>            | <u>\$ 1,533</u>  | <u>\$ 318,208</u> |



**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, 2008:

**Primary Government – Capital Assets**

(Expressed in Thousands)

|  | <b>Beginning<br/>Balance</b> | <b>Increases and<br/>Other Additions</b> | <b>Decreases and<br/>Other Deletions</b> | <b>Ending<br/>Balance</b> |
|--|------------------------------|--|--|---------------------------|
| <b>Governmental Activities:</b>              |                              |  |  |                           |
| Capital assets not being depreciated:        |                              |  |  |                           |
| Land   | \$ 424,331                   | \$ 11,391                                | \$ 1,492                                 | \$ 434,230                |
| Construction in progress                     | 10,230                       | 24,055                                   | 10,110                                   | 24,175                    |
| Infrastructure                               | 3,023,973                    | 154,693                                  | -  | 3,178,666                 |
| Total capital assets not being depreciated   | 3,458,534                    | 190,139                                  | 11,602                                   | 3,637,071                 |
| Capital assets being depreciated:            |                              |  |  |                           |
| Buildings                                    | 560,307                      | 3,990                                    | 115                                      | 564,182                   |
| Equipment                                    | 248,129                      | 20,193                                   | 17,494                                   | 250,828                   |
| Improvements other than buildings            | 18,246                       | 1,295                                    | -  | 19,541                    |
| Total capital assets being depreciated       | 826,682                      | 25,478                                   | 17,609                                   | 834,551                   |
| Less accumulated depreciation for:           |                              |  |  |                           |
| Buildings                                    | 183,908                      | 17,243                                   | 350                                      | 200,801                   |
| Equipment                                    | 158,140                      | 20,457                                   | 13,345                                   | 165,252                   |
| Improvements other than buildings            | 8,997                        | 1,155                                    | -  | 10,152                    |
| Total accumulated depreciation               | 351,045                      | 38,855                                   | 13,695                                   | 376,205                   |
| Total capital assets being depreciated, net  | 475,637                      | (13,377)                                 | 3,914                                    | 458,346                   |
| Governmental Activities Capital Assets, net  | \$ 3,934,171                 | \$ 176,762                               | \$ 15,516                                | \$ 4,095,417              |
|  | <b>Beginning<br/>Balance</b> | <b>Net Additions</b>                     | <b>Net Deletions</b>                     | <b>Ending<br/>Balance</b> |
| <b>Business-Type Activities:</b>             |                              |  |  |                           |
| Capital assets not being depreciated:        |                              |  |  |                           |
| Land   | \$ 38,417                    | \$ 4,928                                 | \$ -                                     | \$ 43,345                 |
| Construction in progress                     | 3,613                        | 6,755                                    | -  | 10,368                    |
| Total capital assets not being depreciated   | 42,030                       | 11,683                                   | -  | 53,713                    |
| Capital assets being depreciated:            |                              |  |  |                           |
| Buildings                                    | 9,769                        | -  | 270                                      | 9,499                     |
| Equipment                                    | 43,385                       | 1,669                                    | 860                                      | 44,194                    |
| Improvements other than buildings            | 61,218                       | 1,389                                    | -  | 62,607                    |
| Total capital assets being depreciated       | 114,372                      | 3,058                                    | 1,130                                    | 116,300                   |
| Less accumulated depreciation                | 66,041                       | 9,049                                    | 982                                      | 74,108                    |
| Total capital assets being depreciated, net  | 48,331                       | (5,991)                                  | 148                                      | 42,192                    |
| Business-Type Activities Capital Assets, net | \$ 90,361                    | \$ 5,692                                 | \$ 148                                   | \$ 95,905                 |

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

**Governmental Activities – Depreciation Expense**  
(Expressed in Thousands)

|  | <u><b>Amount</b></u>    |
|--|-------------------------|
| <b>Governmental Activities:</b>                      |                         |
| Arts, Heritage and Cultural Enrichment               | \$ 27                   |
| Business Licensing and Regulation                    | 459                     |
| Economic Development and Workforce Training          | 1,475                   |
| Education  | 310                     |
| Governmental Support and Operations                  | 6,334                   |
| Health and Human Services                            | 5,791                   |
| Justice and Protection                               | 12,360                  |
| Natural Resources Development and Protection         | 4,202                   |
| Transportation Safety and Development                | 7,241                   |
| Total Depreciation Expense – Governmental Activities | <u><u>\$ 38,199</u></u> |

**NOTE 9 - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**

**PLAN DESCRIPTIONS**

The Maine Public Employees Retirement System, formerly named the Maine State Retirement System, (the System), is a component unit of the State of Maine. For financial reporting purposes, the System administers an agent, multiple-employer, defined benefit public employee retirement system established and administered under the Title 5 MRSA C. 421, 423, and 425. The System provides pension, disability, and death benefits to its members, which includes employees of the State, public school employees (defined by Maine law as teachers and for whom the State is the employer for retirement contribution and benefit purposes, or SETP) and employees of 272 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine, each of which contracts for participation in the System under provisions of the relevant statutes. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2008 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

The Maine Public Employees Retirement System management's interpretation of the State of Maine statutes is that all assets accumulated for the payment of benefits may legally be used to pay benefits, including refunds of member contributions, to any plan members or beneficiaries. The System is therefore regarded as administering an agent, multiple-employer plan for financial reporting purposes. The statements include \$2.1 billion of assets related to the PLD's. The Attorney General's Office does not concur that these assets are available for payment of State benefits.

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

The System administers three defined contribution plans for employees of PLD's that elect to participate. At June 30, 2008, there were 43 employers participating in these plans. The 429 participants individually direct the \$7.4 million in assets covered by the plans.

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

#### **BASIS OF ACCOUNTING**

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

#### **INVESTMENTS**

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

#### **CONTRIBUTION INFORMATION**

Membership in each defined benefit plan consisted of the following at June 30, 2008:

|  | State<br>Employees and<br>Teachers Plan | Consolidated<br>Plan for PLD |
|--|---|------------------------------|
| Active vested and nonvested members        | 41,790                                  | 9,612                        |
| Terminated vested participants             | 7,098                                   | 1,095                        |
| Retirees and benefit recipients            | 26,991                                  | 7,191                        |
| Total                                      | <u>75,879</u>                           | <u>17,898</u>                |
| Number of participating employers/sponsors | 1                                       | 272                          |

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

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to terminated members' accounts is set by the System's Board of Trustees and is currently 6 percent.

**STATE EMPLOYEES AND TEACHERS PENSION PLAN SPECIFICS**

The System's retirement programs provide retirement benefits based on members' average final compensation and creditable service. Vesting occurs upon the earning of five years of service credit or the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age is age 60 or 62, determined by whether the member had at least 10 years of creditable service on June 30, 1993 (effective October 1, 1999, the prior ten-year requirement was reduced to five years by legislative action). The monthly benefit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and survivor benefits, which are established by statute for State employee and teacher members, and by contract with other participating employers under applicable statutory provisions.

**PARTICIPATING LOCAL DISTRICTS PLAN SPECIFICS**

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

**SPECIAL FUNDING SITUATION – TEACHERS DEFINED BENEFIT PENSION PLAN**

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

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

The funded status of each plan as of June 30, 2008, the most recent biennial actuarial valuation date, is as follows:

| Plans | (a)<br>Actuarial Value of<br>Assets | (b)<br>Actuarial Accrued<br>Liability (AAL) –<br>Entry Age | (b-a)<br>Unfunded AAL<br>(UAAL) | (a/b)<br>Funded Ratio | (c)<br>Annual Covered<br>Payroll | (b-a)/c<br>UAAL (as a<br>percentage of<br>covered<br>payroll) |
|-------|-------------------------------------|--|---------------------------------|-----------------------|----------------------------------|---|
| SETP  | 8,691,075,704                       | 11,721,271,968   | 3,030,196,264                   | 74.1%                 | 1,628,421,362                    | 186.1%  |
| PLD's | 2,201,652,592                       | 1,953,629,020  | (248,023,572)                   | 112.7%                | 362,783,243                      | -68.4%  |

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

|   | SETP                      | PLD's                     |
|---|---------------------------|---------------------------|
| Valuation date                            | June 30, 2008             | June 30, 2008             |
| Actuarial cost method                     | Entry age                 | Entry age                 |
| Amortization method                       | Level percent<br>closed   | Level percent<br>open     |
| Remaining amortization period             | 20                        | 15                        |
| Asset valuation method                    | 3-Year smoothed<br>market | 3-Year smoothed<br>market |
| Actuarial assumptions:                    |                           |                           |
| Investment rate of return                 | 7.75%                     | 7.75%                     |
| Projected salary increases                | 4.75% - 10.00%            | 4.50% - 9.00%             |
| Includes inflation at                     | 4.50%                     | 4.50%                     |
| Cost of living adjustments                | 3.75%                     | 3.75%                     |
| Most recent review of plan<br>experience: | 2006                      | 2006                      |
| Plan changes from last valuation          | none                      | none                      |

<sup>1</sup> The System amortizes the unfunded liability of the State and teacher plan over a closed period that cannot be longer than 31 years from July 1, 1997 but may be, and at certain times has been, shorter than that period. In 2000, the amortization period was reduced to a 19-year period from June 30, 2000. In 2004, the Legislature relengthened the period to 25 years, the full extent of the then-remaining Constitutional years for the 2004-2005 biennium, and reshortened the period effective July 1, 2005 to the 13

years that will then remain in the earlier shortened period. In 2005, the State repealed the "sunset" provision, with the result that the period for reduction of these unfunded actuarial liabilities continues to the full extent permitted by the State constitution, or June 30, 2028. The contribution rate in effect for 2008 was determined by the 2006 valuation, as revised, and reflects the relengthened amortization period. The unfunded actuarial accrual liability of the judicial plan is amortized over a period of which 9 years remained at June 30, 2008.

#### CONTRIBUTION RATES – DEFINED BENEFIT PENSION PLANS

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

In order to reduce any unfunded pension liability for State employees and teachers under Title 5 MRSA § 1536, the State is required to remit 20 percent of its General Fund unappropriated surplus to the System at year-end. For fiscal 2008, no General Fund unappropriated surplus existed.

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

The actuarially determined contribution rates in effect for 2008 for participating entities:

|                                     |              |              |
|-------------------------------------|--------------|--------------|
| <u>State</u>                        |              |              |
| Employees                           | <sup>1</sup> | 7.65-8.65%   |
| Employer                            | <sup>1</sup> | 15.01-47.07% |
| <u>Teachers</u>                     |              |              |
| Employees                           |              | 7.65%        |
| Employer                            |              | 17.23%       |
| <u>Participating Local Entities</u> |              |              |
| Employees                           | <sup>1</sup> | 3.0-8.0%     |
| Employer                            | <sup>1</sup> | 1.5-6.5%     |

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

#### ANNUAL PENSION COST AND NET PENSION OBLIGATION

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

| <b>Net Pension Obligation</b>                 |                  |
|---|------------------|
| (Expressed in Thousands)                      |                  |
| Annual required contribution                  | \$ 305,361       |
| Interest on net pension obligation            | 1,429            |
| Adjustment to annual required contribution    | (1,165)          |
| Annual pension cost                           | 305,625          |
| Contributions made                            | 305,361          |
| Increase (decrease) in net pension obligation | 264              |
| Net pension obligation beginning of year      | 18,444           |
| Net pension obligation end of year            | <u>\$ 18,708</u> |

**Analysis of Funding Progress**  
(Expressed in Thousands)

| <u>Year</u> | <u>Annual<br/>Pension<br/>Cost</u> | <u>Percentage<br/>Covered</u> | <u>Net<br/>Pension<br/>Obligation</u> |
|-------------|------------------------------------|-------------------------------|---------------------------------------|
| 2008        | 305,625                            | 99.91%                        | 18,708                                |
| 2007        | 303,470                            | 99.87%                        | 18,444                                |
| 2006        | 287,253                            | 105.63%                       | 18,050                                |

Employer contributions met actuarially determined contribution requirements.

**COMPONENT UNIT PARTICIPANTS**

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

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS****STATE ADMINISTERED OR SPONSORED POST RETIREMENT HEALTHCARE PLANS**

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

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

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

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

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

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

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

#### PLAN MEMBERSHIP

Membership in the four healthcare plans administered by the State is as follows:

|                       | State Employees | Teachers      | First Responders | Ancillary Groups |
|-----------------------|-----------------|---------------|------------------|------------------|
| Actives               | 14,654          | 27,180        | 934              | 1,452            |
| Retirees              | 8,772           | 9,201         | 45               | 239              |
| Total                 | <u>23,426</u>   | <u>36,381</u> | <u>979</u>       | <u>1,691</u>     |
| Number of employers   | 1               |               |                  | 3                |
| Contributing entities |                 | 1             | 1                | 3                |

#### STATE EMPLOYEES PLAN FUNDING POLICY

Title 5 MRSA § 286-B authorizes an Irrevocable Trust Fund for Other Post-employment Benefits to meet the State's unfunded liability obligations for retiree health benefits for eligible participants who are the beneficiaries of the irrevocable trust fund. Annually, beginning with the fiscal year starting July 1, 2009, the Legislature shall appropriate funds to meet the State's obligations under any group health plan, policy or contract purchased by the State Employee Health Commission. Unfunded liabilities may not be created except those resulting from experience losses. Unfunded liability resulting from experience losses must be retired over a period not to exceed 10 years. The unfunded liability for retiree health benefits for eligible participants must be retired in 30 years or less from July 1, 2009.

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

#### TEACHERS PLAN AND FIRST RESPONDERS PLAN FUNDING

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

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

#### ANCILLARY GROUP PLAN

The following plan, administered by the State is financially independent and is not included in the State Retiree Health Internal Service Fund. This multiple-employer agent postemployment benefit plan covers 239 retirees of three component units: Maine Community College System, Maine School for the Deaf and Hard of Hearing and the Northern New England Passenger Rail Authority. The plan also covers 21 retirees of five small councils and commissions. All active employees participate in the State Employee Group Health Insurance Plan. All eligible retired employees who elect coverage are included in this plan. The State Employee Health Commission establishes premiums annually.

#### ANNUAL OPEB COST

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

|  | (Expressed in Thousands) |                  |                         |
|--|--------------------------|------------------|-------------------------|
|  | <b>State Employees</b>   | <b>Teachers</b>  | <b>First Responders</b> |
| Annual required contribution                     | \$ 111,000               | \$ 46,000        | \$ 1,045                |
| Contributions made                               | 166,388                  | 17,657           | -                       |
| Increase (decrease) in net healthcare obligation | (55,388)                 | 28,343           | 1,045                   |
| Net healthcare obligation beginning of year      | -                        | -                | -                       |
| Net healthcare (asset) end of year               | <u>\$ (55,388)</u>       |                  |                         |
| Net healthcare obligation end of year            |                          | <u>\$ 28,343</u> | <u>\$ 1,045</u>         |



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

**Analysis of Funding Progress - 2008**

(Expressed in Thousands)

| <u>Plan</u>      | <u>Annual<br/>OPEB<br/>Cost</u> | <u>Percentage<br/>of OPEB Cost<br/>Contributed</u> | <u>Net<br/>OPEB<br/>Asset</u> | <u>Net<br/>OPEB<br/>Obligation</u> |
|------------------|---------------------------------|--|-------------------------------|------------------------------------|
| State Employees  | 111,000                         | 149.90%  | 55,388                        |                                    |
| Teachers         | 46,000                          | 38.38%   |                               | 28,343                             |
| First Responders | 1,045                           | 0.00%  |                               | 1,045                              |

Initial year of prospective implementation.

**FUNDED STATUS AND FUNDING PROGRESS**

The funded status of the plans as of June 30, 2008 was as follows:

|  | (Expressed in Millions) |                 | (in 000's)              |
|--|-------------------------|-----------------|-------------------------|
|  | <u>State Employees</u>  | <u>Teachers</u> | <u>First Responders</u> |
| Actuarial accrued liability (AAL) (a)                                | \$ 1,242                | \$ 1,044        | \$ 19,806               |
| Actuarial value of plan assets (b)                                   | 98                      | -               | -                       |
| Unfunded actuarial accrued liability (funding excess) (UAAL) (a)-(b) | <u>\$ 1,144</u>         | <u>\$ 1,044</u> | <u>\$ 19,806</u>        |
| Funded ratio (b)/(a)   | 7.89%                   | 0.00%           | 0.00%                   |
| Covered payroll (c)  | \$ 568                  | \$ 1,160        | \$ 51,021               |
| UAAL (as a percentage of covered payroll)<br>([(a)-(b)]/(c))         | 201.41%                 | 90.00%          | 38.82%                  |

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

## ACTUARIAL METHODS AND ASSUMPTIONS

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

|                                      | <u>State Employees</u>          | <u>Teachers</u>           | <u>First Responders</u>            |
|--------------------------------------|---------------------------------|---------------------------|------------------------------------|
| Valuation date                       | June 30, 2008                   | June 30, 2008             | 6/30/2007 rollforward to 6/30/2008 |
| 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 | 29                              | 29                        | 29                                 |
| Plan changes - closed 20 year period | n/a <sup>1</sup>                | n/a <sup>1</sup>          | n/a                                |
| (Gains) /losses                      | n/a <sup>1</sup>                | n/a <sup>1</sup>          | rolling 15 year period             |
| Asset valuation method               | market                          | n/a                       | n/a                                |
| Actuarial assumptions:               |                                 |                           |                                    |
| Investment rate of return            | 4.50% initial<br>7.50% ultimate | 4.50%                     | 4.50%                              |
| Projected salary increases           | 4.75%                           | 4.75%                     | 3.75%                              |
| Inflation rate                       | 3.75%                           | 3.75%                     | 3.75%                              |
| Healthcare inflation rate            | initial 9%<br>ultimate 4.5%     | initial 9%<br>ultimate 5% | 4.50%                              |

<sup>1</sup> For the State and Teachers, the UAAL is amortized as a level percent of payroll over a 30-year period because the ARC calculated using separate amortization periods resulted in an equivalent single amortization period greater than the maximum 30-year period.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

## CONTRIBUTIONS AND RESERVES

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

## INVESTMENTS

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

**POST RETIREMENT GROUP LIFE INSURANCE BENEFIT PLAN**

The Maine Public Employees Retirement System, (the System), is a component unit of the State of Maine. For financial reporting purposes, the System administers an agent, multiple-employer, defined benefit Group Life Insurance Plan (GLIP) administered by a third party insurance company in accordance with Title 5 MRSA C. 423 and 425. Members include employees of the State, public school employees (defined by Maine law as teachers and for whom the State acts like the employer for retirement contribution and benefit purposes), members of the Judiciary and the Legislature, that are eligible for membership in the System. Group life insurance benefits are also provided to employees of 431 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, 2008 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

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

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

**BASIS OF ACCOUNTING**

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

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

**INVESTMENTS**

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

**FUNDING POLICY**

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

insurance coverage for retired teachers are paid by the State based on a rate of \$.33 per \$1,000 of coverage per month during the post-employment retired period.

#### ANNUAL OPEB COST

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

#### Analysis of Funding Progress - 2008

(Expressed in Thousands)

| <u>Fiscal Year Ended</u> | <u>Annual<br/>OPEB<br/>Cost</u> | <u>Employer<br/>Contribution</u> | <u>Net<br/>OPEB<br/>Obligation</u> | <u>Percentage<br/>of OPEB Cost<br/>Contributed</u> |
|--------------------------|---------------------------------|----------------------------------|------------------------------------|--|
| June 30, 2008            | 5,500                           | 23                               | 5,477                              | 0.42%  |

#### FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of June 30, 2008 was as follows:

(Expressed in Thousands)

|                 | (a)                         | (b)                          | (b-a)                                | (a/b)                  | (c)          | (b-a)/c)                     |  |
|-----------------|-----------------------------|------------------------------|--------------------------------------|------------------------|--------------|------------------------------|--|
| Plan            | Actuarial<br>Valuation Date | Actuarial Value of<br>Assets | Actuarial Accrued<br>Liability (AAL) | Unfunded AAL<br>(UAAL) | Funded Ratio | Annual<br>Covered<br>Payroll | UAAL (as a<br>percentage of<br>covered<br>payroll) |
| State Employees | June 30, 2008               | 21,100                       | 64,900                               | 43,800                 | 32.51%       | 601,100                      | 7.29%  |
|                 | June 30, 2007               | 20,800                       | 65,200                               | 44,400                 | 31.90%       | 521,200                      | 8.52%  |
| Teachers        | June 30, 2008               | 19,900                       | 52,100                               | 32,200                 | 38.20%       | 591,100                      | 5.45%  |
|                 | June 30, 2007               | 19,100                       | 54,100                               | 35,000                 | 35.30%       | 559,100                      | 6.26%  |

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

#### ACTUARIAL METHODS AND ASSUMPTIONS

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

Significant methods and assumptions were as follows:

|   |                           |
|---|---------------------------|
| Valuation date                            | June 30, 2008             |
| Actuarial cost method                     | Entry age normal          |
| Amortization method                       | Level percent<br>open     |
| Asset valuation method                    | 3-Year smoothed<br>market |
| Actuarial assumptions:                    |                           |
| Investment rate of return                 | 7.75%                     |
| Projected salary increases                | 4.75% - 10.00%            |
| Cost of living increases in life benefits | N/A                       |
| Participation percent for future retirees | 100.00%                   |
| Form of benefit payment                   | lump sum                  |

## NOTE 11 - LONG-TERM OBLIGATIONS

### PRIMARY GOVERNMENT

The State records its liability for general obligation bonds in the Governmental Activities column on the Statement of Net Assets. Other long-term obligations recognized by the State include: revenue bonds issued by the Maine Governmental Facilities Authority, a blended component unit; obligations under Certificates of Participation and other financing arrangements; pledged future revenues for repayment of bonds issued by the MMBB on behalf of the Maine Department of Transportation; compensated employee absences; and the State's net pension obligation.

### 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 2008 were:

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

|                          | <u>Balance</u><br><u>July 1, 2007</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u><br><u>June 30, 2008</u> | <u>Due Within</u><br><u>One Year</u> |
|--------------------------|---------------------------------------|------------------|--------------------|--|--------------------------------------|
| General Obligation Debt: |                                       |                  |                    |  |                                      |
| General Fund             | \$398,280                             | \$46,525         | \$66,230           | \$378,575                              | \$65,685                             |
| Special Revenue Fund     | 50,460                                | 57,550           | 10,750             | 97,260                                 | 13,505                               |
| Self Liquidating         | 20                                    | -                | 20                 | -                                      | -                                    |
| Total                    | <u>\$448,760</u>                      | <u>\$104,075</u> | <u>\$77,000</u>    | <u>\$475,835</u>                       | <u>\$79,190</u>                      |

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2008 until maturity, are summarized in the following table:

**Future Debt Service on General Obligation Bonds**

(Expressed in Thousands)

| <b><u>Fiscal<br/>Year</u></b> | <b><u>Principal</u></b> | <b><u>Interest</u></b> | <b><u>Total</u></b> |
|-------------------------------|-------------------------|------------------------|---------------------|
| 2009                          | \$ 79,190               | \$ 19,027              | \$ 98,217           |
| 2010                          | 73,390                  | 15,784                 | 89,174              |
| 2011                          | 68,030                  | 12,687                 | 80,717              |
| 2012                          | 64,005                  | 10,072                 | 74,077              |
| 2013                          | 61,245                  | 7,631                  | 68,876              |
| 2014-2018                     | 129,975                 | 12,679                 | 142,654             |
| Total                         | <u>\$ 475,835</u>       | <u>\$ 77,880</u>       | <u>\$ 553,715</u>   |

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2008 are as follows:

**Primary Government – General Obligation Bonds Outstanding**

(Expressed in Thousands)

|                       | Amounts<br>Issued | Outstanding<br>June 30, 2008 | Fiscal Year<br>Maturities<br>First<br>Year | Last<br>Year | Interest<br>Rates |
|-----------------------|-------------------|------------------------------|--|--------------|-------------------|
| General Fund:         |                   |                              |  |              |                   |
| Series 1999           | \$ 54,385         | \$ 3,875                     | 2000                                       | 2009         | 4.20% - 6.75%     |
| Series 2000           | 66,290            | 11,210                       | 2000                                       | 2010         | 4.875% - 7.75%    |
| Series 2001           | 22,050            | 6,315                        | 2002                                       | 2011         | 4.00% - 6.08%     |
| Series 2002           | 27,610            | 11,040                       | 2003                                       | 2012         | 3.00% - 5.75%     |
| Series 2003           | 97,080            | 48,525                       | 2003                                       | 2013         | 1.50% - 5.00%     |
| Series 2004           | 117,275           | 71,700                       | 2005                                       | 2014         | 2.00% - 5.27%     |
| Series 2005           | 137,525           | 106,905                      | 2006                                       | 2015         | 2.00% - 5.27%     |
| Series 2006           | 52,390            | 41,905                       | 2007                                       | 2016         | 4.00% - 5.51%     |
| Series 2007           | 33,975            | 30,575                       | 2008                                       | 2017         | 4.00% - 5.50%     |
| Series 2008           | 46,525            | 46,525                       | 2009                                       | 2018         | 3.00% - 5.13%     |
| Total General Fund    |                   | <u>\$ 378,575</u>            |  |              |                   |
| Special Revenue Fund: |                   |                              |  |              |                   |
| Series 1999           | \$ 16,900         | \$ 1,690                     | 2000                                       | 2009         | 4.00% - 5.50%     |
| Series 2001           | 19,225            | 5,760                        | 2002                                       | 2011         | 4.00% - 5.00%     |
| Series 2004           | 13,000            | 7,960                        | 2005                                       | 2014         | 2.00% - 4.00%     |
| Series 2007           | 27,000            | 24,300                       | 2008                                       | 2017         | 4.00% - 5.50%     |
| Series 2008           | 57,550            | 57,550                       | 2009                                       | 2018         | 3.00% - 5.13%     |
| Total Special Revenue |                   | <u>\$ 97,260</u>             |  |              |                   |

**AUTHORIZED UNISSUED BONDS**

Any bonds not issued within five years of the date of ratification may not be issued after that date. Within two years after expiration of the five-year period, the Legislature may extend, by a majority vote, the five-year period for an additional five years or may deauthorize the bonds. If the Legislature fails to take action within those two years, the bond issue shall be considered to be deauthorized and no further bonds may be issued. At June 30, 2008, general obligations bonds authorized and unissued totaled \$191.8 million.

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

The State included \$208.6 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 \$263.5 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2008, MGFA issued the Series 2008 Bonds, which totaled \$40.6 million at an interest rate between 4 percent and 5 percent. At June 30, 2008, there were approximately \$71.9 million of MGFA in-substance defeased bonds outstanding.

**CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS**

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

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

**SHORT TERM OBLIGATIONS**

The State of Maine issued and retired \$87.6 million in Bond Anticipation Notes during fiscal year 2008. Short term obligations are used to meet temporary operating cash flow needs. At June 30, 2008 there were no outstanding Tax Anticipation Notes or Bond Anticipation Notes.

**OTHER LONG-TERM OBLIGATIONS**

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

Changes in other long-term obligations for governmental and business-type activities for the fiscal year ended June 30, 2008, are summarized as follows:

**Primary Government - Changes in Other Long-Term Obligations**

(Expressed in Thousands)

|   | <u>Balance</u><br><u>July 1, 2007</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u><br><u>June 30, 2008</u> | <u>Due Within</u><br><u>One Year</u> |
|---|---------------------------------------|------------------|-------------------|--|--------------------------------------|
| <b>Governmental Activities:</b>             |                                       |                  |                   |  |                                      |
| MGFA Revenue Bonds                          | \$182,605                             | \$40,565         | \$14,610          | \$208,560                              | \$15,625                             |
| COP's and Other Financing                   | 79,886                                | 17,343           | 22,371            | 74,858                                 | 30,785                               |
| Compensated Absences                        | 41,680                                | 3,320            | 366               | 44,634                                 | 5,294                                |
| Claims Payable                              | 64,096                                | 183,804          | 181,479           | 66,421                                 | 24,964                               |
| Capital Leases                              | 41,751                                | 3,350            | 7,579             | 37,522                                 | 6,247                                |
| Pledged Future Revenues                     | 42,353                                | -                | 4,015             | 38,338                                 | 4,135                                |
| Net Pension Obligation                      | 18,444                                | 264              | -                 | 18,708                                 | -                                    |
| Other Post-Employment<br>Benefit Obligation | -                                     | 34,865           | -                 | 34,865                                 | -                                    |
| Total Governmental Activities               | <u>\$470,815</u>                      | <u>\$283,511</u> | <u>\$230,420</u>  | <u>\$523,906</u>                       | <u>\$87,050</u>                      |
| <b>Business-Type Activities:</b>            |                                       |                  |                   |  |                                      |
| Compensated Absences                        | \$718                                 | \$32             | \$-               | \$750                                  | \$162                                |
| Total Business-Type Activities              | <u>\$718</u>                          | <u>\$32</u>      | <u>\$-</u>        | <u>\$750</u>                           | <u>\$162</u>                         |

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2008 until maturity, are summarized as follows:

**Future Debt Service on MGFA Revenue Bonds, COP's and Other Financing Arrangements**

(Expressed in Thousands)

| <u>Fiscal Year</u> | <u>Governmental Funds</u> |                 |                  | <u>Internal Service Funds</u> |                  |                   |
|--------------------|---------------------------|-----------------|------------------|-------------------------------|------------------|-------------------|
|                    | <u>Principal</u>          | <u>Interest</u> | <u>Total</u>     | <u>Principal</u>              | <u>Interest</u>  | <u>Total</u>      |
| 2009               | \$ 10,084                 | \$ 1,047        | \$ 11,131        | \$ 36,326                     | \$ 10,217        | \$ 46,543         |
| 2010               | 9,423                     | 572             | 9,995            | 28,579                        | 9,463            | 38,042            |
| 2011               | 3,572                     | 223             | 3,795            | 23,777                        | 8,298            | 32,075            |
| 2012               | 1,757                     | 94              | 1,851            | 21,302                        | 7,358            | 28,660            |
| 2013               | 359                       | 34              | 393              | 20,624                        | 6,520            | 27,144            |
| 2014 - 2018        | 541                       | 63              | 604              | 77,344                        | 20,776           | 98,120            |
| 2019 - 2023        | -                         | -               | -                | 37,870                        | 5,848            | 43,718            |
| 2024 - 2028        | -                         | -               | -                | 10,410                        | 1,635            | 12,045            |
| 2029 - 2033        | -                         | -               | -                | 1,450                         | 36               | 1,486             |
| Total              | <u>\$ 25,736</u>          | <u>\$ 2,033</u> | <u>\$ 27,769</u> | <u>\$ 257,682</u>             | <u>\$ 70,151</u> | <u>\$ 327,833</u> |

**CONDUIT DEBT OBLIGATIONS**

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



**PLEDGED FUTURE REVENUES**

On December 16, 2004, the Maine Municipal Bond Bank (MMBB) issued \$48.4 million of GARVEE grant anticipation revenue bonds on behalf of the Maine Department of Transportation, to provide financing for construction of a new Waldo-Hancock bridge. Net proceeds from the bonds totaled \$49.4 million including bond premium of approximately \$900 thousand. The bonds payable bear interest rates from 2.5 percent to 5 percent, and have maturities from 2005 to 2015. Payment of principal and interest on the bonds shall be subject to appropriation each year by the Legislature in an amount sufficient to cover the principal and interest requirements of MMBB's debt for these bonds. The State's receipt of these funds is subject to continuing federal appropriations. MMBB insured payments of principal and interest with a financial guaranty insurance policy. The bonds do not constitute a debt or obligation of the State.

Total principal and interest requirements over the life of the bonds are \$60.2 million, with annual requirements of up to \$5.6 million. Federal transportation funds received by the State for the federal fiscal year preceding the issuance of the bonds totaled \$175 million. Total federal transportation funds received in federal fiscal year 2008 were \$146.5 million. Current year payments to MMBB were \$5.5 million (3.8 percent of federal transportation funds received).

**OBLIGATIONS UNDER CAPITAL LEASES**

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

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

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

Leases that exist between the State and the Maine Governmental Facilities Authority (MGFA), a blended component unit, are not recorded as leases in this report. In their separately issued financial statements, MGFA records a lease receivable from the State. Although payables and receivables technically exist between these parties, when combined for government-wide reporting, they are eliminated. A long-term liability exists on the government-wide statements for the bonds issued by MGFA to construct the assets associated with the leases. Future payments to MGFA are, therefore, not included in the schedule of lease commitments below. At June 30, 2008 capital assets include \$68.1 million of capitalized buildings in the internal service funds, net of related accumulated depreciation of \$34.9 million.

**OBLIGATIONS UNDER OPERATING LEASES**

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

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

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

| <b>Fiscal Year</b>                       | <b>Capital<br/>Leases</b> | <b>Operating<br/>Leases</b> |
|--|---------------------------|-----------------------------|
| 2009                                     | \$ 6,247                  | \$ 1,343                    |
| 2010                                     | 5,608                     | 809                         |
| 2011                                     | 5,328                     | 464                         |
| 2012                                     | 5,090                     | 360                         |
| 2013                                     | 4,082                     | 269                         |
| 2014-2018                                | 14,291                    | 645                         |
| 2019-2023                                | 4,510                     | 2                           |
| 2024-2028                                | 1,114                     | -                           |
| 2029-2033                                | -                         | -                           |
| Total Minimum Payments                   | <u>46,270</u>             | <u>\$ 3,892</u>             |
| Less: Amount Representing Interest       | 8,748                     |                             |
| Present Value of Future Minimum Payments | <u>\$ 37,522</u>          |                             |

**MGFA REVENUE BONDS, COP'S AND OTHER FINANCING ARRANGEMENTS**

MGFA revenue bonds will be liquidated by the MGFA Internal Service Fund, from revenues received through lease agreements with various governmental funds. The liability for pledged future revenues will be liquidated from the Federal 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 liabilities as required by GASB. In the governmental fund financial statements, liabilities for compensated absences are accrued when they are considered "due and payable" and recorded in the fund only for separations or transfers that occur before year-end. The liabilities are liquidated by the funds that account for the salaries and wages of the related employees.

**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)

| <b><u>Component Unit</u></b>                                | <b><u>Interest Rates</u></b> | <b><u>Amount</u></b> | <b><u>Maturity Dates</u></b> |
|---|------------------------------|----------------------|------------------------------|
| Finance Authority of Maine                                  | 1.0 - 3.31%                  | 303,938              | 2025 - 2037                  |
| Maine Community College System                              | 4.0 - 5.0%                   | 23,399               | 2012 - 2036                  |
| Maine Health and Higher<br>Educational Facilities Authority |                              |                      |                              |
| debt  | 2.0 - 6.2%                   | 1,452,195            | 1993 - 2038                  |
| conduit debt  | 4.5 - 7.3%                   | 49,880               | 1990 - 2043                  |
| Maine Municipal Bond Bank                                   | 1.0 - 10.25%                 | 1,085,613            | 1991 - 2038                  |
| Maine State Housing Authority                               | 2.35 - 6.40%                 | 1,550,529            | 2008 - 2039                  |
| University of Maine System                                  | 2.0 - 5.75%                  | 216,911              | 2000 - 2037                  |

MHHEFA advance refunded various bond obligations in prior years. Proceeds were primarily used to purchase U.S. Government securities that will provide for future payment on the debt. Between July 18, 2007 and June 19, 2008, MHHEFA issued \$279.2 million Series 2007A, 2008A, 2008B and 2008C revenue bonds with either variable interest rates or an average interest rate of 4.75 percent or 4.38 percent. A portion of the \$241.7 million proceeds was used to refund \$237.0 million of outstanding bonds. At June 30, 2008, there were approximately \$97.0 million of in-substance defeased bonds remaining outstanding with respect to all advance-refunded issues within the reserve fund and taxable fund resolutions. Approximately \$160.0 million of the total \$237.0 million reserve fund bonds refunded in 2008 were immediately called. At June 30, 2008, there were approximately \$38.3 million of defeased bonds outstanding with respect to advance refunded bond issues of the general resolution. The general resolution bonds are considered conduit debt.

UMS advance refunded various bond obligations in prior years. Proceeds were primarily used to purchase U.S. Government securities that will provide for future payment on the debt. The refunding resulted in a deferred amount on refunding of \$841 thousand, of which the unamortized balance was \$120 thousand as of June 30, 2008. At June 30, 2008, \$41.2 million of advance refunded bonds remained outstanding.

In periods of declining interest rates, MMBB has refunded its bond obligations, reducing aggregate debt service. Where allowed, the bank retires outstanding bonds prior to their contractual maturity. In other cases, the proceeds of the refunding bonds were principally used to purchase U.S. Government securities that will provide for future payment on the debt. At June 30, 2008, the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately \$154 million.

For the period ended December 31, 2007, MSHA redeemed \$251.9 million of its Mortgage Purchase Fund bonds from reserve funds, mortgage prepayments, surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund losses of \$345 thousand were attributable to recognition of the redemption premium, bond discount and debt issuance expenses associated with the redeemed bonds.

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

**Component Units Principal Maturities**

(Expressed in Thousands)

| <u>Fiscal Year Ending</u>                       | <u>FAME</u>       | <u>MMBB</u>         | <u>MCCS</u>      | <u>MSHA</u>         | <u>UMS</u>        | <u>MHHEFA</u>       |
|---|-------------------|---------------------|------------------|---------------------|-------------------|---------------------|
| 2009  | \$ 54             | \$ 102,763          | \$ -             | \$ 41,245           | \$ 7,475          | \$ 40,955           |
| 2010  | 54                | 99,881              | -                | 43,755              | 7,885             | 50,680              |
| 2011  | 55                | 97,510              | -                | 202,927             | 8,325             | 52,925              |
| 2012  | 55                | 88,758              | -                | 41,200              | 39,225            | 57,710              |
| 2013  | 56                | 82,776              | 545              | 45,630              | 7,410             | 62,190              |
| 2014-2018                                       | 289               | 323,324             | 3,065            | 217,575             | 36,900            | 305,980             |
| 2019-2023                                       | 303               | 199,445             | 3,775            | 273,515             | 35,040            | 301,885             |
| 2024-2028                                       | 114               | 80,390              | 4,790            | 254,035             | 31,550            | 264,780             |
| 2029-2033                                       | 69,500            | 7,385               | 6,095            | 259,995             | 30,800            | 204,575             |
| 2034-2038                                       | 234,500           | 2,545               | 4,352            | 163,295             | 8,865             | 107,750             |
| 2039-2043                                       | -                 | -                   | -                | 22,560              | -                 | 2,765               |
| 2044-2048                                       | -                 | -                   | -                | -                   | -                 | -                   |
| Net unamortized premium<br>or (deferred amount) | (1,042)           | 836                 | 777              | (15,203)            | 3,436             | -                   |
| Total Principal Payments                        | <u>\$ 303,938</u> | <u>\$ 1,085,613</u> | <u>\$ 23,399</u> | <u>\$ 1,550,529</u> | <u>\$ 216,911</u> | <u>\$ 1,452,195</u> |

**NOTE 12 - SELF-INSURANCE**

**A. RISK MANAGEMENT**

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

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

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

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

| <u>Type of Insurance</u>         | <u>Coverage<br/>Per Occurrence</u> | <u>Risk Retention<br/>Per Occurrence</u> | <u>Excess Insurance<br/>Per Occurrence</u> |
|----------------------------------|------------------------------------|--|--|
| Property *                       | \$400 million                      | \$ 2 million                             | \$400 million                              |
| Ocean Marine Boat Liability *    | 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              | 400 thousand                       | 400 thousand                             | none                                       |
| Bonding                          | 500 thousand                       | 500 thousand                             | none                                       |
| Foster Parents                   | 300 thousand                       | 300 thousand                             | none                                       |
| Inland Marine (various policies) | 1 million                          | 1 million                                | none                                       |

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

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, 2008. 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, 2008 and 2007, the present value of the claims payable for the State's self-insurance plan was estimated at \$3.5 million and \$3.2 million, respectively. The actuary calculated this based on the State's rate on investments.

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

|                                | <u>2008</u>     | <u>2007</u>     |
|--------------------------------|-----------------|-----------------|
| Liability at Beginning of Year | \$ 3,190        | \$ 3,190        |
| Current Year Claims and        |                 |                 |
| Changes in Estimates           | 1,058           | 683             |
| Claims Payments                | 723             | 683             |
| Liability at End of Year       | <u>\$ 3,525</u> | <u>\$ 3,190</u> |

As of June 30, 2008, fund assets of \$21.6 million exceeded fund liabilities of \$4.0 million by \$17.6 million. The portion of this amount that may be reserved for catastrophic losses has not been determined.

In the past, general liability insurance coverage excluded lawsuits brought by employees. Therefore, the loss history used by the actuary to project claims did not include the effects of any such lawsuits. Effective July 1,

1999, the State added \$50 thousand coverage per occurrence for the cost of defending the State in any such lawsuits. Effective July 1, 2000, the State increased coverage to include both defense and indemnification costs up to \$400 thousand. The effect of this change has been partially incorporated into the estimate used to determine claims payable as of June 30, 2008.

## 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 \$875.8 thousand for the fiscal year ended June 30, 2008.

## 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, 2008:

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

|                                | <u>2008</u>      | <u>2007</u>      |
|--------------------------------|------------------|------------------|
| Liability at Beginning of Year | \$ 45,358        | \$ 53,343        |
| Current Year Claims and        |                  |                  |
| Changes in Estimates           | 9,474            | 474              |
| Claims Payments                | 9,474            | 8,459            |
| Liability at End of Year       | <u>\$ 45,358</u> | <u>\$ 45,358</u> |

Based on the actuarial calculation as of June 30, 2007, the State is liable for unfunded claims, and incurred but not reported claims, of approximately \$58.8 million. The discounted amount is \$45.4 million and was calculated based on a 4 percent yield on investments.

## D. EMPLOYEE HEALTH INSURANCE

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

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

There are two primary health plans available. HMO Choice is a point-of-service plan available to all active employees and retirees not eligible for Medicare. The Group Companion Plan is a supplement to Medicare Parts A & B and is available to Medicare eligible retirees. Total enrollment averaged approximately 40,100 covered individuals. This total includes 29,000 active employees and dependents, 4,400 pre-Medicare retirees and dependents, and 6,700 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, 2008, the State recorded a receivable of \$155 thousand 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 \$17.4 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2008 follows (in thousands):

|   | <u>Employee Health</u><br><u>Fund</u> | <u>Retiree Health</u><br><u>Fund</u> |
|---|---------------------------------------|--------------------------------------|
| Liability at Beginning of Year                  | \$ 9,946                              | \$ 5,602                             |
| Current Year Claims and<br>Changes in Estimates | 118,715                               | 54,557                               |
| Claims Payments                                 | 117,705                               | 53,577                               |
| Liability at End of Year                        | <u>\$ 10,956</u>                      | <u>\$ 6,582</u>                      |

The table above reflects actual activity of the employee health and retiree health insurance programs. In accordance with GASB Statement No. 45, certain costs reported above were reclassified for financial statement purposes. \$41.5 million in retiree healthcare costs were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, \$25 million of active employee healthcare costs was reclassified from the internal service fund to the OPEB Trust Fund to reflect age-adjusted claims.

### NOTE 13 – JOINT VENTURES

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

#### Tri-State Lotto Commission

The Commission was established in 1985 pursuant to passage into law of the Tri-State Lotto Compact by the States of Maine, New Hampshire, and Vermont. The Commission is authorized and empowered to promulgate rules and regulations regarding the conduct of lottery games, including ticket prices, prizes, and the licensing of agents under Title 8 MRSA C. 16.

The Commission is composed of one member from each of the participating states. Each member State's commission appoints one of its members to serve on the Commission and each member holds office at the pleasure of his or her appointing authority. The Commission annually elects a chairman from among its members. The Commission designated that 50 percent of its operating revenue be aggregated in a common prize pool.

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 zero-coupon 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; Daily Number expenses that are allocated to each State based on Daily Number ticket sales; and certain other miscellaneous costs that are based on actual charges generated by each State.

The Tri-State Lotto Commission financial report for fiscal year 2008, which may be obtained from the Bureau of Alcoholic Beverages and Lottery Operations, 8 State House Station, Augusta, ME 04333-0008, includes the following selected financial information:

**Tri-State Lotto Commission**

(Expressed in Thousands)

|  |                   |
|--|-------------------|
| Current Assets   | \$ 35,817         |
| Noncurrent Assets  | 82,496            |
| Total Assets   | <u>\$ 118,313</u> |
| Current Liabilities                                      | \$ 24,139         |
| Long-term Liabilities                                    | 78,561            |
| Total Liabilities  | <u>102,700</u>    |
| Designated Prize Reserves                                | 4,096             |
| Reserve for Unrealized Gains                             | 11,517            |
| Total Net Assets   | <u>15,613</u>     |
| Total Liabilities and Net Assets                         | <u>\$ 118,313</u> |
| Total Revenue  | \$ 73,901         |
| Total Expenses   | 49,692            |
| Allocation to Member States                              | 24,209            |
| Change in Unrealized Gain on Investments Held for Resale | 3,217             |
| Change in Net Assets                                     | <u>\$ 3,217</u>   |

**Multi-State Lottery Association**

The Maine State Lottery became a member of the Multi-State Lottery Association (MUSL) in July 2004. The MUSL currently has 29 member State lotteries, including the District of Columbia and the United States Virgin Islands. The MUSL is managed by a board of directors, which is comprised of the lottery directors or their designee from each of the party States, and authorized to initiate, promulgate, administer and carry out one or more lottery product offerings that will enhance the participating party lottery's revenue.

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



The Multi-State Lottery Association's financial report for fiscal year 2008, 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                         | \$ 100,901        |
| Investments in US Government Securities           | 123,273           |
| US Government Securities Held for Prize Annuities | 651,055           |
| Due from Party Lotteries                          | 23,131            |
| Other Assets                                      | 1,342             |
| Total Assets                                      | <u>\$ 899,702</u> |
|   |                   |
| Amount Held for Future Prizes                     | \$ 204,932        |
| Grand Prize Annuities Payable                     | 681,867           |
| Other Liabilities                                 | 12,628            |
|   | <u>899,427</u>    |
|   |                   |
| Net Assets, Unrestricted                          | 275               |
| Total Liabilities and Net Assets                  | <u>\$ 899,702</u> |
|   |                   |
| Total Revenue                                     | \$ 4,204          |
| Total Expenses                                    | 4,126             |
| Excess of revenue over expenses                   | 78                |
| Net assets, beginning                             | 197               |
| Net assets, ending                                | <u>\$ 275</u>     |

**NOTE 14 - RELATED PARTY TRANSACTIONS**

**PRIMARY GOVERNMENT**

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

By statute, program assets are held by the Treasurer of the State of Maine. FAME and the Treasurer of the State of Maine have entered into a management agreement for the Treasurer to act as a fiduciary of the Fund. The Treasurer is responsible for investment of the Fund and determining, with the advice of the Advisory Committee on College Savings, the proper allocation of the investments of the Fund. The NextGen had approximately \$5.3 billion in net assets at June 30, 2008, which have been recorded in an Agency Fund on the financial statements of the State.

The State of Maine pays a local company as a provider for mental health and independent living services through the MaineCare program. The Executive Director of the Company also serves as House Chair of the Joint Standing Committee on Health and Human Services in the Maine Legislature. During fiscal 2008, the State paid \$14 million for these services; \$5 million from the General Fund and \$9 million from the Federal Fund. At June 30, 2008, the State owed \$705 thousand to this vendor.

The State of Maine pays a family owned company as a provider for road reconstruction through the Department of Transportation. The family includes a House Representative on the Utilities and Energy Committee. During fiscal 2008, the State paid \$7.7 million for these services; \$6.4 million from the Highway Fund, \$1.1 million from the Other Special Revenue Fund and \$.2 million from the Capital Projects Fund. At June 30, 2008, the State owed \$613 thousand to this vendor.

The State of Maine pays subsidiaries of a local business for nursing facilities medical care services for seniors. The Chief Executive Officer of the company is the spouse of a Deputy Director. During fiscal 2008, the State paid \$10.8 million for these services; \$3.9 million from the General Fund and \$6.9 million from the Federal Fund. At June 30, 2008, the State had no outstanding balance with this vendor.

The State of Maine pays a local non-profit to provide medical care, nursing facilities and MaineCare services to individuals with developmental disabilities. The Chief Executive Officer of the company is the spouse of the Commissioner of the Department of Health and Human Services. During fiscal 2008, the State paid \$4.4 million for these services; \$2.7 million from the Federal Fund and \$1.7 million from the General Fund. At June 30, 2008, the State had no outstanding balance with this vendor.

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

#### **COMPONENT UNITS**

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, \$231.4 million; Maine Community College System, \$57.1 million; Maine Municipal Bond Bank, \$3.4 million; Finance Authority of Maine, \$16.8 million; and Maine State Housing Authority, \$9.7 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total \$32.7 million at June 30, 2008, as a liability in Amounts Held Under State Revolving Loan Programs in their financial statements. The state reports the asset as a receivable in the Special Revenue Fund. During fiscal year 2008, the State expended \$4.6 million to FAME for State revolving loan funds. The State also transferred \$1 million from its Loan Insurance Reserves to FAME.

Title 20-A MRSA Chapter 419-A established the Maine State Grant Program as a fund under the jurisdiction of the Finance Authority of Maine. All grant revenues under this fund must be distributed by FAME to students who meet the eligibility requirements for a grant under this chapter. During fiscal year 2007, the NextGen College Savings grant funds and the Maine State Grant funds were pooled into the new State of Maine Grant. FAME paid approximately \$8.6 million in grants to the University of Maine System (UMS) on behalf of eligible students. The UMS reflected these as grant revenues from the State.

#### **RELATED ORGANIZATIONS**

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

reasonable operating expenses and to meet the requirements of any resolution authorizing bonds. The Authority, with the concurrence of the Maine Department of Transportation, established the operating surplus at \$4.7 million annually. The payment of debt service costs in connection with the issuance of the Series 1996 Special Obligation Bonds is considered to constitute payment of the operating surplus for the year 2008.

## NOTE 15 - COMMITMENTS AND CONTINGENCIES

### PRIMARY GOVERNMENT

#### LITIGATION

The State of Maine, its units, and its employees are parties to numerous legal proceedings, many of which are the result of normal governmental operations. In the opinion of the Attorney General and other legal counsel representing the State, in all of the cases listed, the State or its agencies or employees have valid defenses. The following 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.

*Franklin Memorial Hospital v DHHS.* The issue in this case is whether DHHS has failed to issue interim settlements for the fiscal years 2005 and 2006, and if so, whether DHHS is required legally to issue those interim settlements. Maine regulations require that payment follows within 30 days of settlements. The complaint alleges that DHHS owes Franklin approximately \$3.0 million for 2005 and \$1.7 million for 2006. Should the plaintiff prevail, many other outstanding hospital settlements would be affected. Status: DHHS prevailed in Superior Court and Franklin has filed an appeal. The potential for expenditure is moderate.

*Callahan Mine Superfund Site.* The U.S. EPA identified the State of Maine as a Potentially Responsible Party for a Superfund site – the Callahan Mine Site in Brooksville, Maine. The mining occurred pursuant to a lease from 1968 to 1972 in part on state-owned submerged land that had been drained. No court action has been filed by EPA at this time. If the State is found liable as a Responsible Party for the site, costs could exceed \$1 million just for the work conducted by EPA to date. The State has only agreed to conduct feasibility studies to date. Potential liability for remedial actions could greatly exceed \$1 million; however, feasibility studies have not yet been completed. The potential for expenditure regarding this matter is probable; however, the State cannot reasonably estimate the amount of potential loss.

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

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

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

#### FEDERAL GRANTS

The State receives significant financial assistance from the federal government. The receipt of grants is generally dependent upon compliance with terms and conditions of the grant agreements and applicable federal regulations,

including the expenditure of resources for allowable purposes. Grants are subject to the Federal Single Audit Act. Disallowances by federal officials as a result of these audits may become liabilities of the State. The amount of expenditures that may be disallowed by the grantor agencies cannot be determined at this time.

**MUNICIPAL SOLID WASTE LANDFILLS**

Title 38 MRSA §1310-F, establishes within the Department of Environmental Protection (DEP) a cost-sharing program for the closure and remediation of municipal solid waste landfills that pose an actual or potential hazard to the environment and public health. The State's obligation to provide cost sharing to municipalities is subject to the availability of funds approved for that purpose. State expenditures for landfill remediation projects totaled \$28 thousand for fiscal year 2008.

During the 2008 fiscal year, no State general funds or bond funds were expended for municipal solid waste landfill closure projects. After January 1, 2000, the State is no longer liable for the costs relating to the closure of municipal solid waste landfills, except the Commissioner may make grants or payments up to 30 percent, if they are incurred pursuant to an alternative closure schedule approved by DEP prior to January 1, 2000, and if they are specifically identified in a department order or license, schedule of compliance or consent agreement. No reimbursement applications for past closure costs are on file. No additional cost share eligible closures have been approved by DEP. Consequently, the DEP expects no further expenditures for municipal landfill closures.

During the 2008 fiscal year, the State expended \$28 thousand of general obligation bond funds for municipal solid waste landfill remediation projects. Remediation funding, subject to the availability of funds, will continue for 90 percent of the cost of remediation for threats posed by a municipal landfill to wells or other structures constructed on or before December 31, 1999. The maximum reimbursement for remediation funding is 50 percent for structures constructed after that date. The DEP recognizes that, in the future, some landfills will require State funds for post closure investigation and remediation activities. The DEP has estimated the amount of these potential future costs could be as much as \$5 million, based on current site knowledge, the increasing frequency of residential development near closed municipal landfills, the discovery of older abandoned dump sites now occupied by residential homes, and recent issues involving gas migration from two municipal landfills in the state. Approximately \$18 thousand remains in the existing municipal landfill bond account. The bond approved by the voters on the June 2008 ballot will be insufficient to fully cover identified obligations. Additional bond funds will be necessary to cover these outstanding remedial obligations.

**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 \$24 million. This consists of approximately \$18 million for State-owned facilities and approximately \$6 million for the State's share, under a cost sharing arrangement, for municipal facilities.

**POLLUTION ABATEMENT PROGRAM**

Title 38 MRSA § 411 establishes within DEP a cost-sharing program for pollution abatement projects. Subject to funding by the Legislature and the approval of the Commissioner, the State may contribute to the design, engineering and construction of municipal pollution abatement facilities. During the 2008 fiscal year, \$2.8 million of general obligation bond funds were expended for pollution abatement projects. As of June 30, 2008, amounts encumbered for pollution abatement projects totaled \$6.6 million; and general obligation bonds authorized for these projects, but not yet encumbered or expended, totaled \$7.5 million. As of June 30, 2008, DEP estimated the total cost (federal, State, and local) of future projects to be \$422 million.

**DESIGNATION AS A POTENTIALLY RESPONSIBLE PARTY BY THE ENVIRONMENTAL PROTECTION AGENCY**

The State has been identified as a potentially responsible party at two hazardous wastes clean-up sites in Maine. These are located in Plymouth and Brooksville. The remedy for the Plymouth site has been identified in concept but the final cost has yet to be determined. The Brooksville site is presently under investigation but no remedy has been identified.

**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 clean up 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 54.0 percent of the annual payments. As of June 30, 2008, outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled \$837.3 million.

At June 30, 2008, the Department of Transportation had contractual commitments of approximately \$59.5 million for construction of various highway projects. The State's share of that amount is expected to be approximately \$11.2 million. Of these amounts, \$2.2 million has already been accrued. Federal and State funds plus bond proceeds are expected to fund these future expenditures.

**TOBACCO SETTLEMENTS**

On November 23, 1998, Maine along with 45 other states and five civil jurisdictions (known under the MSA as the "Settling States"), entered into a Master Settlement Agreement (MSA) with certain Participating Tobacco Manufacturers (PM's). The MSA is a settlement of lawsuits brought by many States against the four largest tobacco companies alleging a variety of misconduct and claiming 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 allocated 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 the PM's are entitled to an NPM adjustment, which in effect means for the challenged sales year they owe less money to a losing State or States. However, a State that has passed qualifying statute imposing escrow requirements on NPM's and that 'diligently enforced' that qualifying statute is not liable for any amount of that NPM adjustment. Due to the provisions of the MSA, a losing State 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 due to the NPM adjustment claims of many of the PM's. 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.

In the MSA, the PM's have also 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 2008, Maine received a total of \$58.2 million including both the annual payment amount and the strategic contribution amount.

**DIRIGO HEALTH AGENCY****Savings Offset Payment**

Title 24-A MRSA § 6913 established the Savings Offset Payment (SOP) within the Dirigo Health Fund where it uses the SOP as a source of revenue to pay for the activities of the Maine Quality Forum and to subsidize the purchase of health coverage. Each year the Board of Directors of Dirigo Health Agency determines the aggregate measurable cost savings to health care providers in this State as a result of the operation of Dirigo Health. Upon approval of the cost savings amount by the Superintendent of Insurance, the Board determines a savings offset amount to be paid by health insurance carriers, employee benefit excess insurance carriers and third party administrators. The Board calculates the savings offset payment as a percentage of paid claims.

For the first Savings Offset Payment, the State Superintendent of Insurance determined that \$43.7 million was saved in the health care system because of Dirigo Health. The Board established a percentage of .02408 to be applied to claims paid by health insurance carriers, employee benefit excess insurance carriers and third party administrators. In SFY 2008, the Agency collected \$7.9 million of this first assessment. The Agency does not anticipate any further collections for the first Savings Offset Payment.

For the second Savings Offset Payment, the State Superintendent of Insurance determined that \$34.3 million was saved in the health care system because of Dirigo Health. The Board established a percentage of .0185 to be applied to claims paid by health insurance carriers, employee benefit excess insurance carriers and third party administrators. In SFY 2008, the Agency collected \$13.4 million of this second assessment. The Agency expects to collect the remaining \$18.7 million in SFY 2009 for the second Savings Offset Payment.

**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, 2008, the Fund included \$14.2 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2008 of approximately \$144.1 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, 2008, the amount reported in the Fund for claimant liability is \$24.9 million. The General Fund shows a \$16.9 million payable to the Escheat Fund.

**NURSING HOME LOANS**

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

MHHEFA advanced approximately \$613 thousand from the operating fund as of June 30, 2008 to other financially troubled institutions, with combined loan amounts due the Authority of approximately \$10.1 million at June 30, 2008, including loans of \$9.4 million reserved at June 30, 2008. These advances were primarily made to assist

these institutions in meeting debt service requirements in years prior to fiscal 2008. MHHEFA also has approximately \$.4 million of other receivables outstanding with the operating fund at June 30, 2008, primarily related to amounts due from institutions to reimburse the Authority for arbitrage rebate payments made on their behalf. MHHEFA established a \$.9 million reserve in its operating fund related to the above loans, advances and other receivables outstanding.

**CONSTITUTIONAL OBLIGATIONS**

Article 9, § 14-A, C, and D of the Maine State Constitution provides that the State may insure the payment of mortgage loans for industrial, manufacturing, fishing, agricultural and recreational enterprises; mortgage loans for the acquisition, construction, repair and remodeling of houses owned or to be owned by members of two tribes on several Indian reservations; and mortgage loans to resident Maine veterans of the Armed Forces of the United States, including loans to a business organization owned in whole or in part by resident Maine veterans. The aggregate of these obligations, at any one time, may not exceed \$90 million, \$1 million, and \$4 million, respectively. At June 30, 2008, loans outstanding pursuant to these authorizations are \$40.1 million, less than \$1 million, and less than \$1 million, respectively. The State has not paid, nor does it expect to pay, any amounts as a result of these authorizations as of June 30, 2008.

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, 2008, 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, 2008.

**TARGETED CASE MANAGEMENT**

The Federal Department of Health and Human Services, Office of the Inspector General (OIG), conducted an audit of the State's Targeted Case Management (TCM) services for Federal fiscal years 2002 and 2003. During that time, the OIG alleges that approximately \$44 million (\$29 million being the Federal share) of TCM costs were not in accordance with Federal and State requirements, and therefore should be disallowed. Another \$12 million (\$8 million Federal share) requires further investigation as to whether these same services were provided under other Federal programs. The State has notified the OIG that it disagrees with these findings. The resolution is still pending, and the State cannot predict the outcome of this matter. The potential for expenditure is moderate.

**MORAL OBLIGATIONS**

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

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

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

The following summarizes information regarding outstanding moral obligations:

| <b>Moral Obligation Bonds</b><br>(Expressed in Thousands)             |                                     |   |   |                              |
|---|-------------------------------------|---|---|------------------------------|
| <b><u>Issuer</u></b>  | <b><u>Bonds<br/>Outstanding</u></b> | <b><u>Required<br/>Debt<br/>Reserve</u></b> | <b><u>Obligation<br/>Debt<br/>Limit</u></b> | <b><u>Legal Citation</u></b> |
| Maine Health and Higher<br>Educational<br>Facilities Authority - debt | \$ 1,452,195                        | \$116,098                                   | no limit                                    | 22 MRSA § 2075               |
| conduit debt  | 49,880                              |   | no limit                                    | 22 MRSA § 2075               |
| Finance Authority of Maine  | 36,287                              |   | \$ 700,795                                  | 10 MRSA §1032,<br>1053       |
|   | -                                   | -   | 50,000                                      | 20-A MRSA<br>§11449          |
|   | -                                   | -   | 50,000                                      | 38 MRSA §2221                |
| Loring Development Authority *  | -                                   | -   | 100,000                                     | 5 MRSA §13080-N              |
| Maine Municipal Bond Bank   | 1,084,778                           | 126,731                                     | no limit                                    | 30-A MRSA §6006              |
| Maine Educational Loan Authority *                                    | 32,115                              | 1,285                                       | 50,000                                      | 20-A MRSA<br>§11424          |
| Maine State Housing Authority   | 1,404,720                           | 125,519                                     | 2,150,000                                   | 30-A MRSA §4906              |
| Total   | <u>\$ 4,059,975</u>                 | <u>\$369,633</u>                            |   |                              |

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

## NOTE 16 - SUBSEQUENT EVENTS

### PRIMARY GOVERNMENT

On August 14, 2008, October 16, 2008, and January 23, 2009, the State issued \$58.6 million, \$24.5 million, and \$28.9 million respectively, of Bond Anticipation Notes that mature on June 17, 2009.

### COMPONENT UNITS

On March 1, 2008 the Maine State Housing Authority (MSHA) redeemed \$10.4 million of its 2005 Series A and B General Housing Draw Down bonds, with variable interest rates maturing in 2010. On January 29, 2008, MSHA issued a total of \$50 million 2008 Series A-1, A-2 and B Mortgage Purchase Fund bonds at par, with variable interest rates with maturities from 2016 to 2041. On March 12, 2008, MSHA committed to redeem \$22 million of various series of its Mortgage Purchase Program bonds at par. The bonds carried interest rates from 3.65 percent to 5.60 percent, and maturities from 2008 to 2035.

On September 1, 2008, the Maine Municipal Bond Bank issued \$50 million of Series 2008A Grant Anticipation Bonds. The bonds mature from 2009 to 2020 and carry an interest rate ranging from 3.25 percent to 4.00 percent.

Maine Health and Higher Educational Facilities Authority entered into an asset purchase and sale agreement to sell all of the assets of Portland Center for Assisted Living to a third-party. The parties have agreed to a purchase price and are awaiting final approval from the Department of Health and Human Services. If the transaction closes, the purchase price will exceed the carrying value of the assets sold.



In accordance with the Higher Education Loan Purchase Program, the Finance Authority of Maine (FAME) committed to lend up to \$25 million to a lending partner for the purpose of originating FFELP student loans.

**COMMERCIAL PAPER**

On August 8, 2007, approximately \$20 million was invested in Mainsail II Commercial Paper, "Mainsail". At that date, Mainsail was rated A1+ and P1 by Standard & Poor's and Moody's, respectively. On August 20, 2007, Mainsail announced it might be forced to sell assets because it had been unable to raise short-term funding due to market volatility. This resulted in the State's Mainsail position being frozen. On August 31, 2007, the date of the maturity of the Mainsail II Commercial Paper, the payment of principal and accrued interest was not made.

As of June 30, 2008 Mainsail had a fair market value of \$6.7 million. On August 28, 2008 the State came to an agreement with Merrill Lynch which involved the purchase of Mainsail at the price paid by the State, approximately \$20 million.

**FINANCIAL MARKETS**

Investments are reported at fair value as of June 30, 2008. Subsequent to year-end, financial markets have experienced substantial volatility that has had a significant adverse impact on investment portfolios. As a result, certain investments reported in the accompanying financial statements have incurred significant declines in value. Because the values of individual investments fluctuate with market conditions, the amount of losses, if any, that the State will recognize in the future, cannot be determined.

**FISCAL STABILIZATION**

On February 12, 2009, the United States Congress enacted the American Recovery and Reinvestment Act of 2009 providing funds to all States to aid in the economic recovery of the U.S. economy. Funds are being made available for infrastructure and economic development, energy efficiency projects, assistance to the unemployed, and for state and local government fiscal stabilization. It is estimated that the State of Maine will receive approximately \$1.2 billion in additional federal aid over the next two and half years. This bill was signed into law on February 17, 2009.

**NOTE 17 – SPECIAL ITEMS**

The Retiree Health Insurance Post-employment Benefits Investment Trust Fund is established as an irrevocable trust for the sole purpose of holding and investing funds appropriated or otherwise provided to the investment trust fund for the benefit of the Irrevocable Trust Fund for Other Post-employment Benefits established in Title 5 MRSA § 286-B with respect to the State's liabilities for retiree health benefits. The purpose of accumulating assets in this investment trust fund is to provide funding of the State's unfunded liability obligations for retiree health benefits. Funds appropriated for the irrevocable trust must be held in trust and must be invested or disbursed for the exclusive purpose of providing for retiree health benefits and may not be encumbered for, or diverted to, other purposes. Funds appropriated for the irrevocable trust fund may not be diverted or deappropriated by any subsequent action. On January 21, 2008 the State transferred \$100 million to the Maine Public Employees Retirement System for the Retiree Health Insurance Post-Employment Benefits Investment Trust Fund.



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# **REQUIRED SUPPLEMENTARY INFORMATION**

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## Required Supplementary Information - Budgetary Reporting

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

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|  | General Fund       |                     |                   |                               | Highway Fund       |                    |                    |                               |
|--|--------------------|---------------------|-------------------|-------------------------------|--------------------|--------------------|--------------------|-------------------------------|
|  | Original<br>Budget | Final Budget        | Actual            | Variance with<br>Final Budget | Original<br>Budget | Final Budget       | Actual             | Variance with<br>Final Budget |
| <b>Revenues</b>  |                    |                     |                   |                               |                    |                    |                    |                               |
| Taxes  | \$ 2,987,226       | \$ 2,943,976        | \$ 2,976,959      | \$ 32,983                     | \$ 234,551         | 223,369            | \$ 225,235         | \$ 1,866                      |
| Assessments and Other  | 108,281            | 110,744             | 114,302           | 3,558                         | 93,611             | 92,216             | 92,023             | (193)                         |
| Federal Grants   | 16,256             | 10,950              | 11,041            | 91                            | -                  | 465                | 3,983              | 3,518                         |
| Service Charges  | 40,161             | 38,380              | 47,288            | 8,908                         | 5,474              | 5,030              | 6,995              | 1,965                         |
| Income from Investments  | 4,500              | 900                 | 4,452             | 3,552                         | 795                | 1,000              | 1,152              | 152                           |
| Miscellaneous Revenue  | 17,971             | 11,320              | 6,521             | (4,799)                       | 2,244              | 2,185              | (1,666)            | (3,851)                       |
| <b>Total Revenues</b>  | <u>3,174,395</u>   | <u>3,116,270</u>    | <u>3,160,563</u>  | <u>44,293</u>                 | <u>336,675</u>     | <u>324,265</u>     | <u>327,722</u>     | <u>3,457</u>                  |
| <b>Expenditures</b>  |                    |                     |                   |                               |                    |                    |                    |                               |
| Governmental Support and Operations  | 251,313            | 252,677             | 245,992           | 6,685                         | 39,458             | 40,280             | 37,646             | 2,634                         |
| Economic Development & Workforce Training  | 40,600             | 39,695              | 38,253            | 1,442                         | -                  | -                  | -                  | -                             |
| Education  | 1,487,084          | 1,488,433           | 1,471,239         | 17,194                        | -                  | -                  | -                  | -                             |
| Health and Human Services  | 1,029,976          | 1,044,185           | 985,139           | 59,046                        | -                  | -                  | -                  | -                             |
| Business Licensing & Regulation  | -                  | -                   | 2                 | (2)                           | -                  | -                  | -                  | -                             |
| Natural Resources Development & Protection   | 74,700             | 75,024              | 72,957            | 2,067                         | 37                 | 37                 | 28                 | 9                             |
| Justice and Protection   | 266,892            | 269,326             | 262,299           | 7,027                         | 37,058             | 36,941             | 35,476             | 1,465                         |
| Arts, Heritage & Cultural Enrichment   | 8,871              | 8,797               | 8,682             | 115                           | -                  | -                  | -                  | -                             |
| Transportation Safety & Development  | -                  | -                   | -                 | -                             | 267,191            | 303,487            | 276,294            | 27,193                        |
| <b>Total Expenditures</b>  | <u>3,159,436</u>   | <u>3,178,137</u>    | <u>3,084,563</u>  | <u>93,574</u>                 | <u>343,744</u>     | <u>380,745</u>     | <u>349,444</u>     | <u>31,301</u>                 |
| <b>Revenues Over (Under) Expenditures</b>  | <u>14,959</u>      | <u>(61,867)</u>     | <u>76,000</u>     | <u>137,867</u>                | <u>(7,069)</u>     | <u>(56,480)</u>    | <u>(21,722)</u>    | <u>34,758</u>                 |
| <b>Other Financing Sources (Uses)</b>  |                    |                     |                   |                               |                    |                    |                    |                               |
| Operating Transfers Net  | (68,732)           | (75,529)            | (20,073)          | 55,456                        | 2,472              | 2,092              | 6,569              | 4,477                         |
| <b>Net Other Financing Sources (Uses)</b>  | <u>(68,732)</u>    | <u>(75,529)</u>     | <u>(20,073)</u>   | <u>55,456</u>                 | <u>2,472</u>       | <u>2,092</u>       | <u>6,569</u>       | <u>4,477</u>                  |
| <b>Excess of Revenues and Other Sources<br/>Over (Under) Expenditures<br/>and Other Uses</b> | <u>\$ (53,773)</u> | <u>\$ (137,396)</u> | <u>\$ 55,927</u>  | <u>\$ 193,323</u>             | <u>\$ (4,597)</u>  | <u>\$ (54,388)</u> | <u>\$ (15,153)</u> | <u>\$ 39,235</u>              |
| Fund Balances at Beginning of Year (As Restated)   |                    |                     | 265,424           |                               |                    |                    | 130,067            |                               |
| Fund Balances at End of Year   |                    |                     | <u>\$ 321,351</u> |                               |                    |                    | <u>\$ 114,914</u>  |                               |

| Federal Funds      |                    |                  |                            | Other Special Revenue Fund |                    |                   |                            |
|--------------------|--------------------|------------------|----------------------------|----------------------------|--------------------|-------------------|----------------------------|
| Original Budget    | Final Budget       | Actual           | Variance with Final Budget | Original Budget            | Final Budget       | Actual            | Variance with Final Budget |
| \$ -               | \$ -               | \$ -             | \$ -                       | \$ 194,631                 | \$ 218,361         | \$ 212,033        | \$ (6,328)                 |
| -                  | -                  | 160              | 160                        | 121,308                    | 125,968            | 108,515           | (17,453)                   |
| 2,530,365          | 2,637,181          | 2,198,403        | (438,778)                  | 13,590                     | 15,549             | 6,950             | (8,599)                    |
| 932                | 932                | 1,478            | 546                        | 141,954                    | 152,300            | 147,623           | (4,677)                    |
| 17                 | 17                 | 293              | 276                        | 2,169                      | 2,224              | 2,218             | (6)                        |
| 4,056              | 4,611              | (2,676)          | (7,287)                    | 243,007                    | 250,934            | 176,301           | (74,633)                   |
| <u>2,535,370</u>   | <u>2,642,741</u>   | <u>2,197,658</u> | <u>(445,083)</u>           | <u>716,659</u>             | <u>765,336</u>     | <u>653,640</u>    | <u>(111,696)</u>           |
| 9,269              | 15,860             | 6,991            | 8,869                      | 161,569                    | 178,255            | 160,309           | 17,946                     |
| 120,445            | 126,458            | 81,058           | 45,400                     | 29,684                     | 32,881             | 24,105            | 8,776                      |
| 188,953            | 202,448            | 178,762          | 23,686                     | 6,305                      | 9,328              | 5,871             | 3,457                      |
| 1,898,019          | 1,927,941          | 1,667,197        | 260,744                    | 469,410                    | 489,292            | 400,857           | 88,435                     |
| 822                | 955                | 488              | 467                        | 76,238                     | 77,907             | 65,113            | 12,794                     |
| 41,764             | 48,297             | 32,000           | 16,297                     | 112,743                    | 122,379            | 89,020            | 33,359                     |
| 101,214            | 137,806            | 65,346           | 72,460                     | 37,185                     | 41,241             | 32,935            | 8,306                      |
| 3,279              | 3,371              | 2,490            | 881                        | 1,986                      | 2,140              | 1,261             | 879                        |
| 191,893            | 194,310            | 155,760          | 38,550                     | 14,605                     | 21,105             | 17,731            | 3,374                      |
| <u>2,555,658</u>   | <u>2,657,446</u>   | <u>2,190,092</u> | <u>467,354</u>             | <u>909,725</u>             | <u>974,528</u>     | <u>797,202</u>    | <u>177,326</u>             |
| <u>(20,288)</u>    | <u>(14,705)</u>    | <u>7,566</u>     | <u>22,271</u>              | <u>(193,066)</u>           | <u>(209,192)</u>   | <u>(143,562)</u>  | <u>65,630</u>              |
| 258                | 258                | (8,405)          | (8,663)                    | 164,481                    | 145,321            | 134,105           | (11,216)                   |
| <u>258</u>         | <u>258</u>         | <u>(8,405)</u>   | <u>(8,663)</u>             | <u>164,481</u>             | <u>145,321</u>     | <u>134,105</u>    | <u>(11,216)</u>            |
| <u>\$ (20,030)</u> | <u>\$ (14,447)</u> | <u>\$ (839)</u>  | <u>\$ 13,608</u>           | <u>\$ (28,585)</u>         | <u>\$ (63,871)</u> | <u>\$ (9,457)</u> | <u>\$ 54,414</u>           |
|                    |                    | <u>3,522</u>     |                            |                            |                    | <u>231,574</u>    |                            |
|                    |                    | <u>\$ 2,683</u>  |                            |                            |                    | <u>\$ 222,117</u> |                            |



# Required Supplementary Information - Budgetary Reporting

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

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|  | <u>General Fund</u> | <u>Highway Fund</u> | <u>Federal Funds</u> | <u>Special<br/>Revenue Fund</u> |
|--|---------------------|---------------------|----------------------|---------------------------------|
| Fund Balances - Non-GAAP Budgetary Basis | \$ 321,351          | \$ 114,914          | \$ 2,683             | \$ 222,117                      |
| <b>Basis Differences</b>                 |                     |                     |                      |                                 |
| Revenue Accruals/Adjustments:            |                     |                     |                      |                                 |
| Taxes Receivable                         | 210,261             | (2,383)             | -                    | 8,552                           |
| Intergovernmental Receivables            | -                   | -                   | 691,834              | -                               |
| Other Receivables                        | 41,922              | 1,683               | 62,173               | 71,335                          |
| Inventories                              | 1,982               | -                   | 613                  | -                               |
| Due from Component Units                 | 51                  | -                   | 10                   | -                               |
| Due from Other Funds                     | 6,886               | 5,345               | 15,141               | 63,394                          |
| Other Assets                             | -                   | -                   | -                    | -                               |
| Deferred Revenues                        | (215,541)           | (7,382)             | (613)                | (29,555)                        |
| Total Revenue Accruals/Adjustments       | <u>45,561</u>       | <u>(2,737)</u>      | <u>769,158</u>       | <u>113,726</u>                  |
| Expenditure Accruals/Adjustments:        |                     |                     |                      |                                 |
| Accounts Payable                         | (372,783)           | (25,433)            | (622,459)            | (30,476)                        |
| Due to Component Units                   | (3,371)             | (58)                | (9,911)              | (1,474)                         |
| Bonds Issued                             | -                   | -                   | -                    | -                               |
| Accrued Liabilities                      | (16,782)            | (9,953)             | (5,667)              | (8,064)                         |
| Taxes Payable                            | (147,561)           | (158)               | -                    | -                               |
| Intergovernmental Payables               | -                   | (2,409)             | (87,606)             | -                               |
| Due to Other Funds                       | (64,887)            | (76,429)            | (8,043)              | (4,745)                         |
| Total Expenditure Accruals/Adjustments   | <u>(605,384)</u>    | <u>(114,440)</u>    | <u>(733,686)</u>     | <u>(44,759)</u>                 |
| Fund Balances - GAAP Basis               | <u>\$ (238,472)</u> | <u>\$ (2,263)</u>   | <u>\$ 38,155</u>     | <u>\$ 291,084</u>               |

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

### **BUDGETARY REPORTING**

#### **Statutory/Budgetary Presentation**

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

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

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

Detailed budgetary control is maintained at the program and line category level at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers. Except in specific instances, only the Legislature may transfer appropriations between departments. Increases in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget. For the year ended June 30, 2008, the legislature deappropriated \$19.5 million of original appropriations for the General Fund.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded to reserve a portion of the applicable appropriation or allocation, is employed in governmental fund types. For financial statement purposes, encumbrances outstanding at June 30 are shown as reservations of fund balance. Unencumbered appropriations in the General Fund and Highway Fund lapse at June 30 unless, by law, they are carried forward to a subsequent year. Amounts carried forward are shown as reservations of fund balance.

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

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

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



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

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

The budgetary comparison schedule presented for the General Fund, the Highway Fund, the Federal Fund, and the Other Special Revenue Fund presents the original and final appropriated budgets for fiscal year 2008-2009, 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 7, 2007, 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, 2008 rather than the amounts shown in the original budget, are reported.

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

#### **Compliance at the Legal Level of Budgetary Control**

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

## Required Supplementary Information – State Retirement Plan

### Schedule of Funding Progress

|                                | (a)                             | (b)  | (b-a)                     | (a/b)           | (c)                          | (b-a)/c)   |
|--------------------------------|---------------------------------|--|---------------------------|-----------------|------------------------------|--|
| Actuarial<br>Valuation<br>Date | Actuarial<br>Value<br>Of Assets | Actuarial<br>Accrued Liability<br>(AAL) – Entry<br>Age | Unfunded<br>AAL<br>(UAAL) | Funded<br>Ratio | Annual<br>Covered<br>Payroll | UAAL (as a<br>percentage of<br>covered<br>payroll) |
| June 30, 2008                  | 8,691,075,704                   | 11,721,271,968   | 3,030,196,264             | 74.1%           | 1,628,421,362                | 186.1%   |
| June 30, 2007                  | 8,302,466,643                   | 11,209,708,127   | 2,907,241,484             | 74.1%           | 1,595,199,514                | 182.2%   |
| June 30, 2006                  | 7,556,514,663                   | 10,598,346,071   | 3,041,831,408             | 71.3%           | 1,546,315,522                | 196.7%   |
| June 30, 2005                  | 7,013,846,148                   | 10,048,587,643   | 3,034,741,495             | 69.8%           | 1,516,390,862                | 200.1%   |
| June 30, 2004                  | 6,498,608,717                   | 9,485,605,608  | 2,986,996,891             | 68.5%           | 1,472,429,214                | 202.9%   |
| June 30, 2003                  | 6,085,632,834                   | 9,007,851,422  | 2,922,218,588             | 67.6%           | 1,442,278,362                | 202.6%   |

Major changes in actuarial assumptions include the following:

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

The Maine Public Retirement System (the System), which is a component unit of the State, is the administrator of an agent, multiple-employer, defined benefit public employee retirement system. The June 30, 2008 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

The System amortizes the unfunded liability of the State and teacher plan over a closed period that cannot be longer than 31 years from July 1, 1997 but may be, and at certain times has been, shorter than that period. In 2000, the amortization period was reduced to a 19-year period from June 30, 2000. In 2004, the Legislature relengthened the period to 25 years, the full extent of the then-remaining Constitutional years for the 2004-2005 biennium, and reshortened the period effective July 1, 2005 to the 13 years that will then remain in the earlier shortened period. In 2005, the State repealed the “sunset” provision, with the result that the period for reduction of these unfunded actuarial liabilities continues to the full extent permitted by the State constitution, or June 30, 2028. The contribution rate in effect for 2008 was determined by the 2006 valuation, as revised, and reflects the relengthened amortization period. The unfunded actuarial accrual liability of the judicial plan is amortized over a period of which 9 years remained at June 30, 2008.

Note: Actuarial valuations are performed biennially on even years. Rollforward valuations occur on odd numbered years. The latest actuarial valuation occurred June 30, 2008.

## Required Supplementary Information – Other Post-employment Benefit Plans

### Schedules of Funding Progress

(Expressed in millions)

#### State Employees Healthcare Plan

|                          | (a)                       | (b)   | (b-a)               | (a/b)        | (c)                    | (b-a)/c)                                  |
|--------------------------|---------------------------|---|---------------------|--------------|------------------------|---|
| Actuarial Valuation Date | Actuarial Value Of Assets | Actuarial Accrued Liability (AAL) – Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Annual Covered Payroll | UAAL (as a percentage of covered payroll) |
| June 30, 2008            | 98                        | 1,242   | 1,144               | 7.89%        | 568                    | 201.41%                                   |

#### Teachers Healthcare Plan

|                          | (a)                       | (b)   | (b-a)               | (a/b)        | (c)                    | (b-a)/c)                                  |
|--------------------------|---------------------------|---|---------------------|--------------|------------------------|---|
| Actuarial Valuation Date | Actuarial Value Of Assets | Actuarial Accrued Liability (AAL) – Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Annual Covered Payroll | UAAL (as a percentage of covered payroll) |
| June 30, 2008            | \$-                       | 1,044   | 1,044               | 0.00%        | 1,160                  | 90.00%                                    |

#### State Employees Group Life Insurance Plan

|                          | (a)                       | (b)   | (b-a)               | (a/b)        | (c)                    | (b-a)/c)                                  |
|--------------------------|---------------------------|---|---------------------|--------------|------------------------|---|
| Actuarial Valuation Date | Actuarial Value Of Assets | Actuarial Accrued Liability (AAL) – Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Annual Covered Payroll | UAAL (as a percentage of covered payroll) |
| June 30, 2008            | 21.1                      | 64.9  | 43.8                | 32.51%       | 601.1                  | 7.29%                                     |
| June 30, 2007            | 20.8                      | 65.2  | 44.4                | 31.90%       | 521.2                  | 8.52%                                     |

#### Teachers Group Life Insurance Plan

|                          | (a)                       | (b)   | (b-a)               | (a/b)        | (c)                    | (b-a)/c)                                  |
|--------------------------|---------------------------|---|---------------------|--------------|------------------------|---|
| Actuarial Valuation Date | Actuarial Value Of Assets | Actuarial Accrued Liability (AAL) – Entry Age | Unfunded AAL (UAAL) | Funded Ratio | Annual Covered Payroll | UAAL (as a percentage of covered payroll) |
| June 30, 2008            | 19.9                      | 52.1  | 32.2                | 38.20%       | 591.1                  | 5.45%                                     |
| June 30, 2007            | 19.1                      | 54.1  | 35.0                | 35.30%       | 559.1                  | 6.26%                                     |

|   |
|---|
| <b>Required Supplementary Information – Other Post-employment Benefit Plans (continued)</b> |
|---|

### Schedules of Funding Progress

(Expressed in 000's)

#### First Responders Healthcare Plan

|                                | (a)                             | (b)  | (b-a)                     | (a/b)           | (c)                          | (b-a)/c)   |
|--------------------------------|---------------------------------|--|---------------------------|-----------------|------------------------------|--|
| Actuarial<br>Valuation<br>Date | Actuarial<br>Value<br>Of Assets | Actuarial<br>Accrued Liability<br>(AAL) – Entry<br>Age | Unfunded<br>AAL<br>(UAAL) | Funded<br>Ratio | Annual<br>Covered<br>Payroll | UAAL (as a<br>percentage of<br>covered<br>payroll) |
| June 30, 2008                  | \$-                             | 19,806   | 19,806                    | 0.00%           | 51,021                       | 38.82%   |

### Schedule of Employer Contributions

(Expressed in 000's)

|                      | Employer Contributions             |                           |                                    |                           |                                    |                           |
|----------------------|------------------------------------|---------------------------|------------------------------------|---------------------------|------------------------------------|---------------------------|
|                      | State<br>Employees                 |                           | Teachers                           |                           | First<br>Responders                |                           |
| Fiscal<br>Year Ended | Annual<br>Required<br>Contribution | Percentage<br>Contributed | Annual<br>Required<br>Contribution | Percentage<br>Contributed | Annual<br>Required<br>Contribution | Percentage<br>Contributed |
| June 30, 2008        |                                    |                           |                                    |                           |                                    |                           |
| Healthcare           | 111,000                            | 149.90%                   | 46,000                             | 38.38%                    | 1,045                              | 0%                        |
| Group Life           | 5,500                              | .42%                      |                                    |                           | N/A                                | N/A                       |

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

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Assets accounted for under the modified approach include 8,816 highway miles or 17,912 lane miles of roads and 2,962 bridges having a total deck area of 11.5 million square feet that the State is responsible to maintain.

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

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

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

### **Highways**

#### **Measurement Scale for Highways**

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

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

## **Bridges**

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

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

### **Assessed Conditions**

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

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

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

| Fiscal Year | Highways | Bridges |
|-------------|----------|---------|
| 2008        | 75.6     | 79.0    |
| 2007        | 76.0     | 78.0    |
| 2006        | 75.0     | 77.0    |

### **Comparison of Estimated-to-Actual Preservation Costs**

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

Actual Preservation Costs  
(Amounts in millions)

|                    | <u>2008</u>           | <u>2007</u>           | <u>2006</u>           | <u>2005</u>           | <u>2004</u>           |
|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Highways .....     | \$ 80.0               | \$ 71.7               | \$ 46.3               | \$ 42.1               | \$ 33.3               |
| Bridges .....      | 1.6                   | 1.6                   | 4.8                   | 4.0                   | 2.0                   |
| <b>Total</b> ..... | <b><u>\$ 81.6</u></b> | <b><u>\$ 73.3</u></b> | <b><u>\$ 51.1</u></b> | <b><u>\$ 46.1</u></b> | <b><u>\$ 35.3</u></b> |

Estimated Preservation Costs  
(Amounts in millions)

|                    | <u>2008</u>           | <u>2007</u>           | <u>2006</u>           | <u>2005</u>           | <u>2004</u>           |
|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Highways .....     | \$ 97.7               | \$ 59.7               | \$ 47.1               | \$ 43.8               | \$ 28.3               |
| Bridges .....      | 2.0                   | 1.3                   | 4.9                   | 4.2                   | 1.7                   |
| <b>Total</b> ..... | <b><u>\$ 99.7</u></b> | <b><u>\$ 61.0</u></b> | <b><u>\$ 52.0</u></b> | <b><u>\$ 48.0</u></b> | <b><u>\$ 30.0</u></b> |

**Transportation Bonds**

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 39, PL 2007, \$60 million was spent during FY2008.





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# **COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES NON-MAJOR FUNDS**

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

June 30, 2008  
(Expressed in Thousands)

|  | Special<br>Revenue | Capital<br>Projects | Permanent<br>Funds | Totals<br>Other<br>Governmental<br>Funds |
|--|--------------------|---------------------|--------------------|--|
| <b>Assets</b>                              |                    |                     |                    |  |
| Equity in Treasurer's Cash Pool            | \$ 77              | \$ 1                | \$ -               | \$ 78                                    |
| Investments                                | 62,084             | -                   | 12,891             | 74,975                                   |
| Restricted Assets:                         |                    |                     |                    |  |
| Restricted Equity in Treasurer's Cash Pool | -                  | 6,211               | -                  | 6,211                                    |
| Restricted Deposits and Investments        | -                  | 21,150              | -                  | 21,150                                   |
| Due from Other Funds                       | 10                 | 149                 | -                  | 159                                      |
| Due from Component Units                   | -                  | 119                 | -                  | 119                                      |
| <b>Total Assets</b>                        | <b>\$ 62,171</b>   | <b>\$ 27,630</b>    | <b>\$ 12,891</b>   | <b>\$ 102,692</b>                        |
| <b>Liabilities and Fund Balances</b>       |                    |                     |                    |  |
| Liabilities:                               |                    |                     |                    |  |
| Accounts Payable                           | \$ -               | \$ 875              | \$ -               | \$ 875                                   |
| Due to Other Funds                         | -                  | 27                  | -                  | 27                                       |
| Due to Component Units                     | -                  | 2,386               | -                  | 2,386                                    |
| <b>Total Liabilities</b>                   | <b>-</b>           | <b>3,288</b>        | <b>-</b>           | <b>3,288</b>                             |
| Fund Balances:                             |                    |                     |                    |  |
| Reserved                                   |                    |                     |                    |  |
| Continuing Appropriations                  | 155                | -                   | -                  | 155                                      |
| Capital Projects                           | -                  | 24,342              | -                  | 24,342                                   |
| Permanent Trusts                           | -                  | -                   | 12,891             | 12,891                                   |
| Other                                      | 62,016             | -                   | -                  | 62,016                                   |
| <b>Total Fund Balances</b>                 | <b>62,171</b>      | <b>24,342</b>       | <b>12,891</b>      | <b>99,404</b>                            |
| <b>Total Liabilities and Fund Balances</b> | <b>\$ 62,171</b>   | <b>\$ 27,630</b>    | <b>\$ 12,891</b>   | <b>\$ 102,692</b>                        |

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

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|   | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> | <u>Permanent<br/>Funds</u> | <u>Totals<br/>Other<br/>Governmental<br/>Funds</u> |
|---|----------------------------|-----------------------------|----------------------------|--|
| Revenues:   |                            |                             |                            |  |
| Investment Income (Loss)  | \$ (2,852)                 | \$ (301)                    | \$ 410                     | \$ (2,743)   |
| Miscellaneous Revenue   | -                          | 4,414                       | -                          | 4,414  |
| Total Revenues  | <u>(2,852)</u>             | <u>4,113</u>                | <u>410</u>                 | <u>1,671</u>                                       |
| Expenditures:   |                            |                             |                            |  |
| Governmental Support & Operations                                     | 201                        | 7,690                       | -                          | 7,891  |
| Economic Development & Workforce Training                             | -                          | 4,966                       | -                          | 4,966  |
| Education   | -                          | 12,545                      | -                          | 12,545   |
| Health and Human Services   | -                          | 2,700                       | -                          | 2,700  |
| Natural Resources Development & Protection                            | -                          | 4,216                       | -                          | 4,216  |
| Justice and Protection  | -                          | 368                         | -                          | 368  |
| Arts, Heritage, and Cultural Enrichment                               | -                          | 261                         | -                          | 261  |
| Transportation, Safety & Development                                  | -                          | 69,104                      | -                          | 69,104   |
| Total Expenditures  | <u>201</u>                 | <u>101,850</u>              | <u>-</u>                   | <u>102,051</u>                                     |
| Revenue over (under) Expenditures                                     | <u>(3,053)</u>             | <u>(97,737)</u>             | <u>410</u>                 | <u>(100,380)</u>                                   |
| Other Financing Sources (Uses):                                       |                            |                             |                            |  |
| Transfers from Other Funds  | 1,280                      | 111                         | -                          | 1,391  |
| Transfers to Other Funds  | (3,043)                    | (2,700)                     | (37)                       | (5,780)  |
| Bonds Issued  | -                          | 104,075                     | -                          | 104,075  |
| Net Other Finance Sources (Uses)                                      | <u>(1,763)</u>             | <u>101,486</u>              | <u>(37)</u>                | <u>99,686</u>                                      |
| Revenue and Other Sources over (under)<br>Expenditures and Other Uses | <u>(4,816)</u>             | <u>3,749</u>                | <u>373</u>                 | <u>(694)</u>                                       |
| Fund Balances at Beginning of Year                                    | <u>66,987</u>              | <u>20,593</u>               | <u>12,518</u>              | <u>100,098</u>                                     |
| Fund Balances at End of Year  | <u>\$ 62,171</u>           | <u>\$ 24,342</u>            | <u>\$ 12,891</u>           | <u>\$ 99,404</u>                                   |



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# OTHER GOVERNMENTAL FUNDS

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## Special Revenue Funds

Baxter Park Fund – This fund accounts for a gift to the State of Maine by former Governor Baxter, which allows for the principal and interest to be used to purchase public reserved lands. Interest income may also be used for operations of the Baxter State Park.

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

## Capital Projects Funds

General Bond Fund – This fund accounts for the acquisition or construction of major capital facilities, other than highways and bridges that are financed primarily from proceeds of general obligation bonds.

The State also includes proceeds from bond issues for purposes other than construction of major capital facilities in this fund.

## Permanent Funds

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

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

# STATE OF MAINE

## COMBINING BALANCE SHEET

### NON-MAJOR SPECIAL REVENUE FUNDS

June 30, 2008  
(Expressed in Thousands)

|                                      | <u>Baxter<br/>Park</u> | <u>Revenue on<br/>Permanent<br/>Funds</u> | <u>Totals<br/>Special<br/>Revenue<br/>Funds</u> |
|--------------------------------------|------------------------|---|---|
| <b>Assets</b>                        |                        |   |   |
| Equity in Treasurer's Cash Pool      | \$ -                   | \$ 77                                     | \$ 77   |
| Investments                          | 62,045                 | 39  | 62,084  |
| Due from Other Funds                 | <u>-</u>               | <u>10</u>                                 | <u>10</u>                                       |
| Total Assets                         | <u>\$ 62,045</u>       | <u>\$ 126</u>                             | <u>\$ 62,171</u>                                |
| <b>Liabilities and Fund Balances</b> |                        |   |   |
| Liabilities:                         |                        |   |   |
| Total Liabilities                    | <u>-</u>               | <u>-</u>                                  | <u>-</u>  |
| Fund Balances:                       |                        |   |   |
| Reserved                             |                        |   |   |
| Continuing Appropriations            | -                      | 155                                       | 155   |
| Other                                | <u>62,045</u>          | <u>(29)</u>                               | <u>62,016</u>                                   |
| Total Fund Balances                  | <u>62,045</u>          | <u>126</u>                                | <u>62,171</u>                                   |
| Total Liabilities and Fund Balances  | <u>\$ 62,045</u>       | <u>\$ 126</u>                             | <u>\$ 62,171</u>                                |

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

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|  | <u>Baxter<br/>Park</u>  | <u>Revenue on<br/>Permanent<br/>Funds</u> | <u>Totals<br/>Special<br/>Revenue<br/>Funds</u> |
|--|-------------------------|---|---|
| <b>Revenues:</b>   |                         |   |   |
| Investment Income (Loss)   | \$ (3,037)              | \$ 185                                    | \$ (2,852)                                      |
| Total Revenues   | <u>(3,037)</u>          | <u>185</u>                                | <u>(2,852)</u>                                  |
| <b>Expenditures</b>  |                         |   |   |
| General Government   | <u>-</u>                | <u>201</u>                                | <u>201</u>                                      |
| Total Expenditures   | <u>-</u>                | <u>201</u>                                | <u>201</u>                                      |
| Revenue over (under) Expenditures                                      | <u>(3,037)</u>          | <u>(16)</u>                               | <u>(3,053)</u>                                  |
| Other Financing Sources (Uses):  |                         |   |   |
| Transfer from Other Funds  | -                       | 1,280                                     | 1,280   |
| Transfer to Other Funds  | <u>(1,750)</u>          | <u>(1,293)</u>                            | <u>(3,043)</u>                                  |
| Net Other Finance Sources (Uses)                                       | <u>(1,750)</u>          | <u>(13)</u>                               | <u>(1,763)</u>                                  |
| Revenues and Other Sources over (under)<br>Expenditures and Other Uses | <u>(4,787)</u>          | <u>(29)</u>                               | <u>(4,816)</u>                                  |
| Fund Balances at Beginning of Year                                     | <u>66,832</u>           | <u>155</u>                                | <u>66,987</u>                                   |
| Fund Balances at End of Year   | <u><u>\$ 62,045</u></u> | <u><u>\$ 126</u></u>                      | <u><u>\$ 62,171</u></u>                         |

# STATE OF MAINE

## BALANCE SHEET

### NON-MAJOR CAPITAL PROJECTS FUND

June 30, 2008  
(Expressed in Thousands)

|  | <b>General Bond<br/>Fund</b> |
|--|------------------------------|
| <b>Assets</b>                              |                              |
| Equity in Treasurer's Cash Pool            | \$ 1                         |
| Restricted Assets:                         |                              |
| Restricted Equity in Treasurer's Cash Pool | 6,211                        |
| Restricted Deposits and Investments        | 21,150                       |
| Due from Other Funds                       | 149                          |
| Due from Component Units                   | 119                          |
|  | <hr/>                        |
| Total Assets                               | \$ 27,630                    |
|  | <hr/>                        |
| <b>Liabilities and Fund Balances</b>       |                              |
| Liabilities:                               |                              |
| Accounts Payable                           | \$ 875                       |
| Due to Other Funds                         | 27                           |
| Due to Component Units                     | 2,386                        |
|  | <hr/>                        |
| Total Liabilities                          | 3,288                        |
|  | <hr/>                        |
| Fund Balances:                             |                              |
| Reserved                                   |                              |
| Capital Projects                           | 24,342                       |
|  | <hr/>                        |
| Total Fund Balances                        | 24,342                       |
|  | <hr/>                        |
| Total Liabilities and Fund Balances        | \$ 27,630                    |
|  | <hr/>                        |



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

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|  | <b>General Bond<br/>Fund</b> |
|--|------------------------------|
| <b>Revenues:</b>                           |                              |
| Investment Income (Loss)                   | \$ (301)                     |
| Miscellaneous Revenue                      | 4,414                        |
| Total Revenues                             | <u>4,113</u>                 |
| <b>Expenditures</b>                        |                              |
| Current:                                   |                              |
| Governmental Support & Operations          | 7,690                        |
| Economic Development & Workforce Training  | 4,966                        |
| Education                                  | 12,545                       |
| Health and Human Services                  | 2,700                        |
| Natural Resources Development & Protection | 4,216                        |
| Justice and Protection                     | 368                          |
| Arts, Heritage & Cultural Enrichment       | 261                          |
| Transportation, Safety & Development       | 69,104                       |
| Debt Service:                              |                              |
| Principal Payments                         | -                            |
| Interest Payments                          | -                            |
| Total Expenditures                         | <u>101,850</u>               |
| Revenue over (under) Expenditures          | <u>(97,737)</u>              |
| Other Financing Sources (Uses):            |                              |
| Transfers from Other Funds                 | 111                          |
| Transfers to Other Funds                   | (2,700)                      |
| Bonds Issued                               | 104,075                      |
| Net Other Finance Sources (Uses)           | <u>101,486</u>               |
| Revenues and Other Sources over (under)    |                              |
| Expenditures and Other Uses                | <u>3,749</u>                 |
| Fund Balances at Beginning of Year         | <u>20,593</u>                |
| Fund Balances at End of Year               | <u><u>\$ 24,342</u></u>      |

# STATE OF MAINE

## COMBINING BALANCE SHEET

### NON-MAJOR PERMANENT FUNDS

June 30, 2008  
(Expressed in Thousands)

|                      | <u>Baxter<br/>Trust</u> | <u>Other<br/>Trusts</u> | <u>Totals<br/>Permanent<br/>Funds</u> |
|----------------------|-------------------------|-------------------------|---------------------------------------|
| <b>Assets</b>        |                         |                         |                                       |
| Investments          | \$ 4,985                | \$ 7,906                | \$ 12,891                             |
| Total Assets         | <u>\$ 4,985</u>         | <u>\$ 7,906</u>         | <u>\$ 12,891</u>                      |
| <b>Fund Balances</b> |                         |                         |                                       |
| Reserved:            |                         |                         |                                       |
| Permanent Trusts     | <u>\$ 4,985</u>         | <u>\$ 7,906</u>         | <u>\$ 12,891</u>                      |

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

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|  | <u>Baxter<br/>Trust</u> | <u>Other<br/>Trusts</u> | <u>Totals<br/>Permanent<br/>Funds</u> |
|--|-------------------------|-------------------------|---------------------------------------|
| Revenues:  |                         |                         |                                       |
| Investment Income (Loss)   | \$ (298)                | \$ 708                  | \$ 410                                |
| Total Revenues   | <u>(298)</u>            | <u>708</u>              | <u>410</u>                            |
| Expenditures   |                         |                         |                                       |
| Total Expenditures   | <u>-</u>                | <u>-</u>                | <u>-</u>                              |
| Revenues over (under) Expenditures                                     | <u>(298)</u>            | <u>708</u>              | <u>410</u>                            |
| Transfers to Other Funds   | <u>-</u>                | <u>(37)</u>             | <u>(37)</u>                           |
| Net Other Finance Sources (Uses)                                       | <u>-</u>                | <u>(37)</u>             | <u>(37)</u>                           |
| Revenues and Other Sources over (under)<br>Expenditures and Other Uses | <u>(298)</u>            | <u>671</u>              | <u>373</u>                            |
| Fund Balances at Beginning of Year                                     | <u>5,283</u>            | <u>7,235</u>            | <u>12,518</u>                         |
| Fund Balances at End of Year   | <u><u>\$ 4,985</u></u>  | <u><u>\$ 7,906</u></u>  | <u><u>\$ 12,891</u></u>               |



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# NON-MAJOR ENTERPRISE FUNDS

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

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

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

Seed Potato Board Fund – This fund accounts for the growing of nuclear seed for sale to potato growers, for research in disease control, and the development of new product varieties.

Marine Ports Fund – This fund is used to account for the operation and maintenance of port facilities within the jurisdiction of the Department of Transportation.

State Ferry Service Fund – This fund accounts for the operation of ferry services between the mainland and various islands for the purpose of transporting vehicles, freight, and passengers to and from those islands.

Prison Industries Fund – This fund accounts for a self-supporting program of job training through the employment of inmates in manufacturing and selling products.

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

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

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

# STATE OF MAINE

## COMBINING STATEMENT OF NET ASSETS

### NON-MAJOR ENTERPRISE FUNDS

June 30, 2008  
(Expressed in Thousands)

|   | <u>Lottery</u> | <u>Alcoholic<br/>Beverages</u> | <u>Maine<br/>Military<br/>Authority</u> | <u>Seed Potato</u> |
|---|----------------|--------------------------------|---|--------------------|
| <b>Assets</b>                                     |                |                                |   |                    |
| Current Assets:                                   |                |                                |   |                    |
| Equity in Treasurer's Cash Pool                   | \$ -           | \$ -                           | \$ 69                                   | \$ 282             |
| Cash and Short-Term Investments                   | 750            | -                              | -                                       | 1                  |
| Inventories                                       | -              | -                              | -                                       | 1                  |
| Receivables, Net of Allowance for Uncollectibles: |                |                                |   |                    |
| Other Receivable                                  | 19,384         | 1                              | 2,956                                   | 100                |
| Due from Other Funds                              | 21             | -                              | 383                                     | 3                  |
| Due from Component Units                          | -              | -                              | -                                       | -                  |
| Other Current Assets                              | 49             | -                              | 26                                      | 1                  |
| Total Current Assets                              | <u>20,204</u>  | <u>1</u>                       | <u>3,434</u>                            | <u>388</u>         |
| Noncurrent Assets                                 |                |                                |   |                    |
| Equity in Treasurer's Cash Pool                   | -              | -                              | 4                                       | 18                 |
| Post-Employment Benefit Asset                     | 96             | -                              | 1,404                                   | 25                 |
| Capital Assets - Net of Depreciation              | 161            | -                              | 1,246                                   | 588                |
| Total Noncurrent Assets                           | <u>257</u>     | <u>-</u>                       | <u>2,654</u>                            | <u>631</u>         |
| Total Assets                                      | <u>20,461</u>  | <u>1</u>                       | <u>6,088</u>                            | <u>1,019</u>       |
| <b>Liabilities</b>                                |                |                                |   |                    |
| Current Liabilities:                              |                |                                |   |                    |
| Accounts Payable                                  | 963            | -                              | 4,471                                   | 9                  |
| Accrued Payroll                                   | 60             | -                              | 973                                     | 16                 |
| Due to Other Funds                                | 2,280          | 1                              | 178                                     | 3                  |
| Current Portion of Long-Term Obligations:         |                |                                |   |                    |
| Compensated Absences                              | 95             | -                              | 9                                       | 2                  |
| Deferred Revenue                                  | 354            | 12,500                         | -                                       | -                  |
| Other Accrued Liabilities                         | 16,045         | -                              | 3,625                                   | 222                |
| Total Current Liabilities                         | <u>19,797</u>  | <u>12,501</u>                  | <u>9,256</u>                            | <u>252</u>         |
| Long-Term Liabilities:                            |                |                                |   |                    |
| Deferred Revenue                                  | -              | 62,500                         | -                                       | -                  |
| Compensated Absences                              | -              | -                              | 77                                      | 23                 |
| Total Long-Term Liabilities                       | <u>-</u>       | <u>62,500</u>                  | <u>77</u>                               | <u>23</u>          |
| Total Liabilities                                 | <u>19,797</u>  | <u>75,001</u>                  | <u>9,333</u>                            | <u>275</u>         |
| <b>Net Assets</b>                                 |                |                                |   |                    |
| Invested in Capital Assets, Net of Related Debt   | 161            | -                              | 1,246                                   | 588                |
| Restricted for:                                   |                |                                |   |                    |
| Unrestricted                                      | <u>503</u>     | <u>(75,000)</u>                | <u>(4,491)</u>                          | <u>156</u>         |
| Total Net Assets                                  | <u>\$ 664</u>  | <u>\$ (75,000)</u>             | <u>\$ (3,245)</u>                       | <u>\$ 744</u>      |

|              |               |                   |               |  |  |          | Totals                 |
|--------------|---------------|-------------------|---------------|--|--|----------|------------------------|
|              |               |                   |               |  |  |          | Other Enterprise Funds |
| Marine Ports | Ferry Service | Prison Industries | Dirigo Health | Transit, Aviation, & Rail Transportation | Consolidated Emergency Communications Fund |          |                        |
| \$ 139       | \$ 347        | \$ 47             | \$ -          | \$ 1,594                                 | \$ 775                                     | \$ 3,253 |                        |
| -            | 3             | 3                 | -             | -  | -  | 757      |                        |
| -            | 311           | 537               | -             | -  | -  | 849      |                        |
| -            | 156           | 21                | 2,277         | 560                                      | 97   | 25,552   |                        |
| 2            | 18            | 31                | -             | 16                                       | 68   | 542      |                        |
| 73           | -             | -                 | -             | -  | -  | 73       |                        |
| -            | -             | -                 | -             | -  | -  | 76       |                        |
| 214          | 835           | 639               | 2,277         | 2,170                                    | 940  | 31,102   |                        |
|              |               |                   |               |  |  |          |                        |
| 9            | 22            | 3                 | -             | 104                                      | 50   | 210      |                        |
| -            | 314           | 12                | 63            | 5  | 266  | 2,185    |                        |
| 18,710       | 26,758        | 4                 | -             | 48,438                                   | -  | 95,905   |                        |
| 18,719       | 27,094        | 19                | 63            | 48,547                                   | 316  | 98,300   |                        |
| 18,933       | 27,929        | 658               | 2,340         | 50,717                                   | 1,256                                      | 129,402  |                        |
|              |               |                   |               |  |  |          |                        |
| 9            | 253           | 25                | 99            | 298                                      | 1  | 6,128    |                        |
| -            | 335           | 15                | 48            | 5  | 180  | 1,632    |                        |
| -            | 12            | 2                 | 16,833        | 27                                       | 17   | 19,353   |                        |
| -            | 29            | -                 | 7             | -  | 20   | 162      |                        |
| -            | -             | -                 | 1,197         | -  | -  | 14,051   |                        |
| -            | -             | -                 | -             | -  | -  | 19,892   |                        |
| 9            | 629           | 42                | 18,184        | 330                                      | 218  | 61,218   |                        |
|              |               |                   |               |  |  |          |                        |
| -            | -             | -                 | -             | -  | -  | 62,500   |                        |
| -            | 256           | -                 | 62            | -  | 170  | 588      |                        |
| -            | 256           | -                 | 62            | -  | 170  | 63,088   |                        |
| 9            | 885           | 42                | 18,246        | 330                                      | 388  | 124,306  |                        |
|              |               |                   |               |  |  |          |                        |
| 18,710       | 26,758        | 4                 | -             | 48,438                                   | -  | 95,905   |                        |
| 214          | 286           | 612               | (15,906)      | 1,949                                    | 868  | (90,809) |                        |
| \$ 18,924    | \$ 27,044     | \$ 616            | \$ (15,906)   | \$ 50,387                                | \$ 868                                     | \$ 5,096 |                        |

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

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|  | <u>Lottery</u>  | <u>Alcoholic<br/>Beverages</u> | <u>Maine<br/>Military<br/>Authority</u> | <u>Seed Potato</u> |
|--|-----------------|--------------------------------|---|--------------------|
| <b>Operating Revenues</b>                                    |                 |                                |   |                    |
| Charges for Services   | \$ 228,607      | \$ 27                          | \$ 76,958                               | \$ 258             |
| Assessments  | -               | -                              | -                                       | -                  |
| Miscellaneous Revenues                                       | -               | -                              | 409                                     | 1                  |
| Total Operating Revenues                                     | <u>228,607</u>  | <u>27</u>                      | <u>77,367</u>                           | <u>259</u>         |
| <b>Operating Expenses</b>                                    |                 |                                |   |                    |
| General Operations   | 178,417         | -                              | 79,934                                  | 543                |
| Depreciation   | <u>2</u>        | <u>-</u>                       | <u>372</u>                              | <u>14</u>          |
| Total Operating Expenses                                     | <u>178,419</u>  | <u>-</u>                       | <u>80,306</u>                           | <u>557</u>         |
| Operating Income (Loss)                                      | <u>50,188</u>   | <u>27</u>                      | <u>(2,939)</u>                          | <u>(298)</u>       |
| <b>Nonoperating Revenues (Expenses)</b>                      |                 |                                |   |                    |
| Other Nonoperating Revenues (Expenses)- net                  | <u>373</u>      | <u>12,500</u>                  | <u>(138)</u>                            | <u>6</u>           |
| Total Nonoperating Revenues (Expenses)                       | <u>373</u>      | <u>12,500</u>                  | <u>(138)</u>                            | <u>6</u>           |
| Income (Loss) Before Capital Contributions, and<br>Transfers | <u>50,561</u>   | <u>12,527</u>                  | <u>(3,077)</u>                          | <u>(292)</u>       |
| <b>Capital Contributions and Transfers</b>                   |                 |                                |   |                    |
| Capital Contributions from Other Funds                       | -               | -                              | -                                       | -                  |
| Transfers from Other Funds                                   | -               | -                              | -                                       | 569                |
| Transfers to Other Funds                                     | <u>(50,303)</u> | <u>(27)</u>                    | <u>-</u>                                | <u>-</u>           |
| Total Capital Contributions and Transfers In (Out)           | <u>(50,303)</u> | <u>(27)</u>                    | <u>-</u>                                | <u>569</u>         |
| Change in Net Assets   | 258             | 12,500                         | (3,077)                                 | 277                |
| Total Net Assets - Beginning of Year                         | <u>406</u>      | <u>(87,500)</u>                | <u>(168)</u>                            | <u>467</u>         |
| Total Net Assets - End of Year                               | <u>\$ 664</u>   | <u>\$ (75,000)</u>             | <u>\$ (3,245)</u>                       | <u>\$ 744</u>      |



|                     |                      |                          |                      |   |   | <b>Totals</b>                 |
|---------------------|----------------------|--------------------------|----------------------|---|---|-------------------------------|
| <b>Marine Ports</b> | <b>Ferry Service</b> | <b>Prison Industries</b> | <b>Dirigo Health</b> | <b>Transit, Aviation, &amp; Rail Transportation</b> | <b>Consolidated Emergency Communications Fund</b> | <b>Other Enterprise Funds</b> |
| \$ 311              | \$ 3,972             | \$ 1,474                 | \$ 54,507            | \$ 343  | \$ 5,119  | \$ 371,576                    |
| -                   | -                    | -                        | -                    | 1,746   | -   | 1,746                         |
| -                   | 127                  | -                        | -                    | 3   | 36  | 576                           |
| 311                 | 4,099                | 1,474                    | 54,507               | 2,092   | 5,155   | 373,898                       |
| 583                 | 7,970                | 1,404                    | 76,860               | 499   | 4,707   | 350,917                       |
| 1,342               | 1,471                | 5                        | -                    | 6,933   | -   | 10,139                        |
| 1,925               | 9,441                | 1,409                    | 76,860               | 7,432   | 4,707   | 361,056                       |
| (1,614)             | (5,342)              | 65                       | (22,353)             | (5,340)   | 448   | 12,842                        |
| 4                   | 17                   | 4                        | -                    | (3)   | -   | 12,763                        |
| 4                   | 17                   | 4                        | -                    | (3)   | -   | 12,763                        |
| (1,610)             | (5,325)              | 69                       | (22,353)             | (5,343)   | 448   | 25,605                        |
| -                   | 7,019                | -                        | -                    | 7,352   | -   | 14,371                        |
| -                   | 3,995                | -                        | -                    | -   | -   | 4,564                         |
| -                   | -                    | (38)                     | (4,128)              | -   | (2)   | (54,498)                      |
| -                   | 11,014               | (38)                     | (4,128)              | 7,352   | (2)   | (35,563)                      |
| (1,610)             | 5,689                | 31                       | (26,481)             | 2,009   | 446   | (9,958)                       |
| 20,534              | 21,355               | 585                      | 10,575               | 48,378  | 422   | 15,054                        |
| \$ 18,924           | \$ 27,044            | \$ 616                   | \$ (15,906)          | \$ 50,387   | \$ 868  | \$ 5,096                      |

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

June 30, 2008  
(Expressed in Thousands)

|   | <u>Lottery</u>   | <u>Alcoholic<br/>Beverages</u> | <u>Maine<br/>Military<br/>Authority</u> | <u>Seed<br/>Potato</u> |
|---|------------------|--------------------------------|---|------------------------|
| <b>Cash Flows from Operating Activities</b>   |                  |                                |   |                        |
| Receipts from Customers and Users   | \$ 230,873       | \$ 26                          | \$ 80,248                               | \$ 232                 |
| Payments to Prize Winners   | (143,951)        | -                              | -                                       | -                      |
| Payments to Suppliers   | (35,155)         | 1                              | (55,699)                                | (84)                   |
| Payments to Employees   | (1,686)          | -                              | (24,310)                                | (421)                  |
| Net Cash Provided (Used) by Operating Activities  | <u>50,081</u>    | <u>27</u>                      | <u>239</u>                              | <u>(273)</u>           |
| <b>Cash Flows from Noncapital Financing Activities</b>  |                  |                                |   |                        |
| Operating Transfers in  | -                | -                              | -                                       | 569                    |
| Operating Transfers out   | (50,303)         | (27)                           | -                                       | -                      |
| Net Cash Provided (Used) by Noncapital Financing Activities                                       | <u>(50,303)</u>  | <u>(27)</u>                    | <u>-</u>                                | <u>569</u>             |
| <b>Cash Flows from Capital and Related Financing Activities</b>                                   |                  |                                |   |                        |
| Payments for Acquisition of Capital Assets  | (156)            | -                              | (28)                                    | (2)                    |
| Proceeds from Sale of Capital Assets  | -                | -                              | -                                       | -                      |
| Net Cash Provided (Used) by Capital Financing Activities  | <u>(156)</u>     | <u>-</u>                       | <u>(28)</u>                             | <u>(2)</u>             |
| <b>Cash Flows from Investing Activities</b>   |                  |                                |   |                        |
| Interest Revenue  | <u>373</u>       | <u>-</u>                       | <u>(138)</u>                            | <u>6</u>               |
| Net Cash Provided (Used) by Investing Activities  | <u>373</u>       | <u>-</u>                       | <u>(138)</u>                            | <u>6</u>               |
| Net Increase (Decrease) in Cash/Cash Equivalents  | (5)              | -                              | 73                                      | 300                    |
| Cash/Cash Equivalents - Beginning of Year   | <u>755</u>       | <u>-</u>                       | <u>-</u>                                | <u>1</u>               |
| Cash/Cash Equivalents - End of Year   | <u>\$ 750</u>    | <u>\$ -</u>                    | <u>\$ 73</u>                            | <u>\$ 301</u>          |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Used by Operating Activities</b>     |                  |                                |   |                        |
| Operating Income (Loss)   | \$ 50,188        | \$ 27                          | \$ (2,939)                              | \$ (298)               |
| <b>Adjustments to Reconcile Operating Income to Net Cash<br/>Provided by Operating Activities</b> |                  |                                |   |                        |
| Depreciation Expense  | 2                | -                              | 372                                     | 14                     |
| Decrease (Increase) in Assets & Liabilities:  |                  |                                |   |                        |
| Accounts Receivable   | (441)            | (1)                            | (2,728)                                 | (24)                   |
| Interfund Balances  | 1,657            | 1                              | 703                                     | (10)                   |
| Inventories   | -                | -                              | -                                       | -                      |
| Accounts Payable  | (292)            | -                              | 3,380                                   | 9                      |
| Accrued Payroll Expenses  | (17)             | -                              | 137                                     | (3)                    |
| Change in Compensated Absences  | (1)              | -                              | 9                                       | 2                      |
| Other Accruals  | (1,015)          | -                              | 1,305                                   | 37                     |
| Total Adjustments   | <u>(107)</u>     | <u>-</u>                       | <u>3,178</u>                            | <u>25</u>              |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ 50,081</u> | <u>\$ 27</u>                   | <u>\$ 239</u>                           | <u>\$ (273)</u>        |
| <b>Non Cash Investing, Capital and Financing Activities</b>                                       |                  |                                |   |                        |
| Contributed Capital Assets  | -                | -                              | -                                       | -                      |
| Recognize revenue from the prior sale of liquor operations  | -                | 12,500                         | -                                       | -                      |

|                 |                  |                      |                  |  |   | Totals                       |
|-----------------|------------------|----------------------|------------------|--|---|------------------------------|
| Marine<br>Ports | Ferry<br>Service | Prison<br>Industries | Dirigo<br>Health | Transit,<br>Aviation, & Rail<br>Transportation | Consolidated<br>Emergency<br>Communications<br>Fund | Other<br>Enterprise<br>Funds |
| \$ 507          | \$ 4,156         | \$ 1,443             | \$ 54,104        | \$ 2,062                                       | \$ 5,168  | \$ 378,819                   |
| -               | -                | -                    | -                | -  | -   | (143,951)                    |
| (574)           | (2,633)          | (1,263)              | (60,501)         | (118)  | (219)   | (156,245)                    |
| -               | (5,432)          | (201)                | (1,063)          | (241)  | (4,563)   | (37,917)                     |
| (67)            | (3,909)          | (21)                 | (7,460)          | 1,703  | 386   | 40,706                       |
| -               | 3,995            | -                    | -                | -  | -   | 4,564                        |
| -               | -                | (38)                 | (4,128)          | -  | (2)   | (54,498)                     |
| -               | 3,995            | (38)                 | (4,128)          | -  | (2)   | (49,934)                     |
| -               | -                | -                    | -                | (1,263)  | -   | (1,449)                      |
| 4               | 133              | -                    | -                | -  | -   | 137                          |
| 4               | 133              | -                    | -                | (1,263)  | -   | (1,312)                      |
| 4               | 17               | 4                    | -                | (3)  | -   | 263                          |
| 4               | 17               | 4                    | -                | (3)  | -   | 263                          |
| (59)            | 236              | (55)                 | (11,588)         | 437  | 384   | (10,277)                     |
| 207             | 136              | 108                  | 11,588           | 1,261  | 441   | 14,497                       |
| \$ 148          | \$ 372           | \$ 53                | \$ -             | \$ 1,698                                       | \$ 825  | \$ 4,220                     |
|                 |                  |                      |                  |  |   |                              |
| \$ (1,614)      | \$ (5,342)       | \$ 65                | \$ (22,353)      | \$ (5,340)                                     | \$ 448  | \$ 12,842                    |
| 1,342           | 1,471            | 5                    | -                | 6,933  | -   | 10,139                       |
| 198             | (51)             | -                    | (403)            | (30)   | 13  | (3,467)                      |
| (2)             | 100              | (31)                 | 15,628           | 11   | (10)  | 18,047                       |
| -               | (34)             | (36)                 | -                | -  | -   | (70)                         |
| 9               | 219              | (1)                  | (262)            | 294  | (1)   | 3,355                        |
| -               | 33               | 1                    | 12               | (156)  | 180   | 187                          |
| -               | 9                | (12)                 | 7                | (4)  | 22  | 32                           |
| -               | (314)            | (12)                 | (89)             | (5)  | (266)   | (359)                        |
| 1,547           | 1,433            | (86)                 | 14,893           | 7,043  | (62)  | 27,864                       |
| \$ (67)         | \$ (3,909)       | \$ (21)              | \$ (7,460)       | \$ 1,703                                       | \$ 386  | \$ 40,706                    |
| -               | 7,019            | -                    | -                | 7,352  | -   | 14,371                       |
| -               | -                | -                    | -                | -  | -   | 12,500                       |



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# INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# STATE OF MAINE COMBINING STATEMENT OF NET ASSETS INTERNAL SERVICE FUNDS

June 30, 2008  
(Expressed in Thousands)

|  | Motor Transport<br>Service | Postal Printing<br>& Supply | Information<br>Services | Risk<br>Management |
|--|----------------------------|-----------------------------|-------------------------|--------------------|
| <b>Assets</b>  |                            |                             |                         |                    |
| Current Assets:  |                            |                             |                         |                    |
| Equity in Treasurer's Cash Pool                                | \$ 4,882                   | \$ -                        | \$ -                    | \$ 19,758          |
| Cash and Short-Term Investments                                | 1                          | 1                           | -                       | -                  |
| Cash with Fiscal Agent   | 108                        | -                           | 9,691                   | -                  |
| Restricted Assets:   |                            |                             |                         |                    |
| Restricted Deposits and Investments                            | -                          | -                           | -                       | -                  |
| Inventories  | 4,271                      | 1,003                       | -                       | -                  |
| Receivables, Net of Allowance for Uncollectibles:              |                            |                             |                         |                    |
| Loans Receivable   | -                          | -                           | -                       | -                  |
| Other Receivable   | 471                        | 49                          | 425                     | -                  |
| Due from Other Funds   | 600                        | 3,257                       | 17,732                  | 276                |
| Other Current Assets   | -                          | 77                          | 91                      | 251                |
| Total Current Assets   | 10,333                     | 4,387                       | 27,939                  | 20,285             |
| Noncurrent Assets:   |                            |                             |                         |                    |
| Equity in Treasurer's Cash Pool                                | 318                        | -                           | -                       | 1,287              |
| Receivables, Net of Allowance for Uncollectibles:              |                            |                             |                         |                    |
| Loans Receivable   | -                          | -                           | -                       | -                  |
| Capital Assets - Net of Depreciation                           | 44,503                     | 1                           | 18,833                  | -                  |
| Total Noncurrent Assets  | 44,821                     | 1                           | 18,833                  | 1,287              |
| Total Assets   | 55,154                     | 4,388                       | 46,772                  | 21,572             |
| <b>Liabilities</b>   |                            |                             |                         |                    |
| Current Liabilities:   |                            |                             |                         |                    |
| Accounts Payable   | 498                        | 1,570                       | 5,457                   | 52                 |
| Accrued Payroll  | 728                        | 84                          | 1,683                   | 15                 |
| Due to Other Governments                                       | -                          | -                           | -                       | -                  |
| Due to Other Funds   | 25                         | 3,461                       | 7,060                   | 109                |
| Due to Component Units   | -                          | -                           | -                       | -                  |
| Current Portion of Long-Term Obligations:                      |                            |                             |                         |                    |
| Certificates of Participation and Other Financing Arrangements | 1,609                      | -                           | 14,185                  | -                  |
| Revenue Bonds Payable  | -                          | -                           | -                       | -                  |
| Obligations Under Capital Leases                               | -                          | -                           | -                       | -                  |
| Claims Payable   | -                          | -                           | -                       | -                  |
| Compensated Absences   | 50                         | 8                           | 221                     | 26                 |
| Deferred Revenue   | -                          | -                           | -                       | 250                |
| Other Accrued Liabilities                                      | 44                         | -                           | 256                     | -                  |
| Total Current Liabilities                                      | 2,954                      | 5,123                       | 28,862                  | 452                |
| Long-Term Liabilities:   |                            |                             |                         |                    |
| Working Capital Advances Payable                               | -                          | 111                         | -                       | -                  |
| Deferred Revenue   | -                          | -                           | -                       | -                  |
| Certificates of Participation and Other Financing Arrangements | 1,925                      | -                           | 15,048                  | -                  |
| Revenue Bonds Payable  | -                          | -                           | -                       | -                  |
| Obligations Under Capital Leases                               | -                          | -                           | -                       | -                  |
| Claims Payable   | -                          | -                           | -                       | 3,525              |
| Compensated Absences   | 441                        | 72                          | 1,925                   | -                  |
| Total Long-Term Liabilities                                    | 2,366                      | 183                         | 16,973                  | 3,525              |
| Total Liabilities  | 5,320                      | 5,306                       | 45,835                  | 3,977              |
| <b>Net Assets</b>  |                            |                             |                         |                    |
| Invested in Capital Assets, Net of Related Debt                | 40,970                     | 1                           | 18,833                  | -                  |
| Restricted for:  |                            |                             |                         |                    |
| Other Purposes   | -                          | -                           | -                       | -                  |
| Unrestricted   | 8,864                      | (919)                       | (17,896)                | 17,595             |
| Total Net Assets   | \$ 49,834                  | \$ (918)                    | \$ 937                  | \$ 17,595          |

| Workers' Compensation | Central Fleet Management | Leased Space | Revenue Services | Retiree Health Insurance | Employee Health Insurance | Statewide Radio & Network Systems |
|-----------------------|--------------------------|--------------|------------------|--------------------------|---------------------------|-----------------------------------|
| \$ 30,592             | \$ -                     | \$ 479       | \$ 117           | \$ 49,417                | \$ 38,655                 | \$ 4                              |
| -                     | 1                        | -            | -                | -                        | -                         | -                                 |
| -                     | 1,443                    | -            | -                | -                        | -                         | 6,644                             |
| -                     | -                        | -            | -                | -                        | -                         | -                                 |
| -                     | 47                       | -            | -                | -                        | -                         | -                                 |
| -                     | -                        | -            | -                | -                        | -                         | -                                 |
| -                     | 28                       | 16           | -                | 40                       | 115                       | -                                 |
| 1,416                 | 1,186                    | 95           | 2                | 557                      | 20,751                    | -                                 |
| 578                   | -                        | -            | -                | 5                        | 8                         | -                                 |
| 32,586                | 2,705                    | 590          | 119              | 50,019                   | 59,529                    | 6,648                             |
| 1,992                 | -                        | 31           | 7                | 3,218                    | 2,517                     | -                                 |
| -                     | -                        | -            | -                | -                        | -                         | -                                 |
| -                     | 13,285                   | 33,238       | -                | -                        | -                         | 5,467                             |
| 1,992                 | 13,285                   | 33,269       | 7                | 3,218                    | 2,517                     | 5,467                             |
| 34,578                | 15,990                   | 33,859       | 126              | 53,237                   | 62,046                    | 12,115                            |
| 747                   | 191                      | 589          | -                | -                        | 12,104                    | -                                 |
| 41                    | 45                       | 10           | -                | -                        | 34                        | -                                 |
| -                     | -                        | -            | -                | -                        | -                         | -                                 |
| 30                    | 1,884                    | 3            | -                | 24,190                   | 1,256                     | 2,024                             |
| -                     | -                        | -            | -                | 13,709                   | -                         | -                                 |
| -                     | 3,580                    | -            | -                | -                        | -                         | 1,327                             |
| -                     | -                        | -            | -                | -                        | -                         | -                                 |
| -                     | -                        | 6,247        | -                | -                        | -                         | -                                 |
| 7,426                 | -                        | -            | -                | 6,582                    | 10,956                    | -                                 |
| 4                     | 43                       | 25           | -                | -                        | 3                         | -                                 |
| -                     | -                        | -            | -                | -                        | -                         | -                                 |
| -                     | 68                       | -            | -                | -                        | -                         | 162                               |
| 8,248                 | 5,811                    | 6,874        | -                | 44,481                   | 24,353                    | 3,513                             |
| -                     | -                        | -            | -                | -                        | -                         | -                                 |
| -                     | -                        | -            | -                | -                        | -                         | -                                 |
| -                     | 5,515                    | -            | -                | -                        | -                         | 5,933                             |
| -                     | -                        | -            | -                | -                        | -                         | -                                 |
| -                     | -                        | 31,275       | -                | -                        | -                         | -                                 |
| 37,932                | -                        | -            | -                | -                        | -                         | -                                 |
| 30                    | -                        | -            | -                | -                        | 23                        | -                                 |
| 37,962                | 5,515                    | 31,275       | -                | -                        | 23                        | 5,933                             |
| 46,210                | 11,326                   | 38,149       | -                | 44,481                   | 24,376                    | 9,446                             |
| -                     | 4,190                    | (4,284)      | -                | -                        | -                         | (1,793)                           |
| -                     | -                        | -            | -                | -                        | -                         | 2,669                             |
| (11,632)              | 474                      | (6)          | 126              | 8,756                    | 37,670                    | 1,793                             |
| \$ (11,632)           | \$ 4,664                 | \$ (4,290)   | \$ 126           | \$ 8,756                 | \$ 37,670                 | \$ 2,669                          |

(continued)

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

June 30, 2008  
(Expressed in Thousands)

|  | <b>Totals</b>                                     |   |  |                                   |
|--|---|---|--|-----------------------------------|
|  | <b>Financial &amp;<br/>Personnel<br/>Services</b> | <b>Transportation<br/>Facilities Fund</b> | <b>Governmental<br/>Facilities Authority</b> | <b>Internal Service<br/>Funds</b> |
| <b>Assets</b>  |   |   |  |                                   |
| Current Assets:  |   |   |  |                                   |
| Equity in Treasurer's Cash Pool                                | \$ 1,555  | \$ 4,713                                  | \$ -   | \$ 150,172                        |
| Cash and Short-Term Investments                                | -   | -   | -  | 3                                 |
| Cash with Fiscal Agent   | -   | -   | -  | 17,886                            |
| Restricted Assets:   |   |   |  |                                   |
| Restricted Deposits and Investments                            | -   | -   | 2,962  | 2,962                             |
| Inventories  | -   | -   | -  | 5,321                             |
| Receivables, Net of Allowance for Uncollectibles:              |   |   |  |                                   |
| Loans Receivable   | -   | -   | 15,625                                       | 15,625                            |
| Other Receivable   | -   | -   | 2,087  | 3,231                             |
| Due from Other Funds   | 12  | 56  | -  | 45,940                            |
| Other Current Assets   | -   | -   | 3  | 1,013                             |
| Total Current Assets   | 1,567   | 4,769                                     | 20,677                                       | 242,153                           |
| Noncurrent Assets:   |   |   |  |                                   |
| Equity in Treasurer's Cash Pool                                | 101   | 307                                       | -  | 9,778                             |
| Receivables, Net of Allowance for Uncollectibles:              |   |   |  |                                   |
| Loans Receivable   | -   | -   | 192,935                                      | 192,935                           |
| Capital Assets - Net of Depreciation                           | -   | 6,179                                     | -  | 121,506                           |
| Total Noncurrent Assets  | 101   | 6,486                                     | 192,935                                      | 324,219                           |
| Total Assets   | 1,668   | 11,255                                    | 213,612                                      | 566,372                           |
| <b>Liabilities</b>   |   |   |  |                                   |
| Current Liabilities:   |   |   |  |                                   |
| Accounts Payable   | 13  | 23  | 10   | 21,254                            |
| Accrued Payroll  | 727   | -   | -  | 3,367                             |
| Due to Other Governments                                       | -   | -   | 253  | 253                               |
| Due to Other Funds   | 133   | -   | -  | 40,175                            |
| Due to Component Units   | -   | -   | -  | 13,709                            |
| Current Portion of Long-Term Obligations:                      |   |   |  |                                   |
| Certificates of Participation and Other Financing Arrangements | -   | -   | -  | 20,701                            |
| Revenue Bonds Payable  | -   | -   | 15,625                                       | 15,625                            |
| Obligations Under Capital Leases                               | -   | -   | -  | 6,247                             |
| Claims Payable   | -   | -   | -  | 24,964                            |
| Compensated Absences   | 101   | -   | -  | 481                               |
| Deferred Revenue   | -   | -   | 49   | 299                               |
| Other Accrued Liabilities                                      | -   | -   | 1,953  | 2,483                             |
| Total Current Liabilities                                      | 974   | 23  | 17,890                                       | 149,558                           |
| Long-Term Liabilities:   |   |   |  |                                   |
| Working Capital Advances Payable                               | -   | -   | -  | 111                               |
| Deferred Revenue   | -   | -   | 967  | 967                               |
| Certificates of Participation and Other Financing Arrangements | -   | -   | -  | 28,421                            |
| Revenue Bonds Payable  | -   | -   | 192,935                                      | 192,935                           |
| Obligations Under Capital Leases                               | -   | -   | -  | 31,275                            |
| Claims Payable   | -   | -   | -  | 41,457                            |
| Compensated Absences   | 876   | -   | -  | 3,367                             |
| Total Long-Term Liabilities                                    | 876   | -   | 193,902                                      | 298,533                           |
| Total Liabilities  | 1,850   | 23  | 211,792                                      | 448,091                           |
| <b>Net Assets</b>  |   |   |  |                                   |
| Invested in Capital Assets, Net of Related Debt                | -   | 6,179                                     | -  | 64,096                            |
| Restricted for:  |   |   |  |                                   |
| Other Purposes   | -   | -   | 7  | 2,676                             |
| Unrestricted   | (182)   | 5,053                                     | 1,813  | 51,509                            |
| Total Net Assets   | \$ (182)  | \$ 11,232                                 | \$ 1,820                                     | \$ 118,281                        |





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

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|  | <u>Motor Transport<br/>Service</u> | <u>Postal Printing<br/>&amp; Supply</u> | <u>Information<br/>Services</u> | <u>Risk<br/>Management</u> |
|--|------------------------------------|---|---------------------------------|----------------------------|
| <b>Operating Revenues</b>  |                                    |   |                                 |                            |
| Charges for Services   | \$ 34,877                          | \$ 52,829                               | \$ 79,390                       | \$ 4,518                   |
| Assessments  | -                                  | -                                       | -                               | -                          |
| Miscellaneous Revenues   | 261                                | 69                                      | 2,819                           | 19                         |
| Total Operating Revenues   | <u>35,138</u>                      | <u>52,898</u>                           | <u>82,209</u>                   | <u>4,537</u>               |
| <b>Operating Expenses</b>  |                                    |   |                                 |                            |
| General Operations   | 29,263                             | 53,689                                  | 77,031                          | 3,324                      |
| Depreciation   | 6,696                              | 6                                       | 3,923                           | -                          |
| Claims/Fees Expense  | -                                  | -                                       | -                               | 723                        |
| Other Operating Expenses   | -                                  | -                                       | -                               | -                          |
| Total Operating Expenses   | <u>35,959</u>                      | <u>53,695</u>                           | <u>80,954</u>                   | <u>4,047</u>               |
| Operating Income (Loss)  | <u>(821)</u>                       | <u>(797)</u>                            | <u>1,255</u>                    | <u>490</u>                 |
| <b>Nonoperating Revenues (Expenses)</b>                                    |                                    |   |                                 |                            |
| Investment Revenue (Expense) - net   | 112                                | (56)                                    | (120)                           | 492                        |
| Interest Expense   | (165)                              | -                                       | (296)                           | -                          |
| Other Nonoperating Revenues (Expenses)- net                                | (656)                              | -                                       | -                               | -                          |
| Total Nonoperating Revenues (Expenses)                                     | <u>(709)</u>                       | <u>(56)</u>                             | <u>(416)</u>                    | <u>492</u>                 |
| Income (Loss) Before Capital<br>Contributions, Transfers and Special Items | <u>(1,530)</u>                     | <u>(853)</u>                            | <u>839</u>                      | <u>982</u>                 |
| <b>Capital Contributions, Transfers and Special Items</b>                  |                                    |   |                                 |                            |
| Capital Contributions from Other Funds                                     | 2,352                              | -                                       | -                               | -                          |
| Transfers from (to) Other Funds  | -                                  | -                                       | 916                             | -                          |
| Special Items  | -                                  | -                                       | -                               | -                          |
| Total Capital Contributions, Transfers In (Out)<br>and Special Items       | <u>2,352</u>                       | <u>-</u>                                | <u>916</u>                      | <u>-</u>                   |
| Change in Net Assets   | 822                                | (853)                                   | 1,755                           | 982                        |
| Total Net Assets - Beginning of Year                                       | <u>49,012</u>                      | <u>(65)</u>                             | <u>(818)</u>                    | <u>16,613</u>              |
| Total Net Assets - End of Year   | <u>\$ 49,834</u>                   | <u>\$ (918)</u>                         | <u>\$ 937</u>                   | <u>\$ 17,595</u>           |

| <u>Workers'</u><br><u>Compensation</u> | <u>Central Fleet</u><br><u>Management</u> | <u>Leased Spaces</u> | <u>Revenue</u><br><u>Services</u> | <u>Retiree Health</u><br><u>Insurance</u> | <u>Employee</u><br><u>Health</u><br><u>Insurance</u> | <u>Statewide Radio &amp;</u><br><u>Network Systems</u> |
|--|---|----------------------|-----------------------------------|---|--|--|
| \$ 16,634                              | \$ 9,691                                  | \$ 23,699            | \$ 208                            | \$ 41,693                                 | \$ 127,975   | \$ 190   |
| -                                      | -   | -                    | -                                 | -   | -  | -  |
| 40                                     | 26  | 10                   | -                                 | -   | 12,105   | -  |
| 16,674                                 | 9,717                                     | 23,709               | 208                               | 41,693                                    | 140,080  | 190  |
| 4,376                                  | 6,304                                     | 11,451               | 394                               | 16,711                                    | 125,375  | 1  |
| -                                      | 2,664                                     | 4,788                | -                                 | -   | -  | -  |
| 9,474                                  | -   | -                    | -                                 | -   | -  | -  |
| -                                      | -   | -                    | -                                 | -   | -  | -  |
| 13,850                                 | 8,968                                     | 16,239               | 394                               | 16,711                                    | 125,375  | 1  |
| 2,824                                  | 749                                       | 7,470                | (186)                             | 24,982                                    | 14,705   | 189  |
| 751                                    | (21)                                      | (4)                  | 6                                 | 66  | 1,696  | 309  |
| -                                      | (344)                                     | (7,544)              | -                                 | -   | -  | -  |
| -                                      | (380)                                     | -                    | -                                 | -   | -  | -  |
| 751                                    | (745)                                     | (7,548)              | 6                                 | 66  | 1,696  | 309  |
| 3,575                                  | 4   | (78)                 | (180)                             | 25,048                                    | 16,401   | 498  |
| -                                      | -   | -                    | -                                 | -   | -  | -  |
| -                                      | -   | -                    | (120)                             | (19,962)                                  | (13,488)   | -  |
| -                                      | -   | -                    | -                                 | (100,000)                                 | -  | -  |
| -                                      | -   | -                    | (120)                             | (119,962)                                 | (13,488)   | -  |
| 3,575                                  | 4   | (78)                 | (300)                             | (94,914)                                  | 2,913  | 498  |
| (15,207)                               | 4,660                                     | (4,212)              | 426                               | 103,670                                   | 34,757   | 2,171  |
| \$ (11,632)                            | \$ 4,664                                  | \$ (4,290)           | \$ 126                            | \$ 8,756                                  | \$ 37,670  | \$ 2,669   |

(continued)

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

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|  | <b>Financial &amp;<br/>Personnel<br/>Services</b> | <b>Transportation<br/>Facilities Fund</b> | <b>Governmental<br/>Facilities Authority</b> | <b>Totals<br/>Internal Service<br/>Funds</b> |
|--|---|---|--|--|
| <b>Operating Revenues</b>  |   |   |  |  |
| Charges for Services   | \$ 20,523   | \$ 184                                    | \$ 8,310                                     | \$ 420,721                                   |
| Assessments  | -   | -   | -  | -  |
| Miscellaneous Revenues   | 228   | -   | 551  | 16,128                                       |
| Total Operating Revenues   | 20,751  | 184                                       | 8,861  | 436,849                                      |
| <b>Operating Expenses</b>  |   |   |  |  |
| General Operations   | 19,689  | 1,383                                     | 226  | 349,217                                      |
| Depreciation   | -   | -   | -  | 18,077                                       |
| Claims/Fees Expense  | -   | -   | -  | 10,197                                       |
| Other Operating Expenses   | -   | -   | 719  | 719  |
| Total Operating Expenses   | 19,689  | 1,383                                     | 945  | 378,210                                      |
| Operating Income (Loss)  | 1,062   | (1,199)                                   | 7,916  | 58,639                                       |
| <b>Nonoperating Revenues (Expenses)</b>                                    |   |   |  |  |
| Investment Revenue (Expense) - net   | -   | 134                                       | 136  | 3,501  |
| Interest Expense   | -   | -   | (7,704)                                      | (16,053)                                     |
| Other Nonoperating Revenues (Expenses)- net                                | -   | 1,353                                     | -  | 317  |
| Total Nonoperating Revenues (Expenses)                                     | -   | 1,487                                     | (7,568)                                      | (12,235)                                     |
| Income (Loss) Before Capital<br>Contributions, Transfers and Special Items | 1,062   | 288                                       | 348  | 46,404                                       |
| <b>Capital Contributions, Transfers and Special Items</b>                  |   |   |  |  |
| Capital Contributions from Other Funds                                     | -   | 825                                       | -  | 3,177  |
| Transfers from (to) Other Funds  | -   | -   | -  | (32,654)                                     |
| Special Items  | -   | -   | -  | (100,000)                                    |
| Total Capital Contributions, Transfers In (Out)<br>and Special Items       | -   | 825                                       | -  | (129,477)                                    |
| Change in Net Assets   | 1,062   | 1,113                                     | 348  | (83,073)                                     |
| Total Net Assets - Beginning of Year                                       | (1,244)   | 10,119                                    | 1,472  | 201,354                                      |
| Total Net Assets - End of Year   | \$ (182)  | \$ 11,232                                 | \$ 1,820                                     | \$ 118,281                                   |



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

June 30, 2008  
(Expressed in Thousands)

|   | <b>Motor<br/>Transport<br/>Service</b> | <b>Postal<br/>Printing &amp;<br/>Supply</b> | <b>Information<br/>Services</b> | <b>Risk<br/>Management</b> |
|---|--|---|---------------------------------|----------------------------|
| <b>Cash Flows from Operating Activities</b>   |  |   |                                 |                            |
| Receipts from Customers and Users   | \$ 35,653                              | \$ 52,157                                   | \$ 80,610                       | \$ 4,352                   |
| Payments to Suppliers   | (17,371)                               | (49,537)                                    | (36,987)                        | (3,402)                    |
| Payments to Employees   | (11,360)                               | (2,564)                                     | (39,428)                        | (364)                      |
| Net Cash Provided (Used) by Operating Activities  | <u>6,922</u>                           | <u>56</u>                                   | <u>4,195</u>                    | <u>586</u>                 |
| <b>Cash Flows from Noncapital Financing Activities</b>  |  |   |                                 |                            |
| Operating Transfers In  | -                                      | -   | 916                             | -                          |
| Operating Transfers Out   | -                                      | -   | -                               | -                          |
| Special Items - Initial OPEB Trust Contribution   | -                                      | -   | -                               | -                          |
| Net Cash Provided (Used) by Noncapital Financing Activities                                       | <u>-</u>                               | <u>-</u>                                    | <u>916</u>                      | <u>-</u>                   |
| <b>Cash Flows from Capital and Related Financing Activities</b>                                   |  |   |                                 |                            |
| Payments for Acquisition of Capital Assets  | (2,417)                                | -   | (8,318)                         | -                          |
| Capital Contributions   | -                                      | -   | -                               | -                          |
| Proceeds From Financing Arrangements  | 2,000                                  | -   | 14,800                          | -                          |
| Principal and Interest Paid on Financing Arrangements   | (3,895)                                | -   | (14,280)                        | -                          |
| Proceeds from Sale of Capital Assets  | -                                      | -   | -                               | -                          |
| Net Cash Provided (Used) by Capital Financing Activities  | <u>(4,312)</u>                         | <u>-</u>                                    | <u>(7,798)</u>                  | <u>-</u>                   |
| <b>Cash Flows from Investing Activities</b>   |  |   |                                 |                            |
| Interest Revenue  | <u>112</u>                             | <u>(56)</u>                                 | <u>(120)</u>                    | <u>492</u>                 |
| Net Cash Provided (Used) by Investing Activities  | <u>112</u>                             | <u>(56)</u>                                 | <u>(120)</u>                    | <u>492</u>                 |
| Net Increase (Decrease) in Cash/Cash Equivalents  | 2,722                                  | -   | (2,807)                         | 1,078                      |
| Cash/Cash Equivalents - Beginning of Year   | <u>2,587</u>                           | <u>1</u>                                    | <u>12,498</u>                   | <u>19,967</u>              |
| Cash/Cash Equivalents - End of Year   | <u>\$ 5,309</u>                        | <u>\$ 1</u>                                 | <u>\$ 9,691</u>                 | <u>\$ 21,045</u>           |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Used by Operating Activities</b>     |  |   |                                 |                            |
| Operating Income (Loss)   | \$ (821)                               | \$ (797)                                    | \$ 1,255                        | \$ 490                     |
| <b>Adjustments to Reconcile Operating Income to Net Cash<br/>Provided by Operating Activities</b> |  |   |                                 |                            |
| Depreciation Expense  | 6,696                                  | 6   | 3,923                           | -                          |
| Decrease (Increase) in Assets   |  |   |                                 |                            |
| Accounts Receivable   | 63                                     | 80  | (384)                           | 11                         |
| Interfund Balances  | 980                                    | 386   | (2,455)                         | (206)                      |
| Inventories   | (538)                                  | (99)  | -                               | -                          |
| Increase (Decrease) in Liabilities  |  |   |                                 |                            |
| Accounts Payable  | 464                                    | 485   | 1,610                           | 8                          |
| Accrued Payroll Expenses  | 71                                     | (14)  | 185                             | 2                          |
| Change in Compensated Absences  | 18                                     | (37)  | 189                             | 1                          |
| Other Accruals  | (11)                                   | 46  | (128)                           | 280                        |
| Total Adjustments   | <u>7,743</u>                           | <u>853</u>                                  | <u>2,940</u>                    | <u>96</u>                  |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ 6,922</u>                        | <u>\$ 56</u>                                | <u>\$ 4,195</u>                 | <u>\$ 586</u>              |
| <b>Non Cash Investing, Capital and Financing Activities</b>                                       |  |   |                                 |                            |
| Property Leased, Accrued, or Acquired   | -                                      | -   | -                               | -                          |
| Contributed Capital Assets  | 2,352                                  | -   | -                               | -                          |

| <u>Workers'</u><br><u>Compensation</u> | <u>Central Fleet</u><br><u>Management</u> | <u>Leased</u><br><u>Space</u> | <u>Revenue</u><br><u>Services</u> | <u>Retiree</u><br><u>Health</u><br><u>Insurance</u> | <u>Employee</u><br><u>Health</u><br><u>Insurance</u> | <u>Statewide</u><br><u>Radio &amp;</u><br><u>Network</u><br><u>Systems</u> |
|--|---|-------------------------------|-----------------------------------|---|--|--|
| \$ 15,835                              | \$ 9,803                                  | \$ 23,725                     | \$ 206                            | \$ 41,683   | \$ 121,308   | \$ 190   |
| (12,318)                               | (5,475)                                   | (10,884)                      | (394)                             | 22,168  | (128,089)  | 1,864  |
| (1,100)                                | (811)                                     | (248)                         | -                                 | -   | (857)  | -  |
| <u>2,417</u>                           | <u>3,517</u>                              | <u>12,593</u>                 | <u>(188)</u>                      | <u>63,851</u>                                       | <u>(7,638)</u>                                       | <u>2,054</u>   |
| -                                      | -   | -                             | -                                 | -   | -  | -  |
| -                                      | -   | -                             | (120)                             | (19,962)  | (13,488)   | -  |
| -                                      | -   | -                             | -                                 | (100,000)   | -  | -  |
| -                                      | -   | -                             | (120)                             | (119,962)   | (13,488)   | -  |
| -                                      | (2,329)                                   | -                             | -                                 | -   | -  | (3,964)  |
| -                                      | -   | -                             | -                                 | -   | -  | -  |
| -                                      | 4,500                                     | -                             | -                                 | -   | -  | 10,000   |
| -                                      | (5,707)                                   | (12,200)                      | -                                 | -   | -  | (11,271)   |
| -                                      | -   | -                             | -                                 | -   | -  | -  |
| -                                      | (3,536)                                   | (12,200)                      | -                                 | -   | -  | (5,235)  |
| <u>751</u>                             | <u>(21)</u>                               | <u>(4)</u>                    | <u>6</u>                          | <u>66</u>   | <u>1,696</u>   | <u>309</u>   |
| <u>751</u>                             | <u>(21)</u>                               | <u>(4)</u>                    | <u>6</u>                          | <u>66</u>   | <u>1,696</u>   | <u>309</u>   |
| 3,168                                  | (40)                                      | 389                           | (302)                             | (56,045)  | (19,430)   | (2,872)  |
| <u>29,416</u>                          | <u>1,484</u>                              | <u>121</u>                    | <u>426</u>                        | <u>108,680</u>                                      | <u>60,602</u>  | <u>9,520</u>   |
| <u>\$ 32,584</u>                       | <u>\$ 1,444</u>                           | <u>\$ 510</u>                 | <u>\$ 124</u>                     | <u>\$ 52,635</u>                                    | <u>\$ 41,172</u>                                     | <u>\$ 6,648</u>  |
| <u>\$ 2,824</u>                        | <u>\$ 749</u>                             | <u>\$ 7,470</u>               | <u>\$ (186)</u>                   | <u>\$ 24,982</u>                                    | <u>\$ 14,705</u>                                     | <u>\$ 189</u>  |
| -                                      | 2,664                                     | 4,788                         | -                                 | -   | -  | -  |
| -                                      | (8)                                       | (16)                          | -                                 | 547   | 1,967  | -  |
| (386)                                  | 84  | 5                             | (2)                               | 23,633  | (37,336)   | 1,894  |
| -                                      | 7   | -                             | -                                 | -   | -  | -  |
| 459                                    | 25  | 344                           | -                                 | -   | 12,031   | -  |
| (8)                                    | 15  | 1                             | -                                 | -   | 1  | -  |
| (8)                                    | 1   | 1                             | -                                 | -   | (16)   | -  |
| (464)                                  | (20)                                      | -                             | -                                 | 14,689  | 1,010  | (29)   |
| <u>(407)</u>                           | <u>2,768</u>                              | <u>5,123</u>                  | <u>(2)</u>                        | <u>38,869</u>                                       | <u>(22,343)</u>                                      | <u>1,865</u>   |
| <u>\$ 2,417</u>                        | <u>\$ 3,517</u>                           | <u>\$ 12,593</u>              | <u>\$ (188)</u>                   | <u>\$ 63,851</u>                                    | <u>\$ (7,638)</u>                                    | <u>\$ 2,054</u>  |
| -                                      | -   | 526                           | -                                 | -   | -  | -  |
| -                                      | -   | -                             | -                                 | -   | -  | -  |

(continued)

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

June 30, 2008  
(Expressed in Thousands)

|   | <b>Financial &amp;<br/>Personnel<br/>Services</b> | <b>Transportation<br/>Facilities<br/>Fund</b> | <b>Governmental<br/>Facilities<br/>Authority</b> | <b>Totals<br/>Internal<br/>Service<br/>Funds</b> |
|---|---|---|--|--|
| <b>Cash Flows from Operating Activities</b>   |   |   |  |  |
| Receipts from Customers and Users   | \$ 21,110   | \$ 128  | \$ (16,767)                                      | \$ 389,993                                       |
| Payments to Suppliers   | (1,790)   | (1,362)                                       | (1,061)  | (244,638)  |
| Payments to Employees   | (17,796)  | -   | -  | (74,528)   |
| Net Cash Provided (Used) by Operating Activities  | <u>1,524</u>                                      | <u>(1,234)</u>                                | <u>(17,828)</u>                                  | <u>70,827</u>                                    |
| <b>Cash Flows from Noncapital Financing Activities</b>  |   |   |  |  |
| Operating Transfers In  | -   | -   | -  | 916  |
| Operating Transfers Out   | -   | -   | -  | (33,570)   |
| Special Items - Initial OPEB Trust Contribution   | -   | -   | -  | (100,000)  |
| Net Cash Provided (Used) by Noncapital Financing Activities                                       | <u>-</u>  | <u>-</u>                                      | <u>-</u>   | <u>(132,654)</u>                                 |
| <b>Cash Flows from Capital and Related Financing Activities</b>                                   |   |   |  |  |
| Payments for Acquisition of Capital Assets  | -   | (2,407)                                       | -  | (19,435)   |
| Capital Contributions   | -   | -   | -  | -  |
| Proceeds From Financing Arrangements  | -   | -   | 10,985   | 42,285   |
| Principal and Interest Paid on Financing Arrangements   | -   | -   | 7,266  | (40,087)   |
|   | <u>-</u>  | <u>1,353</u>                                  | <u>-</u>   | <u>1,353</u>                                     |
| Net Cash Provided (Used) by Capital Financing Activities  | <u>-</u>  | <u>(1,054)</u>                                | <u>18,251</u>                                    | <u>(15,884)</u>                                  |
| <b>Cash Flows from Investing Activities</b>   |   |   |  |  |
| Interest Revenue  | <u>-</u>  | <u>134</u>                                    | <u>136</u>                                       | <u>3,501</u>                                     |
| Net Cash Provided (Used) by Investing Activities  | <u>-</u>  | <u>134</u>                                    | <u>136</u>                                       | <u>3,501</u>                                     |
| Net Increase (Decrease) in Cash/Cash Equivalents  | 1,524   | (2,154)                                       | 559  | (74,210)   |
| Cash/Cash Equivalents - Beginning of Year   | <u>132</u>  | <u>7,174</u>                                  | <u>2,403</u>                                     | <u>255,011</u>                                   |
| Cash/Cash Equivalents - End of Year   | <u>\$ 1,656</u>                                   | <u>\$ 5,020</u>                               | <u>\$ 2,962</u>                                  | <u>\$ 180,801</u>                                |
| <b>Reconciliation of Operating Income (Loss) to Net Cash<br/>Used by Operating Activities</b>     |   |   |  |  |
| Operating Income (Loss)   | \$ 1,062  | \$ (1,199)                                    | \$ 7,916   | \$ 58,639  |
| <b>Adjustments to Reconcile Operating Income to Net Cash<br/>Provided by Operating Activities</b> |   |   |  |  |
| Depreciation Expense  | -   | -   | -  | 18,077   |
| Decrease (Increase) in Assets   |   |   |  |  |
| Accounts Receivable   | -   | -   | (25,628)   | (23,368)   |
| Interfund Balances  | 308   | (56)  | 28   | (13,123)   |
| Inventories   | -   | -   | -  | (630)  |
| Increase (Decrease) in Liabilities  |   |   |  |  |
| Accounts Payable  | (7)   | 21  | 2  | 15,442   |
| Accrued Payroll Expenses  | 49  | -   | -  | 302  |
| Change in Compensated Absences  | 112   | -   | -  | 261  |
| Other Accruals  | -   | -   | (146)  | 15,227   |
| Total Adjustments   | <u>462</u>  | <u>(35)</u>                                   | <u>(25,744)</u>                                  | <u>12,188</u>                                    |
| Net Cash Provided (Used) by Operating Activities  | <u>\$ 1,524</u>                                   | <u>\$ (1,234)</u>                             | <u>\$ (17,828)</u>                               | <u>\$ 70,827</u>                                 |
| <b>Non Cash Investing, Capital and Financing Activities</b>                                       |   |   |  |  |
| Property Leased, Accrued, or Acquired   | -   | -   | -  | 526  |
| Contributed Capital Assets  | -   | 825   | -  | 3,177  |



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# FIDUCIARY FUNDS

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

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

employment benefit trusts and defined contribution plans.

## **Private Purpose Trust Funds**

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

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

Lands Reserved Trust Funds – These funds were established to account for revenue derived from the sale of timber from public lands and from appreciation on investments. The income is to be used for school

purposes by townships when they become organized towns or plantations.

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

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

## **Agency Funds**

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

Private Trusts Fund – This fund is used to account for assets held by the State acting as an agent for patients of State mental health facilities, inmates at State correctional institutions, recipients of State-supported elder and adult services, and child support enforcement services. Also included in this fund are insurance company and unemployment guaranty deposits, and assets held in Courts and Corrections restitution escrow accounts.

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

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

Ancillary Group Health Insurance Program Fund – This fund accounts for health insurance coverage provided to certain retirees of Maine Community College, two non-major discretely presented component units and a few small commissions.

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

June 30, 2008  
(Expressed in Thousands)

|  | Defined<br>Benefit<br>Pension Plan | Healthcare<br>OPEB | Group Life<br>Insurance<br>OPEB | Defined<br>Contribution<br>Plans | Total<br>Pension<br>(and Other<br>Employee<br>Benefit)<br>Trusts |
|--|------------------------------------|--------------------|---------------------------------|----------------------------------|--|
| <b>Assets</b>  |                                    |                    |                                 |                                  |  |
| Cash and Short-Term Investments  | \$ 562,305                         | \$ -               | \$ 6,077                        | \$ 20                            | \$ 568,402   |
| Receivables, Net of Allowance for Uncollectibles:  |                                    |                    |                                 |                                  |  |
| State and Local Agency Contributions   | 9,792                              | -                  | 497                             | -                                | 10,289   |
| Interest and Dividends   | 23,011                             | -                  | 54                              | -                                | 23,065   |
| Due from Brokers for Securities Sold   | 187,206                            | -                  | 693                             | -                                | 187,899  |
| Investments at Fair Value:   |                                    |                    |                                 |                                  |  |
| Debt Securities  | 4,226,364                          | -                  | 19,461                          | 9                                | 4,245,834  |
| Equity Securities  | 1,988,604                          | -                  | 9,399                           | -                                | 1,998,003  |
| Common/Collective Trusts   | 3,820,954                          | 98,407             | 18,020                          | 7,360                            | 3,944,741  |
| Other  | 5,546                              | -                  | 6                               | -                                | 5,552  |
| Securities Lending Collateral  | 2,677,164                          | -                  | 12,626                          | -                                | 2,689,790  |
| Capital Assets - Net of Depreciation   | 4,743                              | -                  | 155                             | -                                | 4,898  |
| Total Assets   | <u>13,505,689</u>                  | <u>98,407</u>      | <u>66,988</u>                   | <u>7,389</u>                     | <u>13,678,473</u>  |
| <b>Liabilities</b>   |                                    |                    |                                 |                                  |  |
| Accounts Payable   | 4,855                              | -                  | 23                              | -                                | 4,878  |
| Due to Brokers for Securities Purchased  | 198,088                            | -                  | 714                             | -                                | 198,802  |
| Obligations Under Securities Lending   | 2,677,164                          | -                  | 12,626                          | -                                | 2,689,790  |
| Other Accrued Liabilities  | 136,150                            | 45                 | 1,620                           | 6                                | 137,821  |
| Total Liabilities  | <u>3,016,257</u>                   | <u>45</u>          | <u>14,983</u>                   | <u>6</u>                         | <u>3,031,291</u>   |
| <b>Net Assets</b>  |                                    |                    |                                 |                                  |  |
| Net Assets Held in Trust for Pension, Disability, Death,<br>Group Life Insurance Benefits and Other Purposes | <u>10,489,432</u>                  | <u>98,362</u>      | <u>52,005</u>                   | <u>7,383</u>                     | <u>10,647,182</u>  |
| Total Net Assets   | <u>\$ 10,489,432</u>               | <u>\$ 98,362</u>   | <u>\$ 52,005</u>                | <u>\$ 7,383</u>                  | <u>\$ 10,647,182</u>   |

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

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|   | Defined<br>Benefit<br>Pension Plan | Healthcare<br>OPEB | Group Life<br>Insurance<br>OPEB | Defined<br>Contribution<br>Plans | Total<br>Pension<br>(and Other<br>Employee<br>Benefit)<br>Trusts |
|---|------------------------------------|--------------------|---------------------------------|----------------------------------|--|
| Additions:  |                                    |                    |                                 |                                  |  |
| Contributions:  |                                    |                    |                                 |                                  |  |
| Members   | \$ 150,523                         | \$ -               | \$ 12,007                       | \$ 1,181                         | \$ 163,711   |
| State and Local Agencies  | 317,758                            | 164,785            | 221                             | 16                               | 482,780  |
| Investment Income (Loss):   |                                    |                    |                                 |                                  |  |
| Net Increase (Decrease) in the Fair Value<br>of Investments   | (520,603)                          | 92                 | (2,615)                         | (481)                            | (523,607)  |
| Interest and Dividends  | 217,619                            | -                  | 1,027                           | -                                | 218,646  |
| Less Investment Expense:  |                                    |                    |                                 |                                  |  |
| Investment Activity Expense   | 34,447                             | -                  | 166                             | 31                               | 34,644   |
| Net Investment Income (Loss)  | <u>(337,431)</u>                   | <u>92</u>          | <u>(1,754)</u>                  | <u>(512)</u>                     | <u>(339,605)</u>   |
| Total Additions   | <u>130,850</u>                     | <u>164,877</u>     | <u>10,474</u>                   | <u>685</u>                       | <u>306,886</u>   |
| Deductions:   |                                    |                    |                                 |                                  |  |
| Benefits Paid to Participants or Beneficiaries  | 576,346                            | 66,388             | 8,211                           | -                                | 650,945  |
| Refunds and Withdrawals   | 27,308                             | -                  | 21                              | 570                              | 27,899   |
| Claims Processing Expenses  | -                                  | -                  | 621                             | -                                | 621  |
| Administrative Expenses   | 10,180                             | 127                | 221                             | 16                               | 10,544   |
| Total Deductions  | <u>613,834</u>                     | <u>66,515</u>      | <u>9,074</u>                    | <u>586</u>                       | <u>690,009</u>   |
| Net Increase (Decrease)   | <u>(482,984)</u>                   | <u>98,362</u>      | <u>1,400</u>                    | <u>99</u>                        | <u>(383,123)</u>   |
| Net Assets Held in Trust for Pension, Disability, Death,<br>Group Life Insurance Benefits and Other Purposes: |                                    |                    |                                 |                                  |  |
| Beginning of Year (As Restated)   | <u>10,972,416</u>                  | <u>-</u>           | <u>50,605</u>                   | <u>7,284</u>                     | <u>11,030,305</u>  |
| End of Year   | <u>\$ 10,489,432</u>               | <u>\$ 98,362</u>   | <u>\$ 52,005</u>                | <u>\$ 7,383</u>                  | <u>\$ 10,647,182</u>   |

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

June 30, 2008  
(Expressed in Thousands)

|  |                               |  |                           |                             |   | <u>Totals</u>                         |
|--|-------------------------------|--|---------------------------|-----------------------------|---|---------------------------------------|
|  | <u>Abandoned<br/>Property</u> | <u>Revenue on<br/>Private<br/>Purpose<br/>Trusts</u> | <u>Lands<br/>Reserved</u> | <u>Permanent<br/>School</u> | <u>NextGen<br/>College<br/>Investing<br/>Plan</u> | <u>Private<br/>Purpose<br/>Trusts</u> |
| <b>Assets</b>  |                               |  |                           |                             |   |                                       |
| Equity in Treasurer's Cash Pool  | \$ 493                        | \$ 37  | \$ 746                    | \$ -                        | \$ -  | \$ 1,276                              |
| Investments at Fair Value:   |                               |  |                           |                             |   |                                       |
| Other  | -                             | 17   | 8,377                     | 2,586                       | -   | 10,980                                |
| Investments Held on Behalf of Others   | -                             | -  | -                         | -                           | 5,316,066   | 5,316,066                             |
| Receivables, Net of Allowance for Uncollectibles:  |                               |  |                           |                             |   |                                       |
| Interest and Dividends   | -                             | -  | -                         | -                           | 442   | 442                                   |
| Due from Other Funds   | 16,937                        | -  | -                         | -                           | -   | 16,937                                |
| Other Assets   | 14,195                        | -  | -                         | -                           | -   | 14,195                                |
| Total Assets   | <u>31,625</u>                 | <u>54</u>  | <u>9,123</u>              | <u>2,586</u>                | <u>5,316,508</u>                                  | <u>5,359,896</u>                      |
| <b>Liabilities</b>   |                               |  |                           |                             |   |                                       |
| Accounts Payable   | 23                            | -  | -                         | -                           | 394   | 417                                   |
| Due to Other Funds   | 15                            | -  | -                         | -                           | -   | 15                                    |
| Total Liabilities  | <u>38</u>                     | <u>-</u>   | <u>-</u>                  | <u>-</u>                    | <u>394</u>  | <u>432</u>                            |
| <b>Net Assets</b>  |                               |  |                           |                             |   |                                       |
| Net Assets Held in Trust for Pension, Disability, Death,<br>Group Life Insurance Benefits and Other Purposes | <u>31,587</u>                 | <u>54</u>  | <u>9,123</u>              | <u>2,586</u>                | <u>5,316,114</u>                                  | <u>5,359,464</u>                      |
| Total Net Assets   | <u>\$ 31,587</u>              | <u>\$ 54</u>   | <u>\$ 9,123</u>           | <u>\$ 2,586</u>             | <u>\$ 5,316,114</u>                               | <u>\$5,359,464</u>                    |

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

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|   | <u>Abandoned<br/>Property</u> | <u>Revenue on<br/>Private<br/>Purpose<br/>Trusts</u> | <u>Lands<br/>Reserved</u> | <u>Permanent<br/>School</u> | <u>NextGen<br/>College<br/>Investing<br/>Plan</u> | <u>Totals<br/><br/>Private<br/>Purpose<br/>Trusts</u> |
|---|-------------------------------|--|---------------------------|-----------------------------|---|---|
| <b>Additions:</b>   |                               |  |                           |                             |   |   |
| Contributions:  |                               |  |                           |                             |   |   |
| Members   | \$ -                          | \$ -   | \$ -                      | \$ -                        | \$ 1,857,853                                      | \$ 1,857,853  |
| Investment Income:  |                               |  |                           |                             |   |   |
| Net Increase (Decrease) in the Fair Value of Investments  | -                             | -  | (502)                     | (315)                       | (747,986)   | (748,803)   |
| Capital Gains Distributions from Investments  | -                             | -  | -                         | -                           | 216,531   | 216,531   |
| Interest and Dividends  | <u>282</u>                    | <u>81</u>  | <u>149</u>                | <u>52</u>                   | <u>160,589</u>                                    | <u>161,153</u>  |
| Net Investment Income (Loss)  | 282                           | 81   | (353)                     | (263)                       | (370,866)   | (371,119)   |
| Miscellaneous Revenues  | <u>7,212</u>                  | <u>-</u>   | <u>-</u>                  | <u>-</u>                    | <u>-</u>  | <u>7,212</u>  |
| Transfers In  | <u>-</u>                      | <u>574</u>   | <u>-</u>                  | <u>-</u>                    | <u>-</u>  | <u>574</u>  |
| Total Additions   | <u>7,494</u>                  | <u>655</u>   | <u>(353)</u>              | <u>(263)</u>                | <u>1,486,987</u>                                  | <u>1,494,520</u>                                      |
| <b>Deductions:</b>  |                               |  |                           |                             |   |   |
| Benefits Paid to Participants or Beneficiaries  | -                             | 90   | -                         | -                           | 1,355,645   | 1,355,735   |
| Administrative Expenses   | 222                           | -  | -                         | -                           | 43,779  | 44,001  |
| Transfers Out   | <u>952</u>                    | <u>581</u>   | <u>-</u>                  | <u>-</u>                    | <u>-</u>  | <u>1,533</u>  |
| Total Deductions  | <u>1,174</u>                  | <u>671</u>   | <u>-</u>                  | <u>-</u>                    | <u>1,399,424</u>                                  | <u>1,401,269</u>                                      |
| Net Increase (Decrease)   | 6,320                         | (16)   | (353)                     | (263)                       | 87,563  | 93,251  |
| Net Assets Held in Trust for Pension, Disability, Death,<br>Group Life Insurance Benefits and Other Purposes: |                               |  |                           |                             |   |   |
| Beginning of Year   | <u>25,267</u>                 | <u>70</u>  | <u>9,476</u>              | <u>2,849</u>                | <u>5,228,551</u>                                  | <u>5,266,213</u>                                      |
| End of Year   | <u>\$ 31,587</u>              | <u>\$ 54</u>   | <u>\$ 9,123</u>           | <u>\$ 2,586</u>             | <u>\$ 5,316,114</u>                               | <u>\$ 5,359,464</u>                                   |



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

June 30, 2008  
(Expressed in Thousands)

|                                      |                                |                       |                         |  |                               | <u>Totals</u>           |
|--------------------------------------|--------------------------------|-----------------------|-------------------------|--|-------------------------------|-------------------------|
|                                      | <u>Payroll<br/>Withholding</u> | <u>Private Trusts</u> | <u>Other<br/>Agency</u> | <u>Ancillary<br/>Group Health<br/>Insurance<br/>Program<br/>Fund</u> | <u>Treasurer's<br/>Agency</u> | <u>Agency<br/>Funds</u> |
| <b>Assets</b>                        |                                |                       |                         |  |                               |                         |
| Equity in Treasurer's Cash Pool      | \$ -                           | \$ 5,004              | \$ 1,998                | \$ -   | \$ -                          | \$ 7,002                |
| Cash and Short-Term Investments      | -                              | -                     | -                       | -  | 15                            | 15                      |
| Cash with Fiscal Agent               | -                              | 27                    | -                       | -  | -                             | 27                      |
| Investments Held on Behalf of Others | -                              | 58,136                | 2,127                   | -  | -                             | 60,263                  |
| Due from Other Funds                 | -                              | 7                     | -                       | -  | -                             | 7                       |
| Other Assets                         | 5,671                          | 444                   | -                       | -  | -                             | 6,115                   |
| Total Assets                         | <u>\$ 5,671</u>                | <u>\$ 63,618</u>      | <u>\$ 4,125</u>         | <u>\$ -</u>  | <u>\$ 15</u>                  | <u>\$ 73,429</u>        |
| <b>Liabilities</b>                   |                                |                       |                         |  |                               |                         |
| Accounts Payable                     | \$ 7                           | -                     | 20                      | -  | -                             | 27                      |
| Agency Liabilities                   | -                              | 63,618                | 4,105                   | -  | 15                            | 67,738                  |
| Due to Other Funds                   | 5,648                          | -                     | -                       | -  | -                             | 5,648                   |
| Other Accrued Liabilities            | 16                             | -                     | -                       | -  | -                             | 16                      |
| Total Liabilities                    | <u>\$ 5,671</u>                | <u>\$ 63,618</u>      | <u>\$ 4,125</u>         | <u>\$ -</u>  | <u>\$ 15</u>                  | <u>\$ 73,429</u>        |

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

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|   | <u>Balance</u><br><u>July 1, 2007</u> |    | <u>Additions</u> |    | <u>Deductions</u> |    | <u>Balance</u><br><u>June 30, 2008</u> |
|---|---------------------------------------|----|------------------|----|-------------------|----|--|
| <b>Payroll Withholding</b>  |                                       |    |                  |    |                   |    |  |
| <b>Assets</b>   |                                       |    |                  |    |                   |    |  |
| Cash, Short-term Investments & Equity<br>in Treasurer's Cash Pool | \$ -                                  | \$ | 282,801          | \$ | 282,801           | \$ | -                                      |
| Other Assets  | -                                     |    | 5,671            |    | -                 |    | 5,671                                  |
| Total Assets  | \$ -                                  | \$ | 288,472          | \$ | 282,801           | \$ | 5,671                                  |
| <b>Liabilities</b>  |                                       |    |                  |    |                   |    |  |
| Accounts Payable & Other Accrued Liabilities                      | \$ (1,466)                            | \$ | 643,547          | \$ | 642,058           | \$ | 23                                     |
| Due to Other Funds  | 1,466                                 |    | 4,182            |    | -                 |    | 5,648                                  |
| Total Liabilities   | \$ -                                  | \$ | 647,729          | \$ | 642,058           | \$ | 5,671                                  |
| <b>Private Trusts</b>   |                                       |    |                  |    |                   |    |  |
| <b>Assets</b>   |                                       |    |                  |    |                   |    |  |
| Cash, Short-term Investments & Equity<br>in Treasurer's Cash Pool | \$ 4,368                              | \$ | 109,452          | \$ | 108,789           | \$ | 5,031                                  |
| Due From Other Funds  | -                                     |    | 7                |    | -                 |    | 7                                      |
| Other Assets  | 389                                   |    | 112              |    | 57                |    | 444                                    |
| Investments Held on Behalf of Others                              | 60,034                                |    | 108,741          |    | 110,639           |    | 58,136                                 |
| Total Assets  | \$ 64,791                             | \$ | 218,312          | \$ | 219,485           | \$ | 63,618                                 |
| <b>Liabilities</b>  |                                       |    |                  |    |                   |    |  |
| Accounts Payable & Other Accrued Liabilities                      | \$ -                                  | \$ | 508              | \$ | 508               | \$ | -                                      |
| Agency Liabilities  | 64,791                                |    | 113,129          |    | 114,302           |    | 63,618                                 |
| Total Liabilities   | \$ 64,791                             | \$ | 113,637          | \$ | 114,810           | \$ | 63,618                                 |
| <b>Ancillary Group Health Insurance Program</b>                   |                                       |    |                  |    |                   |    |  |
| <b>Assets</b>   |                                       |    |                  |    |                   |    |  |
| Cash, Short-term Investments & Equity<br>in Treasurer's Cash Pool | \$ 333                                | \$ | 10,995           | \$ | 11,328            | \$ | -                                      |
| Due From Other Funds  | -                                     |    | 8                |    | 8                 |    | -                                      |
| Total Assets  | \$ 333                                | \$ | 11,003           | \$ | 11,336            | \$ | -                                      |
| <b>Liabilities</b>  |                                       |    |                  |    |                   |    |  |
| Agency Liabilities  | \$ 333                                | \$ | 1,486            | \$ | 1,819             | \$ | -                                      |
| Total Liabilities   | \$ 333                                | \$ | 1,486            | \$ | 1,819             | \$ | -                                      |



|   | Balance      |         |           |         | Balance    |               |    |        |
|---|--------------|---------|-----------|---------|------------|---------------|----|--------|
|   | July 1, 2007 |         | Additions |         | Deductions | June 30, 2008 |    |        |
| Other Agency  |              |         |           |         |            |               |    |        |
| Assets  |              |         |           |         |            |               |    |        |
| Cash, Short-term Investments & Equity<br>in Treasurer's Cash Pool | \$           | 4,142   | \$        | 7,798   | \$         | 7,815         | \$ | 4,125  |
| Total Assets  | \$           | 4,142   | \$        | 7,798   | \$         | 7,815         | \$ | 4,125  |
| Liabilities   |              |         |           |         |            |               |    |        |
| Accounts Payable & Other Accrued Liabilities                      | \$           | -       | \$        | 6,367   | \$         | 6,347         | \$ | 20     |
| Agency Liabilities  |              | 4,142   |           | 14,107  |            | 14,144        |    | 4,105  |
| Total Liabilities   | \$           | 4,142   | \$        | 20,474  | \$         | 20,491        | \$ | 4,125  |
| Treasurer's Agency  |              |         |           |         |            |               |    |        |
| Assets  |              |         |           |         |            |               |    |        |
| Cash, Short-term Investments & Equity<br>in Treasurer's Cash Pool | \$           | 14      | \$        | 193,407 | \$         | 193,406       | \$ | 15     |
| Total Assets  | \$           | 14      | \$        | 193,407 | \$         | 193,406       | \$ | 15     |
| Liabilities   |              |         |           |         |            |               |    |        |
| Agency Liabilities  | \$           | 14      | \$        | 193,407 | \$         | 193,406       | \$ | 15     |
| Total Liabilities   | \$           | 14      | \$        | 193,407 | \$         | 193,406       | \$ | 15     |
| Totals - All Agency Funds   |              |         |           |         |            |               |    |        |
| Assets  |              |         |           |         |            |               |    |        |
| Cash, Short-term Investments & Equity<br>in Treasurer's Cash Pool | \$           | 8,857   | \$        | 604,453 | \$         | 604,139       | \$ | 9,171  |
| Due From Other Funds  |              | -       |           | 15      |            | 8             |    | 7      |
| Investments Held on Behalf of Others                              |              | 60,034  |           | 108,741 |            | 110,639       |    | 58,136 |
| Other Assets  |              | 389     |           | 5,783   |            | 57            |    | 6,115  |
| Total Assets  | \$           | 69,280  | \$        | 718,992 | \$         | 714,843       | \$ | 73,429 |
| Liabilities   |              |         |           |         |            |               |    |        |
| Accounts Payable & Other Accrued Liabilities                      | \$           | (1,466) | \$        | 650,422 | \$         | 648,913       | \$ | 43     |
| Agency Liabilities  |              | 69,280  |           | 322,129 |            | 323,671       |    | 67,738 |
| Due to Other Funds  |              | 1,466   |           | 4,182   |            | -             |    | 5,648  |
| Total Liabilities   | \$           | 69,280  | \$        | 976,733 | \$         | 972,584       | \$ | 73,429 |



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# NON-MAJOR COMPONENT UNIT FINANCIAL STATEMENTS

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

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

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

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

Maine Maritime Academy is a college specializing in ocean and marine programs at the undergraduate and graduate levels. The operation of the Academy is subject to review by the federal government.

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

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

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

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

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

June 30, 2008  
(Expressed in Thousands)

|   | Child<br>Development<br>Services | Loring<br>Development<br>Authority | Maine<br>Educational<br>Center for the<br>Deaf and Hard<br>of Hearing | Maine<br>Educational<br>Loan Authority |
|---|----------------------------------|------------------------------------|---|--|
| <b>Assets</b>                                     |                                  |                                    |   |  |
| Current Assets:                                   |                                  |                                    |   |  |
| Equity in Treasurer's Cash Pool                   | \$ -                             | \$ -                               | \$ -  | \$ -                                   |
| Cash and Cash Equivalents                         | 729                              | 167                                | 235   | 13,019                                 |
| Investments                                       | -                                | -                                  | -   | -                                      |
| Restricted Assets:                                |                                  |                                    |   |  |
| Inventories                                       | -                                | -                                  | -   | -                                      |
| Receivables, Net of Allowance for Uncollectibles: |                                  |                                    |   |  |
| Loans Receivable                                  | -                                | -                                  | -   | 11,815                                 |
| Notes Receivable                                  | -                                | 30                                 | -   | -                                      |
| Other Receivables                                 | 226                              | 115                                | 172   | 4,280                                  |
| Due from Other Governments                        | -                                | -                                  | -   | -                                      |
| Due from Primary Government                       | 1,784                            | 748                                | 2,650   | -                                      |
| Other Current Assets                              | 24                               | 77                                 | -   | 216                                    |
| Total Current Assets                              | 2,763                            | 1,137                              | 3,057   | 29,330                                 |
| Noncurrent Assets:                                |                                  |                                    |   |  |
| Equity in Treasurer's Cash Pool                   | -                                | -                                  | -   | -                                      |
| Assets Held in Trust                              | -                                | -                                  | 2   | -                                      |
| Restricted Assets:                                |                                  |                                    |   |  |
| Restricted Deposits and Investments               | -                                | -                                  | -   | -                                      |
| Investments                                       | -                                | -                                  | 746   | 32,315                                 |
| Receivables, Net of Current Portion:              |                                  |                                    |   |  |
| Loans Receivable                                  | -                                | -                                  | -   | 91,147                                 |
| Notes Receivable                                  | -                                | 1,070                              | -   | -                                      |
| Other Receivables                                 | -                                | -                                  | -   | 1,401                                  |
| Capital Assets - Net of Depreciation              | 717                              | 67,547                             | 465   | 3                                      |
| Other Noncurrent Assets                           | -                                | -                                  | -   | 1,108                                  |
| Total Noncurrent Assets                           | 717                              | 68,617                             | 1,213   | 125,974                                |
| Total Assets                                      | 3,480                            | 69,754                             | 4,270   | 155,304                                |
| <b>Liabilities</b>                                |                                  |                                    |   |  |
| Current Liabilities:                              |                                  |                                    |   |  |
| Accounts Payable                                  | 2,884                            | 127                                | 62  | 197                                    |
| Accrued Payroll                                   | 255                              | -                                  | 587   | -                                      |
| Compensated Absences                              | 320                              | 32                                 | 51  | -                                      |
| Due to Other Governments                          | -                                | 12                                 | -   | -                                      |
| Due to Primary Government                         | 16                               | 119                                | 45  | -                                      |
| Bonds Payable                                     | -                                | -                                  | -   | -                                      |
| Obligations under Capital Leases                  | 12                               | -                                  | -   | -                                      |
| Accrued Interest Payable                          | -                                | -                                  | -   | 488                                    |
| Deferred Revenue                                  | 541                              | 59                                 | -   | 542                                    |
| Other Current Liabilities                         | 200                              | 213                                | 2   | -                                      |
| Total Current Liabilities                         | 4,228                            | 562                                | 747   | 1,227                                  |
| Long-Term Liabilities:                            |                                  |                                    |   |  |
| Due to Other Governments                          | -                                | -                                  | -   | 1,789                                  |
| Bonds Payable                                     | -                                | -                                  | -   | 147,367                                |
| Obligations under Capital Leases                  | 32                               | -                                  | -   | -                                      |
| Deferred Revenue                                  | -                                | -                                  | -   | 1,226                                  |
| Total Long-Term Liabilities                       | 32                               | -                                  | -   | 150,382                                |
| Total Liabilities                                 | 4,260                            | 562                                | 747   | 151,609                                |
| <b>Net Assets</b>                                 |                                  |                                    |   |  |
| Invested in Capital Assets, Net of Related Debt   | 674                              | 66,666                             | 465   | -                                      |
| Restricted  | 29                               | -                                  | 572   | 3,069                                  |
| Unrestricted                                      | (1,483)                          | 2,526                              | 2,486   | 626                                    |
| Total Net Assets                                  | \$ (780)                         | \$ 69,192                          | \$ 3,523  | \$ 3,695                               |

| Maine<br>Maritime<br>Academy | Maine Port<br>Authority | Maine<br>Technology<br>Institute | Northern New<br>England<br>Passenger<br>Rail Authority | Small<br>Enterprise<br>Growth Fund | Totals     |
|------------------------------|-------------------------|----------------------------------|--|------------------------------------|------------|
| \$ 203                       | \$ -                    | \$ -                             | \$ -   | \$ 3,099                           | \$ 3,302   |
| 697                          | 1,983                   | 12,202                           | 279  | 63                                 | 29,374     |
| 2,376                        | -                       | 271                              | -  | -                                  | 2,647      |
| 898                          | -                       | -                                | 85   | -                                  | 983        |
| 209                          | -                       | 240                              | -  | 45                                 | 12,309     |
| -                            | -                       | -                                | -  | -                                  | 30         |
| 883                          | 3                       | 7                                | 9  | 22                                 | 5,717      |
| -                            | -                       | 4                                | 1,327  | -                                  | 1,331      |
| -                            | -                       | 17                               | -  | -                                  | 5,199      |
| 1,198                        | -                       | 14                               | 807  | -                                  | 2,336      |
| 6,464                        | 1,986                   | 12,755                           | 2,507  | 3,229                              | 63,228     |
| 13                           | -                       | -                                | -  | -                                  | 13         |
| -                            | -                       | 4,203                            | -  | -                                  | 4,205      |
| 2,926                        | -                       | -                                | 988  | -                                  | 3,914      |
| 12,100                       | -                       | -                                | -  | 2,996                              | 48,157     |
| 2,949                        | -                       | 942                              | -  | -                                  | 95,038     |
| -                            | -                       | -                                | -  | 553                                | 1,623      |
| 2,189                        | -                       | -                                | -  | -                                  | 3,590      |
| 19,950                       | 16,597                  | 107                              | 1,071  | 9                                  | 106,466    |
| 5,113                        | -                       | -                                | -  | 1                                  | 6,222      |
| 45,240                       | 16,597                  | 5,252                            | 2,059  | 3,559                              | 269,228    |
| 51,704                       | 18,583                  | 18,007                           | 4,566  | 6,788                              | 332,456    |
| 2,600                        | 11                      | 161                              | 1,571  | 2                                  | 7,615      |
| -                            | -                       | -                                | -  | -                                  | 842        |
| -                            | -                       | -                                | 17   | -                                  | 420        |
| -                            | -                       | -                                | -  | -                                  | 12         |
| -                            | 73                      | -                                | -  | -                                  | 253        |
| 134                          | -                       | -                                | -  | -                                  | 134        |
| -                            | -                       | 4                                | -  | -                                  | 16         |
| -                            | -                       | -                                | -  | -                                  | 488        |
| 96                           | 7                       | 11,807                           | -  | 6                                  | 13,058     |
| 162                          | -                       | 4,203                            | -  | 32                                 | 4,812      |
| 2,992                        | 91                      | 16,175                           | 1,588  | 40                                 | 27,650     |
| 1,710                        | -                       | -                                | -  | -                                  | 3,499      |
| 2,239                        | -                       | -                                | -  | -                                  | 149,606    |
| -                            | -                       | 10                               | -  | -                                  | 42         |
| -                            | -                       | -                                | -  | -                                  | 1,226      |
| 3,949                        | -                       | 10                               | -  | -                                  | 154,373    |
| 6,941                        | 91                      | 16,185                           | 1,588  | 40                                 | 182,023    |
| 17,624                       | 16,597                  | -                                | 1,071  | 9                                  | 103,106    |
| 18,753                       | 1,320                   | -                                | 988  | -                                  | 24,731     |
| 8,386                        | 575                     | 1,822                            | 919  | 6,739                              | 22,596     |
| \$ 44,763                    | \$ 18,492               | \$ 1,822                         | \$ 2,978   | \$ 6,748                           | \$ 150,433 |

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

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|  | Child<br>Development<br>Services | Loring<br>Development<br>Authority | Maine<br>Educational<br>Center for the<br>Deaf and Hard<br>of Hearing | Maine<br>Educational<br>Loan<br>Authority |
|--|----------------------------------|------------------------------------|---|---|
| <b>Expenses</b>  | \$ 26,138                        | \$ 3,827                           | \$ 6,825  | \$ 8,607                                  |
| <b>Program Revenues</b>  |                                  |                                    |   |   |
| Charges for Services   | 3,687                            | 1,521                              | 297   | 6,606                                     |
| Program Investment Income  | 55                               | -                                  | -   | 2,475                                     |
| Operating Grants and Contributions                               | 21,019                           | 112                                | 61  | -   |
| Capital Grants and Contributions                                 | -                                | 596                                | -   | -   |
| Net Revenue (Expense)  | (1,377)                          | (1,598)                            | (6,467)   | 474                                       |
| <b>General Revenues</b>  |                                  |                                    |   |   |
| Unrestricted Investment Earnings                                 | -                                | 79                                 | 7   | -   |
| Non-program Specific Grants,<br>Contributions and Appropriations | -                                | 1,031                              | 9,357   | -   |
| Miscellaneous Income   | 47                               | 11                                 | -   | -   |
| Gain (Loss) on Assets Held for Sale                              | -                                | -                                  | -   | -   |
| Total General Revenues   | 47                               | 1,121                              | 9,364   | -   |
| Change in Net Assets   | (1,330)                          | (477)                              | 2,897   | 474                                       |
| Net Assets, Beginning of the Year (As Restated)                  | 550                              | 69,669                             | 626   | 3,221                                     |
| Net Assets, End of Year  | \$ (780)                         | \$ 69,192                          | \$ 3,523  | \$ 3,695                                  |

| <b>Maine<br/>Maritime<br/>Academy</b> | <b>Maine Port<br/>Authority</b> | <b>Maine<br/>Technology<br/>Institute</b> | <b>Northern New<br/>England<br/>Passenger<br/>Rail Authority</b> | <b>Small<br/>Enterprise<br/>Growth Fund</b> | <b>Totals</b>     |
|---------------------------------------|---------------------------------|---|--|---|-------------------|
| \$ 27,175                             | \$ 1,272                        | \$ 8,245                                  | \$ 14,410  | \$ 515                                      | \$ 97,014         |
| 13,991                                | 732                             | 10  | 6,878  | -   | 33,722            |
| (105)                                 | -                               | -   | -  | 149   | 2,574             |
| 2,380                                 | 82                              | 7,841                                     | 6,497  | 1,000                                       | 38,992            |
| 3,114                                 | -                               | -   | 280  | -   | 3,990             |
| (7,795)                               | (458)                           | (394)                                     | (755)  | 634   | (17,736)          |
| 273                                   | 62                              | 509                                       | 79   | 167   | 1,176             |
| 9,338                                 | -                               | -   | -  | -   | 19,726            |
| 563                                   | -                               | 10  | -  | 2   | 633               |
| (556)                                 | -                               | -   | -  | -   | (556)             |
| 9,618                                 | 62                              | 519                                       | 79   | 169   | 20,979            |
| 1,823                                 | (396)                           | 125                                       | (676)  | 803   | 3,243             |
| 42,940                                | 18,888                          | 1,697                                     | 3,654  | 5,945                                       | 147,190           |
| <u>\$ 44,763</u>                      | <u>\$ 18,492</u>                | <u>\$ 1,822</u>                           | <u>\$ 2,978</u>  | <u>\$ 6,748</u>                             | <u>\$ 150,433</u> |





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# **BUDGETARY COMPARISON SCHEDULES BY AGENCY**

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

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|   | <u>Final Budget</u> | <u>Actual</u>    | <u>Variance<br/>with Final<br/>Budget</u> |
|---|---------------------|------------------|---|
| <b><i>Department of Administrative and Financial Services</i></b> |                     |                  |   |
| Administrative Services   | \$ 16,116           | \$ 15,237        | \$ 879                                    |
| Employee Relations  | 744                 | 743              | 1   |
| Financial Services  | 104,967             | 103,884          | 1,083                                     |
| Human Resources   | 1,433               | 1,389            | 44  |
| Financial and Personnel Services                                  | -                   | -                | -   |
| Purchasing  | 380                 | 373              | 7   |
| Bureau of Information Services                                    | 1,826               | 1,826            | -   |
| State Employee Health Commission                                  | 760                 | 760              | -   |
|   | <u>126,226</u>      | <u>124,212</u>   | <u>2,014</u>                              |
| <b><i>Department of Agriculture</i></b>                           | <u>8,720</u>        | <u>7,852</u>     | <u>868</u>                                |
| <b><i>Attorney General</i></b>                                    | <u>15,004</u>       | <u>14,748</u>    | <u>256</u>                                |
| <b><i>Department of Audit</i></b>                                 | <u>1,390</u>        | <u>1,269</u>     | <u>121</u>                                |
| <b><i>Department of Corrections</i></b>                           |                     |                  |   |
| Corrections   | 53,471              | 49,178           | 4,293                                     |
| Maine State Prison  | 39,855              | 39,844           | 11  |
| Maine Correctional Center   | 23,942              | 23,918           | 24  |
| Downeast Correctional Facility                                    | 5,765               | 5,756            | 9   |
| Charleston Correctional Facility                                  | 18,097              | 18,081           | 16  |
| Long Creek Youth Development Center                               | 15,436              | 15,388           | 48  |
|   | <u>156,566</u>      | <u>152,165</u>   | <u>4,401</u>                              |
| <b><i>Department of Conservation</i></b>                          | <u>24,462</u>       | <u>23,852</u>    | <u>610</u>                                |
| <b><i>Department of Economic and Community Development</i></b>    | <u>12,538</u>       | <u>12,155</u>    | <u>383</u>                                |
| <b><i>Department of Environmental Protection</i></b>              | <u>6,778</u>        | <u>6,737</u>     | <u>41</u>                                 |
| <b><i>Department of Human Services</i></b>                        |                     |                  |   |
| Human Services  | 732,000             | 686,101          | 45,899                                    |
| Behavioral and Developmental Services                             | 270,762             | 260,626          | 10,136                                    |
| Riverview Psychiatric Center                                      | 12,164              | 11,414           | 750                                       |
| Dorothea Dix Psychiatric Center                                   | 13,844              | 12,268           | 1,576                                     |
| Office of Substance Abuse   | 12,115              | 11,446           | 669                                       |
| Freeport Towne Square   | -                   | -                | -   |
| Elizabeth Levinson Center   | 3,035               | 3,018            | 17  |
|   | <u>1,043,920</u>    | <u>984,873</u>   | <u>59,047</u>                             |
| <b><i>Department of Labor</i></b>                                 |                     |                  |   |
| Labor   | 13,284              | 12,253           | 1,031                                     |
| Labor Relations Board   | 470                 | 446              | 24  |
|   | <u>13,754</u>       | <u>12,699</u>    | <u>1,055</u>                              |
| <b><i>Department of Transportation</i></b>                        |                     |                  |   |
| Transportation  | -                   | -                | -   |
| Air Transportation  | -                   | -                | -   |
| Rail/Van Pool   | -                   | -                | -   |
|   | <u>-</u>            | <u>-</u>         | <u>-</u>                                  |
| <b><i>Defense, Veterans and Emergency Management</i></b>          | <u>9,313</u>        | <u>7,834</u>     | <u>1,479</u>                              |
| <b><i>Department of Education</i></b>                             |                     |                  |   |
| Education   | 1,215,944           | 1,199,829        | 16,115                                    |
| Education - Unorganized Territory                                 | 12,207              | 11,147           | 1,060                                     |
|   | <u>1,228,151</u>    | <u>1,210,976</u> | <u>17,175</u>                             |
| <b><i>General Government</i></b>                                  |                     |                  |   |
| Office of the Governor  | 3,361               | 3,238            | 123                                       |
| State Planning  | 2,683               | 2,441            | 242                                       |
| Ombudsman Program   | 127                 | 127              | -   |
|   | <u>6,171</u>        | <u>5,806</u>     | <u>365</u>                                |

|   | <u>Final Budget</u> | <u>Actual</u>  | <u>Variance<br/>with Final<br/>Budget</u> |
|---|---------------------|----------------|---|
| <b>Department of Inland Fisheries and Wildlife</b>        | \$ 24,457           | \$ 24,008      | \$ 449                                    |
| <b>Judicial Department</b>                                | 62,587              | 62,587         | -   |
| <b>Legislative Department</b>                             |                     |                |   |
| Legislative   | 24,326              | 22,493         | 1,833                                     |
| Law and Legislative Reference Library                     | 1,572               | 1,320          | 252                                       |
| Statehouse Preservation and Maintenance                   | 800                 | 800            | -   |
| Program Evaluation and Government Accountability          | 952                 | 682            | 270                                       |
|   | <u>27,650</u>       | <u>25,295</u>  | <u>2,355</u>                              |
| <b>Department of Marine Resources</b>                     | 10,457              | 10,359         | 98  |
| <b>Department of Public Safety</b>                        | 24,957              | 24,106         | 851                                       |
| <b>Secretary of State</b>                                 |                     |                |   |
| Secretary of State  | 2,857               | 2,659          | 198                                       |
| Archives Services   | 883                 | 876            | 7   |
|   | <u>3,740</u>        | <u>3,535</u>   | <u>205</u>                                |
| <b>Treasurer of State</b>                                 | 86,167              | 84,605         | 1,562                                     |
| <b>Direct Charges</b>                                     | -                   | -              | -   |
| <b>Other Agencies</b>                                     |                     |                |   |
| Museum  | 1,629               | 1,625          | 4   |
| Maine State Cultural Affairs Council                      | 96                  | 71             | 25  |
| Maine Historic Preservation Commission                    | 315                 | 315            | -   |
| Library   | 3,627               | 3,565          | 62  |
| Maine Humanities Council                                  | 67                  | 67             | -   |
| Finance Authority of Maine                                | 12,761              | 12,761         | -   |
| Centers for Innovation                                    | 144                 | 141            | 3   |
| Com. On Governmental Ethics and Election Practices        | 152                 | 136            | 16  |
| Maine Indian Tribal State Council                         | 111                 | 73             | 38  |
| Board of Property Tax Review                              | 86                  | 79             | 7   |
| Maine Municipal Bond Bank                                 | 83                  | 83             | -   |
| Maine State Retirement System                             | 890                 | 890            | -   |
| Human Rights Commission                                   | 595                 | 555            | 40  |
| Saco River Corridor Commission                            | 56                  | 56             | -   |
| Atlantic Salmon Commission                                | -                   | -              | -   |
| NE International Water Pollution Control Commission       | 20                  | 19             | 1   |
| Downeast Institute Appl Marine                            | 15                  | 15             | -   |
| Atlantic States Marine Fisheries Commission               | 34                  | 34             | -   |
| St. Croix International Waterway                          | 26                  | 26             | -   |
| Maine Public Broadcasting Corporation                     | 2,251               | 2,251          | -   |
| Maine State Housing Authority                             | 438                 | 438            | -   |
| Maine Educational Center for the Deaf and Hard of Hearing | -                   | -              | -   |
| Maine Potato Board  | -                   | -              | -   |
| Board of Education  | 100                 | 81             | 19  |
| Maine Historical Society                                  | 53                  | 53             | -   |
| Foundation for Blood Research                             | 64                  | 64             | -   |
| Pine Tree Legal   | 304                 | 304            | -   |
| Maine Community College System                            | 51,942              | 51,942         | -   |
| Maine Maritime Academy                                    | 8,835               | 8,835          | -   |
| University of Maine                                       | 199,405             | 199,405        | -   |
| Arts and Humanities Administration                        | 759                 | 735            | 24  |
| Disability Rights Center                                  | 136                 | 136            | -   |
| Maine Hospice Counsel                                     | 66                  | 66             | -   |
| Maine Development Foundation                              | 60                  | 60             | -   |
| Baxter Compensation Authority                             | 9                   | 9              | -   |
|   | <u>285,129</u>      | <u>284,890</u> | <u>239</u>                                |
| <b>Grand Total</b>  | \$ 3,178,137        | \$ 3,084,563   | \$ 93,574                                 |



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

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|   | <u>Final Budget</u> | <u>Actual</u>     | <u>Variance<br/>with Final<br/>Budget</u> |
|---|---------------------|-------------------|---|
| <b><i>Department of Administrative and Financial Services</i></b> |                     |                   |   |
| Administrative Services   | \$ 2,761            | \$ 2,662          | \$ 99                                     |
| Financial Services  | <u>1,083</u>        | <u>916</u>        | <u>167</u>                                |
|   | <u>3,844</u>        | <u>3,578</u>      | <u>266</u>                                |
| <b><i>Department of Environmental Protection</i></b>              | <u>37</u>           | <u>28</u>         | <u>9</u>                                  |
| <b><i>Legislative Department</i></b>                              |                     |                   |   |
| Legislative   | 14                  | -                 | 14  |
| Program Evaluation and Government Accountability                  | <u>-</u>            | <u>5</u>          | <u>(5)</u>                                |
|   | 14                  | 5                 | 9   |
| <b><i>Department of Transportation</i></b>                        |                     |                   |   |
| Transportation  | 302,816             | 275,623           | 27,193                                    |
| Rail/Van Pool   | <u>671</u>          | <u>671</u>        | <u>-</u>                                  |
|   | <u>303,487</u>      | <u>276,294</u>    | <u>27,193</u>                             |
| <b><i>Department of Public Safety</i></b>                         | <u>36,941</u>       | <u>35,476</u>     | <u>1,465</u>                              |
| <b><i>Secretary of State</i></b>                                  |                     |                   |   |
| Motor Vehicles  | <u>36,422</u>       | <u>34,063</u>     | <u>2,359</u>                              |
| <b><i>Grand Total</i></b>   | <u>\$ 380,745</u>   | <u>\$ 349,444</u> | <u>\$ 31,301</u>                          |

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

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|  | <u>Final Budget</u> | <u>Actual</u>    | <u>Variance<br/>with Final<br/>Budget</u> |
|--|---------------------|------------------|---|
| <b>Department of Administrative and Financial Services</b> |                     |                  |   |
| Administrative Services                                    | \$ -                | \$ 394           | \$ (394)                                  |
| Bureau of Information Services                             | -                   | -                | -   |
| Financial Services   | 5                   | -                | 5   |
| Financial and Personnel Services                           | 787                 | -                | 787                                       |
| State Employee Health Commission                           | 21                  | -                | 21  |
|  | <u>813</u>          | <u>394</u>       | <u>419</u>                                |
| <b>Department of Agriculture</b>                           | <u>6,314</u>        | <u>3,928</u>     | <u>2,386</u>                              |
| <b>Attorney General</b>                                    | <u>2,283</u>        | <u>1,671</u>     | <u>612</u>                                |
| <b>Department of Corrections</b>                           |                     |                  |   |
| Corrections  | 4,099               | 1,925            | 2,174                                     |
| Maine State Prison   | 20                  | -                | 20  |
| Maine Correctional Center                                  | 76                  | 40               | 36  |
| Dowd Correctional Facility                                 | 48                  | 2                | 46  |
| Charleston Correctional Facility                           | 352                 | 269              | 83  |
| Long Creek Youth Development Center                        | 377                 | 314              | 63  |
|  | <u>4,972</u>        | <u>2,550</u>     | <u>2,422</u>                              |
| <b>Department of Conservation</b>                          | <u>7,996</u>        | <u>4,217</u>     | <u>3,779</u>                              |
| <b>Department of Economic and Community Development</b>    | <u>32,076</u>       | <u>15,909</u>    | <u>16,167</u>                             |
| <b>Department of Environmental Protection</b>              | <u>15,741</u>       | <u>11,028</u>    | <u>4,713</u>                              |
| <b>Department of Human Services</b>                        |                     |                  |   |
| Human Services   | 1,894,831           | 1,644,472        | 250,359                                   |
| Behavioral and Developmental Services                      | 14,005              | 10,473           | 3,532                                     |
| Dorothea Dix Psychiatric Center                            | 2                   | -                | 2   |
| Office of Substance Abuse                                  | 19,101              | 12,253           | 6,848                                     |
|  | <u>1,927,939</u>    | <u>1,667,198</u> | <u>260,741</u>                            |
| <b>Department of Labor</b>                                 | <u>94,382</u>       | <u>65,149</u>    | <u>29,233</u>                             |
| <b>Department of Transportation</b>                        |                     |                  |   |
| Transportation   | 191,655             | 154,817          | 36,838                                    |
| Air Transportation   | 2,486               | 924              | 1,562                                     |
| Ferry Service/Ports and Marine                             | 157                 | 19               | 138                                       |
| Rail/Van Pool  | 12                  | -                | 12  |
|  | <u>194,310</u>      | <u>155,760</u>   | <u>38,550</u>                             |
| <b>Defense, Veterans and Emergency Management</b>          | <u>115,050</u>      | <u>49,536</u>    | <u>65,514</u>                             |
| <b>Department of Education</b>                             |                     |                  |   |
| Education  | 201,995             | 178,404          | 23,591                                    |
| Education - Unorganized Territory                          | 453                 | 358              | 95  |
|  | <u>202,448</u>      | <u>178,762</u>   | <u>23,686</u>                             |
| <b>General Government</b>                                  |                     |                  |   |
| Office of the Governor                                     | 1,726               | 490              | 1,236                                     |
| State Planning   | 5,904               | 4,059            | 1,845                                     |
| Ombudsman Program  | 57                  | 57               | -   |
|  | <u>7,687</u>        | <u>4,606</u>     | <u>3,081</u>                              |
| <b>Department of Inland Fisheries and Wildlife</b>         | <u>11,004</u>       | <u>7,458</u>     | <u>3,546</u>                              |
| <b>Judicial Department</b>                                 | <u>3,864</u>        | <u>3,605</u>     | <u>259</u>                                |
| <b>Department of Marine Resources</b>                      | <u>7,216</u>        | <u>5,369</u>     | <u>1,847</u>                              |
| <b>Department of Professional and Financial Regulation</b> |                     |                  |   |
| Professional and Financial Regulation                      | 24                  | -                | 24  |
| <b>Department of Public Safety</b>                         | <u>11,156</u>       | <u>7,590</u>     | <u>3,566</u>                              |

|  | <u>Final Budget</u> | <u>Actual</u>       | <u>Variance<br/>with Final<br/>Budget</u> |
|--|---------------------|---------------------|---|
| <b>Public Utilities Commission</b>     | \$ 932              | \$ 488              | \$ 444                                    |
| <b>Secretary of State</b>              |                     |                     |   |
| Secretary of State                     | 6,761               | 1,950               | 4,811                                     |
| Motor Vehicles                         | 485                 | -                   | 485                                       |
| Archives Services                      | 52                  | 40                  | 12  |
|  | <u>7,298</u>        | <u>1,990</u>        | <u>5,308</u>                              |
| <b>Treasurer of State</b>              | <u>63</u>           | <u>1</u>            | <u>62</u>                                 |
| <b>Other Agencies</b>                  |                     |                     |   |
| Arts and Humanities Administration     | 831                 | 609                 | 222                                       |
| Atlantic Salmon Commission             | 28                  | -                   | 28  |
| Human Rights Commission                | 479                 | 393                 | 86  |
| Library                                | 1,404               | 1,193               | 211                                       |
| Maine Historic Preservation Commission | 724                 | 583                 | 141                                       |
| Museum                                 | 412                 | 105                 | 307                                       |
| University of Maine                    | -                   | -                   | -   |
|  | <u>3,878</u>        | <u>2,883</u>        | <u>995</u>                                |
| <b>Grand Total</b>                     | <u>\$ 2,657,446</u> | <u>\$ 2,190,092</u> | <u>\$ 467,354</u>                         |

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

Fiscal Year Ended June 30, 2008  
(Expressed in Thousands)

|   | <u>Final Budget</u> | <u>Actual</u>  | <u>Variance<br/>with Final<br/>Budget</u> |
|---|---------------------|----------------|---|
| <b><i>Department of Administrative and Financial Services</i></b> |                     |                |   |
| Administrative Services   | \$ 6,824            | \$ 3,387       | \$ 3,437                                  |
| Financial Services  | 16,121              | 15,146         | 975                                       |
| Human Resources   | 453                 | 295            | 158                                       |
| Financial and Personnel Services                                  | 31                  | 16             | 15  |
| State Employee Health Commission                                  | 200                 | 51             | 149                                       |
| Purchasing  | 4                   |                | 4   |
|   | <u>23,633</u>       | <u>18,895</u>  | <u>4,738</u>                              |
| <b><i>Department of Agriculture</i></b>                           | <u>26,820</u>       | <u>20,117</u>  | <u>6,703</u>                              |
| <b><i>Attorney General</i></b>                                    | <u>13,225</u>       | <u>11,635</u>  | <u>1,590</u>                              |
| <b><i>Department of Audit</i></b>                                 | <u>1,747</u>        | <u>1,561</u>   | <u>186</u>                                |
| <b><i>Department of Corrections</i></b>                           |                     |                |   |
| Corrections   | 1,623               | 662            | 961                                       |
| Maine State Prison  | 171                 | 75             | 96  |
| Maine Correctional Center   | 790                 | 538            | 252                                       |
| Doweast Correctional Facility                                     | 97                  | 55             | 42  |
| Charleston Correctional Facility                                  | 486                 | 246            | 240                                       |
| Long Creek Youth Development Center                               | 39                  | 12             | 27  |
|   | <u>3,206</u>        | <u>1,588</u>   | <u>1,618</u>                              |
| <b><i>Department of Conservation</i></b>                          | <u>25,783</u>       | <u>16,089</u>  | <u>9,694</u>                              |
| <b><i>Department of Economic and Community Development</i></b>    | <u>11,650</u>       | <u>8,949</u>   | <u>2,701</u>                              |
| <b><i>Department of Environmental Protection</i></b>              |                     |                |   |
| Environmental Protection  | 54,118              | 40,724         | 13,394                                    |
| A.C.E. Service Center   | -                   | -              | -   |
|   | <u>54,118</u>       | <u>40,724</u>  | <u>13,394</u>                             |
| <b><i>Department of Human Services</i></b>                        |                     |                |   |
| Human Services  | 403,954             | 330,961        | 72,993                                    |
| Behavioral and Developmental Services                             | 34,286              | 25,703         | 8,583                                     |
| Riverview Psychiatric Center                                      | 21,691              | 20,228         | 1,463                                     |
| Dorothea Dix Psychiatric Center                                   | 19,875              | 15,525         | 4,350                                     |
| Office of Substance Abuse   | 7,531               | 7,072          | 459                                       |
| Freeport Towne Square   | 89                  | 66             | 23  |
|   | <u>487,426</u>      | <u>399,555</u> | <u>87,871</u>                             |
| <b><i>Department of Labor</i></b>                                 |                     |                |   |
| Labor   | 5,418               | 3,019          | 2,399                                     |
| Labor Relations Board   | 100                 | 39             | 61  |
|   | <u>5,518</u>        | <u>3,058</u>   | <u>2,460</u>                              |
| <b><i>Department of Transportation</i></b>                        |                     |                |   |
| Transportation  | 20,746              | 17,461         | 3,285                                     |
| Air Transportation  | 100                 | 50             | 50  |
| Rail/Van Pool   | 258                 | 221            | 37  |
|   | <u>21,104</u>       | <u>17,732</u>  | <u>3,372</u>                              |
| <b><i>Defense, Veterans and Emergency Management</i></b>          | <u>4,091</u>        | <u>2,066</u>   | <u>2,025</u>                              |
| <b><i>Department of Education</i></b>                             |                     |                |   |
| Education   | 5,910               | 2,927          | 2,983                                     |
| Education - Unorganized Territory                                 | 8                   | -              | 8   |
|   | <u>5,918</u>        | <u>2,927</u>   | <u>2,991</u>                              |
| <b><i>General Government</i></b>                                  |                     |                |   |
| Office of the Governor  | 48                  | 34             | 14  |
| State Planning  | 6,141               | 1,866          | 4,275                                     |
| Public Advocate   | 2,147               | 1,831          | 316                                       |
|   | <u>8,336</u>        | <u>3,731</u>   | <u>4,605</u>                              |
| <b><i>Department of Inland Fisheries and Wildlife</i></b>         | <u>8,505</u>        | <u>4,396</u>   | <u>4,109</u>                              |



|  | <u>Final Budget</u> | <u>Actual</u> | <u>Variance<br/>with Final<br/>Budget</u> |
|--|---------------------|---------------|---|
| <b>Judicial Department</b>                                 | \$ 4,696            | \$ 3,826      | \$ 870                                    |
| <b>Legislative Department</b>                              |                     |               |   |
| Legislative  | 14                  | 7             | 7   |
| <b>Department of Marine Resources</b>                      | 7,021               | 4,497         | 2,524                                     |
| <b>Department of Professional and Financial Regulation</b> |                     |               |   |
| Professional and Financial Regulation                      | 25,659              | 20,252        | 5,407                                     |
| Board of Dental Examiners                                  | 378                 | 309           | 69  |
| Board of Nursing   | 826                 | 685           | 141                                       |
| Board of Optometry   | 64                  | 54            | 10  |
| Board of Osteopathic Examination and Registration          | 192                 | 153           | 39  |
| Board of Professional Engineers                            | 244                 | 208           | 36  |
| Board of Registration in Medicine                          | 1,588               | 1,303         | 285                                       |
|  | 28,951              | 22,964        | 5,987                                     |
| <b>Department of Public Safety</b>                         | 15,998              | 13,805        | 2,193                                     |
| <b>Public Utilities Commission</b>                         | 36,710              | 30,681        | 6,029                                     |
| <b>Secretary of State</b>                                  |                     |               |   |
| Secretary of State   | 346                 | 280           | 66  |
| Motor Vehicles   | 1,644               | 1,588         | 56  |
| Archives Services  | 70                  | 24            | 46  |
|  | 2,060               | 1,892         | 168                                       |
| <b>Treasurer of State</b>                                  | 134,720             | 133,074       | 1,646                                     |
| <b>Other Agencies</b>                                      |                     |               |   |
| Arts and Humanities Administration                         | 102                 | 33            | 69  |
| Atlantic Salmon Commission                                 | -                   | -             | -   |
| Baxter Compensation Authority                              | -                   | -             | -   |
| Baxter State Park Authority                                | 3,415               | 3,125         | 290                                       |
| Board of Water System Operators                            | 87                  | 27            | 60  |
| Com. On Governmental Ethics and Election Practices         | 6,476               | 2,977         | 3,499                                     |
| Dirigo Health  | -                   | -             | -   |
| Finance Authority of Maine                                 | 2,757               | 2,082         | 675                                       |
| Harness Racing Promotion Board                             | 192                 | 118           | 74  |
| Human Rights Commission                                    | 26                  | 16            | 10  |
| Library  | 468                 | 423           | 45  |
| Lobster Promotion Council                                  | 436                 | 436           | -   |
| Maine Community College System                             | 1,652               | 1,388         | 264                                       |
| Maine Consumer Choice Health Plan                          | -                   | -             | -   |
| Maine Health Data Organization                             | 1,818               | 1,274         | 544                                       |
| Maine Historic Preservation Commission                     | 672                 | 340           | 332                                       |
| Maine Potato Board   | 1,418               | 709           | 709                                       |
| Maine State Cultural Affairs Council                       | 65                  | 2             | 63  |
| Maine State Housing Authority                              | 9,317               | 7,506         | 1,811                                     |
| Maine Children's Trust Incorporated                        | 48                  | 28            | 20  |
| Museum   | 832                 | 462           | 370                                       |
| Saco River Corridor Commission                             | 46                  | 46            | -   |
| University of Maine  | 1,758               | 1,556         | 202                                       |
| Worker's Compensation Board                                | 10,098              | 9,638         | 460                                       |
| Wild Blueberry Commission of Maine                         | 1,595               | 1,247         | 348                                       |
|  | 43,278              | 33,433        | 9,845                                     |
| <b>Grand Total</b>   | \$ 974,528          | \$ 797,202    | \$ 177,326                                |



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# STATISTICAL SECTION

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## STATISTICAL SECTION NARRATIVE AND TABLE OF CONTENTS

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

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These schedules contain trend information to help the reader understand how the State's financial performance and fiscal health have changed over time. The schedules presented from an entity wide perspective only include FY2002 and forward, coinciding with the implementation of GASB Statement No. 34. Fund perspective schedules are presented for the last Seven years, except where noted. Schedules included are:

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**SCHEDULE 1**

**STATE OF MAINE  
NET ASSETS BY ACTIVITIES**

Last Seven Fiscal Years  
(Expressed in Thousands)

|   | <u>2008</u>         | <u>2007</u>         | <u>2006</u>         | <u>2005</u>         | <u>2004</u>         | <u>2003</u>         | <u>2002</u>         |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Primary Government</b>                       |                     |                     |                     |                     |                     |                     |                     |
| <b>Governmental Activities</b>                  |                     |                     |                     |                     |                     |                     |                     |
| Invested in Capital Assets, Net of Related Debt | \$ 3,632,073        | \$ 3,519,371        | \$ 3,347,672        | \$ 3,061,098        | \$ 2,878,596        | \$ 2,628,197        | \$ 2,424,949        |
| Restricted                                      | 200,888             | 198,786             | 172,449             | 290,385             | 214,026             | 184,809             | 242,976             |
| Unrestricted                                    | <u>(98,830)</u>     | <u>50,153</u>       | <u>(67,588)</u>     | <u>(171,074)</u>    | <u>(37,519)</u>     | <u>(123,477)</u>    | <u>5,887</u>        |
| Total Governmental Activities Net Assets        | <u>\$ 3,734,131</u> | <u>\$ 3,768,310</u> | <u>\$ 3,452,533</u> | <u>\$ 3,180,409</u> | <u>\$ 3,055,103</u> | <u>\$ 2,689,529</u> | <u>\$ 2,673,812</u> |
| <b>Business-Type Activities</b>                 |                     |                     |                     |                     |                     |                     |                     |
| Invested in Capital Assets, Net of Related Debt | \$ 95,905           | \$ 90,361           | \$ 79,030           | \$ 49,961           | \$ 51,434           | \$ 72,375           | \$ 53,679           |
| Restricted                                      | 493,733             | 489,677             | 476,832             | 459,538             | 450,475             | 459,127             | 464,862             |
| Unrestricted                                    | <u>(89,400)</u>     | <u>(74,054)</u>     | <u>(74,098)</u>     | <u>(71,445)</u>     | <u>(71,419)</u>     | <u>2,179</u>        | <u>6,798</u>        |
| Total Business-Type Activities Net Assets       | <u>\$ 500,238</u>   | <u>\$ 505,984</u>   | <u>\$ 481,764</u>   | <u>\$ 438,054</u>   | <u>\$ 430,490</u>   | <u>\$ 533,681</u>   | <u>\$ 525,339</u>   |
| <b>Total Primary Government</b>                 |                     |                     |                     |                     |                     |                     |                     |
| Invested in Capital Assets, Net of Related Debt | \$ 3,727,978        | \$ 3,609,732        | \$ 3,426,702        | \$ 3,111,059        | \$ 2,930,030        | \$ 2,700,572        | \$ 2,478,628        |
| Restricted                                      | 694,621             | 688,463             | 649,281             | 749,923             | 664,501             | 643,936             | 707,838             |
| Unrestricted                                    | <u>(188,230)</u>    | <u>(23,901)</u>     | <u>(141,686)</u>    | <u>(242,519)</u>    | <u>(108,938)</u>    | <u>(121,298)</u>    | <u>12,685</u>       |
| Total Primary Government Activities Net Assets  | <u>\$ 4,234,369</u> | <u>\$ 4,274,294</u> | <u>\$ 3,934,297</u> | <u>\$ 3,618,463</u> | <u>\$ 3,485,593</u> | <u>\$ 3,223,210</u> | <u>\$ 3,199,151</u> |

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

**SCHEDULE 2**

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

Last Seven Fiscal Years  
(Expressed in Thousands)

|  | <u>2008</u>               | <u>2007</u>               | <u>2006</u>               | <u>2005</u>               | <u>2004</u>               | <u>2003</u>               | <u>2002</u>               |
|--|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| <b>Expenses</b>                                  |                           |                           |                           |                           |                           |                           |                           |
| Governmental Activities:                         |                           |                           |                           |                           |                           |                           |                           |
| Governmental Support & Operations                | \$ 540,789                | \$ 460,315                | \$ 530,008                | \$ 480,837                | \$ 469,682                | \$ 403,505                | \$ 432,206                |
| Arts, Heritage & Cultural Enrichment             | 12,406                    | 12,994                    | 12,191                    | 13,273                    | 12,498                    | 13,012                    | -                         |
| Business Licensing & Regulation                  | 63,417                    | 60,506                    | 53,547                    | 49,553                    | 46,249                    | 34,447                    | -                         |
| Economic Development & Workforce Training        | 149,970                   | 161,427                   | 160,093                   | 171,092                   | 191,868                   | 206,586                   | 131,285                   |
| Education  | 1,669,353                 | 1,622,653                 | 1,494,438                 | 1,412,524                 | 1,357,080                 | 1,340,614                 | 1,323,259                 |
| Health & Human Services                          | 3,290,482                 | 2,989,001                 | 3,167,521                 | 3,051,822                 | 2,775,008                 | 2,522,643                 | 2,367,786                 |
| Labor  | -                         | -                         | -                         | -                         | -                         | -                         | 92,544                    |
| Justice & Protection                             | 407,879                   | 358,718                   | 340,281                   | 322,072                   | 297,619                   | 301,575                   | 108,742                   |
| Natural Resources Development & Protection       | 186,214                   | 179,670                   | 166,358                   | 171,307                   | 166,167                   | 163,606                   | 132,858                   |
| Transportation, Safety & Development             | 329,914                   | 267,994                   | 322,438                   | 246,837                   | 203,968                   | 240,286                   | 240,869                   |
| Interest Expense                                 | 35,524                    | 36,246                    | 36,873                    | 32,530                    | 31,324                    | 32,120                    | 24,576                    |
| Total Governmental Activities                    | <u>6,685,948</u>          | <u>6,149,524</u>          | <u>6,283,748</u>          | <u>5,951,847</u>          | <u>5,551,463</u>          | <u>5,258,394</u>          | <u>4,854,125</u>          |
| Business-Type Activities:                        |                           |                           |                           |                           |                           |                           |                           |
| Employment Security                              | 122,518                   | 120,215                   | 103,867                   | 113,642                   | 118,965                   | 124,452                   | 123,606                   |
| Alcoholic Beverages                              | -                         | -                         | -                         | 7                         | 61,958                    | 59,412                    | 56,896                    |
| Lottery  | 178,419                   | 180,722                   | 179,628                   | 161,691                   | 146,214                   | 125,641                   | 120,520                   |
| Transportation                                   | 7,432                     | 4,218                     | -                         | -                         | -                         | -                         | -                         |
| Airport  | -                         | -                         | 22                        | 892                       | 819                       | -                         | -                         |
| Marine Ports                                     | 1,925                     | 2,097                     | 1,378                     | 1,829                     | 1,415                     | -                         | -                         |
| Ferry Services                                   | 9,292                     | 9,405                     | 6,707                     | 7,876                     | 7,296                     | -                         | -                         |
| Military Equipment Maintenance                   | 80,306                    | 35,140                    | 65,013                    | 50,908                    | 25,923                    | -                         | -                         |
| Dirigo Health                                    | 76,860                    | 65,178                    | 47,122                    | 13,587                    | -                         | -                         | -                         |
| Other  | 6,673                     | 6,875                     | 3,860                     | 2,107                     | 2,107                     | 11,918                    | 13,990                    |
| Total Business-Type Activities                   | <u>483,425</u>            | <u>423,850</u>            | <u>407,597</u>            | <u>352,539</u>            | <u>364,697</u>            | <u>321,423</u>            | <u>315,012</u>            |
| Total Primary Government Expenses                | <u><u>7,169,373</u></u>   | <u><u>6,573,374</u></u>   | <u><u>6,691,345</u></u>   | <u><u>6,304,386</u></u>   | <u><u>5,916,160</u></u>   | <u><u>5,579,817</u></u>   | <u><u>5,169,137</u></u>   |
| <b>Program Revenues</b>                          |                           |                           |                           |                           |                           |                           |                           |
| Governmental Activities:                         |                           |                           |                           |                           |                           |                           |                           |
| Charges for Services:                            |                           |                           |                           |                           |                           |                           |                           |
| Governmental Support & Operations                | 86,178                    | 76,507                    | 71,507                    | 67,067                    | 148,707                   | 46,501                    | 65,882                    |
| Arts, Heritage & Cultural Enrichment             | 1,303                     | 818                       | 920                       | 816                       | 1,308                     | 712                       | -                         |
| Business Licensing & Regulation                  | 69,845                    | 52,033                    | 65,588                    | 51,374                    | 54,920                    | 35,159                    | -                         |
| Economic Development & Workforce Training        | 2,361                     | 3,202                     | 2,966                     | 3,355                     | 2,242                     | 3,552                     | 54,042                    |
| Education  | 3,653                     | 4,865                     | 8,605                     | 1,362                     | 924                       | 465                       | 2,062                     |
| Health & Human Services                          | 11,694                    | 9,656                     | 15,097                    | 13,649                    | 14,722                    | 57,627                    | 10,606                    |
| Justice & Protection                             | 89,580                    | 80,435                    | 75,035                    | 63,274                    | 63,475                    | 52,009                    | 17,625                    |
| Natural Resources Development & Protection       | 92,737                    | 81,305                    | 76,921                    | 72,450                    | 78,870                    | 75,312                    | 54,921                    |
| Transportation, Safety & Development             | 102,729                   | 97,761                    | 95,394                    | 97,172                    | 9,919                     | 104,780                   | 96,457                    |
| Operating Grants and Contributions               | 2,559,533                 | 2,361,828                 | 2,536,857                 | 2,324,723                 | 2,265,857                 | 1,952,069                 | 1,666,512                 |
| Capital Grants and Contributions                 | -                         | 6,434                     | 24,268                    | 174,140                   | 200,754                   | 164,927                   | 152,029                   |
| Total Governmental Activities Program Revenues   | <u>3,019,613</u>          | <u>2,774,844</u>          | <u>2,973,158</u>          | <u>2,869,382</u>          | <u>2,841,698</u>          | <u>2,493,113</u>          | <u>2,120,136</u>          |
| Business-Type Activities:                        |                           |                           |                           |                           |                           |                           |                           |
| Employment Security                              | 106,536                   | 112,482                   | 102,611                   | 100,136                   | 86,143                    | 119,327                   | 146,297                   |
| Alcoholic Beverages                              | 12,527                    | 12,525                    | 12,525                    | 12,582                    | 89,087                    | 85,985                    | 81,620                    |
| Lottery  | 228,980                   | 231,628                   | 230,962                   | 211,965                   | 188,671                   | 166,903                   | 159,133                   |
| Transportation                                   | 2,089                     | 2,169                     | -                         | -                         | -                         | -                         | -                         |
| Airport  | -                         | -                         | 27                        | 125                       | 147                       | -                         | -                         |
| Marine Ports                                     | 315                       | 127                       | 87                        | 427                       | 14                        | -                         | -                         |
| Ferry Services                                   | 4,116                     | 3,837                     | 3,464                     | 3,642                     | 3,168                     | -                         | -                         |
| Military Equipment Maintenance                   | 77,229                    | 30,656                    | 70,427                    | 46,476                    | 27,336                    | -                         | -                         |
| Dirigo Health                                    | 54,507                    | 63,339                    | 25,886                    | 5,216                     | -                         | -                         | -                         |
| Other  | 6,898                     | 6,755                     | 4,128                     | 2,178                     | 1,878                     | 5,340                     | 4,456                     |
| Operating Grants and Contributions               | 22,950                    | 21,386                    | 20,663                    | 23,915                    | 25,927                    | -                         | 34,321                    |
| Capital Grants and Contributions                 | -                         | 4,143                     | -                         | 194                       | 1,771                     | 9,000                     | 2,048                     |
| Total Business-Type Activities Program Revenues  | <u>516,147</u>            | <u>489,047</u>            | <u>470,780</u>            | <u>406,856</u>            | <u>424,142</u>            | <u>386,555</u>            | <u>427,875</u>            |
| <b>Net (Expense)/Revenue</b>                     |                           |                           |                           |                           |                           |                           |                           |
| Governmental Activities                          | (3,666,335)               | (3,374,680)               | (3,310,590)               | (3,082,465)               | (2,709,765)               | (2,765,281)               | (2,733,989)               |
| Business-Type Activities                         | <u>32,722</u>             | <u>65,197</u>             | <u>63,183</u>             | <u>54,317</u>             | <u>59,445</u>             | <u>65,132</u>             | <u>112,863</u>            |
| Total Primary Governmental Net (Expense)/Revenue | <u><u>(3,633,613)</u></u> | <u><u>(3,309,483)</u></u> | <u><u>(3,247,407)</u></u> | <u><u>(3,028,148)</u></u> | <u><u>(2,650,320)</u></u> | <u><u>(2,700,149)</u></u> | <u><u>(2,621,126)</u></u> |

|   | <u>2008</u>        | <u>2007</u>       | <u>2006</u>       | <u>2005</u>       | <u>2004</u>       | <u>2003</u>      | <u>2002</u>      |
|---|--------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|
| <b>General Revenues and Other Changes in Net Assets</b> |                    |                   |                   |                   |                   |                  |                  |
| Governmental Activities:                                |                    |                   |                   |                   |                   |                  |                  |
| Taxes:  |                    |                   |                   |                   |                   |                  |                  |
| Corporate   | \$ 291,463         | \$ 292,255        | \$ 305,872        | \$ 244,842        | \$ 216,366        | \$ 182,554       | \$ 158,493       |
| Individual Income                                       | 1,552,412          | 1,478,542         | 1,403,790         | 1,296,606         | 1,149,109         | 1,095,143        | 1,043,312        |
| Fuel  | 177,937            | 181,459           | 177,904           | 176,020           | 166,174           | 161,534          | 149,193          |
| Property  | 43,672             | 48,339            | 53,272            | 50,962            | 28,412            | 38,179           | 35,546           |
| Sales & Use   | 1,192,986          | 1,191,982         | 1,156,201         | 1,049,890         | 1,086,049         | 1,012,552        | 976,618          |
| Other   | 254,297            | 255,550           | 263,506           | 223,326           | 117,168           | 90,769           | 63,111           |
| Unrestricted Investment Earnings                        | 5,857              | 39,599            | 28,881            | 20,650            | 17,049            | 8,521            | 8,944            |
| Miscellaneous Income                                    | 120,109            | 123,036           | 104,272           | 92,851            | 124,043           | 119,825          | 81,981           |
| Loss on Assets Held for Sale                            | (1,016)            | (445)             | (217)             | (112)             | (3,035)           | -                | -                |
| Tobacco Settlement                                      | 64,399             | 48,978            | 41,573            | 50,006            | 49,018            | 43,587           | 112,125          |
| Special Items   | (100,000)          | -                 | (31,212)          | 30,881            | 75,000            | -                | -                |
| Transfers - Internal Activities                         | 38,470             | 40,979            | 51,708            | 50,211            | 68,132            | 56,790           | 69,636           |
| Total Governmental Activities                           | <u>3,640,586</u>   | <u>3,700,274</u>  | <u>3,555,550</u>  | <u>3,286,133</u>  | <u>3,093,485</u>  | <u>2,809,454</u> | <u>2,698,959</u> |
| Business-Type Activities:                               |                    |                   |                   |                   |                   |                  |                  |
| Miscellaneous Income                                    | 2                  | 2                 | 448               | -                 | -                 | -                | -                |
| Loss on Assets Held for Sale                            | -                  | -                 | -                 | -                 | -                 | -                | 1,093            |
| Special Items   | -                  | -                 | 31,787            | (50,000)          | (85,703)          | -                | -                |
| Transfers - Internal Activities                         | (38,470)           | (40,979)          | (51,708)          | (50,211)          | (68,132)          | (56,790)         | (69,636)         |
| Total Business-Type Activities                          | <u>(38,468)</u>    | <u>(40,977)</u>   | <u>(19,473)</u>   | <u>(100,211)</u>  | <u>(153,835)</u>  | <u>(56,790)</u>  | <u>(68,543)</u>  |
| Total Primary Government                                | <u>3,602,118</u>   | <u>3,659,297</u>  | <u>3,536,077</u>  | <u>3,185,922</u>  | <u>2,939,650</u>  | <u>2,752,664</u> | <u>2,630,416</u> |
| <b>Change in Net Assets</b>                             |                    |                   |                   |                   |                   |                  |                  |
| Governmental Activities                                 | (25,749)           | 325,594           | 244,960           | 203,668           | 383,720           | 44,173           | (35,030)         |
| Business-Type Activities                                | (5,746)            | 24,220            | 43,710            | (45,894)          | (94,390)          | 8,342            | 44,320           |
| Total Change in Net Assets - Primary Government         | <u>\$ (31,495)</u> | <u>\$ 349,814</u> | <u>\$ 288,670</u> | <u>\$ 157,774</u> | <u>\$ 289,330</u> | <u>\$ 52,515</u> | <u>\$ 9,290</u>  |

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

**SCHEDULE 3**

**STATE OF MAINE  
FUND BALANCES, GOVERNMENTAL FUNDS**

Last Seven Fiscal Years  
(Expressed in Thousands)

|                                    | <b><u>2008</u></b>  | <b><u>2007</u></b>  | <b><u>2006</u></b>  | <b><u>2005</u></b> | <b><u>2004</u></b> | <b><u>2003</u></b> | <b><u>2002</u></b> |
|------------------------------------|---------------------|---------------------|---------------------|--------------------|--------------------|--------------------|--------------------|
| General Fund                       |                     |                     |                     |                    |                    |                    |                    |
| Reserved                           | \$ 165,402          | \$ 127,136          | \$ 177,796          | \$ 192,684         | \$ 122,440         | \$ 60,946          | \$ 156,495         |
| Unreserved                         | <u>(403,874)</u>    | <u>(283,485)</u>    | <u>(355,427)</u>    | <u>(146,328)</u>   | <u>(124,706)</u>   | <u>(81,361)</u>    | <u>(136,169)</u>   |
| Total General Fund                 | <u>\$ (238,472)</u> | <u>\$ (156,349)</u> | <u>\$ (177,631)</u> | <u>\$ 46,356</u>   | <u>\$ (2,266)</u>  | <u>\$ (20,415)</u> | <u>\$ 20,326</u>   |
| All Other Governmental Funds       |                     |                     |                     |                    |                    |                    |                    |
| Reserved                           | \$ 458,238          | \$ 424,965          | \$ 460,257          | \$ 521,984         | \$ 487,506         | \$ 449,667         | \$ 553,836         |
| Unreserved, reported in:           |                     |                     |                     |                    |                    |                    |                    |
| Special revenue funds              | <u>(31,858)</u>     | <u>4,270</u>        | <u>(67,148)</u>     | <u>(30,605)</u>    | <u>(38,886)</u>    | <u>(80,578)</u>    | <u>(64,812)</u>    |
| Total All Other Governmental Funds | <u>\$ 426,380</u>   | <u>\$ 429,235</u>   | <u>\$ 393,109</u>   | <u>\$ 491,379</u>  | <u>\$ 448,620</u>  | <u>\$ 369,089</u>  | <u>\$ 489,024</u>  |
| Total Governmental Fund Balances   | <u>\$ 187,908</u>   | <u>\$ 272,886</u>   | <u>\$ 215,478</u>   | <u>\$ 537,735</u>  | <u>\$ 446,354</u>  | <u>\$ 348,674</u>  | <u>\$ 509,350</u>  |

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



**SCHEDULE 4**

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

Last Seven Fiscal Years  
(Expressed in Thousands)

|  | 2008               | 2007             | 2006                | 2005              | 2004              | 2003                | 2002                |
|--|--------------------|------------------|---------------------|-------------------|-------------------|---------------------|---------------------|
| <b>Revenues:</b>   |                    |                  |                     |                   |                   |                     |                     |
| Taxes  | \$ 3,510,637       | \$ 3,430,669     | \$ 3,344,803        | \$ 3,035,988      | \$ 2,764,684      | \$ 2,585,456        | \$ 2,417,458        |
| Assessments and Other Revenue  | 320,363            | 289,301          | 290,455             | 256,690           | 260,225           | 212,339             | 212,777             |
| Federal Grants and Reimbursements                                      | 2,569,632          | 2,386,317        | 2,625,354           | 2,500,523         | 2,461,204         | 2,169,919           | 1,837,347           |
| Service Charges  | 145,091            | 123,249          | 135,815             | 119,996           | 131,871           | 128,148             | 141,584             |
| Investment Income (Loss)   | 2,356              | 26,740           | 24,140              | 16,740            | 15,247            | 6,396               | 6,422               |
| Miscellaneous Revenue  | 134,110            | 161,676          | 115,800             | 130,609           | 148,537           | 165,242             | 91,321              |
| Total Revenues   | <u>6,682,189</u>   | <u>6,417,952</u> | <u>6,536,367</u>    | <u>6,060,546</u>  | <u>5,781,768</u>  | <u>5,267,500</u>    | <u>4,706,909</u>    |
| <b>Expenditures</b>  |                    |                  |                     |                   |                   |                     |                     |
| Current:   |                    |                  |                     |                   |                   |                     |                     |
| Governmental Support & Operations                                      | 503,123            | 444,366          | 529,462             | 461,645           | 474,173           | 383,432             | 481,855             |
| Economic Development & Workforce Training                              | 152,403            | 162,003          | 162,326             | 173,919           | 194,379           | 207,732             | 133,320             |
| Education  | 1,681,096          | 1,637,848        | 1,510,662           | 1,425,244         | 1,367,414         | 1,327,936           | 1,325,259           |
| Health and Human Services  | 3,356,683          | 3,066,272        | 3,364,164           | 3,097,852         | 2,830,069         | 2,597,851           | 2,443,949           |
| Labor  | -                  | -                | -                   | -                 | -                 | -                   | 92,191              |
| Business Licensing & Regulation  | 65,470             | 61,540           | 56,064              | 50,883            | 47,702            | 35,282              | -                   |
| Natural Resources Development & Protection                             | 195,330            | 204,204          | 191,612             | 184,171           | 200,428           | 175,348             | 136,601             |
| Justice and Protection   | 415,645            | 372,674          | 362,394             | 346,849           | 303,659           | 323,326             | 109,022             |
| Arts, Heritage & Cultural Enrichment                                   | 12,717             | 13,215           | 12,655              | 13,471            | 12,715            | 13,074              | -                   |
| Transportation Safety & Development                                    | 516,756            | 462,023          | 574,314             | 469,978           | 458,679           | 456,482             | 393,985             |
| Debt Service:  |                    |                  |                     |                   |                   |                     |                     |
| Principal Payments   | 81,015             | 83,680           | 75,090              | 66,790            | 72,325            | 85,165              | 87,605              |
| Interest Payments  | 19,575             | 20,334           | 18,998              | 15,972            | 15,480            | 16,957              | 20,779              |
| Total Expenditures   | <u>6,999,813</u>   | <u>6,528,159</u> | <u>6,857,741</u>    | <u>6,306,774</u>  | <u>5,977,023</u>  | <u>5,622,585</u>    | <u>5,224,566</u>    |
| Revenue over (under) Expenditures                                      | <u>(317,624)</u>   | <u>(110,207)</u> | <u>(321,374)</u>    | <u>(246,228)</u>  | <u>(195,255)</u>  | <u>(355,085)</u>    | <u>(517,657)</u>    |
| <b>Other Financing Sources (Uses):</b>                                 |                    |                  |                     |                   |                   |                     |                     |
| Transfer from Other Funds  | 312,154            | 352,896          | 282,739             | 342,965           | 434,934           | 376,005             | 291,483             |
| Transfer to Other Funds  | (225,695)          | (279,691)        | (235,505)           | (288,865)         | (349,799)         | (323,827)           | (213,817)           |
| COPS and Other   | 50,542             | 35,543           | 10,727              | 6,061             | 11,246            | 10,546              | -                   |
| Proceeds from Pledged Future Revenues                                  | -                  | -                | 22,111              | 49,423            | -                 | -                   | -                   |
| Bonds Issued   | 104,075            | 60,975           | 52,390              | 140,025           | 133,815           | 103,580             | 32,610              |
| Net Other Finance Sources (Uses)                                       | <u>241,076</u>     | <u>169,723</u>   | <u>132,462</u>      | <u>249,609</u>    | <u>230,196</u>    | <u>166,304</u>      | <u>110,276</u>      |
| <b>Special Items:</b>  |                    |                  |                     |                   |                   |                     |                     |
| Return of Excess Equity from Retiree Health Insurance Fund             | -                  | -                | -                   | 105,711           | -                 | -                   | -                   |
| Refund to Federal Government Resulting from Excess Equity Distribution | -                  | -                | -                   | (19,119)          | -                 | -                   | -                   |
| Purchase of Landfill   | -                  | -                | -                   | -                 | (26,000)          | -                   | -                   |
| Sale of Landfill Capacity  | -                  | -                | -                   | -                 | 26,000            | -                   | -                   |
| Proceeds from Sale of Liquor Operating Rights                          | -                  | -                | -                   | 50,000            | 75,000            | -                   | -                   |
| Net Special Items  | <u>-</u>           | <u>-</u>         | <u>-</u>            | <u>136,592</u>    | <u>75,000</u>     | <u>-</u>            | <u>-</u>            |
| Revenues and Other Sources over (under)<br>Expenditures and Other Uses | <u>\$ (76,548)</u> | <u>\$ 59,516</u> | <u>\$ (188,912)</u> | <u>\$ 139,973</u> | <u>\$ 109,941</u> | <u>\$ (188,781)</u> | <u>\$ (407,381)</u> |
| Debt Service as a Percentage of NonCapital Expenditures                | 1.47%              | 1.64%            | 1.42%               | 1.37%             | 1.55%             | 1.91%               | 2.18%               |

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

**SCHEDULE 5**

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

Last Seven Fiscal Years  
(Expressed in Thousands)

|  | 2008               | 2007             | 2006               | 2005             | 2004             | 2003               | 2002                |
|--|--------------------|------------------|--------------------|------------------|------------------|--------------------|---------------------|
| <b>Revenues</b>  |                    |                  |                    |                  |                  |                    |                     |
| Taxes  | \$ 3,079,706       | \$ 3,003,382     | \$ 2,926,835       | \$ 2,653,628     | \$ 2,453,800     | \$ 2,307,439       | \$ 2,173,345        |
| Assessments and Other Revenue  | 116,742            | 109,336          | 105,371            | 88,514           | 81,852           | 62,010             | 61,685              |
| Federal Grants and Reimbursements                                      | 11,041             | 16,762           | 17,334             | 28,894           | 25,230           | 25,580             | 21,578              |
| Service Charges  | 47,262             | 36,717           | 41,395             | 38,351           | 44,049           | 35,356             | 41,111              |
| Investment Income (Loss)   | 2,562              | 9,653            | 12,299             | 6,877            | 5,837            | 2,346              | 3,830               |
| Miscellaneous Revenue  | 7,872              | 25,099           | 14,993             | 12,437           | 45,008           | 5,660              | 457                 |
| Total Revenues   | <u>3,265,185</u>   | <u>3,200,949</u> | <u>3,118,227</u>   | <u>2,828,701</u> | <u>2,655,776</u> | <u>2,438,391</u>   | <u>2,302,006</u>    |
| <b>Expenditures</b>  |                    |                  |                    |                  |                  |                    |                     |
| Current:   |                    |                  |                    |                  |                  |                    |                     |
| Governmental Support & Operations                                      | 280,871            | 262,721          | 327,529            | 270,370          | 263,839          | 172,344            | 277,640             |
| Economic Development & Workforce Training                              | 39,360             | 40,280           | 45,324             | 42,278           | 47,095           | 54,292             | 61,348              |
| Education  | 1,478,192          | 1,438,605        | 1,283,214          | 1,201,008        | 1,144,907        | 1,143,982          | 1,157,639           |
| Health and Human Services  | 1,063,499          | 972,875          | 1,097,456          | 957,371          | 777,074          | 813,105            | 927,868             |
| Labor  | -                  | -                | -                  | -                | -                | -                  | 14,729              |
| Business Licensing & Regulation  | -                  | -                | -                  | 3                | -                | 37                 | -                   |
| Natural Resources Development & Protection                             | 72,709             | 70,373           | 70,878             | 67,310           | 66,692           | 67,315             | 51,439              |
| Justice and Protection   | 267,117            | 245,592          | 227,588            | 220,141          | 203,360          | 202,653            | 24,941              |
| Arts, Heritage & Cultural Enrichment                                   | 8,632              | 8,958            | 8,504              | 8,521            | 8,352            | 9,017              | -                   |
| Transportation Safety & Development                                    | -                  | -                | 178                | 831              | 3,338            | 1,603              | 9,308               |
| Debt Service:  |                    |                  |                    |                  |                  |                    |                     |
| Principal Payments   | 66,250             | 69,350           | 57,985             | 53,510           | 56,310           | 63,950             | 64,305              |
| Interest Payments  | 16,058             | 17,369           | 15,263             | 12,541           | 12,458           | 12,953             | 15,479              |
| Total Expenditures   | <u>3,292,688</u>   | <u>3,126,123</u> | <u>3,133,919</u>   | <u>2,833,884</u> | <u>2,583,425</u> | <u>2,541,251</u>   | <u>2,604,696</u>    |
| Revenue over (under) Expenditures                                      | <u>(27,503)</u>    | <u>74,826</u>    | <u>(15,692)</u>    | <u>(5,183)</u>   | <u>72,351</u>    | <u>(102,860)</u>   | <u>(302,690)</u>    |
| Other Financing Sources (Uses):  |                    |                  |                    |                  |                  |                    |                     |
| Transfer from Other Funds  | 101,092            | 115,292          | 90,912             | 101,813          | 127,525          | 197,119            | 128,126             |
| Transfer to Other Funds  | (152,813)          | (190,074)        | (164,923)          | (168,173)        | (238,637)        | (135,000)          | (124,836)           |
| Other  | 5,531              | 23,346           | 666                | -                | -                | -                  | -                   |
| Bonds Issued   | -                  | -                | -                  | 1,681            | 2,335            | -                  | -                   |
| Net Other Finance Sources (Uses)                                       | <u>(46,190)</u>    | <u>(51,436)</u>  | <u>(73,345)</u>    | <u>(64,679)</u>  | <u>(108,777)</u> | <u>62,119</u>      | <u>3,290</u>        |
| Special Items:   |                    |                  |                    |                  |                  |                    |                     |
| Return of Excess Equity from Retiree Health Insurance Fund             | -                  | -                | -                  | 68,484           | -                | -                  | -                   |
| Purchase of Landfill   | -                  | -                | -                  | -                | (26,000)         | -                  | -                   |
| Sale of Landfill Capacity  | -                  | -                | -                  | -                | 26,000           | -                  | -                   |
| Proceeds from Sale of Liquor Operating Rights                          | -                  | -                | -                  | 50,000           | 75,000           | -                  | -                   |
| Net Special Items  | <u>-</u>           | <u>-</u>         | <u>-</u>           | <u>118,484</u>   | <u>75,000</u>    | <u>-</u>           | <u>-</u>            |
| Revenues and Other Sources over (under)<br>Expenditures and Other Uses | <u>\$ (73,693)</u> | <u>\$ 23,390</u> | <u>\$ (89,037)</u> | <u>\$ 48,622</u> | <u>\$ 38,574</u> | <u>\$ (40,741)</u> | <u>\$ (299,400)</u> |
| Debt Service as a Percentage of NonCapital Expenditures                | 2.6%               | 3.0%             | 2.6%               | 2.6%             | 3.0%             | 3.4%               | 3.4%                |

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

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

Last Seven Calendar Years  
(Expressed in Millions)

|                                 | 2007          | 2006          | 2005          | 2004          | 2003          | 2002          | 2001          |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Individual Income Tax Liability | \$ 1,441,839  | \$ 1,364,514  | \$ 1,286,375  | \$ 1,200,138  | \$ 1,079,587  | \$ 1,020,675  | \$ 1,016,073  |
| Personal Income                 | \$ 44,735,475 | \$ 42,410,500 | \$ 40,379,638 | \$ 39,487,538 | \$ 37,281,183 | \$ 35,998,489 | \$ 35,107,104 |
| Average Effective Tax Rate      | 3.2%          | 3.2%          | 3.2%          | 3.0%          | 2.9%          | 2.8%          | 2.9%          |

|                | 2007               | 2006               | 2005               | 2004               | 2003               | 2002               | 2001               |
|----------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| Income Bracket | \$0 - \$4,750      | \$0 - \$4,549      | \$0 - \$4,449      | \$0 - \$4,349      | \$0 - \$4,249      | \$0 - \$4,199      | \$0 - \$4,149      |
| Tax Rate       | 2.0%               | 2.0%               | 2.0%               | 2.0%               | 2.0%               | 2.0%               | 2.0%               |
| Income Bracket | \$4,750 - \$9,450  | \$4,550 - \$9,099  | \$4,450 - \$8,849  | \$4,350 - \$8,649  | \$4,250 - \$8,449  | \$4,200 - \$8,349  | \$4,150 - \$8,249  |
| Tax Rate       | 4.5%               | 4.5%               | 4.5%               | 4.5%               | 4.5%               | 4.5%               | 4.5%               |
| Income Bracket | \$9,450 - \$18,950 | \$9,100 - \$18,249 | \$8,850 - \$17,699 | \$8,650 - \$17,349 | \$8,450 - \$16,949 | \$8,350 - \$16,699 | \$8,250 - \$16,499 |
| Tax Rate       | 7.0%               | 7.0%               | 7.0%               | 7.0%               | 7.0%               | 7.0%               | 7.0%               |
| Income Bracket | \$18,950+          | \$18,250+          | \$17,700+          | \$17,350+          | \$16,950+          | \$16,700+          | \$16,500+          |
| Tax Rate       | 8.5%               | 8.5%               | 8.5%               | 8.5%               | 8.5%               | 8.5%               | 8.5%               |

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

<sup>1</sup> Amounts shown are for single and married filing separate returns.

For joint filers, approx. double the income amounts, for head of household filers multiply the brackets by approx 1.5.

**SOURCE:** Maine Revenue Services

**SCHEDULE 7**

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

(Tax Liability Expressed in Millions)

| <b>2007 Tax Year</b>  |                         |                            |                      |                            |
|-----------------------|-------------------------|----------------------------|----------------------|----------------------------|
| <b>Income Level</b>   | <b>Number of Filers</b> | <b>Percentage of Total</b> | <b>Tax Liability</b> | <b>Percentage of Total</b> |
| \$0 and below         | 9,543                   | 1.4%                       | \$ 0.26              | 0.0%                       |
| \$1 - \$ 10,000       | 112,098                 | 16.9%                      | 0.92                 | 0.1%                       |
| \$10,001 - \$ 20,000  | 106,969                 | 16.1%                      | 13.45                | 0.9%                       |
| \$20,001 - \$ 30,000  | 97,475                  | 14.7%                      | 47.54                | 3.3%                       |
| \$30,001 - \$ 50,000  | 128,668                 | 19.4%                      | 156.95               | 10.9%                      |
| \$50,001 - \$ 75,000  | 93,036                  | 14.0%                      | 226.68               | 15.7%                      |
| \$75,001 - \$100,000  | 49,826                  | 7.5%                       | 199.61               | 13.8%                      |
| \$100,001 - \$200,000 | 46,974                  | 7.1%                       | 320.85               | 22.3%                      |
| \$200,001 and higher  | 19,518                  | 2.9%                       | 475.58               | 33.0%                      |
| Total                 | 664,107                 | 100.0%                     | \$ 1,441.84          | 100.0%                     |

| <b>2000 Tax Year</b>  |                         |                            |                      |                            |
|-----------------------|-------------------------|----------------------------|----------------------|----------------------------|
| <b>Income Level</b>   | <b>Number of Filers</b> | <b>Percentage of Total</b> | <b>Tax Liability</b> | <b>Percentage of Total</b> |
| \$0 and below         | 5,186                   | 0.8%                       | \$ 0.01              | 0.0%                       |
| \$1 - \$ 10,000       | 122,157                 | 19.5%                      | 1.38                 | 0.1%                       |
| \$10,001 - \$ 20,000  | 121,639                 | 19.4%                      | 19.22                | 1.8%                       |
| \$20,001 - \$ 30,000  | 100,323                 | 16.0%                      | 55.57                | 5.1%                       |
| \$30,001 - \$ 50,000  | 124,257                 | 19.8%                      | 154.93               | 14.2%                      |
| \$50,001 - \$ 75,000  | 81,593                  | 13.0%                      | 202.87               | 18.6%                      |
| \$75,001 - \$100,000  | 33,419                  | 5.3%                       | 135.26               | 12.4%                      |
| \$100,001 - \$200,000 | 26,288                  | 4.2%                       | 180.25               | 16.5%                      |
| \$200,001 and higher  | 11,884                  | 1.9%                       | 340.49               | 31.2%                      |
| Total                 | 626,746                 | 100.0%                     | \$ 1,089.97          | 100.0%                     |

**SOURCE:** Maine Revenue Services

# SCHEDULE 8

## STATE OF MAINE TAXABLE SALES AND SALES TAX RATES

Last Seven Calendar Years  
(Expressed in Thousands)

|                     | 2007          | 2006          | 2005          | 2004          | 2003          | 2002          | 2001          |
|---------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Business Operating  | \$ 2,192,901  | \$ 2,099,287  | \$ 1,974,352  | \$ 1,875,710  | \$ 1,714,115  | \$ 1,611,253  | \$ 1,731,182  |
| Building Supply     | 2,423,398     | 2,526,623     | 2,464,352     | 2,344,687     | 2,013,655     | 1,846,797     | 1,738,224     |
| Food Store          | 1,451,156     | 1,404,216     | 1,343,160     | 1,278,427     | 1,253,829     | 1,215,792     | 1,182,825     |
| General Merchandise | 3,140,117     | 3,097,387     | 2,986,708     | 3,001,887     | 2,897,803     | 2,795,288     | 2,668,766     |
| Other Retail        | 1,941,346     | 1,936,040     | 1,824,692     | 1,708,180     | 1,587,861     | 1,497,463     | 1,458,366     |
| Auto/Transportation | 3,639,346     | 3,613,741     | 3,695,730     | 3,744,219     | 3,698,571     | 3,519,874     | 3,446,679     |
| Restaurant/Lodging  | 2,573,052     | 2,451,376     | 2,319,463     | 2,238,980     | 2,146,647     | 2,093,837     | 2,010,496     |
| Total               | \$ 17,361,316 | \$ 17,128,670 | \$ 16,608,457 | \$ 16,192,090 | \$ 15,312,481 | \$ 14,580,304 | \$ 14,236,538 |

### Sales and Use Tax Rates:

|                         |     |     |     |     |     |     |                             |
|-------------------------|-----|-----|-----|-----|-----|-----|-----------------------------|
| General Sales & Use     | 5%  | 5%  | 5%  | 5%  | 5%  | 5%  | 1/1/01 repeal<br>snack tax; |
| Lodging & Prepared Food | 7%  | 7%  | 7%  | 7%  | 7%  | 7%  | 7/1/00 - 5%                 |
| Short-term Auto Rental  | 10% | 10% | 10% | 10% | 10% | 10% | 7%                          |
|                         |     |     |     |     |     |     | 10%                         |

**SOURCE:** Maine Revenue Services

## SCHEDULE 9

### STATE OF MAINE CALCULATION OF LEGAL DEBT MARGIN FOR THE TEN YEARS ENDED JUNE 30, 2008

Pursuant to Article IX, Section 14 of the Maine Constitution, the Legislature shall not create any debt or debts on behalf of the State, which shall exceed \$2,000,000 in the aggregate, except to suppress insurrection, to repel invasion, or for purposes of war, and except for temporary loans to be paid out of money raised by taxation during the fiscal year in which they are made. Whenever 2/3 of both Houses shall deem it necessary, by proper enactment ratified by a majority of the electors voting thereon at a general or special election, the Legislature may authorize the issuance of bonds on behalf of the State as approved by such action. Temporary loans to be paid out of moneys raised by taxation during any fiscal year shall not exceed in the aggregate during the fiscal year in question an amount greater than 10% of all the moneys appropriated, authorized and allocated by the Legislature from undedicated revenues to the General Fund and dedicated revenues to the Highway Fund for that fiscal year, exclusive of proceeds or expenditures from the sale of bonds, or greater than 1% of the total valuation of the State of Maine, whichever is the lesser.

There were no temporary loans outstanding at June 30, for the years presented below, which were subject to the Constitutional limitations.\*

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

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

(Dollar Amounts Expressed in Thousands)

| Year              | Temporary Loans Outstanding During the Year* | Total Governmental Funds Revenue | % of Total Governmental Funds Revenue | 10% of Total Governmental Funds Revenue Limit Amount | Total Valuation | % of Total Valuation | 1% of Total Valuation Limit Amount |
|-------------------|--|----------------------------------|---------------------------------------|--|-----------------|----------------------|------------------------------------|
| 2008              | \$88,820                                     | \$6,406,302                      | 1.39%                                 | \$640,630  | \$162,744,550   | .05%                 | \$1,627,446                        |
| 2007 <sup>1</sup> | \$55,840                                     | \$6,230,265                      | 0.90%                                 | \$623,027  | \$148,946,200   | .04%                 | \$1,489,462                        |
| 2006              | \$169,852                                    | \$6,366,819                      | 2.67%                                 | \$636,682  | \$133,628,600   | .13%                 | \$1,336,286                        |
| 2005              | \$332,850                                    | \$6,114,226                      | 5.44%                                 | \$611,423  | \$118,038,020   | .28%                 | \$1,180,380                        |
| 2004              | \$405,275                                    | \$5,902,866                      | 6.87%                                 | \$590,287  | \$104,219,950   | .39%                 | \$1,042,200                        |
| 2003              | \$347,080                                    | \$5,114,543                      | 6.79%                                 | \$511,454  | \$94,034,050    | .37%                 | \$940,341                          |
| 2002              | \$27,610                                     | \$4,808,789                      | .57%                                  | \$480,879  | \$84,874,550    | .03%                 | \$848,746                          |
| 2001              | \$5,000                                      | \$4,608,742                      | .11%                                  | \$460,874  | \$78,389,400    | .01%                 | \$783,894                          |
| 2000              | \$9,694                                      | \$4,604,954                      | .21%                                  | \$460,495  | \$74,260,000    | .02%                 | \$742,600                          |
| 1999              | \$33,695                                     | \$4,257,340                      | .79%                                  | \$425,734  | \$71,779,350    | .05%                 | \$717,794                          |

<sup>1</sup>As restated.

**STATE OF MAINE**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**

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

|   | 2008              | 2007*             | 2006              | 2005              | 2004              | 2003              | 2002              |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Governmental Activities Debt</b>                               |                   |                   |                   |                   |                   |                   |                   |
| General Obligation Bonds  | \$ 475,835        | \$ 448,760        | \$ 467,550        | \$ 487,095        | \$ 416,360        | \$ 358,410        | \$ 346,495        |
| MGFA Revenue Bonds  | 208,560           | 182,605           | 186,215           | 189,570           | 197,950           | 196,383           | 191,646           |
| COPS and Other Financing Arrangements                             | 74,858            | 79,886            | 36,581            | 36,865            | 45,346            | 48,658            | 22,626            |
| Obligations Under Capital Leases                                  | 37,522            | 41,751            | 40,091            | 39,905            | 40,137            | 34,916            | 34,105            |
| Pledged Future Revenues <sup>1</sup>                              | 38,338            | 42,353            | 46,268            | 49,423            | -                 | -                 | -                 |
| Total Governmental Activities Debt                                | <u>835,113</u>    | <u>795,355</u>    | <u>776,705</u>    | <u>802,858</u>    | <u>699,793</u>    | <u>638,367</u>    | <u>594,872</u>    |
| <b>Business-Type Activities Debt</b>                              | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          | <u>-</u>          |
| <b>Total Primary Government Debt</b>                              | <u>\$ 835,113</u> | <u>\$ 795,355</u> | <u>\$ 776,705</u> | <u>\$ 802,858</u> | <u>\$ 699,793</u> | <u>\$ 638,367</u> | <u>\$ 594,872</u> |
| <b>Debt Ratios</b>  |                   |                   |                   |                   |                   |                   |                   |
| Ratio of Total Debt to Personal Income <sup>2</sup>               | 1.8%              | 1.8%              | 1.8%              | 1.9%              | 1.8%              | 1.7%              | 1.7%              |
| Per Capita <sup>3</sup>   | \$ 617            | \$ 592            | \$ 582            | \$ 606            | \$ 532            | \$ 489            | \$ 459            |
| <b>Net General Obligation Bonded Debt</b>                         |                   |                   |                   |                   |                   |                   |                   |
| Gross Bonded Debt   | \$ 684,395        | \$ 631,365        | \$ 653,765        | \$ 676,665        | \$ 614,310        | \$ 554,793        | \$ 538,141        |
| Less: Debt Service Funds  | -                 | -                 | 5,824             | 11,657            | 12,002            | 12,343            | 12,681            |
| Net Bonded Debt   | <u>\$ 684,395</u> | <u>\$ 631,365</u> | <u>\$ 647,941</u> | <u>\$ 665,008</u> | <u>\$ 602,308</u> | <u>\$ 542,450</u> | <u>\$ 525,460</u> |
| Ratio of Net Bonded Debt to Estimated Property Value <sup>4</sup> | 0.4%              | 0.4%              | 0.5%              | 0.6%              | 0.6%              | 0.6%              | 0.6%              |
| Per Capita <sup>3</sup>   | \$ 506            | \$ 470            | \$ 486            | \$ 502            | \$ 458            | \$ 415            | \$ 406            |

\* As restated

<sup>1</sup> Federal revenues associated with constructing certain highway projects are pledged as "Loans Receivable from Primary Government". These Pledged Future Revenues offset the unspent proceeds of the GARVEE bonds received by a component unit.

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

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

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

**STATE OF MAINE**  
**PLEDGED FUTURE REVENUE COVERAGE**

Last Seven Federal Fiscal Years

|   |    | <b>2008</b> |    | <b>2007</b> |    | <b>2006</b> |    | <b>2005</b> |    | <b>2004</b> |    | <b>2003</b> |    | <b>2002</b> |
|---|----|-------------|----|-------------|----|-------------|----|-------------|----|-------------|----|-------------|----|-------------|
| Grant Anticipation Revenue Vehicle (GARVEE) Bonds |    |             |    |             |    |             |    |             |    |             |    |             |    |             |
| Federal Aid Revenues                              | \$ | 146,454,018 | \$ | 168,499,410 | \$ | 167,405,491 | \$ | 174,988,696 | \$ | N/A         | \$ | N/A         | \$ | N/A         |
| Annual Debt Service                               | \$ | 5,521,344   | \$ | 5,578,914   | \$ | 4,866,781   | \$ | 366,480     | \$ | N/A         | \$ | N/A         | \$ | N/A         |
| Debt Service Coverage                             |    | 3.77%       |    | 3.31%       |    | 2.91%       |    | 0.21%       |    | N/A         |    | N/A         |    | N/A         |

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

**SOURCE:** Department of Transportation.



**STATE OF MAINE  
DEMOGRAPHIC INFORMATION**

Last Seven Fiscal Years

|  | <b>2008</b> | <b>2007*</b> | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> | <b>2002</b> |
|--|-------------|--------------|-------------|-------------|-------------|-------------|-------------|
| Maine:   |             |              |             |             |             |             |             |
| Population (in thousands) <sup>1</sup>           | 1,353       | 1,344        | 1,334       | 1,322       | 1,315       | 1,308       | 1,297       |
| Total Personal Income (in millions) <sup>2</sup> | 46,594      | 44,240       | 42,819      | 41,300      | 39,510      | 37,281      | 35,998      |
| Per Capita Personal Income <sup>1</sup>          | 34,438      | 32,917       | 32,098      | 31,252      | 30,046      | 28,497      | 27,756      |
| Unemployment Rate <sup>3</sup>                   | 5.0%        | 4.5%         | 4.4%        | 4.6%        | 4.3%        | 4.9%        | 4.2%        |
| United States:                                   |             |              |             |             |             |             |             |
| Population (in thousands) <sup>4</sup>           | 304,060     | 302,633      | 299,103     | 296,410     | 293,657     | 290,850     | 287,985     |
| Total Personal Income (in millions) <sup>2</sup> | 12,146,939  | 11,595,412   | 10,882,821  | 10,251,639  | 9,705,504   | 9,157,257   | 8,872,871   |
| Per Capita Personal Income <sup>1</sup>          | 39,949      | 38,315       | 36,385      | 34,586      | 33,050      | 31,484      | 30,810      |
| Unemployment Rate <sup>3</sup>                   | 5.5%        | 4.6%         | 4.6%        | 5%          | 5.6%        | 6.3%        | 5.8%        |

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

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

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

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

\* As restated

# SCHEDULE 13

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

Current Year and Eight Years Ago

| <b>Employer</b>                   | <b>2008</b>            |      |  | <b>2000</b>            |      |  |
|-----------------------------------|------------------------|------|--|------------------------|------|--|
|                                   | Employees              | Rank | Percentage of<br>Total State<br>Employment | Employees              | Rank | Percentage of<br>Total State<br>Employment |
| Maine State Government            | 15,001 - 16,000        | 1    | 2.4%                                       | 14,001 - 15,000        | 1    | 2.3%                                       |
| Hannaford Brothers Co.            | 8,001 - 9,000          | 2    | 1.3%                                       | 7,001 - 7,500          | 3    | 1.1%                                       |
| Wal Mart/Sam's Club               | 7,001 - 8,000          | 3    | 1.1%                                       | 4,501 - 5,000          | 6    | 0.7%                                       |
| Department of Defense             | 6,001 - 7,000          | 4    | 1.0%                                       | 5,001 - 5,500          | 5    | 0.8%                                       |
| Maine Medical Center              | 5,001 - 6,000          | 5    | 0.8%                                       | -                      | -    | -  |
| Bath Iron Works Corporation       | 5,001 - 6,000          | 6    | 0.8%                                       | 7,001 - 7,500          | 2    | 1.1%                                       |
| L L Bean, Inc                     | 5,001 - 6,000          | 7    | 0.8%                                       | 5,501 - 6,000          | 4    | 0.9%                                       |
| US Post Office                    | 4,001 - 4,500          | 8    | 0.6%                                       | -                      | -    | -  |
| Eastern Maine Medical Center      | 3,001 - 3,500          | 9    | 0.5%                                       | -                      | -    | -  |
| University of Maine at Orono      | 3,001 - 3,500          | 10   | 0.5%                                       | 3,001 - 3,500          | 10   | 0.5%                                       |
| Shaws Supermarkets, Inc           | -                      | -    | -  | 3,001 - 3,500          | 9    | 0.5%                                       |
| Bank of America (formerly MBNA)   | -                      | -    | -  | 3,501 - 4,000          | 7    | 0.6%                                       |
| Unum Life Insurance Co of America | -                      | -    | -  | 3,501 - 4,000          | 8    | 0.6%                                       |
| <b>Total</b>                      | <b>61,001 - 69,500</b> |      | <b>9.9%</b>                                | <b>56,001 - 61,500</b> |      | <b>9.1%</b>                                |

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

Note:

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

**SCHEDULE 14**

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

Last Seven Fiscal Years

|  | <u>2008</u>     | <u>2007</u>     | <u>2006</u>     | <u>2005</u>     | <u>2004</u>     | <u>2003</u>     | <u>2002</u>     |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Arts, Heritage & Cultural Enrichment       | 105.4           | 107.4           | 107.4           | 109.5           | 109.5           | *               | *               |
| Business Licensing & Regulation            | 420.0           | 413.2           | 413.2           | 417.2           | 417.2           | *               | *               |
| Economic Development & Workforce Training  | 614.6           | 624.1           | 624.1           | 892.5           | 892.5           | 834.6           | 819.7           |
| Education                                  | 207.9           | 209.6           | 209.6           | 215.0           | 215.0           | 343.7           | 442.8           |
| Governmental Support & Operations          | 2,246.0         | 2,247.5         | 2,222.5         | 1,696.3         | 1,754.3         | 2,531.9         | 2,497.9         |
| Health and Human Services                  | 3,777.4         | 3,738.9         | 3,767.4         | 4,025.5         | 4,047.5         | 5,483.2         | 5,412.2         |
| Justice and Protection                     | 2,990.6         | 2,937.6         | 2,909.6         | 2,969.7         | 2,971.2         | 840.5           | 1,022.5         |
| Labor                                      | *               | *               | *               | *               | *               | 851.0           | 851.0           |
| Natural Resources Development & Protection | 1,530.0         | 1,523.2         | 1,522.3         | 1,615.3         | 1,620.8         | 1,294.4         | 1,287.7         |
| Transportation Safety & Development        | <u>2,277.5</u>  | <u>2,300.7</u>  | <u>2,301.7</u>  | <u>2,390.5</u>  | <u>2,390.5</u>  | <u>2,390.5</u>  | <u>2,390.5</u>  |
| Total Full Time Equivalents                | <u>14,169.5</u> | <u>14,102.2</u> | <u>14,077.8</u> | <u>14,331.5</u> | <u>14,418.5</u> | <u>14,569.8</u> | <u>14,724.3</u> |

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

**SOURCE:** Maine Bureau of Budget.

# SCHEDULE 15

## STATE OF MAINE OPERATING INDICATORS AND CAPITAL INFORMATION

Fiscal Years Ended June 30

| Operating Indicators by Function:                                | 2008      | 2007*     | 2006*     |
|--|-----------|-----------|-----------|
| Business Licensing & Regulation                                  |           |           |           |
| Number of licenses issued  | 95,052    | 90,281    | 98,259    |
| Education  |           |           |           |
| Students enrolled in the free/reduced lunch program <sup>4</sup> | 73,130    | 71,536    | 69,125    |
| Economic Development & Workforce Training                        |           |           |           |
| Unemployed persons   | 36,400    | 30,700    | 32,100    |
| Governmental Support & Operations                                |           |           |           |
| Return on investments  | 4.19%     | 5.16%     | 4.10%     |
| Lottery tickets sales, in millions                               | 229       | 234       | 229       |
| Health and Human Services  |           |           |           |
| Percentage of population enrolled in MaineCare <sup>1</sup>      | 25%       | 26%       | 26%       |
| Number of TANF cases <sup>2</sup>                                | 12,479    | 12,631    | 12,821    |
| Number of members served by Dirigo Health                        | 28,745    | 24,110    | 18,067    |
| Justice and Protection   |           |           |           |
| Average Number of Adult Inmates                                  | 2,038     | 2,060     | 2,078     |
| Average Number of Juvenile Inmates                               | 199       | 203       | 275       |
| Number of guard troops   | 3,277     | 3,168     | 3,131     |
| Number of cases tried in the court system                        | 282,980   | 278,088   | 281,006   |
| Natural Resources and Development                                |           |           |           |
| Number of park passes purchased                                  | 10,963    | 10,092    | 9,016     |
| Number of visitors to State parks                                | 1,930,186 | 2,063,356 | 2,083,310 |
| Number of hunting and fishing licenses sold <sup>3</sup>         | 500,367   | 494,231   | 485,794   |
| Transportation Safety & Development                              |           |           |           |
| Number of construction projects                                  | 116       | 271       | 195       |

\* As restated

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

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

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

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

**SCHEDULE 16**

**STATE OF MAINE**  
**CAPITAL ASSETS BY FUNCTION**

Fiscal Years Ended June 30

| Capital Assets by Function:   | <u>2008</u> | <u>2007*</u> | <u>2006*</u> |
|---|-------------|--------------|--------------|
| Governmental Support & Operations   |             |              |              |
| Vehicles controlled by Central Fleet Management   | 1,665       | 1,738        | 1,675        |
| Health and Human Services   |             |              |              |
| Number of regional offices  | 18          | 18           | 18           |
| Justice and Protection  |             |              |              |
| Number of correctional facilities   | 9           | 8            | 8            |
| Number of armories  | 16          | 17           | 17           |
| Number of State police barracks   | 8           | 8            | 8            |
| Number of vehicles in Public Safety   | 654         | 541          | 521          |
| Natural Resources and Development   |             |              |              |
| Total acreage of State parks  | 100,540     | 100,092      | 99,935       |
| Number of State park buildings  | 530         | 526          | 519          |
| Number of vehicles/watercraft in Conservation,<br>Inland Fisheries & Wildlife, and Marine Resources | 693         | 682          | 664          |
| Transportation Safety & Development   |             |              |              |
| Number of DOT vehicles and equipment  | 1,446       | 1,625        | 1,163        |
| Number of regional DOT active buildings   | 574         | 612          | 647          |

\* As restated.