

MAINE STATE LEGISLATURE

The following document is provided by the
LAW AND LEGISLATIVE DIGITAL LIBRARY
at the Maine State Law and Legislative Reference Library
<http://legislature.maine.gov/lawlib>



Reproduced from electronic originals
(may include minor formatting differences from printed original)

MAINE



*Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2013*

MAINE



*Comprehensive Annual Financial Report
For The Fiscal Year Ended June 30, 2013*

COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATE OF MAINE



FOR THE FISCAL YEAR ENDED JUNE 30, 2013

PAUL R. LEPAGE
Governor

H. SAWIN MILLETT, JR.
Commissioner
Department of Administrative & Financial Services

TERRY E. BRANN, CPA
State Controller

Prepared by the Office of the State Controller

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

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

State of Maine
Office of the State Controller
Financial Reporting and Analysis Division
14 State House Station
Augusta, ME 04333-0014

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

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, 2013

TABLE OF CONTENTS

INTRODUCTORY SECTION

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

FINANCIAL SECTION

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

Basic Financial Statements:

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

Required Supplementary Information:

Budgetary Comparison Schedule – Major Governmental Funds	108
Budgetary Comparison Schedule – Budget to GAAP Reconciliation	111
Notes to Required Supplementary Information – Budgetary Reporting	112
Required Supplementary Information – State Retirement Plan	114
Required Supplementary Information – Other Post-Employment Benefits Plans	115
Information About Infrastructure Assets Reported Using the Modified Approach	117

TABLE OF CONTENTS (CONTINUED)

Combining and Individual Fund Financial Statements and Schedules:

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

TABLE OF CONTENTS (CONTINUED)

STATISTICAL SECTION

Statistical Section Narrative and Table of Contents.....	177
Schedule 1 – Net Position by Activities, Last Ten Fiscal Years.....	178
Schedule 2 – Changes in Net Position by Activities, Last Ten Fiscal Years.....	180
Schedule 3 – Fund Balances, Governmental Funds, Last Ten Fiscal Years.....	184
Schedule 4 – Changes in Fund Balances, Governmental Funds, Last Ten Fiscal Years.....	186
Schedule 5 – Changes in Fund Balances, General Fund, Last Ten Fiscal Years.....	188
Schedule 6 – Individual Income Tax and Tax Rates on Taxable Income, Last Ten Calendar Years.....	190
Schedule 7 – Individual Income Tax Filers and Tax Liability by Maine Adjusted Gross Income, Tax Years 2012 and 2003.....	193
Schedule 8 – Taxable Sales and Sales Tax Rates, Last Ten Calendar Years.....	194
Schedule 9 – Calculation of Legal Debt Margin, Last Ten Fiscal Years.....	197
Schedule 10 – Ratios of Outstanding Debt by Type, Last Ten Fiscal Years.....	198
Schedule 11 – Pledged Future Revenue Coverage, Last Ten Fiscal Years.....	200
Schedule 12 – Demographic Information, Last Ten Fiscal Years.....	202
Schedule 13 – Principal Employers – Top 10, Current Year and Ten Years Ago.....	205
Schedule 14 – Schedule of State Government Full Time Equivalent Employees by Policy Area, Last Ten Fiscal Years.....	206
Schedule 15 – Operating Indicators and Capital Information, Last Eight Fiscal Years.....	208
Schedule 16 – Capital Assets by Function, Last Eight Fiscal Years.....	209



INTRODUCTORY SECTION

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

H. SAWIN MILLETT, JR.
COMMISSIONER



TERRY BRANN, CPA
STATE CONTROLLER

December 23, 2013

**To the Honorable Paul R. LePage, Governor,
The Honorable Members of the Legislature, and
Citizens of the State of Maine**

We are pleased to present the State of Maine's Fiscal Year 2013 Comprehensive Annual Financial Report (CAFR) prepared in accordance with Generally Accepted Accounting Principles (GAAP). The annual CAFR, required by Title 5 MRSA § 1547, is compiled and published by the Office of the State Controller (OSC). The report is the primary means of reporting the State's financial activities. The objective of this report is to provide a clear picture of our government as a single, unified entity, as well as providing traditional fund based financial statements.

INTRODUCTION TO THE REPORT

Responsibility

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

Adherence to Generally Accepted Accounting Principles

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

Format of Report

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

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

Internal Control Structure

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

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

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

Independent Auditors

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

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

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

Management's Discussion and Analysis (MD&A)

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

PROFILE OF THE GOVERNMENT

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

Reporting Entity

The Governor and Legislature govern all funds and accounts for every executive agency, board, commission, public trust, authority and component unit. The State of Maine financial reporting entity reflected in the CAFR, which is more fully described in Note 1 to the Basic Financial Statements, includes these funds, agencies, organizations, boards, commissions, Authorities and major component units in accordance with GASB Statement No. 14 as amended by GASB Statement No. 39 and GASB Statement No. 61. There are 7 major component units, 11 non-major component units, two blended component units, and one fiduciary component unit included in the CAFR. The major component units are discretely presented in the financial statements, and the blended component units are included as separate funds in the fund financial statements. The fiduciary component unit is presented in the fiduciary fund and similar component unit financial statements, along with the other fiduciary activities of the State. The fiduciary activities are not included in the government-wide financial statements because the resources of these funds are not available to support the State's own programs.

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

Budgetary Control

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

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

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

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

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

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

The State uses encumbrance accounting as an extension of formal budgetary control. This requires that purchase orders, contracts, and other commitments be recorded to reserve a portion of an appropriation or allocation for expenditure. Appropriated and allocated balances are available for subsequent expenditure to the extent that there are approved encumbrances at the end of a fiscal year. Unencumbered appropriations in the General Fund and in the Highway Fund are carried forward to a subsequent year only when authorized by law, otherwise the balances lapse at year-end. In the State's accounting system, amounts carried forward are shown as reservations of fund balance. For financial statement purposes, unless amounts would create deficits, fund balance is classified based on existing resources, if any, which will liquidate the encumbrances outstanding at June 30 (shown as restrictions, commitments or assignments of fund balance).

Maine Budget Stabilization Fund

The Maine Budget Stabilization Fund, established in Title 5 § 1532, to replace the Maine Rainy Day Fund, is a designation of the unassigned General Fund fund balance intended to be used when revenues are under budget and critical services must be preserved. The Governor may also allocate funds from the Budget Stabilization Fund for payment of death benefits for law enforcement officers, firefighters and emergency medical services persons or to supplement school funding in situations where a municipality suffers a sudden and severe change in their property valuation.

Balances in the fund do not lapse; but carry forward each year. The money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. In addition to interest earnings, the fund is capitalized at the close of each fiscal year. In fiscal year 2013, a net \$14.9 million was transferred into the fund.

ECONOMIC CONDITIONS AND OUTLOOK

In their November 2013 economic forecast, the Consensus Economic Forecasting Commission (CEFC) reported that the Maine and U.S. economies continued on a slow and bumpy road to recovery, with Maine's economy continuing to grow more slowly than the nation as a whole. Maine's Gross Domestic Product for 2012 was slightly higher than 2011, with all of the growth coming from private industry, but total GDP growth for the state was below the national rate of growth. Nationwide, consumer sentiment declined month-over-month in September due to the then-looming government shutdown, while small business optimism remained relatively stable over the month and was up over the previous year's level. Personal income in Maine grew 2.3 percent year-over-year in the first half of 2013, while wage and salary income, which makes up about half of total personal income, grew 2.1 percent over the same period. The debt-to-income level for Maine businesses and households continued its recent slow rise to 22.4 percent. The Consumer Price Index was 1.5 percent higher in August 2013 than it was in August 2012, driven largely by increases in fuels and utilities.

As part of the December 2013 revenue forecast, General Fund revenue estimates were revised upward by \$12.7 million in fiscal year 2014 and \$7.9 million in fiscal year 2015. Upward revisions to the Sales and Use Tax and the Individual Income Tax offset a downward adjustment to the Corporate Income Tax to account for more than 90 percent of the net changes to the General Fund revenue forecast.

Sales and Use Tax is projected upward in fiscal year 2014 by \$10.2 million and fiscal year 2015 by \$8.5 million. Improved fuel price forecasts and higher projections for automobile sales contributed to this increase. Updated information regarding the effect of the recent repeal of the sales tax exemption for publications also contributed roughly \$2 million annually to this upward revision. Taxable sales growth for the last quarter has been substantially above projections led by growth in the automobile and building supply sectors.

Individual Income Tax estimates are projected upward by \$11.1 million in fiscal year 2014 and \$12.1 million in fiscal year 2015. Updated tax data from the 2012 tax year and various technical adjustments resulted in a higher base that resulted in the upward revisions.

Corporate Income Tax revenue has the most significant negative adjustment. The forecast for this category was reduced by \$10.4 million in fiscal year 2014 and \$8.4 million in fiscal year 2015. While corporate receipts have been tracking only modestly below budget through October, there is a sizeable forecast of pending refunds that will be paid out in future months. This indicates that the 2012 tax liability was lower than previously projected. This and other adjustments more than offset an improved national corporate profit picture in the economic forecast.

There were other adjustments to revenue lines, both positive and negative. The net effect of these other offsetting adjustments was an increase of \$1.8 million in fiscal year 2014.

FINANCIAL INFORMATION

Cash Management

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

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

Debt Management

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

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

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

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

Risk Management

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

Fund Balance

The State's Fiscal Year 2013 General Fund Unassigned Fund Balance negative position improved from Fiscal Year 2012 to Fiscal Year 2013 ending at negative \$151.3 million. The Fiscal Year 2012 General Fund Unassigned Fund Balance was negative \$355.9 million. This is due, primarily, to an increase in tax revenue and a decrease in

accrued expenditures for health and human services. Prior to fiscal year 2013, the General Fund reflected an accrual for the State's share of the settlement of the State's hospital debt. In fiscal year 2013, \$183.5 million of the State's share was recorded in the Other Special Revenue Fund to reflect the payment of the debt that occurred in fiscal year 2014.

There are several factors that adversely affect our General Fund Balance Sheet that we should strive to improve over the next several years. The primary factor that has a significant impact on the State's Financial Statements compiled and issued in accordance with Generally Accepted Accounting Principles as applicable to governments includes accruing tax revenues for budgetary purposes and for financial statement purposes without accruing the offsetting liabilities for budgetary purposes.

OTHER INFORMATION

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the State of Maine for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This is the sixth time that Maine has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

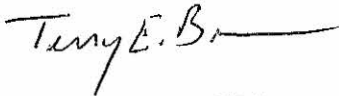
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we will be submitting it to the GFOA to determine its eligibility for another certificate.

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

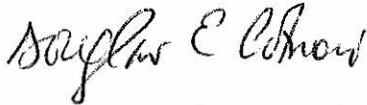
State government continues to have many accomplishments of which it can be proud. Consistent with the vision of Governor LePage to improve and enhance the fiscal administration of governmental operations, the Office of the State Controller continues to improve and refine its skills to meet the challenges of financial management in the 21st century. The Office provides assistance to many State agencies to help ensure the integrity and accountability of the programs they deliver to Maine's citizens. We partner with financial and program managers to find the best solutions to the State's financial challenges. In an environment where economic resources are limited and agencies are coping with budget constraints, the challenge of maintaining effective controls is greater than ever. We will continue to partner with each department, at its highest levels, to ensure that the tools are available to help each agency assess its risks and target controls to manage those risks effectively and within its budgetary constraints whenever possible.

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

Sincerely,



Terry E. Brann, CPA
State Controller



Douglas E. Cotnoir, CPA, CIA
Deputy State Controller



Heidi C. McDonald, CPA
Manager, Financial Reporting





STATE OF MAINE

OFFICIALS OF STATE GOVERNMENT

AS OF JUNE 30, 2013

EXECUTIVE

Paul R. LePage, *Governor*

LEGISLATIVE

Justin Alford, *President of the Senate*

Mark W. Eves, *Speaker of the House*

Constitutional/Statutory Officers

Janet T. Mills, *Attorney General*

Pola Buckley, *State Auditor*

Matthew Dunlap, *Secretary of State*

Neria R. Douglass, *State Treasurer*

JUDICIAL

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



STATE OF MAINE ORGANIZATION CHART AS OF JUNE 30, 2013

MAINE VOTERS

LEGISLATIVE BRANCH

Senate
House of Representatives
Legislative Council
Office of Fiscal and Program Review
Office of Legislative Information Services
Office of Policy and Legal Analysis
Office of the Revisor of Statutes
Maine-Canadian Legislative Advisory Commission
State House and Capitol Park Commission
Office of Executive Director of the Legislative Council
Commission on Interstate Cooperation
Commission on Uniform State Laws
Office of Program Evaluation and Gov't Accountability

EXECUTIVE BRANCH

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

The Governor
appoints all
Judicial Officers

JUDICIAL BRANCH

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

CONSTITUTIONAL OFFICERS

Secretary of State
State Treasurer
State Attorney General

STATUTORY OFFICER

State Auditor

CABINET LEVEL DEPARTMENTS

Administrative and Financial Services
Agriculture, Conservation and Forestry
Corrections
Defense, Veterans and Emergency Management
Economic and Community Development
Education
Environmental Protection
Governor's Office of Policy and Management
Health and Human Services
Inland Fisheries and Wildlife
Labor
Marine Resources
Professional and Financial Regulation
Public Safety
Transportation

MISCELLANEOUS BOARDS & COMMISSIONS

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

MAJOR COMPONENT UNITS

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



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

State of Maine

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



FINANCIAL SECTION
INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS

STATE OF MAINE
OFFICE OF THE STATE AUDITOR

66 STATE HOUSE STATION
AUGUSTA, MAINE 04333-0066

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



POLA A. BUCKLEY, CPA, CISA
STATE AUDITOR

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

INDEPENDENT AUDITOR'S REPORT

To the Honorable Justin L. Alford, President of the Senate and
the Honorable Mark W. Eves, Speaker of the House of Representatives

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2013, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following component units: Child Development Services, Connect ME Authority, Efficiency Maine Trust, Finance Authority of Maine, Loring Development Authority, Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, Maine Educational Loan Authority, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Port Authority, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Technology Institute, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, Small Enterprise Growth Fund, and the University of Maine System. These financial statements reflect 100% of the assets and net position of the Aggregate Discretely Presented Component Units and 95% of assets and 96% of net position/fund balance of the Aggregate Remaining Fund Information. These statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it related to the amounts included for these entities, are based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Maine Educational Loan Authority, the 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5-16, Budgetary Comparison information, State Retirement Plan and Other Post-Employment Benefit Plans and Information about Infrastructure Assets Reported Using the Modified Approach on pages 108-119, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consist of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

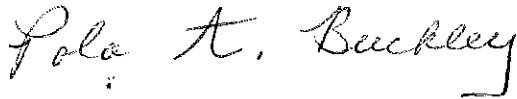
The combining and individual nonmajor fund financial statements on pages 122-173 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing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

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

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

Other Reporting Required by *Government Auditing Standards*

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

A handwritten signature in cursive script that reads "Pola A. Buckley". The signature is written in dark ink and is positioned above the printed name and title.

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

December 23, 2013

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, 2013. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide:

- The State's net position increased by 6.7 percent from the previous fiscal year. Net position of Governmental Activities increased by \$388.5 million, while net position of Business-Type Activities decreased by \$70.1 million. The State's assets exceeded its liabilities by \$5.1 billion at the close of fiscal year 2013. Component units reported net position of \$2.8 billion, an increase of \$77.5 million (2.9 percent) from the previous year.

Fund level:

- At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of \$244.6 million, a increase of \$244 thousand from the previous year. The General Fund's total fund balance was a negative \$144.4 million, an improvement of \$205.6 million from the previous year. The Highway Fund total fund balance was \$34.3 million, a decline of \$1.8 million from the prior year.
- The proprietary funds reported net position at year end of \$574.6 million, a decrease of \$57.7 million from the previous year. This decrease is due to several factors: an increase in the Alcoholic Beverages Fund of \$12.5 million, an increase in the Employment Security Fund of \$25.5 million, offset by a decrease in the Transit, Aviation & Rail Transportation Fund of \$103.4 million.

Long-term Debt:

- The State's liability for general obligation bonds decreased by \$102.3 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State did not issue any new bonds and made principal payments of \$102.3 million.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements

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

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

Both government-wide statements report three activities:

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

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

Component units - Although legally separate, component units are important because the State is financially accountable for these entities. The State has "blended" two component units, the Maine Governmental Facilities Authority (MGFA) and Child Development Services (CDS) with Governmental Activities as described above. Maine reports 18 other component units (7 major and 11 non-major) as discretely presented component units of the State, and one component unit is reported with the State's fiduciary funds. Complete financial statements of the individual component units may be obtained directly from their respective administrative offices as shown in Note 1 A to the financial statements.

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

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

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

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

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

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

The State's net position increased by 6.7 percent to \$5.1 billion at June 30, 2013, as detailed in Tables A-1 and A-2.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other noncurrent assets	\$ 1,937,953	\$ 1,911,603	\$ 362,402	\$ 350,609	\$ 2,300,355	\$ 2,262,212
Capital assets	5,418,957	5,085,498	55,340	152,763	5,474,297	5,238,261
Total Assets	<u>7,356,910</u>	<u>6,997,101</u>	<u>417,742</u>	<u>503,372</u>	<u>7,774,652</u>	<u>7,500,473</u>
Current liabilities	1,444,030	1,424,285	33,778	37,185	1,477,808	1,461,470
Long-term liabilities	1,232,666	1,281,137	4,981	17,117	1,237,647	1,298,254
Total Liabilities	<u>2,676,696</u>	<u>2,705,422</u>	<u>38,759</u>	<u>54,302</u>	<u>2,715,455</u>	<u>2,759,724</u>
Net position (deficit):						
Net investment in capital assets	4,740,708	4,408,377	55,340	152,763	4,796,048	4,561,140
Restricted	404,218	398,122 *	321,112	295,632	725,330	693,754 *
Unrestricted (deficit)	(464,712)	(514,820) *	2,531	675	(462,181)	(514,145) *
Total Net Position	<u>\$ 4,680,214</u>	<u>\$4,291,679</u>	<u>\$ 378,983</u>	<u>\$ 449,070</u>	<u>\$ 5,059,197</u>	<u>\$4,740,749</u>

* Amounts reported as restricted and unrestricted were restated. Total net position did not change.

Changes in Net Position

The State's fiscal year 2013 revenues totaled \$7.8 billion. (See Table A-2) Taxes and operating grants and contributions accounted for most of the State's revenue by contributing 45.3 percent and 39.1 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 \$7.5 billion for the year 2013. (See Table A-2) These expenses are predominantly (70.1 percent) related to health & human services and education activities. The State's governmental support & operations activities accounted for 5.7 percent of total costs. Total net position increased by \$318.4 million.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Revenues						
Program Revenues:						
Charges for Services	\$ 508,039	\$ 488,832	\$ 543,926	\$ 540,924	\$ 1,051,965	\$ 1,029,756
Operating Grants/Contributions	3,047,714	3,160,241	7,032	7,823	3,054,746	3,168,064
General Revenues:						
Taxes	3,540,712	3,472,588	-	-	3,540,712	3,472,588
Other	161,340	130,091	-	-	161,340	130,091
Total Revenues	<u>7,257,805</u>	<u>7,251,752</u>	<u>550,958</u>	<u>548,747</u>	<u>7,808,763</u>	<u>7,800,499</u>
Expenses						
Governmental Activities:						
Governmental Support	428,011	456,622			428,011	456,622
Education	1,581,556	1,610,095			1,581,556	1,610,095
Health & Human Services	3,657,573	3,750,402			3,657,573	3,750,402
Justice & Protection	401,656	401,740			401,656	401,740
Transportation Safety	384,852	376,689			384,852	376,689
Other	516,398	591,281			516,398	591,281
Interest	46,541	45,551			46,541	45,551
Business-Type Activities:						
Employment Security			169,334	187,703	169,334	187,703
Lottery			176,094	176,837	176,094	176,837
Military Equip. Maint.			36,971	35,058	36,971	35,058
Dirigo Health			56,229	56,702	56,229	56,702
Other			19,213	28,430	19,213	28,430
Total Expenses	<u>7,016,587</u>	<u>7,232,380</u>	<u>457,841</u>	<u>484,730</u>	<u>7,474,428</u>	<u>7,717,110</u>
Excess (Deficiency) before Special Items and Transfers	241,218	19,372	93,117	64,017	334,335	83,389
Special Items	92,401	-	(108,288)	-	(15,887)	-
Transfers	<u>54,916</u>	<u>54,968</u>	<u>(54,916)</u>	<u>(54,968)</u>	<u>-</u>	<u>-</u>
Increase (Decrease) in Net Position	388,535	74,340	(70,087)	9,049	318,448	83,389
Net Position, beginning of year	<u>4,291,679</u>	<u>4,217,339</u>	<u>449,070</u>	<u>440,021</u>	<u>4,740,749</u>	<u>4,657,360</u>
Ending Net Position	<u>\$ 4,680,214</u>	<u>\$ 4,291,679</u>	<u>\$ 378,983</u>	<u>\$ 449,070</u>	<u>\$ 5,059,197</u>	<u>\$ 4,740,749</u>

Governmental Activities

Revenues for the State's Governmental Activities totaled \$7.3 billion while total expenses equaled \$7.0 billion. The increase in net position for Governmental Activities was \$388.5 million in 2013, much of which was the result of transfers from the State's Business-Type Activities discussed below. Program revenues were insufficient to cover program expenses, therefore, the net program expenses of these governmental activities were supported by general revenues, mainly taxes. Tax revenue increased by \$68.1 million from the prior year, primarily in the Individual Income and Sales and Use Tax lines. Net expenses supported by tax revenue decreased by approximately \$122.5 million, primarily in the Health and Human Services area, due to program changes in an

effort to manage costs. Additionally, the State's Business-Type Activities transferred \$147.3 million (net) to the Governmental Activities, which included statutorily required profit transfers, capital contributions, and the transfer of balances from the Transit, Aviation and Rail Transportation Enterprise Fund. These transfers are discussed further on page 11.

The users of the State's programs financed \$508.0 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of \$3.0 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 2013

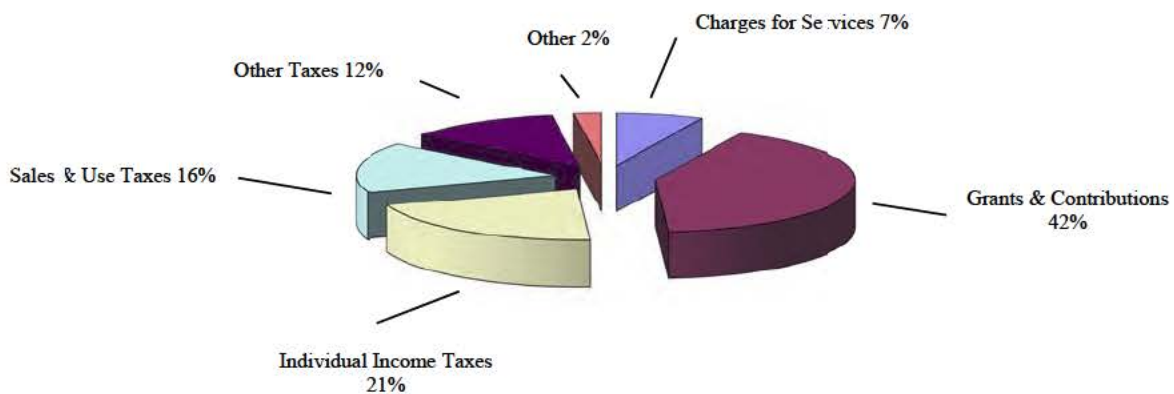
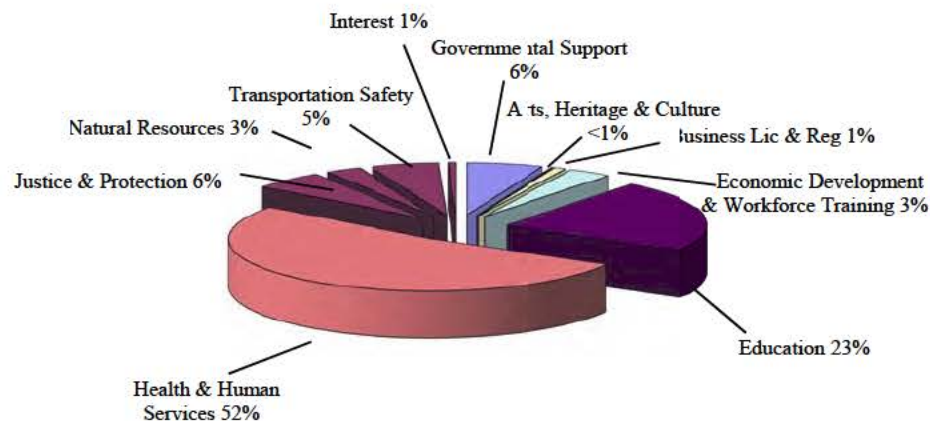


Table A-4: Total Expenses for Governmental Activities for Fiscal Year 2013



Business-Type Activities

Revenues for the State's Business-Type Activities totaled \$551.0 million while expenses totaled \$457.8 million. However, due to the conversion of the Transit, Aviation and Rail Transportation Enterprise Fund to an Other Special Revenue Fund and the disposal of assets and transfer of balances totaling \$103.6 million (see Note 17), the net position for Business-Type Activities decreased by \$70.1 million in 2013.

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>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Employment Security	\$ 169,334	\$ 187,703	\$ 26,531	\$ (3,235)
Alcoholic Beverages	-	-	12,533	12,532
Lottery	176,094	176,837	53,471	54,178
Military Equip. Maint.	36,971	35,058	(1,157)	46
Dirigo Health	56,229	56,702	9,225	13,594
Other	19,213	28,430	(7,486)	(13,098)
Total	<u>\$ 457,841</u>	<u>\$ 484,730</u>	<u>\$ 93,117</u>	<u>\$ 64,017</u>

The cost of all Business-Type Activities this year was \$457.8 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-Type Activities was \$93.1 million, with the Lottery making up \$53.5 million of the total. The State's Business-Type Activities transferred \$147.3 million (net) to the Governmental Activities, which included statutorily required profit transfers of \$53.5 million and the transfer of balances totaling \$92.4 million from the Transit, Aviation and Rail Transportation Enterprise Fund (see Note 17). Additionally, the Governmental Activities contributed \$7.3 million to purchase capital assets that are recorded in the Business-Type activities.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

Fund	<u>2013</u>	<u>2012</u>	<u>Change</u>
General	\$ (144,375)	\$ (349,935)	\$ 205,560
Highway	34,324	36,109	(1,785)
Federal	24,751	15,128	9,623
Other Special Revenue	247,223	443,250	(196,027)
Other Governmental	82,713	99,840	(17,127)
Total	<u>\$ 244,636</u>	<u>\$ 244,392</u>	<u>\$ 244</u>

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of \$244.6 million, an increase of \$244 thousand in comparison with the prior year. Of this total amount, \$22.7 million (9.3 percent) is classified as non-spendable, either due to its form or legal constraints, and \$505.6 million (206.7 percent) is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. Unspent bond proceeds, revenue restricted for transportation, natural resources or other programs are included in restricted fund balance. At the end of the current fiscal year, the unassigned fund balance of the General Fund was a deficit of \$151.3 million, an improvement of \$204.6 million.

General Fund revenues and other sources surpassed General Fund expenditures and other uses resulting in an increase in the fund balance by \$205.6 million. Revenues and other sources of the General Fund increased by approximately \$128.1 million (3.88 percent) which is mainly attributed to an increase in tax revenue (\$87.0 million from Individual Income and Sales and Use Taxes) and an increase in transfers in from other funds (\$47.2 million). General Fund expenditures and other financing uses decreased by \$191.1 million (5.6 percent). This is due, primarily, to a decrease in accrued expenditures for health and human services. Prior to fiscal year 2013, the State's share of the accrual related to the settlement of the State's hospital debt was recorded in the General Fund. In fiscal year 2013 the State's share was recorded in both the General Fund (\$12.4 million) and the Other Special Revenue Fund (\$183.5 million) to reflect the payment of the debt that occurred in fiscal year 2014.

The fund balance of the Highway Fund decreased only \$1.8 million from fiscal year 2012, due mainly to the Highway Fund's reimbursement of approximately \$12.3 million from the Federal Fund for prior period expenditures that were ultimately approved for federal funding.

Budgetary Highlights

For the 2013 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to \$3.1 billion, an increase of about \$154.8 million from the original legally adopted budget of approximately \$3.0 billion. Actual expenditures on a budgetary basis amounted to approximately \$89.5 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2014, including the budgeted starting balance for Fiscal Year 2013, there were funds remaining of \$57.9 million to distribute in Fiscal Year 2013. Actual revenues exceeded final budget forecasts by \$57.7 million. As a part of the final budget adjustment for Fiscal Year 2013, the Legislature approved net transfers of \$27 million from the State's Budget Stabilization Fund to unappropriated surplus. In addition, the year-end cascade transferred \$42.1 million to the Budget Stabilization Fund. Interest earnings along with the legislatively

and statutorily approved transfers increased the balance in the Fund to \$59.7 million as of June 30, 2013. 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 2013, the State had roughly \$5.5 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2013, the State acquired or constructed more than \$352.3 million of capital assets. The most significant impact on capital assets during the year resulted from continued construction and rehabilitation of roads and bridges, and major construction and renovation of State-owned facilities. More detailed information about the State's capital assets and significant construction commitments is presented in Notes 8 and 15 to the financial statements.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	\$ 571,268	\$ 497,893	\$ 7,292	\$ 58,888	\$ 578,560	\$ 556,781
Buildings	660,538	626,202	4,395	9,449	664,933	635,651
Equipment	265,956	272,567	36,339	80,892	302,295	353,459
Improvements	52,251	20,843	48,767	74,889	101,018	95,732
Software	72,551	41,789	-	-	72,551	41,789
Infrastructure	4,212,934	4,018,966	-	-	4,212,934	4,018,966
Construction in Progress	68,346	48,473	1,138	18,555	69,484	67,028
Total Capital Assets	5,903,844	5,526,733	97,931	242,673	6,001,775	5,769,406
Accumulated Depreciation	484,887	441,235	42,591	89,910	527,478	531,145
Capital Assets, net	<u>\$ 5,418,957</u>	<u>\$ 5,085,498</u>	<u>\$ 55,340</u>	<u>\$ 152,763</u>	<u>\$ 5,474,297</u>	<u>\$ 5,238,261</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 8,822 highway miles or 17,953 lane miles within the State. Bridges have a deck area of 11.8 million square feet among 2,964 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2013, the actual average condition was 76. Its policy for bridges is an average sufficiency rating condition assessment of

60. The actual average condition for bridges was 78 at June 30, 2013. Preservation costs for fiscal year 2013 totaled \$105.2 million compared to estimated preservation costs of \$97.8 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 645, PL 2009, \$1.1 million in General fund bonds was spent during FY2013.

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 \$1.4 billion in general obligation and other long-term debt outstanding. More detailed information about the State's long-term liabilities is presented in Note 11 to the financial statements.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General Obligation Bonds	\$ 369,725	\$ 472,055	\$ -	\$ -	\$ 369,725	\$ 472,055
Other Long-Term Obligations	1,035,226	1,001,843	5,147	4,726	1,040,373	1,006,569
Total	<u>\$ 1,404,951</u>	<u>\$ 1,473,898</u>	<u>\$ 5,147</u>	<u>\$ 4,726</u>	<u>\$ 1,410,098</u>	<u>\$ 1,478,624</u>

During the year, the State reduced outstanding long-term obligations by \$102.3 million for outstanding general obligation bonds and \$629.3 million for other long-term debt. Also during fiscal year 2013, the State incurred \$663.1 million of additional long-term obligations.

Credit Ratings

The State's credit was rated during fiscal year 2013 by Moody's Investors Service as Aa2 with a negative outlook and by Standard & Poor's as AA with a stable outlook.

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

According to the November 2013 report of the Maine Consensus Economic Forecasting Commission (CEFC), the Maine and U.S. economies continued on a slow and bumpy road to recovery since their last meeting in March 2013. Maine's economy continued to grow more slowly than the nation as a whole. Maine's Gross Domestic Product for 2012 was slightly higher than 2011, with all of the growth coming from private industry. Personal income in Maine grew 2.3 percent year-over-year in the first half of 2013, while wage and salary income grew 2.1 percent over the same period. The Consumer Price Index was 1.5 percent higher in August 2013 than it was in August 2012.

The price of crude oil increased 6.3 percent in the third quarter of 2013 to around \$110 per barrel. Heating oil and gasoline prices remained relatively steady. Existing single-family home sales in Maine were up 20 percent in August 2013 compared to August 2012 and housing permits for the September 2012-August 2013 year were 13 percent higher than the previous September-August period. The median home price in the Portland Metropolitan Statistical Area (York, Cumberland, and Sagadahoc Counties) increased 3.3 percent year-over-year in the second quarter of 2013. Mortgage delinquency rates remain well above pre-recession levels but below peak crisis levels. The foreclosure rate in Maine increased in the second quarter of 2013 and remains well above pre-recession levels.

The federal government experienced a 16-day shutdown earlier in October, ending shortly before the debt ceiling deadline was reached as Congress and the President came to agreement on a short-term solution. While there are certainly negative economic effects from the shutdown, not least of which is an erosion of consumer confidence, the relatively short length of the shutdown averted any severe economic consequences. However, the next budget and debt ceiling debate will occur soon, with the next deadlines in January and February 2014. If a similar scenario were to play out, economic conditions may deteriorate further, posing a risk to the forecast in the near term. The CEFC will review and revise the forecast by February 1, 2014, and will consider the impacts of actual policy decisions at the federal level at that time.

The 2013 wage and salary employment forecast was revised downwards slightly, while the 2014-2017 employment forecast was revised downwards as well. Wage and salary income growth was revised downwards for 2014-2017 based on the lower employment growth. Total personal income was also revised downwards for 2013-2015, reflecting the lower wage and salary income growth. Personal income for 2016 was revised upwards slightly and 2017 was left unchanged. Inflation, as measured by the Consumer Price Index (CPI), was revised downwards for 2013 and 2014 and upwards for 2015, 2016 and 2017.

General Fund revenue estimates were revised upward in fiscal year 2014 and fiscal year 2015. Upward revisions to the Sales and Use Tax and the Individual Income Tax offset a downward adjustment to the Corporate Income Tax to account for most of the net changes to the General Fund revenue forecast.

At June 30, 2013, the deficit in the State of Maine's Unassigned Fund Balance Account in the General Fund has decreased to \$151.3 million (from a deficit unassigned balance of \$355.9 for fiscal year 2012). This decrease is primarily due to a decrease in General Fund expenditures for health and human services (\$219.7 million) as described on page 12.

There are several factors that adversely affect our General Fund Balance Sheet that we should strive to improve over the next several years. The primary factors that have a significant impact on the State's Financial Statements compiled and issued in accordance with Generally Accepted Accounting Principles as applicable to governments include such items as accruing tax revenues for budgetary purposes and for financial statement purposes without accruing the offsetting liabilities for budgetary purposes and the increase in the demand for appropriations whose balances carry from year to year which results in a lack funds accruing to the Unassigned Fund Balance of the General Fund. This combined with the lack of significant reserves weakens the General Fund equity position.

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

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

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

BASIC FINANCIAL STATEMENTS

STATE OF MAINE STATEMENT OF NET POSITION

June 30, 2013
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 281,703	\$ 10,166	\$ 291,869	\$ 50,738
Cash and Cash Equivalents	1,641	2,514	4,155	92,150
Cash with Fiscal Agent	117,419	-	117,419	-
Investments	81,901	-	81,901	670,330
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	9,418	-	9,418	-
Restricted Deposits and Investments	3,748	280,808	284,556	116,810
Inventories	4,436	2,309	6,745	3,699
Receivables, Net of Allowance for Uncollectibles:				
Taxes Receivable	361,456	-	361,456	-
Loans Receivable	4,924	-	4,924	102,734
Notes Receivable	-	-	-	5,319
Other Receivables	229,868	65,659	295,527	84,829
Internal Balances	5,851	(5,851)	-	-
Due from Other Governments	552,844	-	552,844	160,035
Due from Primary Government	-	-	-	17,676
Loans Receivable from Primary Government	-	-	-	24,884
Due from Component Units	46,166	-	46,166	-
Other Current Assets	5,195	2,046	7,241	45,490
Total Current Assets	1,706,570	357,651	2,064,221	1,374,694
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	131,793	4,751	136,544	23,708
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	4,223	-	4,223	-
Restricted Deposits and Investments	-	-	-	537,762
Investments	-	-	-	465,437
Receivables, Net of Current Portion:				
Taxes Receivable	80,850	-	80,850	-
Loans Receivable	-	-	-	2,432,621
Notes Receivable	-	-	-	68,413
Other Receivables	3,988	-	3,988	9,668
Due from Other Governments	8,658	-	8,658	1,370,861
Loans Receivable from Primary Government	-	-	-	279,161
Due From Primary Government	-	-	-	3,817
Post-Employment Benefit Asset	1,871	-	1,871	11,258
Other Noncurrent Assets	-	-	-	30,257
Capital Assets:				
Land, Infrastructure and Other Non-Depreciable Assets	4,852,548	8,430	4,860,978	564,827
Buildings, Equipment and Other Depreciable Assets, Net	566,409	46,910	613,319	1,010,155
Total Noncurrent Assets	5,650,340	60,091	5,710,431	6,807,945
Total Assets	7,356,910	417,742	7,774,652	8,182,639
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	-	-	-	26,926
Deferred Loss on Refunding	-	-	-	10,251
Total Deferred Outflows of Resources	\$ -	\$ -	\$ -	\$ 37,177

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

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Liabilities				
Current Liabilities:				
Accounts Payable	\$ 927,908	\$ 4,018	\$ 931,926	\$ 100,337
Accrued Payroll	43,315	1,557	44,872	3,444
Tax Refunds Payable	182,956	-	182,956	-
Due to Component Units	17,676	-	17,676	-
Due to Primary Government	-	-	-	46,166
Current Portion of Long-Term Obligations:				
Compensated Absences	5,969	166	6,135	2,227
Due to Other Governments	76,526	-	76,526	986
Amounts Held under State & Federal Loan Programs	-	-	-	35,685
Claims Payable	29,826	-	29,826	-
Bonds and Notes Payable	83,480	-	83,480	178,993
Notes Payable	-	-	-	2,077
Revenue Bonds Payable	18,290	-	18,290	53,097
Obligations under Capital Leases	5,944	-	5,944	395
Certificates of Participation and Other Financing Arrangements	14,987	-	14,987	-
Loans Payable to Component Unit	24,884	-	24,884	-
Accrued Interest Payable	5,606	-	5,606	42,186
Deferred Revenue	1,171	12,763	13,934	57,622
Other Current Liabilities	5,492	15,274	20,766	76,321
Total Current Liabilities	1,444,030	33,778	1,477,808	599,536
Long-Term Liabilities:				
Compensated Absences	35,743	1,214	36,957	-
Due to Component Units	3,817	-	3,817	-
Due to Other Governments	-	-	-	3,190
Amounts Held under State & Federal Loan Programs	-	-	-	41,081
Claims Payable	40,638	-	40,638	-
Bonds and Notes Payable	286,245	-	286,245	3,448,916
Notes Payable	-	-	-	24,421
Revenue Bonds Payable	181,620	-	181,620	1,143,839
Obligations under Capital Leases	33,031	-	33,031	5,623
Certificates of Participation and Other Financing Arrangements	32,951	-	32,951	-
Loans Payable to Component Unit	279,161	-	279,161	-
Deferred Revenue	7,278	-	7,278	29,443
Pension Obligation	1,989	-	1,989	-
Other Post-Employment Benefit Obligation	298,061	3,767	301,828	-
Pollution Remediation and Landfill Obligations	32,132	-	32,132	-
Other Noncurrent Liabilities	-	-	-	139,543
Total Long-Term Liabilities	1,232,666	4,981	1,237,647	4,836,056
Total Liabilities	2,676,696	38,759	2,715,455	5,435,592
Net Position				
Net Investment in Capital Assets	4,740,708	55,340	4,796,048	979,001
Restricted:				
Transportation Purposes	89,932	-	89,932	-
Business Licensing & Regulation	70,265	-	70,265	-
Justice and Protection	8,914	-	8,914	-
Natural Resources	43,883	-	43,883	-
Health and Human Services	38,035	-	38,035	-
Capital Projects	2,980	-	2,980	-
Government Support & Operations	57,097	-	57,097	-
Unemployment Compensation	-	321,112	321,112	-
Other Purposes	11,085	-	11,085	1,168,018
Funds Held as Permanent Investments:				
Expendable	64,233	-	64,233	-
Nonexpendable	17,794	-	17,794	218,778
Unrestricted	(464,712)	2,531	(462,181)	418,427
Total Net Position	\$ 4,680,214	\$ 378,983	\$ 5,059,197	\$ 2,784,224

STATE OF MAINE STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and Contributions	Grants and Contributions
Primary government				
Governmental activities:				
Governmental Support & Operations	\$ 428,011	\$ 89,374	\$ 17,371	\$ -
Arts, Heritage & Cultural Enrichment	10,538	869	2,498	-
Business Licensing & Regulation	63,406	69,196	230	-
Economic Development & Workforce Training	240,475	7,910	173,613	-
Education	1,581,556	26,098	198,952	-
Health & Human Services	3,657,573	18,801	2,296,473	-
Justice & Protection	401,656	83,173	54,240	-
Natural Resources Development & Protection	201,979	93,531	55,060	-
Transportation Safety & Development	384,852	119,087	249,277	-
Interest Expense	46,541	-	-	-
Total Governmental Activities	7,016,587	508,039	3,047,714	-
Business-Type Activities:				
Employment Security	169,334	188,833	7,032	-
Alcoholic Beverages	-	12,533	-	-
Lottery	176,094	229,565	-	-
Ferry Services	12,030	4,584	-	-
Military Equipment Maintenance	36,971	35,814	-	-
Dirigo Health	56,229	65,454	-	-
Other	7,183	7,143	-	-
Total Business-Type Activities	457,841	543,926	7,032	-
Total Primary Government	\$ 7,474,428	\$ 1,051,965	\$ 3,054,746	\$ -
Component Units				
Finance Authority of Maine	41,750	17,356	19,893	-
Maine Community College System	126,966	16,777	59,719	626
Maine Health & Higher Educational Facilities Authority	50,062	45,641	2,684	-
Maine Municipal Bond Bank	69,512	61,429	(4,408)	24,688
Maine State Housing Authority	238,020	75,911	158,791	-
Maine Turnpike Authority	95,247	109,702	-	-
University of Maine System	684,261	299,106	200,065	8,106
All Other Non-Major Component Units	142,957	47,044	64,938	25,941
Total Component Units	\$ 1,448,775	\$ 672,966	\$ 501,682	\$ 59,361
General Revenues:				
Taxes:				
Corporate				
Individual Income				
Fuel				
Property				
Sales & Use				
Other				
Unrestricted Investment Earnings				
Non-Program Specific Grants, Contributions & Appropriations				
Miscellaneous Income				
Loss on Assets Held for Sale				
Tobacco Settlement				
Special Items				
Transfers - Internal Activities				
Total General Revenues and Transfers				
Change in Net Position				
Net Position - Beginning (As Restated)				
Net Position - Ending				

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

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (321,266)	\$ -	\$ (321,266)	\$ -
(7,171)	-	(7,171)	-
6,020	-	6,020	-
(58,952)	-	(58,952)	-
(1,356,506)	-	(1,356,506)	-
(1,342,299)	-	(1,342,299)	-
(264,243)	-	(264,243)	-
(53,388)	-	(53,388)	-
(16,488)	-	(16,488)	-
(46,541)	-	(46,541)	-
(3,460,834)	-	(3,460,834)	-
-	26,531	26,531	-
-	12,533	12,533	-
-	53,471	53,471	-
-	(7,446)	(7,446)	-
-	(1,157)	(1,157)	-
-	9,225	9,225	-
-	(40)	(40)	-
-	93,117	93,117	-
\$ (3,460,834)	\$ 93,117	\$ (3,367,717)	\$ -
-	-	-	(4,501)
-	-	-	(49,844)
-	-	-	(1,737)
-	-	-	12,197
-	-	-	(3,318)
-	-	-	14,455
-	-	-	(176,984)
-	-	-	(5,034)
\$ -	\$ -	\$ -	\$ (214,766)
294,333	-	294,333	-
1,508,024	-	1,508,024	-
235,112	-	235,112	-
49,444	-	49,444	-
1,140,645	-	1,140,645	-
313,154	-	313,154	-
10,288	-	10,288	13,841
-	-	-	281,543
100,329	-	100,329	4,604
-	-	-	(7,692)
50,723	-	50,723	-
92,401	(108,288)	(15,887)	-
54,916	(54,916)	-	-
3,849,369	(163,204)	3,686,165	292,296
388,535	(70,087)	318,448	77,530
4,291,679	449,070	4,740,749	2,706,694
\$ 4,680,214	\$ 378,983	\$ 5,059,197	\$ 2,784,224



GOVERNMENTAL FUND FINANCIAL STATEMENTS

MAJOR FUNDS

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

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

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

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

NON-MAJOR FUNDS

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

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

STATE OF MAINE BALANCE SHEET GOVERNMENTAL FUNDS

June 30, 2013
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Treasurer's Cash Pool	\$ 12,691	\$ 39,096	\$ 14,026	\$ 212,576	\$ 126	\$ 278,515
Cash and Short-Term Investments	123	116	1	45	1,353	1,638
Cash with Fiscal Agent	1,079	1,028	-	103,722	-	105,829
Investments	-	-	-	-	81,901	81,901
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	380	-	-	-	13,261	13,641
Inventories	1,612	-	758	-	-	2,370
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	407,726	23,495	-	11,085	-	442,306
Loans Receivable	1	18	-	4,905	-	4,924
Other Receivable	74,635	1,428	68,199	74,864	10	219,136
Due from O her Funds	12,513	9,869	5,701	45,382	484	73,949
Due from O her Governments	-	-	552,249	-	-	552,249
Due from Component Units	-	-	-	46,060	106	46,166
O her Assets	1,904	55	344	202	101	2,606
Working Capital Advances Receivable	111	-	-	-	-	111
Total Assets	\$ 512,775	\$ 75,105	\$ 641,278	\$ 498,841	\$ 97,342	\$ 1,825,341
Liabilities and Fund Balances						
Accounts Payable	\$ 146,457	\$ 24,592	\$ 514,942	\$ 208,793	\$ 4,413	\$ 899,197
Accrued Payroll	18,063	6,758	5,052	8,491	962	39,326
Tax Refunds Payable	182,950	6	-	-	-	182,956
Due to Other Governments	3,792	-	70,689	-	-	74,481
Due to Other Funds	80,021	3,413	16,422	3,375	17	103,248
Due to Component Units	3,731	12	5,340	281	8,331	17,695
Compensated Absences	-	-	-	-	430	430
Deferred Revenue	219,962	6,000	2,803	27,751	7	256,523
O her Accrued Liabilities	2,174	-	1,279	2,927	469	6,849
Total Liabilities	657,150	40,781	616,527	251,618	14,629	1,580,705
Fund Balances:						
Nonspendable:						
Permanent Fund Principal	-	-	-	-	17,794	17,794
Inventories and Prepaid Items	3,341	55	1,104	296	101	4,897
Restricted	3,534	34,269	23,647	376,904	67,288	505,642
Unassigned	(151,250)	-	-	(129,977)	(2,470)	(283,697)
Total Fund Balances	(144,375)	34,324	24,751	247,223	82,713	244,636
Total Liabilities and Fund Balances	\$ 512,775	\$ 75,105	\$ 641,278	\$ 498,841	\$ 97,342	\$ 1,825,341

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

STATE OF MAINE

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

June 30, 2013
(Expressed in Thousands)

Total fund balances for governmental funds		\$ 244,636
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	5,532,331	
Less: Accumulated depreciation	<u>(295,247)</u>	5,237,084
Other post-employment benefit assets are not financial resources		1,871
Pollution remediation receivable		8,851
Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental fund statements. However, these amounts are included in the Statement of Net Position. This is the net effect of these balances on the statement:		
Bonds payable	(569,635)	
Interest payable related to long-term financing	(3,748)	
Certificates of participation and other financing arrangements	(7,723)	
Capital leases	(4,294)	
Other accrued	(9)	
Loans payable to component unit	(304,045)	
Compensated absences	(37,604)	
Pension obligation	(1,989)	
Other post-employment benefit obligation	(298,061)	
Pollution remediation and landfill obligations	<u>(32,132)</u>	(1,259,240)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		251,415
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		195,597
Net position of governmental activities		<u>\$ 4,680,214</u>

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, 2013
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 3,077,321	\$ 214,241	\$ -	\$ 267,319	\$ -	\$ 3,558,881
Assessments and Other Revenue	106,086	93,365	-	152,059	-	351,510
Federal Grants and Reimbursements	1,726	-	3,039,702	6,641	-	3,048,069
Service Charges	46,281	4,181	405	88,806	1,685	141,358
Investment Income	356	105	13	(18)	9,465	9,921
Miscellaneous Revenue	10,467	3,445	105	116,534	64	130,615
Total Revenues	<u>3,242,237</u>	<u>315,337</u>	<u>3,040,225</u>	<u>631,341</u>	<u>11,214</u>	<u>7,240,354</u>
Expenditures						
Current:						
Governmental Support & Operations	265,160	2,552	9,786	124,420	98	402,016
Economic Development & Workforce Training	31,922	-	172,478	35,052	1,664	241,116
Education	1,332,688	-	205,209	17,029	35,669	1,590,595
Health and Human Services	907,141	-	2,281,867	485,863	1,961	3,676,832
Business Licensing & Regulation	992	-	242	61,649	-	62,883
Natural Resources Development & Protection	64,184	33	53,323	87,226	3,687	208,453
Justice and Protection	258,969	29,542	55,053	48,488	300	392,352
Arts, Heritage & Cultural Enrichment	6,932	-	2,348	911	107	10,298
Transportation Safety & Development	-	272,371	221,016	88,104	2,710	584,201
Debt Service:						
Principal Payments	103,840	16,735	12,005	10,630	19	143,229
Interest Payments	20,657	4,873	3,762	9,499	-	38,791
Capital Outlay	-	-	-	-	7,753	7,753
Total Expenditures	<u>2,992,485</u>	<u>326,106</u>	<u>3,017,089</u>	<u>968,871</u>	<u>53,968</u>	<u>7,358,519</u>
Revenue over (under) Expenditures	<u>249,752</u>	<u>(10,769)</u>	<u>23,136</u>	<u>(337,530)</u>	<u>(42,754)</u>	<u>(118,165)</u>
Other Financing Sources (Uses):						
Transfer from Other Funds	181,932	17,938	19,973	223,122	29,348	472,313
Transfer to Other Funds	(230,298)	(9,983)	(33,486)	(122,282)	(3,742)	(399,791)
COP's and Other	4,174	1,029	-	1,147	21	6,371
Bonds Issued	-	-	-	30,290	-	30,290
Premium on Bonds Issued	-	-	-	2,210	-	2,210
Net Other Finance Sources (Uses)	<u>(44,192)</u>	<u>8,984</u>	<u>(13,513)</u>	<u>134,487</u>	<u>25,627</u>	<u>111,393</u>
Special Item	-	-	-	7,016	-	7,016
Net Change in Fund Balances	<u>205,560</u>	<u>(1,785)</u>	<u>9,623</u>	<u>(196,027)</u>	<u>(17,127)</u>	<u>244</u>
Fund Balances at Beginning of Year	<u>(349,935)</u>	<u>36,109</u>	<u>15,128</u>	<u>443,250</u>	<u>99,840</u>	<u>244,392</u>
Fund Balances at End of Year	<u>\$ (144,375)</u>	<u>\$ 34,324</u>	<u>\$ 24,751</u>	<u>\$ 247,223</u>	<u>\$ 82,713</u>	<u>\$ 244,636</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, 2013
(Expressed in Thousands)

Net change in fund balances - total governmental funds	\$	244
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	253,075	
Capital assets transfer, net	85,118	
Depreciation expense	<u>(30,810)</u>	307,383
The net effect of various transactions involving capital assets (i.e. sales, trade-ins and contributions) is to increase net position.		(6)
Post-employment benefit asset funding, net		111
Pollution Remediation Receivable		4,480
The issuance of long-term debt provides current financial resources to governmental funds which increases long-term debt in the Statement of Net Position. Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but repayment reduces long-term debt in the Statement of Net Position. This is the amount that proceeds exceed repayments:		
Bond proceeds	(30,290)	
Proceeds from other financing arrangements	(6,350)	
Loan proceeds from component unit	-	
New capitalized leases	(4,255)	
Repayment of bond principal	120,575	
Repayment of other financing debt	11,771	
Repayment of pledged revenue principal	24,086	
Repayment of capitalized lease principal	19	
Accrued interest	<u>793</u>	116,349
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported as expenditures on the Statement of Net Position and have been eliminated from the Statement of Position as follows:		
Pension obligation	21	
Other post-employment benefit obligation	(31,356)	
Pollution remediation and landfill obligations	(3,252)	
Compensated absences	<u>91</u>	(34,496)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		(17,875)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is included in governmental activities in the Statement of Activities.		12,345
Changes in net position of governmental activities	<u>\$</u>	<u>388,535</u>

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



PROPRIETARY FUND FINANCIAL STATEMENTS

MAJOR FUND

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

NON-MAJOR FUNDS

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

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

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

STATE OF MAINE STATEMENT OF NET POSITION PROPRIETARY FUNDS

June 30, 2013
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities Internal Service Funds
	Major Employment Security	Non-Major Other Enterprise	Total	
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ -	\$ 10,166	\$ 10,166	\$ 92,000
Cash and Short-Term Investments	1,758	756	2,514	3
Cash with Fiscal Agent	-	-	-	11,590
Restricted Assets:				
Restricted Deposits and Investments	280,808	-	280,808	3,748
Inventories	-	2,309	2,309	2,066
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	41,161	24,498	65,659	10,636
Due from Other Funds	231	188	419	20,702
Other Current Assets	-	2,046	2,046	2,589
Total Current Assets	323,958	39,963	363,921	143,334
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	4,751	4,751	42,981
Capital Assets - Net of Depreciation	-	55,340	55,340	181,873
Total Noncurrent Assets	-	60,091	60,091	224,854
Total Assets	323,958	100,054	424,012	368,188
Liabilities				
Current Liabilities:				
Accounts Payable	2,090	1,928	4,018	8,161
Accrued Payroll	-	1,557	1,557	3,989
Due to Other Funds	-	5,941	5,941	6,335
Due to Component Units	-	-	-	3,798
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	12,386
Obligations Under Capital Leases	-	-	-	5,396
Claims Payable	-	-	-	29,826
Compensated Absences	-	166	166	442
Deferred Revenue	-	12,763	12,763	409
Other Accrued Liabilities	756	14,518	15,274	492
Total Current Liabilities	2,846	36,873	39,719	71,234
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Deferred Revenue	-	-	-	587
Certificates of Participation and Other Financing Arrangements	-	-	-	27,829
Obligations Under Capital Leases	-	-	-	29,285
Claims Payable	-	-	-	40,638
Compensated Absences	-	1,214	1,214	3,236
Other Post-Employment Benefit Obligation	-	3,767	3,767	-
Total Long-Term Liabilities	-	4,981	4,981	101,686
Total Liabilities	2,846	41,854	44,700	172,920
Net Position				
Net Investment in Capital Assets	-	55,340	55,340	125,099
Restricted for:				
Unemployment Compensation	321,112	-	321,112	-
Other Purposes	-	-	-	383
Unrestricted	-	2,860	2,860	69,786
Total Net Position	\$ 321,112	\$ 58,200	\$ 379,312	\$ 195,268

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

(329)

\$ 378,983

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

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

Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Major	Non-Major		Internal
	Employment	Other		Service
	Security	Enterprise	Total	Funds
Operating Revenues				
Charges for Services	\$ -	\$ 341,996	\$ 341,996	\$ 410,741
Assessments	188,833	-	188,833	
Miscellaneous Revenues	-	702	702	637
Total Operating Revenues	188,833	342,698	531,531	411,378
Operating Expenses				
General Operations	-	284,616	284,616	370,424
Depreciation	-	4,038	4,038	16,107
Claims/Fees Expense	169,334	-	169,334	11,494
Other Operating Expenses	-	-	-	611
Total Operating Expenses	169,334	288,654	457,988	398,636
Operating Income (Loss)	19,499	54,044	73,543	12,742
Nonoperating Revenues (Expenses)				
Investment Revenue (Expense) - net	7,032	-	7,032	368
Interest Expense	-	-	-	(10,060)
Other Nonoperating Revenues (Expenses) - net	-	12,395	12,395	(1,550)
Total Nonoperating Revenues (Expenses)	7,032	12,395	19,427	(11,242)
Income (Loss) Before Capital Contributions, Transfers and Special Items	26,531	66,439	92,970	1,500
Capital Contributions, Transfers and Special Items				
Capital Contributions from (to) Other Funds	-	7,347	7,347	730
Transfers from Other Funds	-	4,566	4,566	10,469
Transfers to Other Funds	(1,051)	(65,778)	(66,829)	(205)
Special Items	-	(108,288)	(108,288)	-
Total Capital Contributions, Transfers In (Out) and Special Items	(1,051)	(162,153)	(163,204)	10,994
Change in Net Position	25,480	(95,714)	(70,234)	12,494
Net Position - Beginning of Year	295,632	153,914	449,546	182,774
Net Position - End of Year	\$ 321,112	\$ 58,200		\$ 195,268
Amounts reported for business-type activities in the government-wide Statement of Activities are different due to elimination of the State's internal business-types activities			147	
Changes in Business-Type Net Position			\$ (70,087)	

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

STATE OF MAINE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

June 30, 2013
(Expressed in Thousands)

(Expressed in thousands)

	Business-Type Activities			Governmental
	Enterprise Funds			Activities
	Major	Non-Major		Internal
	Employment	Other		Service
	Security	Enterprise	Totals	Funds
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 178,931	\$ 343,430	\$ 522,361	\$ 401,041
Payments of Benefits	(173,088)	-	(173,088)	-
Payments to Prize Winners	-	(143,938)	(143,938)	-
Payments to Suppliers	-	(112,663)	(112,663)	(323,684)
Payments to Employees	-	(26,503)	(26,503)	(68,233)
Net Cash Provided (Used) by Operating Activities	5 843	60 326	66 169	9 124
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	-	4,566	4,566	10,464
Transfers to Other Funds	(1,051)	(65,778)	(66,829)	(200)
Net Cash Provided (Used) by Noncapital Financing Activities	(1,051)	(61,212)	(62,263)	10,264
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	-	(7,699)	(7,699)	(33,747)
Proceeds from Financing Arrangements	-	-	-	20,400
Principal and Interest Paid on Financing Arrangements	-	-	-	(33,551)
Proceeds from Sale of Capital Assets	-	-	-	50
Net Cash Provided (Used) by Capital Financing Activities	-	(7,699)	(7,699)	(46,848)
Cash Flows from Investing Activities				
Interest Revenue	7,032	38	7,070	368
Net Cash Provided (Used) by Investing Activities	7,032	38	7,070	368
Net Increase (Decrease) in Cash/Cash Equivalents	11,824	(8,547)	3,277	(27,092)
Cash/Cash Equivalents - Beginning of Year	270,742	24,220	294,962	177,414
Cash/Cash Equivalents - End of Year	\$ 282,566	\$ 15,673	\$ 298,239	\$ 150,322
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 19,499	\$ 54,044	\$ 73,543	\$ 12,742
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	-	4,038	4,038	16,107
Decrease (Increase) in Assets				
Accounts Receivable	(9,695)	732	(8,963)	(10,175)
Interfund Balances	(207)	784	577	(1,183)
Inventories	-	188	188	2,098
Other Assets	-	-	-	(1,028)
Increase (Decrease) in Liabilities				
Accounts Payable	(3,845)	(810)	(4,655)	(14,888)
Accrued Payroll Expenses	-	137	137	195
Change in Compensated Absences	-	(209)	(209)	(331)
Other Accruals	91	1 422	1 513	5 587
Total Adjustments	(13 656)	6 282	(7 374)	(3 618)
Net Cash Provided (Used) by Operating Activities	\$ 5,843	\$ 60,326	\$ 66,169	\$ 9,124
Non Cash Investing, Capital and Financing Activities				
Property Leased, Accrued or Acquired	-	-	-	9,324
Contributed Capital Assets	-	7,347	7,347	730
Decrease of deferred revenue from the sale of liquor operations	-	12,500	12,500	-
Special Item	-	(108,288)	(108,288)	-

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

FIDUCIARY FUND FINANCIAL STATEMENTS

Pension (and Other Employee Benefit) Trusts – accounts for funds held by the Maine Public Employees Retirement System (the System), a component unit included with Fiduciary Funds per GASB Statement No. 34. The System provides pension, death, and disability benefits to its members, including State employees, some public school employees, and employees of approximately 296 local municipalities and other public entities in Maine.

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

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

STATE OF MAINE

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

June 30, 2013
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts	Agency Funds
Assets			
Equity in Treasurer's Cash Pool	\$ -	\$ 1,800	\$ 22,227
Cash and Short-Term Investments	31,109	-	27
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	1,840	-	-
Interest and Dividends	4,932	-	-
Due from Brokers for Securities Sold	230	-	-
Other	15,804	-	-
Investments at Fair Value:			
Debt Securities	3,356	-	-
Equity Securities	3,830,239	-	-
Common/Collective Trusts	7,734,931	-	-
Other	-	12,811	-
Restricted Deposits and Investments	-	-	11
Securities Lending Collateral	1,481,238	-	-
Due from Other Funds	-	20,550	-
Investments Held on Behalf of Others	-	-	65,519
Capital Assets - Net of Depreciation	8,930	-	-
Other Assets	-	5,543	1,775
Total Assets	<u>13,112,609</u>	<u>40,704</u>	<u>89,559</u>
Liabilities			
Accounts Payable	5,236	80	837
Due to Other Funds	-	7	89
Agency Liabilities	-	-	87,537
Obligations Under Securities Lending	1,481,238	-	-
Other Accrued Liabilities	25,035	-	1,096
Total Liabilities	<u>1,511,509</u>	<u>87</u>	<u>89,559</u>
Net Position			
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	<u>11,601,100</u>	<u>40,617</u>	<u>-</u>
Total Net Position	<u>\$ 11,601,100</u>	<u>\$ 40,617</u>	<u>\$ -</u>

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

STATE OF MAINE

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts
Additions:		
Contributions:		
Members	\$ 160,780	\$ -
State and Local Agencies	361,254	-
Investment Income (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	1,089,235	1,310
Capital Gains Distributions from Investments	-	-
Interest and Dividends	128,398	300
Securities Lending Income	5,030	-
Less Investment Expense:		
Investment Activity Expense	31,368	-
Securities Lending Expense	509	-
Net Investment Income (Loss)	1,190,786	1,610
Miscellaneous Revenues	-	12,624
Transfers In	-	767
Total Additions	1,712,820	15,001
Deductions:		
Benefits Paid to Participants or Beneficiaries	842,257	68
Refunds and Withdrawals	24,670	-
Administrative Expenses	10,959	194
Claims Processing Expense	701	-
Distribution of Assets to FAME*	-	6,013,670
Transfers Out	-	21,262
Total Deductions	878,587	6,035,194
Net Increase (Decrease)	834,233	(6,020,193)
Net Position:		
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:		
Beginning of Year	10,766,867	6,060,810
End of Year	\$ 11,601,100	\$ 40,617

*Pursuant to Maine law, beginning July 1, 2012, the State's fiduciary responsibility for the NextGen College Investing Plan was transferred to the Finance Authority of Maine.

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



COMPONENT UNIT FINANCIAL STATEMENTS

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

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

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

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

Maine State Housing Authority – is authorized to issue bonds for the purchase of notes and mortgages on single- and multi-family residential units to provide housing for persons and families of low income in the State. The Authority also administers various housing and energy related state and federal programs and collects and disburses federal rent subsidies for low income housing.

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

University of Maine System – The State University consists of seven universities, eight centers, and a central administrative office.

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

STATE OF MAINE
STATEMENT OF NET POSITION
COMPONENT UNITS

June 30, 2013
(Expressed in Thousands)

			Maine Health and Higher Educational Facilities Authority	Maine Municipal Bond Bank
	Finance Authority of Maine	Maine Community College System		
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 17,644	\$ 14,005	\$ 3,441	\$ -
Cash and Cash Equivalents	3,360	8,217	2,938	312
Investments	45,534	40,472	36,436	19,475
Restricted Assets:				
Restricted Deposits and Investments	-	-	-	-
Inventories	-	1,295	-	-
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	-	-	52,624	-
Notes Receivable	-	-	-	-
Other Receivables	1,128	11,353	401	863
Due from Other Governments	92	-	-	135,425
Due from Primary Government	-	351	-	3,901
Loans Receivable from Primary Government	-	-	-	24,884
Other Current Assets	1,973	1,860	917	33,680
Total Current Assets	69,731	77,553	96,757	218,540
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	8,244	6,545	1,608	-
Restricted Assets:				
Restricted Deposits and Investments	-	1,623	148,270	341,306
Investments	-	13,417	-	-
Receivables, Net of Current Portion:				
Loans Receivable	-	-	1,026,808	-
Notes Receivable	23,656	-	-	-
Other Receivables	-	-	203	-
Due from Other Governments	-	-	-	1,370,861
Due from Primary Government	-	-	-	-
Loans Receivable from Primary Government	-	-	-	279,161
Post-Employment Benefit Asset	-	11,258	-	-
Capital Assets - Net of Depreciation	1,526	154,540	-	606
Other Noncurrent Assets	-	212	-	991
Total Noncurrent Assets	33,426	187,595	1,176,889	1,992,925
Total Assets	103,157	265,148	1,273,646	2,211,465
Deferred Outflows of Resources				
Accumulated Decrease in Fair Value of Hedging Derivatives	-	-	-	-
Deferred Loss on Refunding	-	-	-	-
Total Deferred Outflows of Resources	\$ -	\$ -	\$ -	\$ -
Liabilities				
Current Liabilities:				
Accounts Payable	3,736	3,415	72	568
Accrued Payroll	-	-	-	-
Compensated Absences	-	2,034	-	-
Due to Other Governments	-	-	-	180
Due to Primary Government	-	-	-	45,732
Amounts Held Under State & Federal Loan Programs	-	-	-	35,685
Bonds and Notes Payable	807	622	52,945	128,866
Obligations Under Capital Leases	-	10	-	-
Accrued Interest Payable	-	-	22,583	12,545
Deferred Revenue	1,225	2,452	2,669	-
Other Current Liabilities	23,846	8,676	-	-
Total Current Liabilities	29,614	17,209	78,269	223,576
Long-Term Liabilities:				
Due to Other Governments	-	-	302	1,178
Amounts Held Under State & Federal Loan Programs	41,081	-	-	-
Bonds and Notes Payable	650	23,323	1,142,275	1,353,898
Obligations Under Capital Leases	-	2,208	-	-
Deferred Revenue	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-
Total Long-Term Liabilities	41,731	25,531	1,142,577	1,355,076
Total Liabilities	71,345	42,740	1,220,846	1,578,652
Net Position				
Net Investment in Capital Assets	1,526	130,212	-	606
Restricted	15,287	44,002	31,732	559,093
Unrestricted	14,999	48,194	21,068	73,114
Total Net Position	\$ 31,812	\$ 222,408	\$ 52,800	\$ 632,813

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

Maine State Housing Authority	Maine Turnpike Authority	University of Maine System	Non-Major Component Units	Total
\$ -	\$ -	\$ 14,574	\$ 1,074	\$ 50,738
1,195	5,573	1,577	68,978	92,150
286,777	-	226,532	15,104	670,330
-	92,102	-	24,708	116,810
-	1,643	-	761	3,699
30,889	-	-	19,221	102,734
3	-	63	5,253	5,319
24,086	4,068	36,986	5,944	84,829
4,456	-	12,491	7,571	160,035
-	-	7,588	5,836	17,676
-	-	-	-	24,884
-	848	4,806	1,406	45,490
347,406	104,234	304,617	155,856	1,374,694
-	-	6,809	502	23,708
-	24,319	6,366	15,878	537,762
96,530	14,894	320,900	19,696	465,437
1,291,912	-	-	113,901	2,432,621
101	-	40,830	3,826	68,413
627	98	6,517	2,223	9,668
-	-	-	-	1,370,861
-	-	3,678	139	3,817
-	-	-	-	279,161
-	-	-	-	11,258
2,236	489,031	688,079	238,964	1,574,982
6,351	19,829	1,844	1,030	30,257
1,397,757	548,171	1,075,023	396,159	6,807,945
1,745,163	652,405	1,379,640	552,015	8,182,639
26,926	-	-	-	26,926
-	9,147	-	1,104	10,251
\$ 26,926	\$ 9,147	\$ -	\$ 1,104	\$ 37,177
54,883	6,616	16,401	14,646	100,337
-	3,092	-	352	3,444
-	-	-	193	2,227
277	-	-	529	986
-	-	-	434	46,166
-	-	-	-	35,685
14,255	15,560	12,147	8,965	234,167
-	-	375	10	395
6,422	-	-	636	42,186
3,627	6,747	11,531	29,371	57,622
-	11,159	30,630	2,010	76,321
79,464	43,174	71,084	57,146	599,536
-	-	-	1,710	3,190
-	-	-	-	41,081
1,318,895	451,304	165,763	161,068	4,617,176
-	-	3,410	5	5,623
27,895	-	-	1,548	29,443
26,926	13,446	99,042	129	139,543
1,373,716	464,750	268,215	164,460	4,836,056
1,453,180	507,924	339,299	221,606	5,435,592
2,236	115,190	513,909	215,322	979,001
292,357	31,776	336,572	75,977	1,386,796
24,316	6,662	189,860	40,214	418,427
\$ 318,909	\$ 153,628	\$1,040,341	\$ 331,513	\$ 2,784,224

STATE OF MAINE

STATEMENT OF ACTIVITIES

COMPONENT UNITS

Fiscal Year Ended June 30, 2013

(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health and Higher Educational Facilities Authority	Maine Municipal Bond Bank
Expenses	\$ 41,750	\$ 126,966	\$ 50,062	\$ 69,512
Program Revenues				
Charges for Services	17,356	16,777	45,641	61,429
Program Investment Income	23	2,240	2,684	(4,769)
Operating Grants and Contributions	19,870	57,479	-	361
Capital Grants and Contributions	-	626	-	24,688
	<u>-</u>	<u>626</u>	<u>-</u>	<u>24,688</u>
Net Revenue (Expense)	<u>(4,501)</u>	<u>(49,844)</u>	<u>(1,737)</u>	<u>12,197</u>
General Revenues				
Unrestricted Investment Earnings	(67)	1,080	53	27
Non-program Specific Grants, Contributions and Appropriations	-	54,495	-	-
Miscellaneous Income	18	1,601	115	1,264
Gain (Loss) on Assets Held for Sale	-	-	-	-
Total General Revenues	<u>(49)</u>	<u>57,176</u>	<u>168</u>	<u>1,291</u>
Change in Net Position	(4,550)	7,332	(1,569)	13,488
Net Position, Beginning of the Year (as restated)	<u>36,362</u>	<u>215,076</u>	<u>54,369</u>	<u>619,325</u>
Net Position, End of Year	<u>\$ 31,812</u>	<u>\$ 222,408</u>	<u>\$ 52,800</u>	<u>\$ 632,813</u>

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

Maine State Housing Authority	Maine Turnpike Authority	University of Maine System	Non-Major Component Units	Total
\$ 238,020	\$ 95,247	\$ 684,261	\$ 142,957	\$1,448,775
75,911	109,702	299,106	47,044	672,966
3,380	-	22,422	152	26,132
155,411	-	177,643	64,786	475,550
-	-	8,106	25,941	59,361
(3,318)	14,455	(176,984)	(5,034)	(214,766)
14	141	9,586	3,007	13,841
-	-	209,340	17,708	281,543
-	-	-	1,606	4,604
-	-	-	(7,692)	(7,692)
14	141	218,926	14,629	292,296
(3,304)	14,596	41,942	9,595	77,530
322,213	139,032	998,399	321,918	2,706,694
<u>\$ 318,909</u>	<u>\$ 153,628</u>	<u>\$1,040,341</u>	<u>\$ 331,513</u>	<u>\$2,784,224</u>



NOTES TO THE FINANCIAL STATEMENTS

INDEX

NOTES TO THE FINANCIAL STATEMENTS

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

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

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

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

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

Child Development Services (CDS) is a legally separate organization, which ensures the provision of child find activities, early intervention services and free, appropriate public education services to eligible children. The State's Education Commissioner appoints and supervises the CDS director. Therefore, the State reports CDS balances and transactions as though they were a non-major special revenue fund.

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

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

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

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

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

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

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

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

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

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

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

Maine Public Employees Retirement System administers 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 296 local municipalities and other public entities in Maine. The Governor appoints four of the Board's eight voting trustees. A fifth trustee is either the Treasurer of State or the Deputy Treasurer of State.

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

Finance Authority of Maine 5 Community Dr. PO Box 949 Augusta, ME 04332	Maine Health and Higher Ed. Facilities Authority PO Box 2268 Augusta, ME 04338	Maine Public Employees Retirement System 46 State House Station Augusta, ME 04333	Maine Turnpike Authority 2360 Congress Street Portland, ME 04102
Maine Community College System 323 State Street Augusta, ME 04330	Maine Municipal Bond Bank PO Box 2268 Augusta, ME 04338	Maine State Housing Authority 89 State House Station 353 Water Street Augusta, ME 04330	University of Maine System 16 Central Street Bangor, ME 04401

Related Organizations

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

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

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

Restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Constraints placed on restricted components of net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$725.3 million of restricted net position, of which \$131.3 million is restricted by enabling legislation.

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

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

Fund Financial Statements

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

Financial Statement Presentation

The State reports the following major governmental funds:

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

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

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

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

The State reports the following major enterprise fund:

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

Additionally, the State reports the following fund types:

Governmental Fund Types:

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

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

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

Proprietary Fund Types:

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

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

Fiduciary Fund Types:

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

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

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

D. FISCAL YEAR-ENDS

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

E. ASSETS, LIABILITIES, AND NET POSITION/FUND BALANCE**Equity in Treasurer's Cash Pool**

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

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

Cash and Cash Equivalents

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

Cash with Fiscal Agent

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

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

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

Investments Held on Behalf of Others

These assets include amounts held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds. Generally, these investments are reported at fair value or at amortized cost which approximates fair value. The State also holds \$115 million of Workers' Compensation, \$53 million of Bureau of Insurance, and \$28 million of Maine Department of Labor surety bonds and letters of credit that are not reflected on the financial statements.

Restricted Deposits and Investments

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

Inventories

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

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

Receivables

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

Interfund Transactions and Balances

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

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

Due from/to Primary Government/Component Units

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

Due from/to Other Governments

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

Capital Assets

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

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

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

Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers. Incurred but not paid (IBNP) Medicaid claims settlements are actuarially estimated. The IBNP estimate recorded at June 30, 2013 is \$231 million.

Tax Refunds Payable

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

Claims Payable

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

Compensated Employee Absences

In the government-wide statements and proprietary fund financial statements, compensated absences are recorded as a long-term liability as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments to terminated employees as of June 30, 2013 but paid after the fiscal year end is also reported in the funds. In the discretely presented component units, employees' accumulated compensated absences are recorded as an expense and liability as the benefits accrue.

Deferred Revenue

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

Loans Payable to Component Unit

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

Long-Term Obligations

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

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

Net Position/Fund Balances

The difference between fund assets, deferred outflow of resources, liabilities and deferred inflow of resources is "Net Position" on the government-wide, proprietary, and fiduciary fund statements and "Fund Balances" on governmental fund statements.

Fund Balance Restrictions

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

The State reported the following fund balance restrictions:

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

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

Committed Fund Balances - indicates assets can be used only for specific purposes pursuant to constraints imposed by a formal action of the Maine Legislature, the State's highest level of decision-making authority. This formal action is the passage of law by the legislature, creating, modifying, or rescinding an appropriation.

Assigned Fund Balances - include amounts that are constrained by the State's intent to be used for a specific purpose, but are neither restricted or committed. Legislative assignments include formal actions passed into law that lapse. Maine statute also set forth powers and duties of management. Assignments also include decisions made by management, including encumbrances. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed.

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

F. REVENUES AND EXPENDITURES/EXPENSES

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

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

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

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

NOTE 2 – BUDGETING AND BUDGETARY CONTROL, AND LEGAL COMPLIANCE**Appropriation Limits**

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

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

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

Budget Stabilization Fund

The Maine Budget Stabilization Fund, a fund designation established under Title 5 MRSA C. 142, is included in the negative \$151 million unassigned General Fund fund balance. Amounts in the stabilization fund may be expended only to offset a General Fund revenue shortfall. The Governor may also allocate funds for payment of death benefits for law enforcement officers, firefighters and emergency medical services personnel.

Balances in the fund do not lapse, but carry forward each year. Money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. As the fourth priority before any other transfer, the State Controller is required to transfer 80 percent of the unappropriated surplus of the General Fund when the fund is not at its statutory cap. In accordance with the statute, the State Controller made the required transfer for fiscal year 2013. Per Public Law 2011, Chapter 657, Part D and Public Law 2013, Chapter 1, Part I a net \$27 million was transferred from the Budget Stabilization Fund to the General Fund unappropriated surplus. Additionally, \$253 thousand was transferred to general purpose aid for local schools within the Department of Education in accordance with Title 5 MRSA C.142 Section 1532.

The statutory cap for the fund is 12 percent of the total General Fund revenue received in the immediately preceding fiscal year. At the close of the fiscal year, the cap is based on the revenue received in the fiscal year being closed. Based on fiscal year 2013 actual General Fund revenue, the statutory cap at the close of fiscal year 2013 and during fiscal year 2013 was \$371.3 million. At the close of fiscal year 2013, the balance of the Maine Budget Stabilization Fund was \$59.7 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	\$ 44,809
Increase in fund balance	<u>14,892</u>
Balance, end of year	<u><u>\$ 59,701</u></u>

Budget and Budgetary Expenditures

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

Except in specific instances, only the Legislature may transfer appropriations between departments. Changes in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budgets or separate pieces of legislation. For the year ended June 30, 2013, the Legislature increased appropriations to the General Fund by \$75.0 million.

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

Governmental Fund Balances – Restricted, Committed and Assigned

The State's fund balances represent: (1) restricted purposes, which include balances legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; (3) assigned purposes, which includes balances that are constrained by government's intent to be used for specific purposes, but are neither restricted or committed. A summary of the nature and purpose of these fund balance types at June 30, 2013 are as follows:

Governmental Fund Balances
(Expressed in Thousands)

	<u>Restricted</u>
General Fund:	
Natural Resources Development & Protection	\$ 3,534
Highway Fund:	
Transportation Safety & Development	\$ 30,445
Justice and Protection	3,463
Governmental Support & Operations	358
Natural Resources Development & Protection	3
Total	<u>\$ 34,269</u>
Federal Fund:	
Governmental Support & Operations	\$ 5,123
Health and Human Services	11,860
Economic Development & Workforce Training	2,042
Natural Resources Development & Protection	1,433
Transportation Safety & Development	1,637
Other	1,552
Total	<u>\$ 23,647</u>
Other Special Revenue Fund:	
Business Licensing & Regulation	\$ 75,901
Governmental Support & Operations	74,237
Health and Human Services	19,799
Justice and Protection	35,185
Natural Resources Development & Protection	51,983
Transportation Safety & Development	114,798
Other	5,001
Total	<u>\$ 376,904</u>
Other Governmental Funds:	
Capital Projects	\$ 2,980
Natural Resources Development & Protection	64,068
Other	240
Total	<u>\$ 67,288</u>

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

During fiscal year ended June 30, 2013, the State implemented four new accounting standards.

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This Statement addresses issues related to service concession arrangements, which are a type of public-private or public-public partnership. There was no impact on the State's financial statements as a result of implementing GASB 60.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. There was no impact on the State's financial statements as a result of implementing GASB 61.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. There was no impact on the State's financial statements as a result of implementing GASB 62.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards do not include guidance for reporting those financial elements, which are distinct from assets and liabilities. As a result of implementing this new standard, government-wide statements, proprietary and fiduciary fund statements report Statements of Net Position. The term "net assets" is changed to "net position" throughout the financial statements which use the economic resources measurement focus and the accrual basis of accounting.

Component Units

The University of Maine System (UMS) implemented GASB Statement No. 61 in fiscal year 2013. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. UMS determined that a component unit discretely presented as of and for the year end June 30, 2012 does not meet the criteria for inclusion as a component unit, and as a result, the beginning net assets were reduced by \$18.0 million.

As a result of implementing GASB Statement No. 63, Maine State Housing Authority (MSHA) recognized \$26.9 million in resources that arise from an effective hedging relationship as deferred outflows of resources. In previous years, the accumulated decrease in fair value of hedging derivatives had been reported as a long-term asset.

GASB Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement No. 53*. This Statement clarifies the termination provisions in GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, when a counterparty of an interest rate or commodity swap is replaced. There was no impact on MSHA's financial statements as a result of the adoption of GASB 64.

A non-major component unit, Maine Educational Loan Authority, early adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement improves financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. When standards impact the presentation of net position, the resulting change is not reflected as current operating activity, but rather as an accounting change presented as a restatement of beginning balances. Beginning net position increased \$.6 million as a result of restating the

deferred loss on refinancing. Additionally, \$1.1 million in deferred loss on refinancing is presented as a deferred outflow of resources instead of a long-term asset.

The Maine Turnpike Authority (MTA) reduced its beginning net position \$1.8 million as a correction of an error. In addition, MTA reclassified \$9.2 million of deferred loss on refunding bonds from a long-term asset to a deferred outflow of resources.

A non-major component unit, Midcoast Regional Redevelopment Authority (MRDA), excluded certain construction and engineering costs from the calculation of construction in progress. Beginning net position increased \$.6 million as a result of this restatement.

NOTE 4 - DEFICIT FUND BALANCES/NET POSITION

Three internal service funds showed deficits for the fiscal year ended June 30, 2013. The Workers' Compensation Fund reported a deficit of \$18.8 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a deficit of \$3.7 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of \$2.3 million because expenses are recognized when incurred; however, related revenue is not earned until jobs are satisfactorily completed. All of the deficits mentioned above are expected to be funded by future service charges.

The Alcoholic Beverages Enterprise Fund shows a deficit of \$12.5 million. During fiscal year 2004, the State of Maine entered into a 10 year contract with a vendor to manage and operate wholesale liquor distribution as the State's agent. The deficit reflects the deferral of license fees that will be amortized over that 10 year period.

The General Fund shows a deficit fund balance of \$144.4 million at June 30, 2013. This deficit is primarily due to the full recognition of the State's share of Medicaid liabilities at fiscal year end. The federal portion of these liabilities is also fully accrued, with an offsetting receivable from the federal government as allowed under Governmental Accounting Standards Board (GASB) Statement No. 33. Per GASB 33, revenue associated with government mandated non-exchange transactions should be recognized when applicable eligibility requirements have been met and the resources are available. Medicaid is an entitlement program. Therefore, the funds are available when the payments for these liabilities are processed.

The Child Development Services Special Revenue Fund shows a deficit of \$2.3 million. This deficit has accumulated through operating losses dating back to the year ended June 30, 2008.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

The Primary Government's Deposits and Investments excluding component units that are fiduciary in nature at June 30, 2013:

Primary Government Deposits and Investments
(Expressed in Thousands)

	Governmental Activities	Business- Type Activities	Private Purpose Trusts	Agency Funds	Total
Equity in Treasurer's Cash Pool	\$ 413,496	\$ 14,917	\$ 1,800	\$ 22,227	\$ 452,440
Cash and Cash Equivalents	1,641	2,514	-	27	4,182
Cash with Fiscal Agent	117,419	-	-	-	117,419
Investments	81,901	-	12,811	-	94,712
Restricted Equity in Treasurer's Cash Pool	13,641	-	-	-	13,641
Restricted Deposits and Investments	3,748	280,808	-	11	284,567
Investments Held on Behalf of Others	-	-	-	65,519	65,519
Other Assets	-	-	-	-	-
Total Primary Government	<u>\$ 631,846</u>	<u>\$ 298,239</u>	<u>\$ 14,611</u>	<u>\$ 87,784</u>	<u>\$ 1,032,480</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, 2013:

	Maturities in Years (Expressed in Thousands)						
	<u>Less than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>11 - 20</u>	<u>More than 20</u>	<u>No Maturity</u>	<u>Fair Value</u>
<i>Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds</i>							
US Instrumentalities	\$ 10,807	\$145,069	\$ -	\$ -	\$ -	\$ -	\$ 155,876
US Treasury Notes	-	8,206	-	-	-	-	8,206
Repurchase Agreements	-	-	-	-	-	-	-
Corporate Notes and Bonds	-	-	-	-	-	-	-
Commercial Paper	47,713	-	-	-	-	-	47,713
Certificates of Deposit	4,832	-	-	-	-	-	4,832
Money Market	-	-	-	-	-	-	-
Cash and Cash Equivalents	-	-	-	-	-	233,330	233,330
Unemployment Fund	-	-	-	-	-	-	-
Deposits with US Treasury	-	-	-	-	-	280,808	280,808
<i>Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds</i>							
US Instrumentalities	533	8,038	28	144	713	-	9,456
US Treasury Notes	3,621	8,106	3,746	2,941	-	-	18,414
Repurchase Agreements	-	-	-	-	-	-	-
Corporate Notes and Bonds	148	3,348	7,531	7,156	1,154	-	19,337
Other Fixed Income							
Securities	9,351	24	6,135	-	-	-	15,510
Commercial Paper	2,593	-	-	-	-	-	2,593
Certificates of Deposit	8,213	386	-	-	-	2,791	11,390
Money Market	-	-	-	-	-	1,943	1,943
Cash and Cash Equivalents	-	-	-	-	-	29,014	29,014
Equities	-	-	-	-	-	70,993	70,993
Other	-	-	-	-	-	5,646	5,646
	<u>\$ 87,811</u>	<u>\$173,177</u>	<u>\$17,440</u>	<u>\$10,241</u>	<u>\$ 1,867</u>	<u>\$ 624,525</u>	<u>\$ 915,061</u>
Other Assets							-
Cash with Fiscal Agent							117,419
Total Primary Government							<u>\$1,032,480</u>

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

The Primary Government's total investments by credit quality rating as of June 30, 2013 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 Rated</u>	<u>Total</u>
<i>Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds</i>									
US Instrumentalities	\$ -	\$ -	\$ 155,876	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 155,876
US Treasury Notes	-	-	8,206	-	-	-	-	-	8,206
Corporate Notes and Bonds	-	-	-	-	-	-	-	-	-
Commercial Paper	-	-	-	-	-	-	-	-	-
Money Market	-	-	-	-	-	-	-	-	-
<i>Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds</i>									
US Instrumentalities	-	-	8,355	-	-	-	-	1,101	9,456
US Treasury Notes	-	-	1,457	-	-	-	-	16,957	18,414
Corporate Notes and Bonds	-	724	225	-	-	20	544	17,824	19,337
Commercial Paper	-	-	-	-	-	-	-	-	-
Money Market	-	-	-	-	-	-	-	-	-
Other Fixed Income Securities	-	-	-	-	6,155	-	-	9,355	15,510
Total Primary Government	<u>\$ -</u>	<u>\$724</u>	<u>\$174,119</u>	<u>\$ -</u>	<u>\$ 6,155</u>	<u>\$ 20</u>	<u>\$ 544</u>	<u>\$45,237</u>	<u>\$ 226,799</u>

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State limits concentration of credit risk in its trusts by requiring that no single stock represent more than 7 percent of the total portfolio. There is no concentration of credit risk policy for the Treasurer's Cash Pool. At June 30, 2013, there were no investments that exceeded five percent of the Treasurer's Cash Pool.

Custodial Credit Risk - For investments, custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The State limits its custodial credit risk for the Treasurer's Cash Pool by maintaining a file of the most recent credit rating analysis reports performed for each approved financial institution. The State also requires that all securities be perfected in the name of the State and held in third party safekeeping by a state approved custodian. Of the cash pool's \$6.2 million invested in non-negotiable certificates of deposit, none exceeded the FDIC insured amounts for the institutions at which they were held. The State does not have a policy regarding custodial credit risk for its trusts. The Percival P. Baxter Trust is held by the counterparty's trust department, but not in the State's name.

The fair value of the trust's investments as of June 30, 2013 was \$64.0 million and was comprised of the following (expressed in thousands):

U.S. Instrumentalities	\$ 906
US Treasury Notes	1,011
Corporate Notes and Bonds	1,615
Other Fixed Income Securities	9,375
Equities	46,965
Cash and Equivalents	1,094
Other	3,037
Total	<u>\$ 64,003</u>

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2013 these disbursements, on average, exceeded \$116.5 million per month. The funds in transit are not collateralized and are not held by the State Treasurer. Until the vendor receives payment, the State retains some liability.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

Foreign currency forward contracts are used to hedge against the currency risk in the System's foreign equity and fixed income security portfolios. The System's fixed income managers invest in Collateralized Mortgage Obligations (CMOs) and Asset-Backed Securities to improve the yield or adjust the duration of the fixed income portfolio. At June 30, 2013, no balances of the System's CMO and Asset-Backed Security holdings were outstanding. The System also invests in swaps. Interest rate swaps are used to adjust interest rate and yield curve exposures and substitute for physical securities.

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

Cash open collateral is invested in a short-term investment pool, the Core Limited Collateral Section. Cash collateral may also be invested separately in "term loans." At June 30, 2013 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, 2013 was \$1.484 million and \$1.450 million, respectively.

The following table details the System's derivative investments at June 30, 2013:

(Expressed in Thousands)

	2013 Changes in Fair Value	Fair Value at June 30, 2013		Notional Amount
		Classification	Amount	
Futures:				
Equity Index Futures Contracts	\$ (1,664)	Investments	\$ (209)	\$ 50,269

COMPONENT UNITS

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

Certain component units also invest in the Treasurer's Cash Pool and comprise approximately 14 percent of pool assets. The component units reported their participation as either Cash and Cash Equivalents or Investments on their financial statements. The State reclassified \$74.4 million of the component units' participation to "Equity in Treasurer's Cash Pool" on the State's financial statements. In addition to the amounts reported, the State Treasurer's Cash Pool includes \$8.8 million, consisting of Finance Authority of Maine component unit fiduciary funds that, because of GASB Statement No. 34 reporting criteria, are not shown in the accompanying financial statements as invested in the Treasurer's Cash Pool.

NOTE 6 - RECEIVABLES

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

Primary Government – Receivables
(Expressed in Thousands)

	<u>Taxes</u>	<u>Accounts</u>	<u>Loans</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivables</u>
Governmental Funds:					
General	\$556,778	\$131,026	\$1	(\$205,443)	\$482,362
Highway	25,225	1,440	18	(1,742)	24,941
Federal	-	123,771	-	(55,572)	68,199
Other Special Revenue	11,937	87,330	4,905	(13,318)	90,854
Other Governmental Funds	-	10	-	-	10
Total Governmental Funds	593,940	343,577	4,924	(276,075)	666,366
Allowance for Uncollectibles	(151,634)	(124,441)	-		
Net Receivables	<u>\$442,306</u>	<u>\$219,136</u>	<u>\$4,924</u>		<u>\$666,366</u>
Proprietary Funds:					
Employment Security	\$ -	\$61,929	\$ -	(\$20,768)	\$41,161
Nonmajor Enterprise	-	\$25,082	-	(\$584)	24,498
Internal Service	-	10,636	-	-	10,636
Total Proprietary Funds	-	97,647	-	(21,352)	76,295
Allowance for Uncollectibles	-	(21,352)	-		
Net Receivables	<u>\$ -</u>	<u>\$ 76,295</u>	<u>\$ -</u>		<u>\$76,295</u>

Component Units – Receivables
(Expressed in Thousands)

	<u>Accounts</u>	<u>Loans</u>	<u>Notes</u>	<u>Allowance For Uncollectibles</u>	<u>Net Receivables</u>
Finance Authority of Maine	\$1,128	\$ -	\$29,230	(\$5,574)	\$24,784
Maine Community College System	12,472	-	-	(1,119)	11,353
Maine Health and Educational Facilities Authority	877	1,079,432	-	(273)	1,080,036
Maine Municipal Bond Bank	863	-	-	-	863
Maine State Housing Authority	24,713	1,334,003	131	(11,229)	1,347,618
Maine Turnpike Authority	4,166	-	-	-	4,166
University of Maine System	49,101	-	42,306	(7,011)	84,396

NOTE 7 - INTERFUND TRANSACTIONS

Interfund receivables and payables represent amounts owed to one State fund by another, for goods sold or services received, or for borrowings to eliminate negative balances in the Treasurer's Cash Pool.

Balances due within one year are recorded as Due to/Due from Other Funds. The balances of current interfund receivables and payables as of June 30, 2013 were:

Interfund Receivables (Expressed in Thousands)					
Due to Other Funds					
Due from Other Funds	General	Highway	Federal	Other Special Revenue	Other Governmental
General	\$ -	\$ -	\$ 1,307	\$ -	\$ -
Highway	5	3	9,860	-	-
Federal	5,569	1	126	5	-
Other Special Revenue	43,820	75	1,294	147	17
Other Governmental	484	-	-	-	-
Employment Security	-	-	231	-	-
Non-Major Enterprise	100	86	-	2	-
Internal Service	9,493	3,248	3,604	3,221	-
Fiduciary	20,550	-	-	-	-
Total	\$ 80,021	\$ 3,413	\$ 16,422	\$ 3,375	\$ 17

Due from Other Funds	Employment Security	Non-Major Enterprise	Internal Service	Fiduciary	Total
General	\$ -	\$ 5,703	\$ 5,417	\$ 86	\$ 12,513
Highway	-	-	1	-	9,869
Federal	-	-	-	-	5,701
Other Special Revenue	-	1	28	-	45,382
Other Governmental	-	-	-	-	484
Employment Security	-	-	-	-	231
Non-Major Enterprise	-	-	-	-	188
Internal Service	-	237	889	10	20,702
Fiduciary	-	-	-	-	20,550
Total	\$ -	\$ 5,941	\$ 6,335	\$ 96	\$ 115,620

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

Included in the Due to/Due from other funds is \$32 million due to the Other Special Revenue Fund related to the General Fund's negative cash position in the Treasurer's Cash Pool. This type of temporary loan is typical; cash is frequently borrowed and returned depending on cash flow needs.

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

During fiscal year 2013, the State of Maine, in accordance with the legislatively authorized budget, recorded the following non-routine, nonrecurring transfers.

The Other Special Revenue Fund transferred \$28.3 million to the unappropriated surplus of the General Fund.

Interfund transfers for the year ended June 30, 2013, consisted of the following:

Interfund Transfers (Expressed in Thousands)					
<u>Transferred To</u>	<u>Transferred From</u>				
	<u>General</u>	<u>Highway</u>	<u>Federal</u>	<u>Other Special Revenue</u>	<u>Other Governmental</u>
General	\$ -	\$ -	\$ 7,617	\$ 100,722	\$ -
Highway	1,935	-	12,300	3,703	-
Federal	1,067	-	-	17,855	-
Other Special Revenue	188,582	5,419	13,569	-	1,872
Other Governmental Funds	28,245	-	-	-	1,103
Employment Security	-	-	-	-	-
Non-Major Enterprise	-	4,564	-	2	-
Internal Service	10,469	-	-	-	-
Fiduciary	-	-	-	-	767
Total	<u>\$ 230,298</u>	<u>\$ 9,983</u>	<u>\$ 33,486</u>	<u>\$ 122,282</u>	<u>\$ 3,742</u>

<u>Transferred To</u>	<u>Transferred From</u>				
	<u>Employment Security</u>	<u>Non-Major Enterprise</u>	<u>Internal Service</u>	<u>Fiduciary</u>	<u>Total</u>
General	\$ -	\$ 52,941	\$ 205	\$ 20,447	\$ 181,932
Highway	-	-	-	-	17,938
Federal	1,051	-	-	-	19,973
Other Special Revenue	-	12,837	-	843	223,122
Other Governmental Funds	-	-	-	-	29,348
Employment Security	-	-	-	-	-
Non-Major Enterprise	-	-	-	-	4,566
Internal Service	-	-	-	-	10,469
Fiduciary	-	-	-	-	767
Total	<u>\$ 1,051</u>	<u>\$ 65,778</u>	<u>\$ 205</u>	<u>\$ 21,290</u>	<u>\$ 488,115</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, 2013:

Primary Government – Capital Assets
(Expressed in Thousands)

	<u>Beginning Balance</u>	<u>Increases and Other Additions</u>	<u>Decreases and Deletions</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 497,893	\$ 73,495	\$ 120	\$ 571,268
Construction in progress	48,473	65,090	45,217	68,346
Infrastructure	4,018,966	193,968	-	4,212,934
Total capital assets not being depreciated	4,565,332	332,553 *	45,337	4,852,548
Capital assets being depreciated:				
Buildings	626,201	47,357	13,020	660,538
Equipment	255,628	34,281	23,953	265,956
Improvements other than buildings	20,843	31,419	11	52,251
Software	58,729	13,822	-	72,551
Total capital assets being depreciated	961,401	126,879 *	36,984	1,051,296
Less accumulated depreciation for:				
Buildings	249,721	23,981	11,980	261,722
Equipment	172,827	26,817	22,183	177,461
Improvements other than buildings	14,058	20,633	10	34,681
Software	4,629	6,394	-	11,023
Total accumulated depreciation	441,235	77,825 *	34,173	484,887
Total capital assets being depreciated, net	520,166	49,054	2,811	566,409
Governmental Activities Capital Assets, net	\$ 5,085,498	\$ 381,607	\$ 48,148	\$ 5,418,957
	<u>Beginning Balance</u>	<u>Net Additions</u>	<u>Net Deletions</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets not being depreciated:				
Land	\$ 58,888	\$ -	\$ 51,596	\$ 7,292
Construction in progress	18,555	1,138	18,555	1,138
Total capital assets not being depreciated	77,443	1,138	70,151	8,430
Capital assets being depreciated:				
Buildings	9,449	-	5,054	4,395
Equipment	80,892	2,403	46,956	36,339
Improvements other than buildings	74,889	5,279	31,401	48,767
Total capital assets being depreciated	165,230	7,682	83,411	89,501
Less accumulated depreciation for:				
Buildings	6,171	132	4,127	2,176
Equipment	52,703	1,801	37,513	16,991
Improvements other than buildings	31,036	2,094	9,706	23,424
Total accumulated depreciation	89,910	4,027	51,346	42,591
Total capital assets being depreciated, net	75,320	3,655	32,065	46,910
Business-Type Activities Capital Assets, net	\$ 152,763	\$ 4,793	\$ 102,216	\$ 55,340

* The total Increase and Other Additions for Governmental Activities and Net Deletions for Business-Type Activities includes \$116.0 million in assets net of \$30.9 million in accumulated depreciation related to the transfer of assets from an Enterprise Fund in FY 2013. See Footnote 17 - Special Items disclosure for additional information.

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

Governmental Activities – Depreciation Expense
(Expressed in Thousands)

	<u>Amount</u>
Governmental Activities:	
Arts, Heritage and Cultural Enrichment	\$ 12
Business Licensing and Regulation	381
Economic Development and Workforce Training	1,037
Education	514
Governmental Support and Operations	6,063
Health and Human Services	8,676
Justice and Protection	16,756
Natural Resources Development and Protection	3,383
Transportation Safety and Development	10,095
Total Depreciation Expense – Governmental Activities	<u><u>\$ 46,917</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 296 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, 2013 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 \$2.2 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, 2013, there were 58 employers participating in these plans. The 869 participants individually direct the \$20.3 million in net assets covered by the plans.

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

BASIS OF ACCOUNTING

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

INVESTMENTS

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

CONTRIBUTION INFORMATION

Membership in each defined benefit plan consisted of the following at June 30, 2013:

	State Employees and Teachers Plan	Consolidated Plan for PLD
Active vested and nonvested members	42,051	11,140
Terminated vested participants	6,921	2,030
Retirees and benefit recipients	31,987	9,126
Total	<u>80,959</u>	<u>22,296</u>
Number of participating employers/sponsors	1	296

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

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to terminated members' accounts is set by the System's Board of Trustees and is currently 5 percent.

STATE EMPLOYEES AND TEACHERS PENSION PLAN SPECIFICS

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

PARTICIPATING LOCAL DISTRICTS PLAN SPECIFICS

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

SPECIAL FUNDING SITUATION – TEACHERS DEFINED BENEFIT PENSION PLAN

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

FUNDED STATUS AND FUNDING PROGRESS – DEFINED BENEFIT PENSION PLANS

The funded status of each plan as of June 30, 2013, the most recent biennial actuarial valuation date, is as follows:

(Expressed in Thousands)						
	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c
Plans	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)
SETP	9,238,577	11,889,897	2,651,320	77.7%	1,671,668	158.6%
PLD's	2,213,417	2,504,420	291,003	88.4%	459,854	63.3%

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, 2013	June 30, 2013
Actuarial cost method	Entry age	Entry age
Version	Individual	Individual
Amortization method	Level percent	Level dollar
	closed	open
Remaining amortization period	15	15
Asset valuation method	3 - Year smoothed market	3 - Year smoothed market
Actuarial assumptions:		
Investment rate of return	7.25%	7.25%
Projected salary increases	3.50%	3.50% - 9.50%
Includes inflation at	3.50%	3.50%
Cost of living adjustments	2.55%	3.12%
Most recent review of plan experience:	2011	2011

¹ The System amortizes the unfunded liability of the State and teacher plan over a closed period that cannot be longer than 31 years from July 1, 1997 but may be, and at certain times has been, shorter than that period. In 2000, the amortization period was reduced to a 19-year period from June 30, 2000. In 2004, the Legislature relengthened the period to 25 years, the full extent of the then-remaining Constitutional years for the 2004-2005 biennium, and reshortened the period effective July 1, 2005 to the 13 years that will then remain in the earlier shortened period. In 2005, the State repealed the "sunset" provision, with the result that the period for reduction of these unfunded actuarial liabilities continues to the full extent permitted by the State constitution, or June 30, 2028. The contribution rate in effect for 2010 was determined by the 2008 valuation, and reflects the relengthened amortization period. The unfunded actuarial accrual liability of the judicial plan is amortized over a period of which 4 years remained at June 30, 2013.

CONTRIBUTION RATES – DEFINED BENEFIT PENSION PLANS

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

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

The actuarially determined contribution rates in effect for 2013 for participating entities:

<u>State</u>		
Employees	¹	7.65 - 8.65%
Employer	¹	11.98 - 39.36%
<u>Teachers</u>		
Employees		7.65%
Employer		13.85%
<u>Participating Local Entities</u>		
Employees	¹	3.0 - 8.0%
Employer	¹	2.8 - 12.2%

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

ANNUAL PENSION COST AND NET PENSION OBLIGATION

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

Net Pension Obligation

(Expressed in Thousands)

Annual required contribution	\$	264,381
Interest on net pension obligation		146
Adjustment to annual required contribution		(167)
Annual pension cost		264,360
Contributions made		264,381
Increase (decrease) in net pension obligation		(21)
Net pension obligation beginning of year		2,010
Net pension obligation end of year	\$	1,989

Analysis of Funding Progress

(Expressed in Thousands)

<u>Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Covered</u>	<u>Net Pension Obligation</u>
2013	\$ 264,360	100.01%	\$ 1,989
2012	252,812	100.01%	2,010
2011	328,127	101.77%	2,028

Employer contributions met actuarially determined contribution requirements.

COMPONENT UNIT PARTICIPANTS

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS**POST-RETIREMENT HEALTHCARE PLANS**

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

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

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

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

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

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

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

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

PLAN MEMBERSHIP

Membership in the four healthcare plans is as follows:

	State Employees	Teachers	First Responders	Ancillary Groups
Actives	12,419	28,375	741	63
Retirees	9,587	9,520	80	13
Total	<u>22,006</u>	<u>37,895</u>	<u>821</u>	<u>76</u>
Number of employers	1			2
Contributing entities		1	1	2

STATE EMPLOYEES PLAN FUNDING POLICY

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

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

TEACHERS PLAN AND FIRST RESPONDERS PLAN FUNDING

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

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

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

ANCILLARY GROUP PLAN

The following plan, administered by the State, is financially independent and is not included in the State Retiree Health Internal Service Fund. This multiple-employer agent postemployment benefit plan covers 13 retirees of two non-major component units: Maine Educational Center for the Deaf and Hard of Hearing and the Northern New England Passenger Rail Authority. All active employees participate in the State Employee Group Health Insurance Plan. All eligible retired employees who elect coverage are included in this plan. The State Employee Health Commission establishes premiums annually.

ANNUAL OPEB COST

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

(Expressed in Thousands)			
	State Employees	Teachers	First Responders
Annual required contribution	\$ 94,000	\$ 44,000	\$ 1,689
Interest on net OPEB obligation	4,000	7,000	146
Adjustment to annual required contribution	(11,000)	(14,000)	(272)
Annual OPEB cost	87,000	37,000	1,563
Contributions made	68,000	25,000	577
Increase (decrease) in net healthcare obligation	19,000	12,000	986
Net healthcare obligation beginning of year	92,228	173,956	3,658
Net healthcare obligation end of year	<u>\$ 111,228</u>	<u>\$ 185,956</u>	<u>\$ 4,644</u>

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

Analysis of Funding Progress

(Expressed in Thousands)

<u>Plan</u>	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
State Employees	6/30/2013	87,000	78.16%	111,228
	6/30/2012	123,000	59.35%	92,228
	6/30/2011	119,000	71.43%	42,228
Teachers	6/30/2013	37,000	67.57%	185,956
	6/30/2012	49,000	44.90%	173,956
	6/30/2011	58,000	31.03%	146,956
First Responders	6/30/2013	1,563	36.92%	4,644
	6/30/2012	1,254	34.61%	3,658
	6/30/2011	845	61.89%	2,838

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plans as of June 30, 2013 was as follows:

<u>Plan</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded AAL (UAAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Annual Covered Payroll</u>	<u>(b-a)/c UAAL (as a percentage of covered payroll)</u>
State Employees (in millions)	June 30, 2013	150	1,166	1,016	12.86%	518	196.14%
	June 30, 2012	136	1,316	1,180	10.33%	502	235.06%
	June 30, 2011	112	1,544	1,432	7.25%	567	252.56%
Teachers (in millions)	June 30, 2013	0	685	685	0.00%	1,194	57.37%
	June 30, 2012	0	665	665	0.00%	1,156	57.53%
	June 30, 2011	0	801	801	0.00%	1,098	72.95%
First Responders (in thousands)	June 30, 2012	0	23,442	23,442	0.00%	43,510	53.88%
	June 30, 2011	0	21,921	21,921	0.00%	42,242	51.89%
	June 30, 2010	0	19,158	19,158	0.00%	53,821	35.60%

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

	State Employees	Teachers	First Responders
Valuation date	June 30, 2013	June 30, 2013	June 30, 2012
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	24	24	25
Plan changes	30-year fixed	30-year fixed	20-year fixed
Actuarial (gains) /losses	10-year fixed	15-year fixed	rolling 15 year period
Asset valuation method	investment gains and losses spread over a 5 - year period no less than 80% nor more than 120% of market value	n/a	n/a
Actuarial assumptions:			
Investment rate of return	4.00% 7.25% ultimate	4.00% 7.25% ultimate	4.00%
Projected salary increases	3.25%	3.25%	3.00%
Inflation rate	3.00%	3.00%	3.00%
Healthcare inflation rate	initial - actual premiums ultimate 5.00%	initial - actual premiums ultimate 5.00%	8.50% ultimate 5.00%
Former actuarial assumptions:			
Investment rate of return			4.50%
Projected salary increases			3.75%
Inflation rate			3.75%
Healthcare inflation rate			8.00%

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 296 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, 2013 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

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

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

BASIS OF ACCOUNTING

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

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

INVESTMENTS

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

FUNDING POLICY

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

ANNUAL OPEB COST

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

(Expressed in Thousands)

	State Employees	Teachers
Annual required contribution	\$ 4,592	\$ 3,099
Interest on net OPEB obligation	(136)	-
Adjustment to annual required contribution	106	-
Annual OPEB cost	4,562	3,099
Contributions made	4,673	3,099
Increase (decrease) in net healthcare obligation	(111)	-
Net healthcare (asset) obligation beginning of year	(1,760)	-
Net healthcare (asset) obligation end of year	\$ (1,871)	\$ -

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

Analysis of Funding Progress
(Expressed in Thousands)

<u>Plan</u>	<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB (Asset)</u>
State Employees	6/30/2013	4,562	102.43%	(1,871)
	6/30/2012	3,224	145.29%	(1,760)
	6/30/2011	4,268	89.22%	(300)
Teachers	6/30/2013	3,099	100.00%	-
	6/30/2012	2,959	100.00%	-
	6/30/2011	2,532	100.00%	-

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of June 30, 2013 was as follows:

(Expressed in Thousands)							
	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c	
<u>Plan</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL (as a percentage of covered payroll)</u>
State Employees	June 30, 2013	27,000	83,800	56,800	32.22%	572,800	9.92%
	June 30, 2012	24,700	80,900	56,200	30.53%	553,500	10.15%
	June 30, 2011	24,400	78,700	54,300	31.00%	623,600	8.71%
Teachers	June 30, 2013	36,000	74,200	38,200	48.52%	652,800	5.85%
	June 30, 2012	30,100	71,000	40,900	42.39%	630,800	6.48%
	June 30, 2011	27,800	67,600	39,800	41.12%	659,100	6.04%

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, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percent
	open
Asset valuation method	market
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	3.25%
Inflation rate	3.50%
Cost of living increases in life benefits	N/A
Participation percent for future retirees	100.00%
Form of benefit payment	lump sum

NOTE 11 - LONG-TERM OBLIGATIONS**PRIMARY GOVERNMENT**

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

GENERAL OBLIGATION BONDS

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

Changes in general obligation bonds of the primary government during fiscal year 2013 were:

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
General Obligation Debt:					
General Fund	\$ 347,090	\$ -	\$ 85,595	\$ 261,495	\$ 67,445
Special Revenue Fund	124,965	-	16,735	108,230	16,035
Total	<u>\$ 472,055</u>	<u>\$ -</u>	<u>\$ 102,330</u>	<u>\$ 369,725</u>	<u>\$ 83,480</u>

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2013 until maturity, are summarized in the following table:

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

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 83,480	\$ 14,704	\$ 98,184
2015	69,650	11,886	81,536
2016	54,340	9,411	63,751
2017	49,105	7,102	56,207
2018	42,995	4,879	47,874
2019 - 2022	70,155	5,731	75,886
Total	<u>\$ 369,725</u>	<u>\$ 53,713</u>	<u>\$ 423,438</u>

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2013 are as follows:

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

			<u>Fiscal Year</u> <u>Maturities</u>		
	<u>Amounts</u> <u>Issued</u>	<u>Outstanding</u> <u>June 30, 2013</u>	<u>First</u> <u>Year</u>	<u>Last</u> <u>Year</u>	<u>Interest</u> <u>Rates</u>
General Fund:					
Series 2004	\$ 117,275	6,520	2005	2014	2.00% - 5.27%
Series 2005	137,525	30,620	2006	2015	2.00% - 5.27%
Series 2006	52,390	15,705	2007	2016	4.00% - 5.51%
Series 2007	33,975	13,580	2008	2017	4.00% - 5.50%
Series 2008	46,525	23,250	2009	2018	3.00% - 5.13%
Series 2009	96,035	52,240	2011	2019	2.50% - 5.00%
Series 2010	31,755	17,360	2011	2020	1.41% - 4.00%
Series 2011	86,010	59,585	2012	2021	1.625% - 5.00%
Series 2012	49,265	42,635	2013	2022	1.00% - 5.00%
Total General Fund		<u>\$ 261,495</u>			
Special Revenue Fund:					
Series 2004	\$ 13,000	\$ 725	2005	2014	2.00% - 4.00%
Series 2007	27,000	10,800	2008	2017	4.00% - 5.50%
Series 2008	57,550	28,775	2009	2018	3.00% - 5.13%
Series 2009	37,310	27,760	2011	2019	2.50% - 5.00%
Series 2010	25,080	22,475	2011	2020	1.41% - 4.00%
Series 2011	22,125	17,695	2012	2021	1.625% - 5.00%
Total Special Revenue		<u>\$ 108,230</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, 2013, general obligations bonds authorized and unissued totaled \$104.6 million.

REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY

The State included \$199.9 million in other financing arrangements to reflect revenue bonds issued by the Maine Governmental Facilities Authority (MGFA), a blended component unit. Payment of the bonds is subject to, and dependent upon, biennial appropriations being made by the State Legislature. Debt issued by MGFA is not debt of the State or any political subdivision within the State. The State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. MGFA may not issue securities in excess of \$325.5 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2013, MGFA issued Series 2013A Bonds, which totaled \$30.3 million at an interest rate between 2.00 percent and 5.00 percent. At June 30, 2013, there were no MGFA in-substance defeased bonds outstanding.

CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS

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

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

SHORT-TERM OBLIGATIONS

The State of Maine did not issue or retire Bond Anticipation Notes during fiscal year 2013. Short-term obligations are used to meet temporary operating cash flow needs. At June 30, 2013 there were no outstanding Tax Anticipation Notes or Bond Anticipation Notes.

OTHER LONG-TERM OBLIGATIONS

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

Changes in other long-term obligations for governmental and business-type activities for the fiscal year ended June 30, 2013, are summarized as follows:

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities:					
MGFA Revenue Bonds	\$ 187,865	\$ 30,290	\$ 18,245	\$ 199,910	\$ 18,290
COP's and Other Financing	52,097	26,750	30,909	47,938	14,987
Compensated Absences	42,054	4,088	4,430	41,712	5,969
Claims Payable	64,323	188,317	182,176	70,464	29,826
Capital Leases	29,778	18,237	9,040	38,975	5,944
Loans Payable to Component Unit	328,131	-	24,086	304,045	24,884
Net Pension Obligation	2,010	264,360	264,381	1,989	-
Other Post-Employment Benefit Obligation	266,705	122,621	91,265	298,061	-
Pollution Remediation and Landfill	28,880	5,500	2,248	32,132	-
Total Governmental Activities	<u>\$ 1,001,843</u>	<u>\$ 660,163</u>	<u>\$ 626,780</u>	<u>\$ 1,035,226</u>	<u>\$ 99,900</u>
Business-Type Activities:					
Compensated Absences	\$ 1,589		\$ 209	\$ 1,380	\$ 166
Other Post-Employment Benefit Obligation	3,137	2,942	2,312	3,767	-
Total Business-Type Activities	<u>\$ 4,726</u>	<u>\$ 2,942</u>	<u>\$ 2,521</u>	<u>\$ 5,147</u>	<u>\$ 166</u>

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2013 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>
2014	\$ 2,601	\$ 81	\$ 2,682	\$ 30,676	\$ 8,695	\$ 39,371
2015	2,033	47	2,080	28,361	7,915	36,276
2016	1,359	28	1,387	26,384	6,951	33,335
2017	860	16	876	23,919	6,023	29,942
2018	870	7	877	19,312	5,168	24,480
2019 - 2023	-	-	-	57,187	16,417	73,604
2024 - 2028	-	-	-	30,790	8,427	39,217
2029 - 2033	-	-	-	21,300	2,395	23,695
2034 - 2038	-	-	-	2,196	43	2,239
Total	<u>\$ 7,723</u>	<u>\$ 179</u>	<u>\$ 7,902</u>	<u>\$ 240,125</u>	<u>\$ 62,034</u>	<u>\$ 302,159</u>

LOANS PAYABLE TO COMPONENT UNIT

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

Changes in GARVEE and TransCap revenue bonds during fiscal year 2013 were:

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

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Due Within</u> <u>One Year</u>
Loans Payable to Components Unit:					
Federal Funds	\$ 108,251	\$ -	\$ 12,292	\$ 95,959	\$ 12,712
Special Revenue Fund	219,880	-	11,794	208,086	12,172
Total	<u>\$ 328,131</u>	<u>\$ -</u>	<u>\$ 24,086</u>	<u>\$ 304,045</u>	<u>\$ 24,884</u>

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

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

GARVEE and TransCap Revenue bonds issued and outstanding at June 30, 2013 are as follows:

GARVEE and TransCap Revenue Bonds Outstanding
(Expressed in Thousands)

	<u>Amounts Issued</u>	<u>Outstanding June 30, 2013</u>	<u>Fiscal Year Maturities</u>		<u>Interest Rates</u>
			<u>First Year</u>	<u>Last Year</u>	
Federal Funds:					
Series 2004	\$ 48,395	\$ 15,290	2005	2015	2.50% - 5.00%
Series 2008	50,000	35,605	2009	2020	3.25% - 4.00%
Series 2010A	25,915	19,845	2011	2017	2.00% - 5.00%
Series 2010B	24,085	24,085	2018	2022	4.52% - 5.32%
Total Federal Funds		<u>\$ 94,825</u>			
Special Revenue Fund:					
Series 2008	\$ 50,000	\$ 40,055	2009	2023	3.00% - 5.50%
Series 2009A	105,000	87,290	2010	2023	2.50% - 5.00%
Series 2009B	30,000	27,500	2010	2024	2.00% - 5.00%
Series 2011A	55,000	54,080	2012	2026	2.00% - 5.00%
Total Special Revenue		<u>\$ 208,925</u>			

Total principal and interest requirements over the life of the 2004 GARVEE bonds are \$60.2 million, with annual requirements of up to \$5.6 million; for the 2008 GARVEE bonds total principal and interest requirements are \$63.1 million, with annual requirements of up to \$5.3 million; for 2010 GARVEE bonds total principal and interest requirements are \$66.3 million, with annual requirements of up to \$5.3 million. Federal transportation funds received by the State for the federal fiscal year preceding the issuance of the 2004 GARVEE bonds totaled \$175 million. Total federal highway transportation funds received in federal fiscal year 2013 were \$223 million. Current year payments to MMBB for GARVEE bonds were \$15.9 million (7.2 percent of federal highway transportation funds received).

Total principal and interest requirements over the life of the 2008 TransCap Revenue Bond are \$71.9 million, with annual requirements up to \$4.8 million. Total principal and interest requirements over the life of the 2009A TransCap Revenue Bonds are \$144.3 million, with annual requirements up to \$10.1 million; for the 2009B TransCap Revenue Bonds total principal and interest requirements are \$46.2 million, with annual requirements up to \$16.9 million. Total principal and interest requirements over the life of the 2011A TransCap Revenue Bond are \$84.2 million, with annual requirements up to \$20.3 million. Total revenue received for revenue sources used as pledged revenues were \$40.0 million in fiscal year 2013.

OBLIGATIONS UNDER CAPITAL LEASES

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

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

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

accounting treatment for installment purchase agreements is similar, such agreements are reported with capital leases.

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

At June 30, 2013 capital assets include capitalized buildings of \$74.2 million in Governmental Activities, net of related accumulated depreciation of \$39.5 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 \$2.9 million during the year.

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

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

Fiscal Year	Capital Leases	Operating Leases
2014	\$ 5,944	\$ 3,138
2015	5,318	2,726
2016	4,810	2,269
2017	4,449	1,765
2018	4,363	1,487
2019 - 2023	13,341	4,054
2024 - 2028	4,629	818
2029 - 2033	2,299	754
2034 - 2038	-	752
2039 - 2043	-	837
2044 - 2048	-	916
2049 - 2053	-	712
Total Minimum Payments	45,153	\$ 20,228
Less: Amount Representing Interest	6,178	
Present Value of Future Minimum Payments	\$ 38,975	

MGFA REVENUE BONDS, COP'S AND OTHER FINANCING ARRANGEMENTS

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

CLAIMS PAYABLE

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

COMPENSATED ABSENCES

In the government-wide statements and proprietary fund financial statements, compensated absences are reported as long-term liabilities as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments made to terminated employees as of June 30, 2013 but paid after the fiscal year end is also reported in the funds.

COMPONENT UNITS

Bonds payable of the discretely presented component units are legal obligations of the component units and are not general obligations of the State. The following table summarizes bonds outstanding for selected material balances of discretely presented component units, as reported in their separately issued financial statements, utilizing their respective fiscal year-ends:

Component Unit Bonds Outstanding

(Expressed in Thousands)

<u>Component Unit</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Maturity Dates</u>
Finance Authority of Maine	1.00%	1,457	2013 – 2025
Maine Community College System	3.0 - 5.0%	23,945	2013 - 2037
Maine Health and Higher Educational Facilities Authority	1.25 - 6.2%	1,195,220	2013 - 2040
Maine Municipal Bond Bank	.5 - 6.1%	1,482,764	2013 - 2043
Maine State Housing Authority	0.85 - 5.45%	1,333,150	2013 – 2042
Maine Turnpike Authority	2.0 - 6.0%	466,864	2013 – 2042
University of Maine System	2.0 - 5.75%	177,910	2013 – 2037

At June 30, 2013, MHHEFA had approximately \$6.9 million of in-substance defeased bonds remaining outstanding with respect to advance refunded conduit debt of bond issues of the general resolution.

In periods of declining interest rates, MHHEFA has refunded its bond obligations, reducing aggregate debt service. The proceeds of the refunding bonds were principally used to purchase U.S. Government securities that will provide for future payment on the debt. On May 23, 2013, MHHEFA issued \$64.0 million of reserve resolution bonds with an average interest rate of 4.44 percent to in-substance defease \$73.0 million of various outstanding bonds. The net proceeds of \$74.4 million were used to purchase U.S. Government securities that will provide for future payment on the debt. The economic benefits associated with the refunding inure to the respective institutions. At June 30, 2013 there were approximately \$163.9 million of in-substance defeased bonds remaining outstanding with respect to all advance-refunding issues within the reserve fund resolution.

On May 23, 2013, UMS issued \$65.3 million in revenue bonds to currently refund \$10.8 million in revenue bonds and to advance refund \$61.3 million in revenue bonds. UMS completed the refunding to reduce its total debt service payments over the following 22 years by \$10.5 million and to obtain economic gain (difference between the present values of the old and new debt service payments) of \$7.5 million. The principal amount of debt

refunded through in-substance defeasance was \$72.0 million. The amount still outstanding at June 30, 2013 was \$61.3 million. Refunding proceeds of \$77.0 million were placed in an escrow account to pay the interest due on the refunded bonds and to retire the bonds on their respective maturity dates which range from fiscal year 2013 through fiscal year 2015. The escrow is invested to yield enough earnings to pay required future payments, which are \$66.3 million as of June 30, 2013. The refunding resulted in a deferred amount of refunding of \$4.8 million which represents the difference between the reacquisition price and the carrying value of the refunded bonds.

In periods of declining interest rates, MMBB has refunded its bond obligations, reducing aggregate debt service. Where allowed, the bank retires outstanding bonds prior to their contractual maturity. In other cases, the proceeds of the refunding bonds were principally used to purchase U.S. Government securities that will provide for future payment on the debt. During the current year, MMBB issued \$42.0 million of General Tax-Exempt Series 2012 FG Bonds consisting of \$30.2 million in tax-exempt and \$11.8 million in taxable bonds with an average interest rate of 4.65 percent and 1.57 percent; respectively, to in-substance defease \$42.7 million of various outstanding bonds with an average interest rate of 5.01 percent. Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of approximately \$5.6 million, MMBB in effect reduced its aggregate debt service payments by approximately \$4.6 million over the next 21 years and obtained an economic gain of approximately \$4.0 million. Future debt service requirements were reduced \$2.4 million. At June 30, 2013 the remaining balances of the General Tax-Exempt Fund Group and Clean Water Revolving Loan Fund in-substance defeased bonds total approximately \$161.6 million and \$16.2 million, respectively.

For the period ended December 31, 2012, MSHA redeemed prior to maturity \$267.1 million of its Mortgage Purchase Fund Group bonds and \$1.5 million of its Housing Finance Revenue Fund Group bonds from surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund losses of \$1.1 million and Housing Finance Revenue Fund Group losses of \$24 thousand were attributable to recognition of the bond discount and debt issuance expenses associated with the redeemed bonds.

For the year ended December 31, 2012, MTA issued \$84.2 million of Series 2012B Revenue Refunding Bonds. The proceeds from the bonds were used to in-substance defease \$87.1 million of Series 2003 and Series 2004 bonds outstanding. The reacquisition price exceeded the carrying amount of the old debt by \$6.4 million. This amount is being netted against the new debt and amortized over the life of the old debt. The transaction resulted in a reduction in future debt service payments of \$10.7 million and an economic gain of \$8.8 million.

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

Component Units Principal Maturities
(Expressed in Thousands)

<u>Fiscal Year Ending</u>	<u>FAME</u>	<u>MMBB</u>	<u>MCCS</u>	<u>MSHA</u>	<u>MTA</u>	<u>UMS</u>	<u>MHHEFA</u>
2014	\$ 807	\$ 125,029	\$ 622	\$ 14,255	\$ 15,560	\$ 10,662	\$ 52,945
2015	57	121,985	649	36,220	17,820	12,164	58,050
2016	58	115,317	671	46,205	18,655	8,352	53,335
2017	58	109,094	698	44,985	19,445	8,674	53,920
2018	59	105,559	729	49,830	20,365	9,118	54,050
2019 - 2023	303	452,430	4,121	279,455	83,890	42,186	279,200
2024 - 2028	115	306,576	5,198	291,930	97,980	35,750	256,275
2029 - 2033	-	105,955	6,265	259,685	92,505	35,175	216,375
2034 - 2038	-	8,740	4,352	233,025	49,450	8,495	145,380
2039 - 2043	-	2,465	-	88,180	23,025	-	25,690
2044 - 2048	-	75	-	-	-	-	-
Net unamortized premium or (deferred amount)	-	29,539	640	(10,620)	28,169	7,334	-
Total Principal Payments	<u>\$ 1,457</u>	<u>\$ 1,482,764</u>	<u>\$ 23,945</u>	<u>\$1,333,150</u>	<u>\$ 466,864</u>	<u>\$ 177,910</u>	<u>\$1,195,220</u>

NOTE 12 - SELF-INSURANCE**A. RISK MANAGEMENT**

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

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

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

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

<u>Type of Insurance</u>	<u>Coverage Per Occurrence</u>	<u>Risk Retention Per Occurrence</u>	<u>Excess Insurance Per Occurrence</u>
Property *	\$400 million	\$ 2 million	\$400 million
Ocean Marine Boat Liability * ¹	10 million	10 thousand	10 million
Boiler and Machinery*	150 million	2 million	150 million
General Liability Including			
Employment Practices	400 thousand	400 thousand	none
Police Professionals	400 thousand	400 thousand	none
Vehicular Liability ²	400 thousand	400 thousand	600 thousand
Bonding	500 thousand	500 thousand	none
Foster Parents	300 thousand	300 thousand	none
Inland Marine (various policies)	500 thousand	500 thousand	none
Aircraft Liability* ³	3 million	none	3 million

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

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

² Excess insurance is only for out of state travel.

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

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

All risk-financing liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities represent the estimated cost of claims as of March 31, 2012. This

cost of claims includes case reserves, the development of known claims, and the direct administrative expenses for settling specific claims.

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

At March 31, 2013 and 2012, the present value of the claims payable for the State's self-insurance plan was estimated at \$4.0 million and \$3.8 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>2013</u>	<u>2012</u>
Liability at Beginning of Year	\$ 3,770	\$ 3,872
Current Year Claims and		
Changes in Estimates	686	1,253
Claims Payments	424	1,355
Liability at End of Year	<u>\$ 4,032</u>	<u>\$ 3,770</u>

As of June 30, 2013, fund assets of \$26.2 million exceeded fund liabilities of \$4.5 million by \$21.7 million. The portion of this amount that may be reserved for catastrophic losses has not been determined.

B. UNEMPLOYMENT INSURANCE

The State is self-insured for unemployment compensation. As a direct reimbursement employer, the State recognizes all costs for unemployment compensation as claims are paid. These costs totaled \$1.5 million for the fiscal year ended June 30, 2013.

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, 2013:

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

	<u>2013</u>	<u>2012</u>
Liability at Beginning of Year	\$ 42,113	\$ 39,282
Current Year Claims and		
Changes in Estimates	11,069	11,468
Claims Payments	9,335	8,637
Liability at End of Year	<u>\$ 43,847</u>	<u>\$ 42,113</u>

Based on the actuarial calculation as of June 30, 2013, the State is liable for unfunded claims, and incurred but not reported claims, of approximately \$52.8 million. The discounted amount is \$43.8 million and was calculated based on a 3.0 percent interest rate on investments.

D. EMPLOYEE HEALTH INSURANCE

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

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

There are two primary health plans available. POS II is a point-of-service plan available to all active employees and retirees not eligible for Medicare. Smart Value is a Medicare Advantage plan available to Medicare eligible retirees. Total enrollment averaged approximately 37,901 covered individuals. This total includes 30,162 active employees and dependents and 7,739 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, 2013 the State recorded a receivable of \$10.1 million for an overpayment of health care premiums.

Expenses and liabilities for incurred but not reported claims, based on an actuarial analysis of claim lag pattern, have been recorded as liabilities in the amount of \$22.6 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2013 follows (in thousands):

	<u>Employee Health Fund</u>	<u>Retiree Health Fund</u>
Liability at Beginning of Year	\$ 13,830	\$ 4,610
Current Year Claims and		
Changes in Estimates	148,521	28,041
Claims Payments	145,412	27,005
Liability at End of Year	<u>\$ 16,939</u>	<u>\$ 5,646</u>

The table above reflects actual activity of the employee health and retiree health insurance programs. In accordance with GASB Statement No. 45, certain costs reported above were reclassified for financial statement purposes. Retiree healthcare costs of \$45.5 million were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, \$14.0 million of active employee healthcare costs was reclassified from the internal service fund to the OPEB Trust Fund to reflect age-adjusted claims.

NOTE 13 – JOINT VENTURES

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

Tri-State Lotto Commission

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

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

A prize award liability is established when the winning ticket number is selected. If no winning ticket is selected, the available jackpot is carried over to the following drawing. The Tri-State Lotto Compact requires that prizes not claimed within one year from the date of the drawing be forfeited. All expired unclaimed prizes are credited to future prize pools. The Commission funds its jackpots through annuity contracts purchased from insurance companies and U.S. Government Treasury Strips.

A proportional share of revenues and expenses are allocated to each State based on ticket sales made by each State. Exceptions are the facility's management fee, which is based on a contracted percentage of operating revenue that varies from State to State, per diem charges, advertising, and certain printing, travel, and miscellaneous costs, which are allocated based on actual charges generated by each state.

The Tri-State Lotto Commission financial report for fiscal year 2013, 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	\$ 16,116
Noncurrent Assets	<u>37,218</u>
Total Assets	<u><u>\$ 53,334</u></u>
Current Liabilities	\$ 13,077
Long-term Liabilities	<u>29,104</u>
Total Liabilities	<u><u>42,181</u></u>
Designated Prize Reserves	4,346
Reserve for Unrealized Gains	<u>6,807</u>
Total Net Position	<u><u>11,153</u></u>
Total Liabilities and Net Position	<u><u>\$ 53,334</u></u>
Total Revenue	\$ 54,286
Total Expenses	37,126
Allocation to Member States	17,160
Change in Unrealized Gain on Investments Held for Resale	<u>(2,459)</u>
Change in Net Position	<u><u>\$ (2,459)</u></u>

Multi-State Lottery Association

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

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

The Multi-State Lottery Association's financial report for fiscal year 2013 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	\$ 216,478
Investments in US Government Securities	78,698
US Government Securities Held for Prize Annuities	210,014
Due from Party Lotteries	35,880
Patent, net of accumulated amortization	11,916
Other Assets	1,041
Total Assets	<u>\$ 554,027</u>
Amount Held for Future Prizes	\$ 317,376
Grand Prize Annuities Payable	219,135
Other Liabilities	5,492
	<u>542,003</u>
Net Assets, Unrestricted	12,024
Total Liabilities and Net Assets	<u>\$ 554,027</u>
Total Revenue	\$ 17,258
Total Expenses	5,389
Excess of revenue over expenses	11,869
Net assets, beginning	155
Net assets, ending	<u>\$ 12,024</u>

NOTE 14 - RELATED PARTY TRANSACTIONS

PRIMARY GOVERNMENT

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

COMPONENT UNITS

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, \$221.6 million; Maine Community College System, \$60.8 million; Maine Municipal Bond Bank, \$40.4 million; Finance Authority of Maine, \$11.0 million; and Maine State Housing Authority, \$10.0 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total \$34.9 million at June 30, 2013, as a liability in Amounts Held Under State Revolving Loan Programs in their fiduciary financial statements. The state reports the asset as a receivable in the Special Revenue Fund. During fiscal year 2013, the State expended \$3.0 million to FAME for State revolving loan funds. The State also transferred \$1 million from its Loan Insurance Reserves to FAME. In fiscal 2012, State statute required FAME to return \$5 million of the Loan Insurance Reserves. As of June 30, 2013, no balance was owed to the State.

Title 20-A MRSA Chapter 419-A established the Maine State Grant Program as a fund under the jurisdiction of the Finance Authority of Maine. All grant revenues under this fund must be distributed by FAME to students who meet the eligibility requirements for a grant under this chapter. During fiscal year 2007, the NextGen College Savings grant funds and the Maine State Grant funds were pooled into the new State of Maine Grant. FAME paid approximately \$7.3 million in grants to the University of Maine System (UMS) on behalf of eligible students. The UMS reflected these as grant revenues from the State.

The Maine Turnpike Authority (MTA) pays the State for services rendered by the Maine State Police (MSP). MSP has a separate troop responsible for patrolling the Maine Turnpike. MTA pays all costs associated with that troop. For fiscal 2013, the amount billed totaled \$5.2 million.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

PRIMARY GOVERNMENT

LITIGATION

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

Aldrich v. LePage. This matter involves the provision of home- and community-based services to persons with intellectual disabilities and/or autism. The case is before the Superior Court of Maine. It could potentially result in relief costing more than \$1 million. Probability of losing is moderate.

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

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

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

ENCUMBRANCES

Encumbrances are reported in the restricted, committed, and assigned fund balances of the governmental funds. General fund, highway fund, federal fund, other special revenue fund and other governmental funds balances are \$23.3 million, \$2.8 million, \$103.0 million, \$22.0 million and \$.6 million, respectively.

FEDERAL GRANTS

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

POLLUTION REMEDIATION

The Department of Environmental Protection (DEP) and Department of Transportation (DOT) have pollution remediation obligations as defined by Governmental Accounting Standards Board (GASB) Statement No. 49. The State's total amount of pollution remediation obligation as of June 30, 2013 is \$24.7 million. Superfund sites account for approximately \$13.5 million. Superfund is the federal government program to clean up hazardous waste sites.

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

Eastland Woolen Mill – The State recorded a liability for pollution remediation activities of approximately \$1.5 million. Currently the State shares the costs with Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in September of 2018, the State will assume 100 percent of the operation and maintenance and long-term monitoring costs.

Eastern Surplus – The State recorded a liability for pollution remediation activities of approximately \$5.1 million. Beginning in August of 2012, the State assumed 100 percent of the operation and maintenance and monitoring costs. As of June 30, 2013 the State has received \$2.2 million in recoveries from the Department of Defense. The State expects to recover additional costs of \$4.9 million.

Callahan Mine – The State recorded a liability for pollution remediation activities of approximately \$6.9 million. Currently the State shares the costs with EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA. The State will assume 100 percent of the cost for the operation and maintenance of the site.

The State recorded a liability for pollution remediation activities of approximately \$11.9 million (net of unrealized recoveries of \$660 thousand) related five uncontrolled hazardous substance sites. The State expects to recover \$4 million in costs. The Uncontrolled Hazardous Substance Sites Program was created in response to the threats and potential threats to human health and the environment posed primarily by abandoned hazardous waste sites. The Uncontrolled Hazardous Substance Sites program is the State's equivalent to the Federal Superfund Program.

The State has the knowledge and expertise to estimate the remediation obligation based on prior experience in identifying and funding similar remediation activities. The standard requires the liability to be measured using the expected cash flow technique. The remediation obligation estimates are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes to statutes or regulations and other factors that could result in revisions to these estimates. Prospective recoveries from responsible parties may reduce the State's obligation.

MUNICIPAL SOLID WASTE LANDFILLS

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

The State will recognize a portion of the estimated total current cost of closure and postclosure care as an expense and a liability on the Statement of Activities and Statement of Net Position, respectively, in each period that the landfill accepts solid waste. The \$7.4 million reported as landfill closure and postclosure care liability at June 30, 2013, represents the cumulative amount reported to date based on the use of 94 percent of the estimated capacity of the landfill. The State will recognize the remaining estimated cost of closure and postclosure care of \$465 thousand as the remaining estimated capacity is filled. Based on estimated annual disposal volumes of 500 cubic yard to 1,000 cubic yards per year, the estimated remaining landfill life would be 400 to 800 years. Actual costs may be higher due to inflation, changes in technology or changes in applicable laws or regulations.

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

The State's obligation to provide cost sharing to municipalities is subject to the availability of funds approved for that purpose. During fiscal year 2013, there was no Solid Waste funding available to reimburse municipalities for closure or remediation activities until the final quarter. At that time, a new fee on disposal of Construction and Demolition Debris earmarked for landfill closure and remediation came into effect (38 MRS §2203-A), resulting in receipt of \$83 thousand for reimbursement of the obligations discussed below. The fee doubles effective January 1, 2014, when it will generate roughly \$770 thousand per year.

Regarding landfill closures, at the end of fiscal year 2012 DEP had met all its existing obligations and no expenditures were made by DEP in fiscal year 2013. However, recent changes (PL 2011, c.544) to landfill legislation at 38 MRSA § 1310-F(1-B)(E) now obligates the DEP to reimburse 75 percent of landfill closure expenses at several municipal landfills until fiscal year 2015. One (1) application for past closure costs was filed in fiscal year 2013 for a total outstanding State obligation of \$1 million; several more closure reimbursement filings are anticipated in fiscal year 2014.

For landfill remediation, State expenditures totaled \$18 thousand in fiscal year 2013. Under the law the State is obligated to pay for 90 percent of the cost of remediation for threats posed by municipal landfills 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. As of the end of fiscal year 2013, the DEP owed \$2.6 million for remedial work completed between calendar year 2008 and 2011. In light of ongoing investigations and the increasing frequency of residential development near closed municipal landfills, the State's obligation for landfill remediation is expected to grow.

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 \$9 million. This consists of approximately \$5 million for State-owned facilities and approximately \$4 million for the State's share, under a cost sharing arrangement, for municipal facilities.

POLLUTION ABATEMENT PROGRAM

Title 38 MRSA § 411, § 411-A, § 412 establishes within DEP cost-sharing programs for pollution abatement projects. Subject to funding by the Legislature and the approval of the Commissioner, the State may contribute to the planning of municipal pollution abatement facilities; the design, engineering and construction of private,

commercial and municipal pollution abatement facilities; and make payments to the Maine Municipal Bond Bank to supply the State's share of the revolving loan fund established by Title 30-A §6006-A. During the 2013 fiscal year, \$1.1 million of general obligation bond funds were expended for pollution abatement projects. As of June 30, 2013, amounts encumbered for pollution abatement projects totaled \$0.65 million; and general obligation bonds authorized for these projects, but not yet encumbered or expended, totaled \$1.58 million. As of June 30, 2013, DEP estimated the total cost (federal, State, and local) of future projects to be \$1 billion.

GROUND WATER OIL CLEAN-UP FUND

The Ground Water Oil Clean-up Fund is established in Title 38 MRSA § 569-A. Fund activities include, but are not limited to, providing insurance to public and private entities for cleanup of oil spills. The program is funded by a per barrel assessment on petroleum products imported into the State. Coverage is up to \$1 million per occurrence for both aboveground and underground storage tanks. Third party injury coverage may not exceed \$200 thousand per claimant.

A report to the legislature dated February 15, 2007, submitted by the Maine Department of Environmental Protection (DEP), identified 359 long-term remediation sites as of January 2007 that are covered by the insurance program. As of August 28, 2007 there were 377 sites on the long-term remediation priority list. Since it is not possible for the DEP to estimate the cost of remediation, the State has not accrued a liability in the financial statements.

CONSTRUCTION COMMITMENTS

A portion of the payment that is made to municipalities for General Purpose Aid to Local Schools is allocated for debt service. Although the outstanding indebtedness for school construction projects is debt of the municipalities, the State subsidizes 47.29 percent of the annual payments. As of June 30, 2013, outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled \$1.0 billion.

At June 30, 2013, the Department of Transportation had contractual commitments of approximately \$157.4 million for construction of various highway projects. The State's share of that amount is expected to be approximately \$24.7 million. Of these amounts, \$4.7 million has already been accrued. Federal and State funds plus bond proceeds are expected to fund these future expenditures.

TOBACCO SETTLEMENTS

On November 23, 1998, Maine along with 45 other states and six civil jurisdictions (collectively known under the MSA as the "Settling States"), entered into a Master Settlement Agreement (MSA) with certain Participating Tobacco Manufacturers (PM's). The MSA is a settlement of lawsuits brought by many States against the four largest tobacco companies alleging multiple counts of misconduct and claiming punitive and compensatory damages, including a claim for all the State's Medicaid costs caused by or related to tobacco use. The MSA includes provisions to annually compensate the State for smoking-related Medicaid costs and to impose marketing and advertising restrictions on PM's to protect public health. In this settlement, the PM's agreed, among other things, to make annual payments to the states and jurisdictions based on their allocable share of the market. In return, the states agreed to relinquish claims to further damages resulting from, among other things, Medicaid costs. Annual payments fluctuate subject to various adjustments and are partially contingent on the passage and enforcement of a State statute imposing economic conditions related to the State's public health claims on the Nonparticipating manufacturers (NPM's) in the form of an annual escrow payment due from each NPM with in-state sales. The NPM Adjustment is set forth in the Master Settlement Agreement (MSA). If the PM's claim an NPM Adjustment for a given year and prove that they lost market share to the NPM's and it is determined that the MSA was a significant factor contributing to that lost market share then an NPM Adjustment 'shall apply' unless a Settling State passed a qualifying statute and 'diligently enforced' that statute. In effect this means that the Allocated Payment to a Settling State that diligently enforced will not be reduced, but a Settling State that did not diligently enforce its qualifying statute will be subject to a reduction in its payment due to the NPM Adjustment. NPM Adjustment Due to the provisions of the MSA, a State that is found not to have diligently enforced its qualifying statute may lose up to its entire annual payment amount due to the NPM Adjustment for a given year.

The NPM Adjustment may be claimed each year and has been claimed for each completed calendar year since 2003. Frequently PM's claim entitlement to the NPM Adjustment and either withhold the amount from their annual payments, or place the amount in what is known as a 'disputed payment account'. Each year beginning in 2003 Maine's annual payments have been lower than calculated because many of the PMs have claimed entitlement to the NPM Adjustment and either withheld money or routed it to the disputed payments account. For the year 2003, the Adjustment claimed by the PM's, and calculated as set forth in the MSA, was approximately 18 percent of the total amount paid by the PM's and distributed among the Settling States. However, the total amount related to the NPM Adjustment to which the PMs are entitled is dependent on the number of non-diligent states.

In addition, in the MSA, the PM's agreed to pay \$8.6 billion in Strategic Contribution Payments (SCP) to certain states and jurisdictions as compensation for their contribution to the overall settlement. Maine's share of this total amount is approximately \$114 million. Maine will receive this amount through ten annual SCP payments starting in 2008. In April 2013, Maine received a total of \$51 million including both the annual payment amount and the strategic contribution amount.

ESCHEAT PROPERTY

The State Abandoned Property Statute requires the deposit of certain defined and unclaimed assets into a state-managed Abandoned Property Fund (Private Purpose Trust Fund). The State Statute provides that whenever the cash balance of the fund exceeds \$500 thousand at fiscal year-end, the excess must be remitted to the General Fund where it is reported as operating transfers from other funds. At June 30, 2013, the Fund included \$5.5 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2013 of approximately \$192.1 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, 2013, the amount reported in the Fund for claimant liability is \$26.6 million. The General Fund shows a \$20.5 million payable to the Escheat Fund.

CONSTITUTIONAL OBLIGATIONS

Article 9, § 14-A, C, and D of the Maine State Constitution provides that the State may insure the payment of mortgage loans for industrial, manufacturing, fishing, agricultural and recreational enterprises; mortgage loans for the acquisition, construction, repair and remodeling of houses owned or to be owned by members of two tribes on several Indian reservations; and mortgage loans to resident Maine veterans of the Armed Forces of the United States, including loans to a business organization owned in whole or in part by resident Maine veterans. The aggregate of these obligations, at any one time, may not exceed \$90 million, \$1 million, and \$4 million, respectively. At June 30, 2013, loans outstanding pursuant to these authorizations are \$72.5 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, 2013.

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, 2013, 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, 2013.

MORAL OBLIGATIONS

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

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

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

The following summarizes information regarding outstanding moral obligations:

Moral Obligation Bonds
(Expressed in Thousands)

<u>Issuer</u>	<u>Bonds Outstanding</u>	<u>Required Debt Reserve</u>	<u>Obligation Debt Limit</u>	<u>Legal Citation</u>
Maine Health and Higher Educational				
Facilities Authority - debt	\$ 1,195,220	\$ 104,316	no limit	22 MRSA § 2075
Finance Authority of Maine	35,705	-	\$ 642,000	10 MRSA §1032, 1053
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
Loring Development Authority *	-	-	100,000	5 MRSA §13080-N
Maine Municipal Bond Bank	1,117,779	126,845	no limit	30-A MRSA §6006
Maine Educational Loan Authority *	149,935	15,118	225,000	20-A MRSA §11424
Maine State Housing Authority	1,296,880	86,862	2,150,000	30-A MRSA §4906
Total	<u>\$ 3,795,519</u>	<u>\$ 333,141</u>		

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

COMPONENT UNITS**CONSTRUCTION CONTRACTS**

At June 30, 2013, UMS had outstanding commitments on uncompleted construction contracts that totaled \$24.2 million.

At June 30, 2013, MCCS had \$5.7 million remaining in construction commitments primarily to improve existing academic buildings.

MORTGAGE COMMITMENTS

Mortgage commitments are agreements to lend provided there is no violation of any term or condition of the agreement. Generally, once exercised, the loans made under the terms of such commitments are secured by a lien on the related property and other collateral as deemed necessary. At December 31, 2012 Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately \$48.4 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2012, single-family loans being processed by lenders totaled \$9.4 million.

INSURED LOAN COMMITMENTS

The Finance Authority of Maine (FAME) insures loans made by financial institutions to qualifying businesses under various insurance programs. FAME is contingently liable for the insured portion of payments due on these loans. At June 30, 2013, FAME had insurance outstanding for commercial loans under the Loan Insurance Program totaling approximately \$96.3 million. At June 30, 2013, FAME was insuring loans with an aggregate outstanding principle balance approximating \$4.5 million which were 90 or more days delinquent. The aggregate insured balance of these loans was approximately \$2.1 million at June 30, 2013. In addition, FAME has entered into commitments to insure loans at some future date. At June 30, 2013, these commitments under the Loan Insurance Program were approximately \$7.6 million.

NOTE 16 - SUBSEQUENT EVENTS**PRIMARY GOVERNMENT**

On August 1, 2013, September 15, 2013 and October 30, 2013 the State entered into lease-purchase agreements with Apple Computer for \$71.6 million, \$891 thousand, and \$550 thousand respectively with interest rates of 0 percent and maturity dates of 2017, for the purchase of computer equipment for school administrative districts.

On September 5, 2013, the Maine Municipal Bond Bank, issued \$220.7 million of Liquor Operations Revenue Bonds on behalf of the State of Maine. The bonds mature from 2015 to 2024 and carry interest rates ranging from 1.068 percent to 4.352 percent. The proceeds from the bonds funded the State's share of MaineCare payments due to health care providers for services prior to December 1, 2012. The bonds will be repaid from future net liquor sales and operations received by the state. The bonds do not constitute a debt or obligation of the State.

On September 27, 2013 the State entered into lease-purchase agreements with Hewlett-Packard for \$1.7 million and \$67 thousand with interest rates of 3.111 percent and 3.114 percent, respectively, and maturity dates of 2017, for the purchase of computer equipment for school administrative districts.

COMPONENT UNITS

Through March 1, 2013, Maine State Housing Authority (MSHA) redeemed at par \$120.4 million of bonds in the General Mortgage Purchase Bond Resolution. On February 21, 2013, MSHA issued, at par \$88.0 million and at a premium \$27.0 million of bonds in the General Mortgage Purchase Bond Resolution.

After year-end several borrowers made payments to Maine Health and Higher Educational Facilities Authority in the amount of \$88.9 million to pay off the balance of their reserve fund bonds.

NOTE 17 – SPECIAL ITEMS

During the fiscal year, the State transferred \$4.7 million of assets associated with Mack Point Cargo Port Facility from the Marine Ports enterprise fund to the Maine Port Authority, part of the Town of Searsport, Maine. The transfer is recorded as a Special Item in the Proprietary Fund Statement of Revenues, Expenses and Changes in Net Position.

Pursuant to Public Law 2011, Chapter 649 Section E-2, the State Transit, Aviation and Rail (STAR) Enterprise Fund was converted to an Other Special Revenue Fund. Accordingly, the State transferred balances totaling \$92.4 million from the STAR Fund to the Other Special Revenue Fund. As part of the conversion, the State also transferred STAR assets with a net value of \$11.2 million to various non-state providers of public transit. These transfers are recorded as Special Items in the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position (\$103.6 million), the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances (\$7 million), and the Entity-wide Statement of Activities (\$103.6 million).

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information - Budgetary Reporting

STATE OF MAINE BUDGETARY COMPARISON SCHEDULE MAJOR GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	General Fund				Highway Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues								
Taxes	\$ 2,914,171	\$ 2,934,176	\$ 2,984,987	\$ 50,811	\$ 219,694	213,301	\$ 214,542	\$ 1,241
Assessments and Other	105,285	104,617	105,360	743	88,442	93,084	95,167	2,083
Federal Grants	1,915	1,594	1,726	132	-	-	-	-
Service Charges	64,692	45,681	44,346	(1,335)	4,372	4,210	4,181	(29)
Income from Investments	142	84	277	193	111	100	105	5
Miscellaneous Revenue	8,613	8,296	15,402	7,106	1,912	2,584	3,445	861
Total Revenues	<u>3,094,818</u>	<u>3,094,448</u>	<u>3,152,098</u>	<u>57,650</u>	<u>314,531</u>	<u>313,279</u>	<u>317,440</u>	<u>4,161</u>
Expenditures								
Governmental Support and Operations	285,958	281,801	266,830	14,971	36,683	38,168	33,720	4,448
Economic Development & Workforce Training	33,481	32,879	31,728	1,151	-	-	-	-
Education	1,397,224	1,359,539	1,341,083	18,456	-	-	-	-
Health and Human Services	921,119	1,110,554	1,079,612	30,942	-	-	-	-
Business Licensing & Regulation	(37)	3,648	578	3,070	-	-	-	-
Natural Resources Development & Protection	66,305	66,022	63,852	2,170	33	33	33	-
Justice and Protection	278,971	283,342	264,824	18,518	30,861	30,196	28,584	1,612
Arts, Heritage & Cultural Enrichment	7,106	7,130	6,932	198	-	-	-	-
Transportation Safety & Development	-	-	-	-	245,391	301,160	265,385	35,775
Total Expenditures	<u>2,990,127</u>	<u>3,144,915</u>	<u>3,055,439</u>	<u>89,476</u>	<u>312,968</u>	<u>369,557</u>	<u>327,722</u>	<u>41,835</u>
Revenues Over (Under) Expenditures	<u>104,691</u>	<u>(50,467)</u>	<u>96,659</u>	<u>147,126</u>	<u>1,563</u>	<u>(56,278)</u>	<u>(10,282)</u>	<u>45,996</u>
Other Financing Sources (Uses)								
Operating Transfers Net	(49,753)	(59,516)	(125,614)	(66,098)	2,127	2,127	7,955	5,828
Proceeds from Pledged Future Revenues	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	<u>(49,753)</u>	<u>(59,516)</u>	<u>(125,614)</u>	<u>(66,098)</u>	<u>2,127</u>	<u>2,127</u>	<u>7,955</u>	<u>5,828</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ 54,938</u>	<u>\$ (109,983)</u>	<u>\$ (28,955)</u>	<u>\$ 81,028</u>	<u>\$ 3,690</u>	<u>\$ (54,151)</u>	<u>\$ (2,327)</u>	<u>\$ 51,824</u>
Fund Balances at Beginning of Year			219,616				61,101	
Fund Balances at End of Year			<u>\$ 190,661</u>				<u>\$ 58,774</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
\$ -	\$ -	\$ -	\$ -	\$ 273,687	\$ 270,729	\$ 267,413	\$ (3,316)
4	4	-	(4)	171,633	179,900	152,980	(26,920)
2,672,310	3,285,285	2,619,838	(665,447)	17,969	21,472	6,641	(14,831)
435	435	405	(30)	149,551	223,185	184,563	(38,622)
-	-	13	13	1,493	1,503	328	(1,175)
39	795	105	(690)	283,763	252,523	198,696	(53,827)
<u>2,672,788</u>	<u>3,286,519</u>	<u>2,620,361</u>	<u>(666,158)</u>	<u>898,096</u>	<u>949,312</u>	<u>810,621</u>	<u>(138,691)</u>
6,770	14,437	8,154	6,283	166,193	176,557	170,723	5,834
115,035	213,132	173,552	39,580	43,424	44,951	34,855	10,096
262,214	290,128	201,686	88,442	18,948	21,435	14,283	7,152
1,945,189	2,299,111	1,837,633	461,478	517,001	579,405	473,593	105,812
1,292	1,302	248	1,054	72,677	74,346	63,469	10,877
51,406	77,349	50,390	26,959	126,641	141,164	87,272	53,892
127,139	130,111	48,460	81,651	37,741	47,342	37,708	9,634
3,236	3,253	2,366	887	1,782	1,773	909	864
186,312	259,619	229,843	29,776	37,604	123,464	87,247	36,217
<u>2,698,593</u>	<u>3,288,442</u>	<u>2,552,332</u>	<u>736,110</u>	<u>1,022,011</u>	<u>1,210,437</u>	<u>970,059</u>	<u>240,378</u>
(25,805)	(1,923)	68,029	69,952	(123,915)	(261,125)	(159,438)	101,687
(49,971)	(53,335)	(59,257)	(5,922)	120,448	141,299	194,237	52,938
				19,737	97,737	68,905	(28,832)
(49,971)	(53,335)	(59,257)	(5,922)	140,185	239,036	263,142	24,106
<u>\$ (75,776)</u>	<u>\$ (55,258)</u>	<u>\$ 8,772</u>	<u>\$ 64,030</u>	<u>\$ 16,270</u>	<u>\$ (22,089)</u>	<u>\$ 103,704</u>	<u>\$ 125,793</u>
		6,402				151,638	
		<u>\$ 15,174</u>				<u>\$ 255,342</u>	



Required Supplementary Information - Budgetary Reporting

STATE OF MAINE BUDGETARY COMPARISON SCHEDULE BUDGET TO GAAP RECONCILIATION

Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Federal Funds</u>	<u>Special Revenue Fund</u>
Fund Balances - Non-GAAP Budgetary Basis	\$ 190,661	\$ 58,774	\$ 15,174	\$ 255,342
Basis Differences				
Revenue Accruals/Adjustments:				
Taxes Receivable	221,811	2,245	-	10,093
Intergovernmental Receivables	-	-	552,035	-
Other Receivables	47,426	1,335	67,563	68,324
Inventories	1,610	-	758	-
Due from Component Units	-	-	-	46,060
Due from Other Funds	13,676	12,878	5,548	146,924
Other Assets	1,729	55	293	296
Deferred Revenues	(219,962)	(6,000)	(2,803)	(26,254)
Total Revenue Accruals/Adjustments	<u>66,290</u>	<u>10,513</u>	<u>623,394</u>	<u>245,443</u>
Expenditure Accruals/Adjustments:				
Accounts Payable	(147,964)	(24,783)	(516,119)	(208,261)
Due to Component Units	(3,301)	(3)	(4,169)	(167)
Accrued Liabilities	(15,298)	(6,758)	(6,418)	(8,491)
Taxes Payable	(182,950)	(6)	-	-
Intergovernmental Payables	(3,792)	-	(70,689)	-
Due to Other Funds	(48,021)	(3,413)	(16,422)	(36,643)
Total Expenditure Accruals/Adjustments	<u>(401,326)</u>	<u>(34,963)</u>	<u>(613,817)</u>	<u>(253,562)</u>
Fund Balances - GAAP Basis	<u>\$ (144,375)</u>	<u>\$ 34,324</u>	<u>\$ 24,751</u>	<u>\$ 247,223</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY REPORTING

Statutory/Budgetary Presentation

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

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

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

Detailed budgetary control is maintained at the program and line category level at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers. Except in specific instances, only the Legislature may transfer appropriations between departments. Increases in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget or separate pieces of legislation. For the year ended June 30, 2013, the legislature increased appropriations to the General Fund by \$75.0 million.

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

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

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

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

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

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

The budgetary comparison schedule presented for the General Fund, the Highway Fund, the Federal Fund, and the Other Special Revenue Fund presents the original and final appropriated budgets for fiscal year 2012-2013, as well as the actual resource inflows, outflows and fund balances stated on the budgetary basis.

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of June 20, 2011, and includes encumbrances carried forward from the prior year.

Generally accepted accounting principles (GAAP) require that the final legal budget be reflected in the “final budget” column. Therefore updated revenue estimates available for appropriations as of June 30, 2013 rather than the amounts shown in the original budget, are reported.

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

Compliance at the Legal Level of Budgetary Control

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

Required Supplementary Information – State Retirement Plan

Schedule of Funding Progress

(Expressed in Thousands)						
	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c
Actuarial Valuation June 30,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
2013	9,238,577	11,889,897	2,651,320	77.7%	1,671,668	158.6%
2012	8,939,788	11,605,891	2,666,103	77.0%	1,727,667	154.3%
2011	8,795,250	11,335,259	2,540,009	77.6%	1,652,576	153.7%
2010	8,369,772	12,676,367	4,306,595	66.0%	1,681,593	256.1%
2009	8,383,148	12,377,262	3,994,114	67.7%	1,678,931	237.9%
2008	8,691,076	11,721,272	3,030,196	74.1%	1,628,421	186.1%
2007	8,302,467	11,209,708	2,907,241	74.1%	1,595,200	182.2%
2006	7,556,515	10,598,346	3,041,831	71.3%	1,546,316	196.7%

Major changes in actuarial assumptions include the following:

Valuation date	June 30, 2012	June 30, 2011	June 30, 2010	June 30, 2008
Former actuarial assumptions:				
Retirement assumption	Lowered to reflect the closing of the retirement window for early retiree health coverage			
Version of actuarial cost method	New entrant		No changes	
Investment rate of return		7.25%	were made	7.75%
Projected salary increases		3.50%	to 2008	4.75% - 10.00%
Includes inflation at		3.50%	plan	4.50%
Cost of living adjustments		2.25%	assumptions	3.75%

The June 30, 2011 valuation included changes to the plan and actuarial assumptions. For members with fewer than 5 years of creditable service on July 1, 2011, the normal retirement age increased to 65. Projected salary increases include a 3.5 percent across the board increase at each year of service. The first 2 fiscal years assume a flat 1.5 percent pay increase across the board. The cap on annual cost of living adjustments was lowered from 4 percent per year to 3 percent per year on the first \$20,000 of annual benefit (indexed). No COLA will be made until September 2014.

The Maine Public Retirement System (the System), which is a component unit of the State, is the administrator of an agent, multiple-employer, defined benefit public employee retirement system. The June 30, 2013 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 2013 was determined by the 2010 valuation, and reflects the relengthened amortization period. The unfunded actuarial accrual liability of the judicial plan is amortized over a period of which 4 years remained at June 30, 2013.

Note: Unless plan changes occur, actuarial valuations are performed biennially on even years. Rollforward valuations occur on odd numbered years. The latest actuarial valuation occurred June 30, 2012.

Required Supplementary Information – Other Post-employment Benefit Plans

Schedules of Funding Progress

Healthcare Plans

Plan	Actuarial Valuation Date	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c
		Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
State Employees (in millions)	June 30, 2013	150	1,166	1,016	12.86%	518	196.14%
	June 30, 2012	136	1,316	1,180	10.33%	502	235.06%
	June 30, 2011	112	1,544	1,432	7.25%	567	252.56%
Teachers (in millions)	June 30, 2013	0	685	685	0.00%	1,194	57.37%
	June 30, 2012	0	665	665	0.00%	1,156	57.53%
	June 30, 2011	0	801	801	0.00%	1,098	72.95%
First Responders (in thousands)	June 30, 2012	0	23,442	23,442	0.00%	43,510	53.88%
	June 30, 2011	0	21,921	21,921	0.00%	42,242	51.89%
	June 30, 2010	0	19,158	19,158	0.00%	53,821	35.60%

Group Life Insurance Plans

Plan	Actuarial Valuation Date	(Expressed in Thousands)					UAAL (as a percentage of covered payroll)
		(a)	(b)	(b-a)	(a/b)	(c)	
		Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	
State Employees	June 30, 2013	27,000	83,800	56,800	32.22%	572,800	9.92%
	June 30, 2012	24,700	80,900	56,200	30.53%	553,500	10.15%
	June 30, 2011	24,400	78,700	54,300	31.00%	623,600	8.71%
Teachers	June 30, 2013	36,000	74,200	38,200	48.52%	652,800	5.85%
	June 30, 2012	30,100	71,000	40,900	42.39%	630,800	6.48%
	June 30, 2011	27,800	67,600	39,800	41.12%	659,100	6.04%

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

Schedule of Employer Contributions

(Expressed in Thousands)

	State Employees		Teachers		First Responders	
Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
Healthcare - 2013	\$94,000	77.66%	\$44,000	56.82%	\$1,689	34.16%
Healthcare - 2012	126,000	57.94%	55,000	40.00%	1,350	32.15%
Healthcare - 2011	120,000	70.84%	61,000	29.51%	916	57.10%
Group Life - 2013	4,591	101.79%	3,099	100.00%	N/A	N/A
Group Life - 2012	3,250	144.13%	2,959	100.00%	N/A	N/A
Group Life - 2011	4,268	89.20%	2,532	100.00%	N/A	N/A

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

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Assets accounted for under the modified approach include 8,822 highway miles or 17,953 lane miles of roads and 2,964 bridges having a total deck area of 11.8 million square feet that the State is responsible to maintain.

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

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

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

Highways

Measurement Scale for Highways

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

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

Bridges

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

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
2013	76.0	78.0
2012	75.4	79.0
2011	74.8	78.0

Comparison of Estimated-to-Actual Preservation Costs

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

Actual Preservation Costs (Expressed in millions)					
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Highways	\$ 90.5	\$ 91.5	\$ 101.4	\$ 68.6	\$ 74.5
Bridges	14.7	13.2	9.3	9.2	1.6
Total	<u>\$ 105.2</u>	<u>\$ 104.7</u>	<u>\$ 110.7</u>	<u>\$ 77.8</u>	<u>\$ 76.1</u>

Estimated Preservation Costs (Expressed in millions)					
	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Highways	\$ 84.1	\$ 155.0	\$ 86.1	\$ 48.5	\$ 55.8
Bridges	13.7	30.0	7.9	6.5	1.2
Total	<u>\$ 97.8</u>	<u>\$ 185.0</u>	<u>\$ 94.0</u>	<u>\$ 55.0</u>	<u>\$ 57.0</u>

Transportation Bonds

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 645, PL 2009, \$1.1 million in General fund bonds was spent during FY2013.



COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

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

June 30, 2013
(Expressed in Thousands)

				<u>Total</u>
	<u>Special</u>	<u>Capital</u>	<u>Permanent</u>	<u>Other</u>
	<u>Revenue</u>	<u>Projects</u>	<u>Funds</u>	<u>Governmental</u>
Assets				<u>Funds</u>
Equity in Treasurer's Cash Pool	\$ 126	\$ -	\$ -	\$ 126
Cash and Short-Term Investments	1,353	-	-	1,353
Investments	64,107	-	17,794	81,901
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	-	13,261	-	13,261
Other Receivable	10	-	-	10
Due from Other Funds	484	-	-	484
Due from Component Units	-	106	-	106
Other Assets	101	-	-	101
Total Assets	<u>\$ 66,181</u>	<u>\$ 13,367</u>	<u>\$ 17,794</u>	<u>\$ 97,342</u>
Liabilities and Fund Balances				
Accounts Payable	\$ 2,377	\$ 2,036	\$ -	\$ 4,413
Accrued Payroll	962	-	-	962
Due to Other Funds	-	17	-	17
Due to Component Units	-	8,331	-	8,331
Compensated Absences	430	-	-	430
Deferred Revenue	4	3	-	7
Other Accrued Liabilities	469	-	-	469
Total Liabilities	<u>4,242</u>	<u>10,387</u>	<u>-</u>	<u>14,629</u>
Fund Balances:				
Nonspendable Legal or Contractual	-	-	17,794	17,794
Nonspendable in Form	101	-	-	101
Restricted	64,308	2,980	-	67,288
Unassigned	(2,470)	-	-	(2,470)
Total Fund Balances	<u>61,939</u>	<u>2,980</u>	<u>17,794</u>	<u>82,713</u>
Total Liabilities and Fund Balances	<u>\$ 66,181</u>	<u>\$ 13,367</u>	<u>\$ 17,794</u>	<u>\$ 97,342</u>

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, 2013
(Expressed in Thousands)

	Special Revenue	Capital Projects	Permanent Funds	Total Other Governmental Funds
Revenues:				
Charges for Services	\$ 1,685	\$ -	\$ -	\$ 1,685
Investment Income (Loss)	7,301	-	2,164	9,465
Miscellaneous Revenue	-	64	-	64
Total Revenues	<u>8,986</u>	<u>64</u>	<u>2,164</u>	<u>11,214</u>
Expenditures:				
Governmental Support & Operations	98	-	-	98
Economic Development & Workforce Training	-	1,664	-	1,664
Education	29,998	5,671	-	35,669
Health and Human Services	-	1,961	-	1,961
Natural Resources Development & Protection	-	3,687	-	3,687
Justice and Protection	-	300	-	300
Arts, Heritage, and Cultural Enrichment	-	107	-	107
Transportation, Safety & Development	-	2,710	-	2,710
Debt Service:				
Principal Payments	19	-	-	19
Capital Outlay	<u>34</u>	<u>7,719</u>	<u>-</u>	<u>7,753</u>
Total Expenditures	<u>30,149</u>	<u>23,819</u>	<u>-</u>	<u>53,968</u>
Revenue over (under) Expenditures	<u>(21,163)</u>	<u>(23,755)</u>	<u>2,164</u>	<u>(42,754)</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	29,348	-	-	29,348
Transfers to Other Funds	(3,044)	-	(698)	(3,742)
Other	21	-	-	21
Net Other Finance Sources (Uses)	<u>26,325</u>	<u>-</u>	<u>(698)</u>	<u>25,627</u>
Net Change in Fund Balances	<u>5,162</u>	<u>(23,755)</u>	<u>1,466</u>	<u>(17,127)</u>
Fund Balances at Beginning of Year	<u>56,777</u>	<u>26,735</u>	<u>16,328</u>	<u>99,840</u>
Fund Balances at End of Year	<u><u>\$ 61,939</u></u>	<u><u>\$ 2,980</u></u>	<u><u>\$ 17,794</u></u>	<u><u>\$ 82,713</u></u>



OTHER GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

Permanent Funds

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

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

STATE OF MAINE

COMBINING BALANCE SHEET

NON-MAJOR SPECIAL REVENUE FUNDS

June 30, 2013
(Expressed in Thousands)

	Child Development Services	Baxter Park	Revenue on Permanent Funds	Total Special Revenue Funds
Assets				
Equity in Treasurer's Cash Pool	\$ -	\$ -	\$ 126	\$ 126
Cash and Short-Term Investments	1,353	-	-	1,353
Investments	-	64,068	39	64,107
Other Receivable	10	-	-	10
Due from Other Funds	484	-	-	484
Other Assets	101	-	-	101
Total Assets	\$ 1,948	\$ 64,068	\$ 165	\$ 66,181
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 2,377	\$ -	\$ -	\$ 2,377
Accrued Payroll	962	-	-	962
Compensated Absences	430	-	-	430
Deferred Revenue	4	-	-	4
Other Accrued Liabilities	469	-	-	469
Total Liabilities	4,242	-	-	4,242
Fund Balances:				
Nonspendable in Form	101	-	-	101
Restricted	75	64,068	165	64,308
Unassigned	(2,470)	-	-	(2,470)
Total Fund Balances	(2,294)	64,068	165	61,939
Total Liabilities and Fund Balances	\$ 1,948	\$ 64,068	\$ 165	\$ 66,181

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

Fiscal Year Ended June 30, 2013

(Expressed in Thousands)

	<u>Child Development Services</u>	<u>Baxter Park</u>	<u>Revenue on Permanent Funds</u>	<u>Total Special Revenue Funds</u>
Revenues:				
Charges for Services	\$ 1,685	\$ -	\$ -	\$ 1,685
Investment Income (Loss)	1	7,124	176	7,301
Total Revenues	<u>1,686</u>	<u>7,124</u>	<u>176</u>	<u>8,986</u>
Expenditures				
Current:				
General Government	-	-	98	98
Education	29,998	-	-	29,998
Debt Service:				
Principal Payments	19	-	-	19
Capital Outlay	34	-	-	34
Total Expenditures	<u>30,051</u>	<u>-</u>	<u>98</u>	<u>30,149</u>
Revenue over (under) Expenditures	<u>(28,365)</u>	<u>7,124</u>	<u>78</u>	<u>(21,163)</u>
Other Financing Sources (Uses):				
Transfer from Other Funds	28,245	-	1,103	29,348
Transfer to Other Funds	-	(1,870)	(1,174)	(3,044)
COP's and Other	21	-	-	21
Net Other Finance Sources (Uses)	<u>28,266</u>	<u>(1,870)</u>	<u>(71)</u>	<u>26,325</u>
Net Change in Fund Balances	<u>(99)</u>	<u>5,254</u>	<u>7</u>	<u>5,162</u>
Fund Balances at Beginning of Year	<u>(2,195)</u>	<u>58,814</u>	<u>158</u>	<u>56,777</u>
Fund Balances at End of Year	<u>\$ (2,294)</u>	<u>\$ 64,068</u>	<u>\$ 165</u>	<u>\$ 61,939</u>

STATE OF MAINE

COMBINING BALANCE SHEET

NON-MAJOR PERMANENT FUNDS

June 30, 2013
(Expressed in Thousands)

	<u>Baxter Trust</u>	<u>Other Trusts</u>	<u>Total Permanent Funds</u>
Assets			
Investments	\$ 5,857	\$ 11,937	\$ 17,794
Total Assets	<u>\$ 5,857</u>	<u>\$ 11,937</u>	<u>\$ 17,794</u>
Fund Balances			
Nonspendable Legal or Contractual	<u>\$ 5,857</u>	<u>\$ 11,937</u>	<u>\$ 17,794</u>

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

Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	<u>Baxter Trust</u>	<u>Other Trusts</u>	<u>Total Permanent Funds</u>
Revenues:			
Investment Income (Loss)	\$ 648	\$ 1,516	\$ 2,164
Total Revenues	<u>648</u>	<u>1,516</u>	<u>2,164</u>
Expenditures			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) Expenditures	<u>648</u>	<u>1,516</u>	<u>2,164</u>
Transfers to Other Funds	<u>-</u>	<u>(698)</u>	<u>(698)</u>
Net Other Finance Sources (Uses)	<u>-</u>	<u>(698)</u>	<u>(698)</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	<u>648</u>	<u>818</u>	<u>1,466</u>
Fund Balances at Beginning of Year	<u>5,209</u>	<u>11,119</u>	<u>16,328</u>
Fund Balances at End of Year	<u><u>\$ 5,857</u></u>	<u><u>\$ 11,937</u></u>	<u><u>\$ 17,794</u></u>

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND EXPENDITURES BY AGENCY

Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<i>Department of Administrative and Financial Services</i>			
Administrative Services	\$ 13,481	\$ 12,725	\$ 756
Financial Services	116,429	115,986	443
Human Resources	1,857	1,770	87
Purchasing	722	659	63
Bureau of Information Services	11,011	2,344	8,667
State Employee Health Commission	792	788	4
	<u>144,292</u>	<u>134,272</u>	<u>10,020</u>
<i>Department of Agriculture</i>	<u>5,926</u>	<u>5,598</u>	<u>328</u>
<i>Attorney General</i>	<u>13,851</u>	<u>13,476</u>	<u>375</u>
<i>Department of Audit</i>	<u>1,212</u>	<u>1,095</u>	<u>117</u>
<i>Department of Corrections</i>			
Corrections	58,421	48,847	9,574
Maine State Prison	32,573	30,043	2,530
Maine Correctional Center	22,343	21,169	1,174
Dowd Correctional Facility	5,350	4,939	411
Charleston Correctional Facility	16,339	15,064	1,275
Long Creek Youth Development Center	13,500	12,483	1,017
	<u>148,526</u>	<u>132,545</u>	<u>15,981</u>
<i>Department of Conservation</i>	<u>22,177</u>	<u>21,449</u>	<u>728</u>
<i>Department of Economic and Community Development</i>	<u>11,693</u>	<u>11,164</u>	<u>529</u>
<i>Department of Environmental Protection</i>	<u>6,077</u>	<u>5,985</u>	<u>92</u>
<i>Department of Human Services</i>			
Human Services	817,266	798,408	18,858
Behavioral and Developmental Services	252,622	243,609	9,013
Riverview Psychiatric Center	16,776	15,579	1,197
Dorothea Dix Psychiatric Center	8,134	7,150	984
Office of Substance Abuse	15,516	14,622	894
	<u>1,110,314</u>	<u>1,079,368</u>	<u>30,946</u>
<i>Department of Labor</i>			
Labor	9,556	8,957	599
Labor Relations Board	443	421	22
	<u>9,999</u>	<u>9,378</u>	<u>621</u>
<i>Defense, Veterans and Emergency Management</i>	<u>6,573</u>	<u>6,335</u>	<u>238</u>
<i>Department of Education</i>			
Education	1,092,773	1,075,267	17,506
Education - Unorganized Territory	12,815	11,889	926
	<u>1,105,588</u>	<u>1,087,156</u>	<u>18,432</u>
<i>General Government</i>			
Office of the Governor	3,511	3,065	446
State Planning	5	5	0
Ombudsman Program	99	93	6
	<u>3,615</u>	<u>3,163</u>	<u>452</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Department of Inland Fisheries and Wildlife	\$ 22,924	\$ 22,097	\$ 827
Judicial Department	57,598	56,609	989
Legislative Department			
Legislative	25,080	21,522	3,558
Law and Legislative Reference Library	1,536	1,347	189
Statehouse Preservation and Maintenance	800	657	143
Program Evaluation and Government Accountability	818	722	96
	<u>28,234</u>	<u>24,246</u>	<u>3,986</u>
Department of Marine Resources	8,801	8,605	196
Department of Public Safety	31,520	30,612	908
Public Utilities Commission	3,648	578	3,070
Secretary of State			
Secretary of State	2,452	2,417	35
Archives Services	737	723	14
	<u>3,189</u>	<u>3,140</u>	<u>49</u>
Treasurer of State	100,359	100,022	337
Other Agencies			
Museum	1,453	1,437	16
Maine State Cultural Affairs Council	56	31	25
Maine Historic Preservation Commission	268	262	6
Library	2,858	2,808	50
Maine Humanities Council	53	53	-
Finance Authority of Maine	10,651	10,651	-
Centers for Innovation	118	118	-
Com. On Governmental Ethics and Election Practices	125	123	2
Maine Indian Tribal State Council	89	89	-
Board of Property Tax Review	86	79	7
Maine Municipal Bond Bank	69	69	-
Maine State Retirement System	529	529	-
Human Rights Commission	489	486	3
Saco River Corridor Commission	47	47	-
NE International Water Pollution Control Commission	8	8	-
Downeast Institute Appl Marine	12	12	-
Atlantic States Marine Fisheries Commission	28	28	-
St. Croix International Waterway	22	22	-
Maine Public Broadcasting Corporation	1,674	1,674	-
Maine State Housing Authority	360	360	-
Board of Education	95	94	1
Maine Historical Society	45	45	-
Foundation for Blood Research	52	52	-
Pine Tree Legal	255	255	-
Maine Community College System	53,809	53,809	-
Maine Maritime Academy	8,371	8,371	-
University of Maine	191,574	191,574	-
Arts and Humanities Administration	723	623	100
Disability Rights Center	126	126	-
Maine Hospice Counsel	64	64	-
Maine Development Foundation	58	58	-
State Board of Corrections	12,146	12,146	0
Commission on Indigent Legal Services	12,385	12,359	26
State Charter School Commission	103	84	19
	<u>298,801</u>	<u>298,546</u>	<u>255</u>
Grand Total	\$ 3,144,915	\$ 3,055,439	\$ 89,476



STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
HIGHWAY FUND EXPENDITURES BY AGENCY

Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<i>Department of Administrative and Financial Services</i>			
Administrative Services	\$ 2,002	\$ 1,935	\$ 67
Financial Services	715	676	39
	<u>2,717</u>	<u>2,611</u>	<u>106</u>
<i>Department of Environmental Protection</i>	<u>33</u>	<u>33</u>	<u>0</u>
<i>Legislative Department</i>			
Legislative	8	2	6
	<u>8</u>	<u>2</u>	<u>6</u>
<i>Department of Transportation</i>			
Transportation	300,556	264,782	35,774
Rail/Van Pool	604	604	-
	<u>301,160</u>	<u>265,386</u>	<u>35,774</u>
<i>Department of Public Safety</i>	<u>30,196</u>	<u>28,584</u>	<u>1,612</u>
<i>Secretary of State</i>			
Motor Vehicles	<u>35,443</u>	<u>31,106</u>	<u>4,337</u>
<i>Grand Total</i>	<u>\$ 369,557</u>	<u>\$ 327,722</u>	<u>\$ 41,835</u>

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
FEDERAL FUND EXPENDITURES BY AGENCY

Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<i>Department of Administrative and Financial Services</i>			
Bureau of Information Services	\$ 744	\$ 82	\$ 661
Financial Services	5	0	5
Financial and Personnel Services	497	359	139
State Employee Health Commission	8	-	8
	<u>1,254</u>	<u>441</u>	<u>813</u>
<i>Department of Agriculture</i>	<u>6,398</u>	<u>3,786</u>	<u>2,612</u>
<i>Attorney General</i>	<u>2,631</u>	<u>1,583</u>	<u>1,048</u>
<i>Department of Corrections</i>			
Corrections	4,860	1,502	3,358
Maine State Prison	20	-	20
Maine Correctional Center	118	81	37
Downeast Correctional Facility	48	-	48
Charleston Correctional Facility	283	170	113
Long Creek Youth Development Center	163	26	137
	<u>5,492</u>	<u>1,779</u>	<u>3,713</u>
<i>Department of Conservation</i>	<u>28,229</u>	<u>20,707</u>	<u>7,522</u>
<i>Department of Economic and Community Development</i>	<u>28,248</u>	<u>20,893</u>	<u>7,355</u>
<i>Department of Environmental Protection</i>	<u>21,193</u>	<u>11,637</u>	<u>9,556</u>
<i>Department of Human Services</i>			
Human Services	2,259,530	1,817,968	441,562
Behavioral and Developmental Services	16,217	7,751	8,466
Office of Substance Abuse	11,614	8,403	3,211
	<u>2,287,361</u>	<u>1,834,122</u>	<u>453,239</u>
<i>Department of Labor</i>	<u>184,884</u>	<u>152,659</u>	<u>32,225</u>
<i>Department of Transportation</i>			
Transportation	242,221	219,470	22,751
Air Transportation	5,613	2,922	2,691
Ferry Service/Ports and Marine	2,396	2,188	208
Rail/Van Pool	9,390	5,264	4,126
	<u>259,620</u>	<u>229,844</u>	<u>29,776</u>
<i>Defense, Veterans and Emergency Management</i>	<u>105,630</u>	<u>33,901</u>	<u>71,729</u>
<i>Department of Education</i>			
Education	289,487	201,254	88,233
Education - Unorganized Territory	641	431	210
	<u>290,128</u>	<u>201,685</u>	<u>88,443</u>
<i>General Government</i>			
Office of the Governor	8,139	5,557	2,582
State Planning	119	0	119
Ombudsman Program	57	45	12
	<u>8,315</u>	<u>5,602</u>	<u>2,713</u>
<i>Department of Inland Fisheries and Wildlife</i>	<u>14,575</u>	<u>9,255</u>	<u>5,320</u>
<i>Judicial Department</i>	<u>3,398</u>	<u>2,650</u>	<u>748</u>
<i>Department of Marine Resources</i>	<u>6,954</u>	<u>5,005</u>	<u>1,949</u>
<i>Department of Professional and Financial Regulation</i>			
Professional and Financial Regulation	1,060	78	982
Board of Nursing	24	21	3
	<u>1,084</u>	<u>99</u>	<u>985</u>
<i>Department of Public Safety</i>	<u>12,526</u>	<u>8,183</u>	<u>4,343</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Public Utilities Commission	\$ 218	\$ 149	\$ 69
Secretary of State			
Secretary of State	1,427	1,150	277
Motor Vehicles	3,057	639	2,418
Archives Services	89	39	50
	<u>4,573</u>	<u>1,828</u>	<u>2,745</u>
Treasurer of State	<u>296</u>	<u>283</u>	<u>13</u>
Other Agencies			
Arts and Humanities Administration	949	705	244
Human Rights Commission	434	363	71
Library	1,376	1,076	300
Maine Historic Preservation Commission	776	560	216
Museum	152	25	127
Dirigo Health	<u>11,748</u>	<u>3,510</u>	<u>8,238</u>
	<u>15,435</u>	<u>6,239</u>	<u>9,197</u>
Grand Total	<u>\$ 3,288,442</u>	<u>\$ 2,552,332</u>	<u>\$ 736,110</u>

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

Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<i>Department of Administrative and Financial Services</i>			
Administrative Services	\$ 8,456	\$ 6,358	\$ 2,098
Financial Services	25,989	24,199	1,790
Human Resources	256	-	256
Financial and Personnel Services	34	9	25
State Employee Health Commission	75	-	75
Purchasing	4	-	4
	<u>34,814</u>	<u>30,566</u>	<u>4,248</u>
<i>Department of Agriculture</i>	<u>41,772</u>	<u>28,212</u>	<u>13,560</u>
<i>Attorney General</i>	<u>13,478</u>	<u>11,110</u>	<u>2,368</u>
<i>Department of Audit</i>	<u>1,941</u>	<u>1,682</u>	<u>259</u>
<i>Department of Corrections</i>			
Corrections	1,296	112	1,184
Maine State Prison	114	15	99
Maine Correctional Center	619	455	164
Downeast Correctional Facility	97	65	32
Charleston Correctional Facility	332	148	184
Long Creek Youth Development Center	39	8	31
	<u>2,497</u>	<u>803</u>	<u>1,694</u>
<i>Department of Conservation</i>	<u>26,689</u>	<u>17,442</u>	<u>9,247</u>
<i>Department of Economic and Community Development</i>	<u>16,628</u>	<u>11,564</u>	<u>5,064</u>
<i>Department of Environmental Protection</i>			
Environmental Protection	<u>54,862</u>	<u>29,541</u>	<u>25,321</u>
<i>Department of Human Services</i>			
Human Services	510,638	415,139	95,499
Behavioral and Developmental Services	28,201	25,623	2,578
Riverview Psychiatric Center	20,222	15,510	4,712
Dorothea Dix Psychiatric Center	11,945	10,135	1,810
Office of Substance Abuse	4,360	3,668	692
	<u>575,366</u>	<u>470,075</u>	<u>105,291</u>
<i>Department of Labor</i>			
Labor	9,583	7,531	2,052
Labor Relations Board	89	58	31
	<u>9,672</u>	<u>7,589</u>	<u>2,083</u>
<i>Department of Transportation</i>			
Transportation	118,665	84,738	33,927
Air Transportation	1,012	640	372
Ferry Service/Ports & Marine	247	119	128
Rail/Van Pool	3,540	1,752	1,788
	<u>123,464</u>	<u>87,249</u>	<u>36,215</u>
<i>Defense, Veterans and Emergency Management</i>	<u>2,322</u>	<u>796</u>	<u>1,526</u>
<i>Department of Education</i>			
Education	14,839	7,919	6,920
Education - Unorganized Territory	8	-	8
	<u>14,847</u>	<u>7,919</u>	<u>6,928</u>
<i>General Government</i>			
Office of the Governor	230	109	121
State Planning	77	77	(0)
Public Advocate	1,973	1,393	580
	<u>2,280</u>	<u>1,579</u>	<u>701</u>
<i>Department of Inland Fisheries and Wildlife</i>	<u>7,158</u>	<u>3,944</u>	<u>3,214</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Judicial Department	\$ 4,750	\$ 3,931	\$ 819
Legislative Department			
Legislative	120	44	76
Department of Marine Resources	6,944	4,790	2,154
Department of Professional and Financial Regulation			
Professional and Financial Regulation	26,893	20,621	6,272
Board of Dental Examiners	379	309	70
Board of Nursing	1,013	858	155
Board of Optometry	63	52	11
Board of Osteopathic Examination and Registration	207	196	11
Board of Professional Engineers	238	207	31
Board of Registration in Medicine	1,590	1,353	237
	30,383	23,596	6,787
Department of Public Safety	20,180	17,296	2,884
Public Utilities Commission	17,366	14,620	2,746
Secretary of State			
Secretary of State	459	359	100
Motor Vehicles	1,238	1,110	128
Archives Services	18	4	14
	1,715	1,473	242
Treasurer of State	95,997	95,974	23
Other Agencies			
Arts and Humanities Administration	102	43	59
Baxter State Park Authority	3,621	3,303	318
Board of Property Tax Review	3	-	3
Board of Water System Operators	76	-	76
Com. On Governmental Ethics and Election Practices	1,468	805	663
Commission on Indigent Legal Services	628	596	32
Dirigo Health	1,162	1,162	-
Finance Authority of Maine	5,363	3,308	2,055
Harness Racing Promotion Board	189	79	110
Human Rights Commission	9	-	9
Library	700	394	306
Lobster Promotion Council	511	447	64
Maine Community College System	2,872	2,722	150
Maine Health Data Organization	2,828	2,350	478
Maine Historic Preservation Commission	573	294	280
Maine Potato Board	1,418	702	716
Maine State Cultural Affairs Council	65	-	65
Maine State Housing Authority	9,575	9,575	1
Maine Children's Trust Incorporated	48	2	46
Museum	332	178	153
Saco River Corridor Commission	42	42	-
University of Maine	3,716	3,642	74
Worker's Compensation Board	10,144	9,387	757
Wild Blueberry Commission of Maine	1,595	1,591	4
Maine Municipal Bond Bank	40,191	39,991	200
Maine Efficiency Trust	14,480	14,474	5
State Board of Correction	3,478	3,176	302
	105,189	98,263	6,926
Grand Total	\$ 1,210,437	\$ 970,059	\$ 240,378



NON-MAJOR ENTERPRISE FUNDS

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

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.

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 POSITION
NON-MAJOR ENTERPRISE FUNDS

June 30, 2013
(Expressed in Thousands)

	Lottery	Alcoholic Beverages	Maine Military Authority	Marine Ports
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ -	\$ -	\$ -	\$ 41
Cash and Short-Term Investments	750	-	-	-
Inventories	-	-	1,278	-
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	21,233	-	1,266	-
Due from Other Funds	-	-	-	-
Other Current Assets	150	-	26	-
Total Current Assets	<u>22,133</u>	<u>-</u>	<u>2,570</u>	<u>41</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	-	-	19
Capital Assets - Net of Depreciation	7	-	5,591	8,939
Total Noncurrent Assets	<u>7</u>	<u>-</u>	<u>5,591</u>	<u>8,958</u>
Total Assets	<u>22,140</u>	<u>-</u>	<u>8,161</u>	<u>8,999</u>
Liabilities				
Current Liabilities:				
Accounts Payable	1,043	-	53	-
Accrued Payroll	101	-	909	-
Due to Other Funds	5,625	1	181	-
Current Portion of Long-Term Obligations:				
Compensated Absences	13	-	81	-
Deferred Revenue	263	12,500	-	-
Other Accrued Liabilities	14,515	-	-	-
Total Current Liabilities	<u>21,560</u>	<u>12,501</u>	<u>1,224</u>	<u>-</u>
Long-Term Liabilities:				
Compensated Absences	94	-	593	-
Other Post-Employment Benefit Obligation	205	-	2,132	-
Total Long-Term Liabilities	<u>299</u>	<u>-</u>	<u>2,725</u>	<u>-</u>
Total Liabilities	<u>21,859</u>	<u>12,501</u>	<u>3,949</u>	<u>-</u>
Net Position				
Net Investment in Capital Assets	7	-	5,591	8,939
Unrestricted	<u>274</u>	<u>(12,501)</u>	<u>(1,379)</u>	<u>60</u>
Total Net Position	<u>\$ 281</u>	<u>\$ (12,501)</u>	<u>\$ 4,212</u>	<u>\$ 8,999</u>

						Total
Ferry Service	Prison Industries	Dirigo Health	Transit, Aviation & Rail Transportation	Consolidated Emergency Communications Fund	Other Enterprise Funds	
\$ 961	\$ 98	\$ 7,306	\$ -	\$ 1,760	\$ 10,166	
3	3	-	-	-	756	
313	718	-	-	-	2,309	
116	18	1,863	-	2	24,498	
-	2	-	-	186	188	
-	-	1,870	-	-	2,046	
1,393	839	11,039	-	1,948	39,963	
449	46	3,414	-	823	4,751	
40,774	-	-	-	29	55,340	
41,223	46	3,414	-	852	60,091	
42,616	885	14,453	-	2,800	100,054	
185	13	527	-	107	1,928	
207	6	39	-	295	1,557	
66	3	13	-	52	5,941	
42	1	7	-	22	166	
-	-	-	-	-	12,763	
-	3	-	-	-	14,518	
500	26	586	-	476	36,873	
307	5	53	-	162	1,214	
663	16	120	-	631	3,767	
970	21	173	-	793	4,981	
1,470	47	759	-	1,269	41,854	
40,774	-	-	-	29	55,340	
372	838	13,694	-	1,502	2,860	
\$ 41,146	\$ 838	\$ 13,694	\$ -	\$ 1,531	\$ 58,200	

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

Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	<u>Lottery</u>	<u>Alcoholic Beverages</u>	<u>Maine Military Authority</u>	<u>Marine Ports</u>
Operating Revenues				
Charges for Services	\$ 229,531	\$ 33	\$ 35,258	\$ 10
Miscellaneous Revenues	-	-	702	-
Total Operating Revenues	<u>229,531</u>	<u>33</u>	<u>35,960</u>	<u>10</u>
Operating Expenses				
General Operations	176,094	-	36,401	6
Depreciation	-	-	570	529
Total Operating Expenses	<u>176,094</u>	<u>-</u>	<u>36,971</u>	<u>535</u>
Operating Income (Loss)	<u>53,437</u>	<u>33</u>	<u>(1,011)</u>	<u>(525)</u>
Nonoperating Revenues (Expenses)				
Other Nonoperating Revenues (Expenses) - net	<u>34</u>	<u>12,500</u>	<u>(146)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>34</u>	<u>12,500</u>	<u>(146)</u>	<u>-</u>
Income (Loss) Before Capital Contributions, Transfers and Special Items	<u>53,471</u>	<u>12,533</u>	<u>(1,157)</u>	<u>(525)</u>
Capital Contributions, Transfers and Special Items				
Capital Contributions from Other Funds	-	-	-	1,475
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	(53,502)	(33)	-	-
Special Items	-	-	-	(4,676)
Total Capital Contributions, Transfers In (Out) and Special Items	<u>(53,502)</u>	<u>(33)</u>	<u>-</u>	<u>(3,201)</u>
Change in Net Position	(31)	12,500	(1,157)	(3,726)
Net Position - Beginning of Year	<u>312</u>	<u>(25,001)</u>	<u>5,369</u>	<u>12,725</u>
Net Position - End of Year	<u>\$ 281</u>	<u>\$ (12,501)</u>	<u>\$ 4,212</u>	<u>\$ 8,999</u>

					Total
Ferry Service	Prison	Dirigo Health	Transit, Aviation & Rail Transportation	Consolidated Emergency Communications Fund	Other Enterprise Funds
\$ 4,578	\$ 1,345	\$ 65,454	\$ -	\$ 5,787	\$ 341,996
-	-	-	-	-	702
4,578	1,345	65,454	-	5,787	342,698
9,244	1,234	56,229	-	5,408	284,616
2,933	-	-	-	6	4,038
12,177	1,234	56,229	-	5,414	288,654
(7,599)	111	9,225	-	373	54,044
6	1	-	-	-	12,395
6	1	-	-	-	12,395
(7,593)	112	9,225	-	373	66,439
5,665	-	-	207	-	7,347
4,564	2	-	-	-	4,566
-	(70)	(12,171)	-	(2)	(65,778)
-	-	-	(103,612)	-	(108,288)
10,229	(68)	(12,171)	(103,405)	(2)	(162,153)
2,636	44	(2,946)	(103,405)	371	(95,714)
38,510	794	16,640	103,405	1,160	153,914
\$ 41,146	\$ 838	\$ 13,694	\$ -	\$ 1,531	\$ 58,200

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

June 30, 2013
(Expressed in Thousands)

	Lottery	Alcoholic Beverages	Maine Military Authority	Marine Ports
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 227,647	\$ 33	\$ 36,550	\$ 10
Other Operating Cash Receipts (Payments)				
Payments to Prize Winners	(143,938)	-	-	-
Payments to Suppliers	(28,661)	-	(21,462)	(6)
Payments to Employees	(1,573)	-	(14,396)	-
Net Cash Provided (Used) by Operating Activities	53,475	33	692	4
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	(53,502)	(33)	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	(53,502)	(33)	-	-
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	(7)	-	(689)	(1)
Net Cash Provided (Used) by Capital Financing Activities	(7)	-	(689)	(1)
Cash Flows from Investing Activities				
Interest Revenue	34	-	(3)	-
Net Cash Provided (Used) by Investing Activities	34	-	(3)	-
Net Increase (Decrease) in Cash/Cash Equivalents	-	-	-	3
Cash/Cash Equivalents - Beginning of Year	750	-	-	57
Cash/Cash Equivalents - End of Year	\$ 750	\$ -	\$ -	\$ 60
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 53,437	\$ 33	\$ (1,011)	\$ (525)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	-	-	570	529
Decrease (Increase) in Assets & Liabilities:				
Accounts Receivable	(1,884)	-	590	-
Interfund Balances	739	-	(9)	-
Inventories	-	-	308	-
Increase (Decrease) in Liabilities				
Accounts Payable	223	-	7	-
Accrued Payroll Expenses	7	-	119	-
Change in Compensated Absences	9	-	(238)	-
Other Accruals	944	-	356	-
Total Adjustments	38	-	1,703	529
Net Cash Provided (Used) by Operating Activities	\$ 53,475	\$ 33	\$ 692	\$ 4
Non Cash Investing, Capital and Financing Activities				
Contributed Capital Assets	-	-	-	1,475
Decrease of deferred revenue from the sale of liquor operations	-	12,500	-	-
Special Item	-	-	-	(4,676)

<u>Ferry Service</u>	<u>Prison Industries</u>	<u>Dirigo Health</u>	<u>Transit, Aviation, & Rail Transportation</u>	<u>Consolidated Emergency Communications</u>	<u>Totals Other Enterprise Funds</u>
\$ 4,587	\$ 1,374	\$ 66,994	\$ 447	\$ 5,788	\$ 343,430
-	-	-	-	-	(143,938)
(4,077)	(1,282)	(56,613)	(7)	(554)	(112,663)
(5,090)	(100)	(784)	(24)	(4,536)	(26,503)
(4,580)	(8)	9,597	416	698	60,326
4,564	2	-	-	-	4,566
-	(70)	(12,171)	-	(2)	(65,778)
4,564	(68)	(12,171)	-	(2)	(61,212)
(10)	-	-	(6,992)	-	(7,699)
(10)	-	-	(6,992)	-	(7,699)
6	1	-	-	-	38
6	1	-	-	-	38
(20)	(75)	(2,574)	(6,576)	696	(8,547)
1,433	222	13,294	6,576	1,887	24,220
\$ 1,413	\$ 147	\$ 10,720	\$ -	\$ 2,583	\$ 15,673
\$ (7,599)	\$ 111	\$ 9,225	\$ -	\$ 373	\$ 54,044
2,933	-	-	-	6	4,038
9	29	1,540	447	1	732
8	(29)	-	(7)	83	784
(25)	(95)	-	-	-	188
(64)	(26)	(1,052)	-	102	(810)
4	(1)	(15)	-	23	137
28	1	(7)	-	(2)	(209)
126	2	(94)	(24)	112	1,422
3,019	(119)	372	416	325	6,282
\$ (4,580)	\$ (8)	\$ 9,597	\$ 416	\$ 698	\$ 60,326
5,665	-	-	207	-	7,347
-	-	-	-	-	12,500
-	-	-	(103,612)	-	(108,288)



INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STATE OF MAINE

COMBINING STATEMENT OF NET POSITION

INTERNAL SERVICE FUNDS

June 30, 2013
(Expressed in Thousands)

	Motor Transport Service	Postal Printing & Supply	Information Services	Risk Management
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 7,269	\$ -	\$ 10,243	\$ 17,378
Cash and Short-Term Investments	1	1	-	-
Cash with Fiscal Agent	101	-	9	-
Restricted Assets:				
Restricted Deposits and Investments	-	-	-	-
Inventories	1,780	227	16	-
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	51	47	93	30
Due from Other Funds	351	2,035	15,313	281
Other Current Assets	-	48	1,641	408
Total Current Assets	9,553	2,358	27,315	18,097
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	3,396	-	4,786	8,118
Receivables, Net of Allowance for Uncollectibles:				
Capital Assets - Net of Depreciation	57,584	2	23,326	-
Total Noncurrent Assets	60,980	2	28,112	8,118
Total Assets	70,533	2,360	55,427	26,215
Liabilities				
Current Liabilities:				
Accounts Payable	60	72	1,550	3
Accrued Payroll	382	124	2,161	23
Due to Other Funds	133	4,240	261	116
Due to Component Units	-	-	-	-
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	195	-	3,255	-
Obligations Under Capital Leases	-	-	-	-
Claims Payable	-	-	-	-
Compensated Absences	52	9	261	3
Deferred Revenue	-	-	-	290
Other Accrued Liabilities	9	-	81	-
Total Current Liabilities	831	4,445	7,569	435
Long-Term Liabilities:				
Working Capital Advances Payable	-	111	-	-
Deferred Revenue	-	-	-	-
Certificates of Participation and Other Financing Arrangements	382	-	2,570	-
Obligations Under Capital Leases	-	-	-	-
Claims Payable	-	-	-	4,032
Compensated Absences	384	64	1,914	23
Total Long-Term Liabilities	766	175	4,484	4,055
Total Liabilities	1,597	4,620	12,053	4,490
Net Position				
Net Investment in Capital Assets	57,108	2	24,042	-
Restricted for:				
Other Purposes	-	-	-	-
Unrestricted	11,828	(2,262)	19,332	21,725
Total Net Position	\$ 68,936	\$ (2,260)	\$ 43,374	\$ 21,725

Workers' Compensation	Central Fleet Management	Leased Space	Revenue Services	Retiree Health Insurance	Employee Health Insurance	Statewide Radio & Network Systems
\$ 16,654	\$ -	\$ 333	\$ 8	\$ 19,046	\$ 17,882	\$ 260
-	1	-	-	-	-	-
-	2,340	-	-	-	-	9,140
-	-	-	-	-	-	-
-	43	-	-	-	-	-
-	43	-	-	2,585	7,756	-
708	1,407	41	-	-	-	-
491	-	-	-	-	-	-
17,853	3,834	374	8	21,631	25,638	9,400
7,781	-	156	3	8,898	8,354	122
-	16,942	30,502	-	-	-	36,182
7,781	16,942	30,658	3	8,898	8,354	36,304
25,634	20,776	31,032	11	30,529	33,992	45,704
421	48	50	-	5,760	33	-
55	57	17	-	-	48	-
49	1,310	4	5	-	14	-
-	-	-	-	3,798	-	-
-	4,755	-	-	-	-	4,181
-	-	5,396	-	-	-	-
7,241	-	-	-	5,646	16,939	-
2	7	3	-	-	4	-
-	-	-	-	-	-	-
-	37	-	-	-	-	-
7,768	6,214	5,470	5	15,204	17,038	4,181
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	7,436	-	-	-	-	17,441
-	-	29,285	-	-	-	-
36,606	-	-	-	-	-	-
16	50	21	-	-	26	-
36,622	7,486	29,306	-	-	26	17,441
44,390	13,700	34,776	5	15,204	17,064	21,622
-	7,091	(4,179)	-	-	-	23,700
-	-	-	-	-	-	382
(18,756)	(15)	435	6	15,325	16,928	-
\$ (18,756)	\$ 7,076	\$ (3,744)	\$ 6	\$ 15,325	\$ 16,928	\$ 24,082

(continued)

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

June 30, 2013
(Expressed in Thousands)

				<u>Total</u>
	Financial & Personnel Services	Transportation Facilities Fund	Governmental Facilities Authority	Internal Service Funds
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 1,515	\$ 1,412	\$ -	\$ 92,000
Cash and Short-Term Investments	-	-	-	3
Cash with Fiscal Agent	-	-	-	11,590
Restricted Assets:				
Restricted Deposits and Investments	-	-	3,748	3,748
Inventories	-	-	-	2,066
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	-	-	31	10,636
Due from Other Funds	566	-	-	20,702
Other Current Assets	1	-	-	2,589
Total Current Assets	<u>2,082</u>	<u>1,412</u>	<u>3,779</u>	<u>143,334</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	707	660	-	42,981
Receivables, Net of Allowance for Uncollectibles:				
Capital Assets - Net of Depreciation	14	17,321	-	181,873
Total Noncurrent Assets	<u>721</u>	<u>17,981</u>	<u>-</u>	<u>224,854</u>
Total Assets	<u>2,803</u>	<u>19,393</u>	<u>3,779</u>	<u>368,188</u>
Liabilities				
Current Liabilities:				
Accounts Payable	12	89	63	8,161
Accrued Payroll	1,122	-	-	3,989
Due to Other Funds	202	1	-	6,335
Due to Component Units	-	-	-	3,798
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	12,386
Obligations Under Capital Leases	-	-	-	5,396
Claims Payable	-	-	-	29,826
Compensated Absences	101	-	-	442
Deferred Revenue	-	-	119	409
Other Accrued Liabilities	-	-	365	492
Total Current Liabilities	<u>1,437</u>	<u>90</u>	<u>547</u>	<u>71,234</u>
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Deferred Revenue	-	-	587	587
Certificates of Participation and Other Financing Arrangements	-	-	-	27,829
Obligations Under Capital Leases	-	-	-	29,285
Claims Payable	-	-	-	40,638
Compensated Absences	738	-	-	3,236
Total Long-Term Liabilities	<u>738</u>	<u>-</u>	<u>587</u>	<u>101,686</u>
Total Liabilities	<u>2,175</u>	<u>90</u>	<u>1,134</u>	<u>172,920</u>
Net Position				
Net Investment in Capital Assets	14	17,321	-	125,099
Restricted for:				
Other Purposes	-	-	1	383
Unrestricted	<u>614</u>	<u>1,982</u>	<u>2,644</u>	<u>69,786</u>
Total Net Position	<u>\$ 628</u>	<u>\$ 19,303</u>	<u>\$ 2,645</u>	<u>\$ 195,268</u>



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

Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Motor Transport Service	Postal Printing & Supply	Information Services	Risk Management
Operating Revenues				
Charges for Services	\$ 35,770	\$ 45,513	\$ 76,944	\$ 5,190
Miscellaneous Revenues	-	-	431	-
Total Operating Revenues	35,770	45,513	77,375	5,190
Operating Expenses				
General Operations	24,267	45,879	70,678	3,107
Depreciation	6,851	1	1,025	-
Claims/Fees Expense	-	-	-	424
Other Operating Expenses	-	-	-	-
Total Operating Expenses	31,118	45,880	71,703	3,531
Operating Income (Loss)	4,652	(367)	5,672	1,659
Nonoperating Revenues (Expenses)				
Investment Revenue (Expense) - net	27	(12)	30	73
Interest Expense	(33)	-	(278)	-
Other Nonoperating Revenues (Expenses) - net	(1,398)	-	(31)	-
Total Nonoperating Revenues (Expenses)	(1,404)	(12)	(279)	73
Income (Loss) Before Capital Contributions, Transfers and Special Items	3,248	(379)	5,393	1,732
Capital Contributions, Transfers and Special Items				
Capital Contributions from Other Funds	-	-	80	-
Transfers from (to) Other Funds	-	-	2,824	-
Total Capital Contributions, Transfers In (Out) and Special Items	-	-	2,904	-
Change in Net Position	3,248	(379)	8,297	1,732
Net Position - Beginning of Year	65,688	(1,881)	35,077	19,993
Net Position - End of Year	\$ 68,936	\$ (2,260)	\$ 43,374	\$ 21,725

<u>Workers'</u> <u>Compensation</u>	<u>Central Fleet</u> <u>Management</u>	<u>Leased Space</u>	<u>Revenue</u> <u>Services</u>	<u>Retiree Health</u> <u>Insurance</u>	<u>Employee</u> <u>Health</u> <u>Insurance</u>	<u>Statewide Radio &</u> <u>Network Systems</u>
\$ 14,265	\$ 13,313	\$ 24,398	\$ 292	\$ 26,503	\$ 146,448	\$ 351
97	-	-	-	-	1	108
14,362	13,313	24,398	292	26,503	146,449	459
7,622	8,606	10,456	157	27,736	151,547	1
-	3,456	4,283	-	-	-	-
11,070	-	-	-	-	-	-
-	-	-	-	-	-	-
18,692	12,062	14,739	157	27,736	151,547	1
(4,330)	1,251	9,659	135	(1,233)	(5,098)	458
79	(1)	5	1	46	110	1
-	(174)	(9,575)	-	-	-	-
-	(171)	-	-	-	-	-
79	(346)	(9,570)	1	46	110	1
(4,251)	905	89	136	(1,187)	(4,988)	459
-	-	-	-	-	-	-
-	-	-	(200)	1,840	-	5,800
-	-	-	(200)	1,840	-	5,800
(4,251)	905	89	(64)	653	(4,988)	6,259
(14,505)	6,171	(3,833)	70	14,672	21,916	17,823
\$ (18,756)	\$ 7,076	\$ (3,744)	\$ 6	\$ 15,325	\$ 16,928	\$ 24,082

(continued)

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

Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Financial & Personnel Services	Transportation Facilities Fund	Governmental Facilities Authority	Total Internal Service Funds
Operating Revenues				
Charges for Services	\$ 19,703	\$ 1,054	\$ 997	\$ 410,741
Miscellaneous Revenues	-	-	-	637
Total Operating Revenues	19,703	1,054	997	411,378
Operating Expenses				
General Operations	19,588	564	216	370,424
Depreciation	2	489	-	16,107
Claims/Fees Expense	-	-	-	11,494
Other Operating Expenses	-	-	611	611
Total Operating Expenses	19,590	1,053	827	398,636
Operating Income (Loss)	113	1	170	12,742
Nonoperating Revenues (Expenses)				
Investment Revenue (Expense) - net	-	7	2	368
Interest Expense	-	-	-	(10,060)
Other Nonoperating Revenues (Expenses) - net	-	50	-	(1,550)
Total Nonoperating Revenues (Expenses)	-	57	2	(11,242)
Income (Loss) Before Capital Contributions, Transfers and Special Items	113	58	172	1,500
Capital Contributions, Transfers and Special Items				
Capital Contributions from Other Funds	-	650	-	730
Transfers from (to) Other Funds	-	-	-	10,264
Total Capital Contributions, Transfers In (Out) and Special Items	-	650	-	10,994
Change in Net Position	113	708	172	12,494
Net Position - Beginning of Year	515	18,595	2,473	182,774
Net Position - End of Year	\$ 628	\$ 19,303	\$ 2,645	\$ 195,268



STATE OF MAINE
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

June 30, 2013
(Expressed in Thousands)

	Motor Transport Service	Postal Printing & Supply	Information Services	Risk Management
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 37,550	\$ 45,682	\$ 76,134	\$ 5,295
Other Operating Cash Receipts (Payments)				
Payments to Suppliers	(14,804)	(43,742)	(36,635)	(3,053)
Payments to Employees	(9,541)	(1,929)	(35,726)	(378)
	<u>13,205</u>	<u>11</u>	<u>3,773</u>	<u>1,864</u>
Net Cash Provided (Used) by Operating Activities				
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	-	-	2,824	-
Transfers to Other Funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>2,824</u>	<u>-</u>
Net Cash Provided (Used) by Noncapital Financing Activities				
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	(10,116)	1	(2,177)	-
Proceeds From Financing Arrangements	-	-	-	-
Principal and Interest Paid on Financing Arrangements	(905)	-	(8,284)	-
Proceeds from Sale of Capital Assets	-	-	-	-
	<u>(11,021)</u>	<u>1</u>	<u>(10,461)</u>	<u>-</u>
Net Cash Provided (Used) by Capital Financing Activities				
Cash Flows from Investing Activities				
Interest Revenue	27	(12)	30	73
	<u>27</u>	<u>(12)</u>	<u>30</u>	<u>73</u>
Net Cash Provided (Used) by Investing Activities				
Net Increase (Decrease) in Cash/Cash Equivalents	2,211	-	(3,834)	1,937
Cash/Cash Equivalents - Beginning of Year	8,556	1	18,872	23,559
Cash/Cash Equivalents - End of Year	<u>\$ 10,767</u>	<u>\$ 1</u>	<u>\$ 15,038</u>	<u>\$ 25,496</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	\$ 4,652	\$ (367)	\$ 5,672	\$ 1,659
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	6,851	1	1,025	-
Decrease (Increase) in Assets				
Accounts Receivable	(22)	(1)	(4)	79
Interfund Balances	(13)	25	(518)	114
Inventories	1,845	249	5	-
Other Assets	-	98	(663)	-
Increase (Decrease) in Liabilities				
Accounts Payable	(85)	(11)	(1,626)	2
Accrued Payroll Expenses	6	10	68	-
Change in Compensated Absences	(22)	7	(114)	(2)
Other Accruals	(7)	-	(72)	12
	<u>8,553</u>	<u>378</u>	<u>(1,899)</u>	<u>205</u>
Total Adjustments				
Net Cash Provided (Used) by Operating Activities	<u>\$ 13,205</u>	<u>\$ 11</u>	<u>\$ 3,773</u>	<u>\$ 1,864</u>
Non Cash Investing, Capital and Financing Activities				
Property Leased, Accrued or Acquired	-	-	-	-
Contributed Capital Assets	-	-	80	-

Workers' Compensation	Central Fleet Management	Leased Space	Revenue Services	Retiree Health Insurance	Employee Health Insurance	Statewide Radio & Network System
\$ 13,826	\$ 13,234	\$ 24,485	\$ 292	\$ 23,918	\$ 138,694	\$ 464
(15,935)	(8,165)	(10,263)	(152)	(29,654)	(157,658)	(1)
(1,075)	(932)	(250)	-	-	(785)	-
(3,184)	4,137	13,972	140	(5,736)	(19,749)	463
-	-	-	-	1,840	-	5,800
-	-	-	(200)	-	-	-
-	-	-	(200)	1,840	-	5,800
-	(5,373)	-	-	-	-	(15,092)
-	5,400	-	-	-	-	15,000
-	(4,629)	(13,928)	-	-	-	(5,805)
-	-	-	-	-	-	-
-	(4,602)	(13,928)	-	-	-	(5,897)
79	(1)	5	1	46	110	1
79	(1)	5	1	46	110	1
(3,105)	(466)	49	(59)	(3,850)	(19,639)	367
27,540	2,807	440	70	31,794	45,875	9,155
<u>\$ 24,435</u>	<u>\$ 2,341</u>	<u>\$ 489</u>	<u>\$ 11</u>	<u>\$ 27,944</u>	<u>\$ 26,236</u>	<u>\$ 9,522</u>
\$ (4,330)	\$ 1,251	\$ 9,659	\$ 135	\$ (1,233)	\$ (5,098)	\$ 458
-	3,456	4,283	-	-	-	-
-	(13)	-	-	(2,585)	(7,755)	-
(66)	(413)	87	5	-	2	-
-	(1)	-	-	-	-	-
(467)	-	-	-	-	-	5
(40)	(148)	(61)	-	(3,027)	(10,009)	-
(3)	2	2	-	-	3	-
(12)	4	2	-	-	(1)	-
1,734	(1)	-	-	1,109	3,109	-
1,146	2,886	4,313	5	(4,503)	(14,651)	5
<u>\$ (3,184)</u>	<u>\$ 4,137</u>	<u>\$ 13,972</u>	<u>\$ 140</u>	<u>\$ (5,736)</u>	<u>\$ (19,749)</u>	<u>\$ 463</u>
-	-	9,324	-	-	-	-
-	-	-	-	-	-	-

(continued)

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

June 30, 2013
(Expressed in Thousands)

				Totals
	Financial & Personnel Services	Transportation Facilities Fund	Governmental Facilities Authority	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 19,290	\$ 1,054	\$ 1,123	\$ 401,041
Other Operating Cash Receipts (Payments)				
Payments to Suppliers	(2,049)	(502)	(1,071)	(323,684)
Payments to Employees	(17,617)	-	-	(68,233)
	<u>(376)</u>	<u>552</u>	<u>52</u>	<u>9,124</u>
Net Cash Provided (Used) by Operating Activities				
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	-	-	-	10,464
Transfers to Other Funds	-	-	-	(200)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,264</u>
Net Cash Provided (Used) by Noncapital Financing Activities				
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	(1)	(989)	-	(33,747)
Proceeds From Financing Arrangements	-	-	-	20,400
Principal and Interest Paid on Financing Arrangements	-	-	-	(33,551)
Proceeds from Sale of Capital Assets	-	50	-	50
	<u>(1)</u>	<u>(939)</u>	<u>-</u>	<u>(46,848)</u>
Net Cash Provided (Used) by Capital Financing Activities				
Cash Flows from Investing Activities				
Interest Revenue	-	7	2	368
	<u>-</u>	<u>7</u>	<u>2</u>	<u>368</u>
Net Cash Provided (Used) by Investing Activities				
	<u>-</u>	<u>7</u>	<u>2</u>	<u>368</u>
Net Increase (Decrease) in Cash/Cash Equivalents	(377)	(380)	54	(27,092)
Cash/Cash Equivalents - Beginning of Year	2,599	2,452	3,694	177,414
Cash/Cash Equivalents - End of Year	<u>\$ 2,222</u>	<u>\$ 2,072</u>	<u>\$ 3,748</u>	<u>\$ 150,322</u>
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities				
Operating Income (Loss)	\$ 113	\$ 1	\$ 170	\$ 12,742
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	2	489	-	16,107
Decrease (Increase) in Assets				
Accounts Receivable	-	-	126	(10,175)
Interfund Balances	(406)	-	-	(1,183)
Inventories	-	-	-	2,098
Other Assets	(1)	-	-	(1,028)
Increase (Decrease) in Liabilities				
Accounts Payable	2	62	53	(14,888)
Accrued Payroll Expenses	107	-	-	195
Change in Compensated Absences	(193)	-	-	(331)
Other Accruals	-	-	(297)	5,587
	<u>(489)</u>	<u>551</u>	<u>(118)</u>	<u>(3,618)</u>
Total Adjustments				
	<u>(489)</u>	<u>551</u>	<u>(118)</u>	<u>(3,618)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (376)</u>	<u>\$ 552</u>	<u>\$ 52</u>	<u>\$ 9,124</u>
Non Cash Investing, Capital and Financing Activities				
Property Leased, Accrued or Acquired	-	-	-	9,324
Contributed Capital Assets	-	650	-	730

FIDUCIARY FUNDS

Pension (and Other Employee Benefit) Trusts

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

employment benefit trusts and defined contribution plans.

Private Purpose Trust Funds

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

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

Lands Reserved Trust Funds – These funds were established to account for revenue derived from the sale of timber from public lands and from appreciation on investments. The income is to be used for school purposes by townships when they become organized towns or plantations.

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

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

Agency Funds

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

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

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

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

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

June 30, 2013
(Expressed in Thousands)

	Defined Benefit Pension Plan	Healthcare OPEB	Group Life Insurance OPEB	Defined Contribution Plans	Total Pension (and Other Employee Benefit) Trusts
Assets					
Cash and Short-Term Investments	\$ 22,608	\$ -	\$ 8,454	\$ 47	\$ 31,109
Receivables, Net of Allowance for Uncollectibles:					
State and Local Agency Contributions	-	1,840	-	-	1,840
Interest and Dividends	4,932	-	-	-	4,932
Due from Brokers for Securities Sold	230	-	-	-	230
Other	15,188	-	566	50	15,804
Investments at Fair Value:					
Debt Securities	3,356	-	-	-	3,356
Equity Securities	3,830,239	-	-	-	3,830,239
Common Collective Trust	7,477,735	158,628	78,311	20,257	7,734,931
Securities Lending Collateral	1,481,238	-	-	-	1,481,238
Capital Assets - Net of Depreciation	8,540	-	390	-	8,930
Total Assets	<u>12,844,066</u>	<u>160,468</u>	<u>87,721</u>	<u>20,354</u>	<u>13,112,609</u>
Liabilities					
Accounts Payable	5,205	-	31	-	5,236
Obligations Under Securities Lending	1,481,238	-	-	-	1,481,238
Other Accrued Liabilities	13,401	110	11,518	6	25,035
Total Liabilities	<u>1,499,844</u>	<u>110</u>	<u>11,549</u>	<u>6</u>	<u>1,511,509</u>
Net Position					
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	<u>11,344,222</u>	<u>160,358</u>	<u>76,172</u>	<u>20,348</u>	<u>11,601,100</u>
Total Net Position	<u>\$ 11,344,222</u>	<u>\$ 160,358</u>	<u>\$ 76,172</u>	<u>\$ 20,348</u>	<u>\$ 11,601,100</u>

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

Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Defined Benefit Pension Plan	Healthcare OPEB	Group Life Insurance OPEB	Defined Contribution Plans	Total Pension (and Other Employee Benefit) Trusts
Additions:					
Contributions:					
Members	\$ 153,536	\$ -	\$ 4,581	\$ 2,663	\$ 160,780
State and Local Agencies	292,694	61,310	7,139	111	361,254
Investment Income (Loss):					
Net Increase (Decrease) in the Fair Value of Investments	1,059,178	18,754	9,416	1,887	1,089,235
Interest and Dividends	128,398	-	-	-	128,398
Securities Lending Income	5,030	-	-	-	5,030
Less Investment Expense:					
Investment Activity Expense	31,213	47	36	72	31,368
Securities Lending Expense	509	-	-	-	509
Net Investment Income (Loss)	1,160,884	18,707	9,380	1,815	1,190,786
Total Additions	1,607,114	80,017	21,100	4,589	1,712,820
Deductions:					
Benefits Paid to Participants or Beneficiaries	772,360	59,470	10,427	-	842,257
Refunds and Withdrawals	24,026	-	-	644	24,670
Administrative Expenses	10,569	86	190	114	10,959
Claims Processing Expense	-	-	701	-	701
Total Deductions	806,955	59,556	11,318	758	878,587
Net Increase (Decrease)	800,159	20,461	9,782	3,831	834,233
Net Position:					
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:					
Beginning of Year	10,544,063	139,897	66,390	16,517	10,766,867
End of Year	<u>\$ 11,344,222</u>	<u>\$ 160,358</u>	<u>\$ 76,172</u>	<u>\$ 20,348</u>	<u>\$ 11,601,100</u>

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

June 30, 2013
(Expressed in Thousands)

						<u>Total</u>
	<u>Abandoned</u>	<u>Revenue on</u>	<u>Lands</u>	<u>Permanent</u>	<u>NextGen</u>	<u>Private</u>
	<u>Property</u>	<u>Private</u>	<u>Reserved</u>	<u>School</u>	<u>College</u>	<u>Purpose</u>
		<u>Purpose</u>			<u>Investing Plan</u>	<u>Trusts</u>
		<u>Trusts</u>				
Assets						
Equity in Treasurer's Cash Pool	\$ 500	\$ 59	\$ 1,241	\$ -	\$ -	\$ 1,800
Investments at Fair Value:						
Other	-	17	9,857	2,937	-	12,811
Receivables, Net of Allowance for Uncollectibles:						
Due from Other Funds	20,550	-	-	-	-	20,550
Other Assets	5,543	-	-	-	-	5,543
Total Assets	<u>26,593</u>	<u>76</u>	<u>11,098</u>	<u>2,937</u>	<u>-</u>	<u>40,704</u>
Liabilities						
Accounts Payable	80	-	-	-	-	80
Due to Other Funds	7	-	-	-	-	7
Total Liabilities	<u>87</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>87</u>
Net Position						
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	<u>26,506</u>	<u>76</u>	<u>11,098</u>	<u>2,937</u>	<u>-</u>	<u>40,617</u>
Total Net Position	<u>\$ 26,506</u>	<u>\$ 76</u>	<u>\$ 11,098</u>	<u>\$ 2,937</u>	<u>\$ -</u>	<u>\$ 40,617</u>

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

Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	Abandoned Property	Revenue on Private Purpose Trusts	Lands Reserved	Permanent School	NextGen College Investing Plan	Total Private Purpose Trusts
Additions						
Investment Income (Loss):						
Net Increase (Decrease) in the Fair Value of Investments	\$ -	\$ -	\$ 985	\$ 325	\$ -	\$ 1,310
Interest and Dividends	15	122	163	-	-	300
Net Investment Income (Loss)	15	122	1,148	325	-	1,610
Miscellaneous Revenues	12,624	-	-	-	-	12,624
Transfers In	-	767	-	-	-	767
Total Additions	12,639	889	1,148	325	-	15,001
Deductions						
Benefits Paid to Participants or Beneficiaries	-	68	-	-	-	68
Administrative Expenses	194	-	-	-	-	194
Distribution of Assets to FAME*	-	-	-	-	6,013,670	6,013,670
Transfers Out	20,447	815	-	-	-	21,262
Total Deductions	20,641	883	-	-	6,013,670	6,035,194
Net Increase (Decrease)	(8,002)	6	1,148	325	(6,013,670)	(6,020,193)
Net Position:						
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:						
Beginning of Year	34,508	70	9,950	2,612	6,013,670	6,060,810
End of Year	<u>\$ 26,506</u>	<u>\$ 76</u>	<u>\$ 11,098</u>	<u>\$ 2,937</u>	<u>\$ -</u>	<u>\$ 40,617</u>

*Pursuant to Maine law, beginning July 1, 2012, the State's fiduciary responsibility for the NextGen College Investing Plan was transferred to the Finance Authority of Maine.



STATE OF MAINE
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS

June 30, 2013
(Expressed in Thousands)

	Payroll Withholding	Private Trusts	Other Agency	Treasurer's Agency	Total Agency Funds
Assets					
Equity in Treasurer's Cash Pool	\$ -	\$ 9,087	\$ 13,140	\$ -	\$ 22,227
Cash and Short-Term Investments	-	27	-	-	27
Restricted Deposits and Investments	-	-	11	-	11
Investments Held on Behalf of Others	-	64,620	899	-	65,519
Other Assets	1,184	591	-	-	1,775
Total Assets	<u>\$ 1,184</u>	<u>\$ 74,325</u>	<u>\$ 14,050</u>	<u>\$ -</u>	<u>\$ 89,559</u>
Liabilities					
Accounts Payable	\$ 2	\$ 834	\$ 1	\$ -	\$ 837
Agency Liabilities	-	73,491	14,046	-	87,537
Due to Other Funds	86	-	3	-	89
Other Accrued Liabilities	1,096	-	-	-	1,096
Total Liabilities	<u>\$ 1,184</u>	<u>\$ 74,325</u>	<u>\$ 14,050</u>	<u>\$ -</u>	<u>\$ 89,559</u>

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

Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Payroll Withholding				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ -	\$ 227,764	\$ 227,764	\$ -
Other Assets	2,692	-	1,508	1,184
Total Assets	<u>\$ 2,692</u>	<u>\$ 227,764</u>	<u>\$ 229,272</u>	<u>\$ 1,184</u>
Liabilities				
Accounts Payable & Other Accrued Liabilities	\$ 45	\$ 537,957	\$ 536,904	\$ 1,098
Due to Other Funds	2,647	-	2,561	86
Total Liabilities	<u>\$ 2,692</u>	<u>\$ 537,957</u>	<u>\$ 539,465</u>	<u>\$ 1,184</u>
Private Trusts				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 8,742	\$ 8,394	\$ 8,022	\$ 9,114
Other Assets	551	80	40	591
Investments Held on Behalf of Others	68,778	1,230	5,388	64,620
Total Assets	<u>\$ 78,071</u>	<u>\$ 9,704</u>	<u>\$ 13,450</u>	<u>\$ 74,325</u>
Liabilities				
Accounts Payable & Other Accrued Liabilities	\$ -	\$ 1,916	\$ 1,082	\$ 834
Agency Liabilities	78,071	7,258	11,838	73,491
Total Liabilities	<u>\$ 78,071</u>	<u>\$ 9,174</u>	<u>\$ 12,920</u>	<u>\$ 74,325</u>

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Other Agency				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 4,870	\$ 24,769	\$ 16,488	\$ 13,151
Investments Held on Behalf of Others	1,402	7,575	8,078	899
Total Assets	<u>\$ 6,272</u>	<u>\$ 32,344</u>	<u>\$ 24,566</u>	<u>\$ 14,050</u>
Liabilities				
Accounts Payable & Other Accrued Liabilities	\$ -	\$ 8,390	\$ 7,543	\$ 847
Agency Liabilities	6,272	19,500	12,569	13,203
Total Liabilities	<u>\$ 6,272</u>	<u>\$ 27,890</u>	<u>\$ 20,112</u>	<u>\$ 14,050</u>
Treasurer's Agency				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ -	\$ 2,880	\$ 2,880	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 2,880</u>	<u>\$ 2,880</u>	<u>\$ -</u>
Liabilities				
Agency Liabilities	\$ -	\$ 141	\$ 141	\$ -
Total Liabilities	<u>\$ -</u>	<u>\$ 141</u>	<u>\$ 141</u>	<u>\$ -</u>
Totals - All Agency Funds				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 13,612	\$ 263,806	\$ 255,153	\$ 22,265
Due From Other Funds	-	-	-	-
Investments Held on Behalf of Others	70,180	8,805	13,466	65,519
Other Assets	3,243	79	1,547	1,775
Total Assets	<u>\$ 87,035</u>	<u>\$ 272,690</u>	<u>\$ 270,166</u>	<u>\$ 89,559</u>
Liabilities				
Accounts Payable & Other Accrued Liabilities	\$ 45	\$ 548,263	\$ 545,529	\$ 2,779
Agency Liabilities	84,343	26,898	24,547	86,694
Due to Other Funds	2,647	-	2,561	86
Total Liabilities	<u>\$ 87,035</u>	<u>\$ 575,161</u>	<u>\$ 572,637</u>	<u>\$ 89,559</u>



NON-MAJOR COMPONENT UNIT FINANCIAL STATEMENTS

ConnectMe Authority – is responsible for stimulating investment in advanced communications technology infrastructure in unserved or underserved areas in the State.

Efficiency Maine Trust – was established for the purpose of administering programs for energy efficiency and alternative energy resources to help individuals and businesses in Maine meet their energy needs at the lowest cost.

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

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

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

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

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

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

Midcoast Regional Redevelopment Authority – is responsible for acquiring and managing Naval Air Station Brunswick properties in both Brunswick and Thopsham and implementing the Reuse Master Plans for each.

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

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

STATE OF MAINE
COMBINING STATEMENT OF NET POSITION
NON-MAJOR COMPONENT UNITS

June 30, 2013
(Expressed in Thousands)

	ConnectME Authority	Efficiency Maine Trust	Loring Development Authority	Maine Educational Center for the Deaf and Hard of Hearing	Maine Educational Loan Authority
Assets					
Current Assets:					
Equity in Treasurer's Cash Pool	\$ -	\$ -	\$ -	\$ -	\$ -
Cash and Cash Equivalents	-	16,678	554	2,037	10,017
Investments	-	-	-	-	8,380
Restricted Assets:					
Restricted Deposits and Investments	-	24,708	-	-	-
Inventories	-	-	-	-	-
Receivables, Net of Allowance for Uncollectibles:					
Loans Receivable	-	-	-	-	18,277
Notes Receivable	-	5,253	-	-	-
Other Receivables	433	310	1,384	45	1,507
Due from Other Governments	120	2,874	-	-	-
Due from Primary Government	-	507	839	3,659	-
Other Current Assets	-	171	55	47	26
Total Current Assets	553	50,501	2,832	5,788	38,207
Noncurrent Assets:					
Equity in Treasurer's Cash Pool	-	-	-	-	-
Restricted Assets:					
Restricted Deposits and Investments	2,449	-	-	-	-
Investments	-	-	-	937	-
Receivables, Net of Current Portion:					
Loans Receivable	-	-	-	-	111,266
Notes Receivable	-	-	3,626	-	-
Other Receivables	-	-	-	-	1,621
Due from Primary Government	-	-	-	-	-
Capital Assets - Net of Depreciation	-	65	61,894	604	-
Other Noncurrent Assets	-	-	-	-	463
Total Noncurrent Assets	2,449	65	65,520	1,541	113,350
Total Assets	3,002	50,566	68,352	7,329	151,557
Deferred Outflows of Resources					
Deferred Loss on Refunding	-	-	-	-	1,104
Total Deferred Outflows of Resources	\$ -	\$ -	\$ -	\$ -	\$ 1,104
Liabilities					
Current Liabilities:					
Accounts Payable	178	3,894	83	179	175
Accrued Payroll	-	-	-	352	-
Compensated Absences	-	66	27	71	-
Due to Other Governments	69	-	460	-	-
Due to Primary Government	-	150	106	-	-
Bonds and Notes Payable	-	-	1,455	-	7,358
Obligations under Capital Leases	-	5	-	-	-
Accrued Interest Payable	-	-	-	-	636
Deferred Revenue	227	551	207	1,486	-
Other Current Liabilities	-	897	51	-	-
Total Current Liabilities	474	5,563	2,389	2,088	8,169
Long-Term Liabilities:					
Due to Other Governments	-	-	-	-	-
Bonds and Notes Payable	-	-	1,098	-	141,035
Obligations under Capital Leases	-	-	-	-	-
Deferred Revenue	-	-	1,548	-	-
Other Noncurrent Liabilities	-	-	-	-	-
Total Long-Term Liabilities	-	-	2,646	-	141,035
Total Liabilities	474	5,563	5,035	2,088	149,204
Net Position					
Net Investment in Capital Assets	-	61	58,802	604	-
Restricted	2,528	44,942	-	718	3,039
Unrestricted	-	-	4,515	3,919	418
Total Net Position	\$ 2,528	\$ 45,003	\$ 63,317	\$ 5,241	\$ 3,457

Maine Maritime Academy	Maine Port Authority	Midcoast Regional Redevelopment Authority	Maine Technology Institute	Northern New England Passenger Rail Authority	Small Enterprise Growth Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,074	\$ 1,074
3,315	1,673	3,099	26,695	1,493	3,417	68,978
6,724	-	-	-	-	-	15,104
-	-	-	-	-	-	24,708
761	-	-	-	-	-	761
676	-	156	22	-	90	19,221
-	-	-	-	-	-	5,253
491	129	772	588	242	43	5,944
-	-	1,830	-	2,747	-	7,571
-	-	565	-	266	-	5,836
298	-	10	17	782	-	1,406
12,265	1,802	6,432	27,322	5,530	4,624	155,856
-	-	-	-	-	502	502
11,855	-	682	-	892	-	15,878
15,448	-	-	438	-	2,873	19,696
2,217	-	-	418	-	-	113,901
-	-	-	-	-	200	3,826
595	-	-	-	-	7	2,223
-	-	-	-	139	-	139
18,648	17,851	136,576	46	3,278	2	238,964
463	-	104	-	-	-	1,030
49,226	17,851	137,362	902	4,309	3,584	396,159
61,491	19,653	143,794	28,224	9,839	8,208	552,015
-	-	-	-	-	-	1,104
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,104
3,373	205	2,376	1,009	3,174	-	14,646
-	-	-	-	-	-	352
-	-	-	-	29	-	193
-	-	-	-	-	-	529
-	-	178	-	-	-	434
152	-	-	-	-	-	8,965
-	-	-	5	-	-	10
-	-	-	-	-	-	636
197	-	97	26,313	293	-	29,371
178	-	833	-	10	41	2,010
3,900	205	3,484	27,327	3,506	41	57,146
1,710	-	-	-	-	-	1,710
1,564	-	17,371	-	-	-	161,068
-	-	-	5	-	-	5
-	-	-	-	-	-	1,548
-	-	-	-	129	-	129
3,274	-	17,371	5	129	-	164,460
7,174	205	20,855	27,332	3,635	41	221,606
16,880	17,851	119,204	-	1,918	2	215,322
21,223	1,165	-	-	2,362	-	75,977
16,214	432	3,735	892	1,924	8,165	40,214
\$ 54,317	\$ 19,448	\$ 122,939	\$ 892	\$ 6,204	\$ 8,167	\$ 331,513

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

Fiscal Year Ended June 30, 2013
(Expressed in Thousands)

	ConnectME Authority	Efficiency Maine Trust	Loring Development Authority	Maine Educational Center for the Deaf and Hard of Hearing	Maine Educational Loan Authority
Expenses	\$ 3,278	\$ 36,386	\$ 3,597	\$ 6,410	\$ 11,544
Program Revenues					
Charges for Services	-	-	1,935	377	11,339
Program Investment Income	-	-	-	-	25
Operating Grants and Contributions	2,280	41,179	-	57	-
Capital Grants and Contributions	-	-	1,115	-	-
Net Revenue (Expense)	(998)	4,793	(547)	(5,976)	(180)
General Revenues					
Unrestricted Investment Earnings	-	-	23	102	-
Non-program Specific Grants, Contributions and Appropriations	-	-	1,039	6,027	-
Miscellaneous Income	4	-	115	-	-
Gain (Loss) on Assets Held for Sale	-	-	38	-	-
Total General Revenues	4	-	1,215	6,129	-
Change in Net Position	(994)	4,793	668	153	(180)
Net Position, Beginning of the Year (as restated)	3,522	40,210	62,649	5,088	3,637
Net Position, End of Year	\$ 2,528	\$ 45,003	\$ 63,317	\$ 5,241	\$ 3,457

Maine Maritime Academy	Maine Port Authority	Midcoast Regional Redevelopment Authority	Maine Technology Institute	Northern New England Passenger Rail Authority	Small Enterprise Growth Fund	Total
\$ 35,337	\$ 2,834	\$ 11,572	\$ 7,779	\$ 23,562	\$ 658	\$ 142,957
20,330	981	2,844	109	9,129	-	47,044
-	-	-	-	-	127	152
3,204	570	1,272	7,147	8,470	607	64,786
1,681	-	16,579	-	6,566	-	25,941
(10,122)	(1,283)	9,123	(523)	603	76	(5,034)
2,518	20	-	351	4	(11)	3,007
9,678	-	964	-	-	-	17,708
725	108	597	3	50	4	1,606
-	-	(7,730)	-	-	-	(7,692)
12,921	128	(6,169)	354	54	(7)	14,629
2,799	(1,155)	2,954	(169)	657	69	9,595
51,518	20,603	119,985	1,061	5,547	8,098	321,918
<u>\$ 54,317</u>	<u>\$ 19,448</u>	<u>\$ 122,939</u>	<u>\$ 892</u>	<u>\$ 6,204</u>	<u>\$ 8,167</u>	<u>\$ 331,513</u>



STATISTICAL SECTION



STATISTICAL SECTION NARRATIVE AND TABLE OF CONTENTS

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

CONTENTS

FINANCIAL TRENDS

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

ENTITY WIDE PERSPECTIVE:

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

FUND PERSPECTIVE:

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

REVENUE CAPACITY

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

Schedule 6 – Individual Income Tax and Tax Rates on Taxable Income, Last Ten Calendar Years.....	190
Schedule 7 – Individual Income Tax Filers and Tax Liability by Maine Adjusted Gross Income, Tax Years 2012 and 2004.....	193
Schedule 8 – Taxable Sales and Sales Tax Rates, Last Ten Calendar Years.....	194

DEBT CAPACITY

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

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

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

Schedule 12 – Demographic Information, Last Ten Fiscal Years.....	202
Schedule 13 – Principal Employers – Top 10, Current Year and Ten Years Ago.....	205
Schedule 14 – Schedule of State Government Full Time Equivalent Employees by Policy Area, Last Ten Fiscal Years.....	206
Schedule 15 – Operating Indicators and Capital Information, Last Eight Fiscal Years.....	208
Schedule 16 – Capital Assets by Function, Last Eight Fiscal Years.....	209

STATE OF MAINE

NET POSITION BY ACTIVITIES

Last Ten Fiscal Years
(Expressed in Thousands)

	2013	2012	2011	2010
Primary Government				
Governmental Activities				
Net Investment in Capital Assets	\$ 4,740,708	\$ 4,408,377	\$ 4,165,760	\$ 3,945,510
Restricted	403,837	398,122 ¹	376,044 ¹	383,576 ¹
Unrestricted	<u>(464,331)</u>	<u>(514,820) ¹</u>	<u>(324,465) ¹</u>	<u>(346,646) ¹</u>
Total Governmental Activities Net Position	<u>\$ 4,680,214</u>	<u>\$ 4,291,679</u>	<u>\$ 4,217,339</u>	<u>\$ 3,982,440</u>
Business-Type Activities				
Net Investment in Capital Assets	\$ 55,340	\$ 152,763	\$ 146,357	\$ 97,635
Restricted	321,112	295,632	300,287	320,648
Unrestricted	<u>2,860</u>	<u>675</u>	<u>(6,623)</u>	<u>(35,010)</u>
Total Business-Type Activities Net Position	<u>\$ 379,312</u>	<u>\$ 449,070</u>	<u>\$ 440,021</u>	<u>\$ 383,273</u>
Total Primary Government				
Net Investment in Capital Assets	\$ 4,796,048	\$ 4,561,140	\$ 4,312,117	\$ 4,043,145
Restricted	724,949	693,754 ¹	676,331 ¹	704,224 ¹
Unrestricted	<u>(461,471)</u>	<u>(514,145) ¹</u>	<u>(331,088) ¹</u>	<u>(381,656) ¹</u>
Total Primary Government Activities Net Position	<u>\$ 5,059,526</u>	<u>\$ 4,740,749</u>	<u>\$ 4,657,360</u>	<u>\$ 4,365,713</u>

¹ Amounts reported as restricted and unrestricted were restated. Total net position did not change.

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

SCHEDULE 1

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 3,767,895	\$ 3,632,073	\$ 3,519,371	\$ 3,347,672	\$ 3,061,098	\$ 2,878,596
162,240	200,888	198,786	172,449	290,385	214,026
<u>(150,054)</u>	<u>(98,830)</u>	<u>50,153</u>	<u>(67,588)</u>	<u>(171,074)</u>	<u>(37,519)</u>
<u>\$ 3,780,081</u>	<u>\$ 3,734,131</u>	<u>\$ 3,768,310</u>	<u>\$ 3,452,533</u>	<u>\$ 3,180,409</u>	<u>\$ 3,055,103</u>
<hr/>					
\$ 96,667	\$ 95,905	\$ 90,361	\$ 79,030	\$ 49,961	\$ 51,434
383,970	493,733	489,677	476,832	459,538	450,475
<u>(67,030)</u>	<u>(89,400)</u>	<u>(74,054)</u>	<u>(74,098)</u>	<u>(71,445)</u>	<u>(71,419)</u>
<u>\$ 413,607</u>	<u>\$ 500,238</u>	<u>\$ 505,984</u>	<u>\$ 481,764</u>	<u>\$ 438,054</u>	<u>\$ 430,490</u>
<hr/>					
\$ 3,864,562	\$ 3,727,978	\$ 3,609,732	\$ 3,426,702	\$ 3,111,059	\$ 2,930,030
546,210	694,621	688,463	649,281	749,923	664,501
<u>(217,084)</u>	<u>(188,230)</u>	<u>(23,901)</u>	<u>(141,686)</u>	<u>(242,519)</u>	<u>(108,938)</u>
<u>\$ 4,193,688</u>	<u>\$ 4,234,369</u>	<u>\$ 4,274,294</u>	<u>\$ 3,934,297</u>	<u>\$ 3,618,463</u>	<u>\$ 3,485,593</u>

STATE OF MAINE

CHANGES IN NET POSITION BY ACTIVITIES

Last Ten Fiscal Years
(Expressed in Thousands)

	2013	2012	2011	2010
Expenses				
Governmental Activities:				
Governmental Support & Operations	\$ 428,001	\$ 456,622	\$ 448,917	\$ 451,246
Arts, Heritage & Cultural Enrichment	10,538	11,507	11,807	11,761
Business Licensing & Regulation	63,406	68,697	69,288	74,243
Economic Development & Workforce Training	240,485	302,614	374,473	400,166
Education	1,581,556	1,610,095	1,706,305	1,752,041
Health & Human Services	3,657,573	3,750,402	3,522,341	3,511,572
Justice & Protection	401,656	401,740	415,450	412,263
Natural Resources Development & Protection	201,979	208,463	204,379	196,780
Transportation, Safety & Development	384,852	376,689	371,374	334,236
Interest Expense	46,541	45,551	43,202	48,594
Total Governmental Activities	7,016,587	7,232,380	7,167,536	7,192,902
Business-Type Activities:				
Employment Security	169,334	187,703	203,693	235,301
Alcoholic Beverages	-	-	-	1
Lottery	176,094	176,837	167,956	166,721
Transportation	-	9,310	11,082	8,173
Ferry Services	12,030	11,458	12,711	10,817
Military Equipment Maintenance	36,971	35,058	44,765	45,004
Dirigo Health	56,229	56,702	47,980	50,952
Other	7,183	7,662	7,597	9,749
Total Business-Type Activities	457,841	484,730	495,784	526,718
Total Primary Government Expenses	7,474,428	7,717,110	7,663,320	7,719,620
Program Revenues				
Governmental Activities:				
Charges for Services:				
Governmental Support & Operations	89,374	80,534	105,851	106,164
Arts, Heritage & Cultural Enrichment	869	1,006	749	1,075
Business Licensing & Regulation	69,196	75,633	57,772	71,592
Economic Development & Workforce Training	7,910	7,175	5,972	6,846
Education	26,098	6,897	4,470	7,487
Health & Human Services	18,801	20,018	18,252	11,844
Justice & Protection	83,173	86,583	83,093	88,166
Natural Resources Development & Protection	93,531	93,991	102,084	95,318
Transportation, Safety & Development	119,087	116,995	110,401	103,759
Operating Grants and Contributions	3,047,714	3,160,241	3,355,823	3,525,858
Capital Grants and Contributions	-	-	-	-
Total Governmental Activities Program Revenues	3,555,753	3,649,073	3,844,467	4,018,109
Business-Type Activities:				
Employment Security	188,833	176,645	173,416	127,438
Alcoholic Beverages	12,533	12,532	12,533	12,528
Lottery	229,565	231,015	218,081	219,966
Transportation	-	4,692	4,182	1,929
Ferry Services	4,584	4,695	4,649	4,951
Military Equipment Maintenance	35,814	35,104	42,473	49,487
Dirigo Health	65,454	70,296	71,396	65,609
Other ¹	7,143	5,945	8,619	7,126
Operating Grants and Contributions	7,032	7,823	11,253	44,629
Capital Grants and Contributions	-	-	-	-
Total Business-Type Activities Program Revenues	550,958	548,747	546,602	533,663
Net (Expense)/Revenue				
Governmental Activities	(3,460,834)	(3,583,307)	(3,323,069)	(3,174,793)
Business-Type Activities	93,117	64,017	50,818	6,945
Total Primary Governmental Net (Expense)/Revenue	(3,367,717)	(3,519,290)	(3,272,251)	(3,167,848)

¹ Airport totals for 2006 and prior years were combined into "Other".

SCHEDULE 2

	2009	2008	2007	2006	2005	2004
\$	506,726	\$ 427,752	\$ 498,542	\$ 449,578	\$ 441,545	\$ 373,181
	13,430	12,406	12,994	12,191	13,273	12,498
	66,155	63,417	60,506	53,547	49,553	46,249
	229,838	149,970	161,427	160,093	171,092	191,868
	1,689,036	1,669,353	1,622,653	1,494,438	1,412,524	1,357,080
	3,428,680	3,290,482	2,989,001	3,167,521	3,051,822	2,775,008
	419,027	407,879	358,718	340,281	322,072	297,619
	224,609	186,214	179,670	166,358	171,307	166,167
	363,977	300,557	353,904	278,096	232,105	270,610
	40,148	35,524	36,246	36,873	32,530	31,324
	<u>6,981,626</u>	<u>6,543,554</u>	<u>6,273,661</u>	<u>6,158,976</u>	<u>5,897,823</u>	<u>5,521,604</u>
	225,181	122,518	120,215	103,867	113,642	118,965
	-	-	-	-	7	61,958
	163,030	178,419	180,722	179,628	161,691	146,214
	8,473	7,432	4,218	-	-	-
	10,210	9,292	9,405	6,707	7,876	7,296
	71,380	80,306	35,140	65,013	50,908	25,923
	58,861	76,860	65,178	47,122	13,587	-
	8,877	8,598	8,972	5,260 ¹	4,828 ¹	4,341
	<u>546,012</u>	<u>483,425</u>	<u>423,850</u>	<u>407,597</u>	<u>352,539</u>	<u>364,697</u>
	<u>7,527,638</u>	<u>7,026,979</u>	<u>6,697,511</u>	<u>6,566,573</u>	<u>6,250,362</u>	<u>5,886,301</u>
	82,738	86,178	76,507	71,507	67,067	148,707
	1,172	1,303	818	920	816	1,308
	56,042	69,845	52,033	65,588	51,374	54,920
	4,531	2,361	3,202	2,966	3,355	2,242
	2,053	3,653	4,865	8,605	1,362	924
	12,573	11,694	9,656	15,097	13,649	14,722
	90,497	89,580	80,435	75,035	63,274	63,475
	91,562	92,737	81,305	76,921	72,450	78,870
	111,429	102,729	97,761	95,394	97,172	9,919
	3,081,827	2,559,533	2,361,828	2,536,857	2,324,723	2,265,857
	-	-	6,434	24,268	174,140	200,754
	<u>3,534,424</u>	<u>3,019,613</u>	<u>2,774,844</u>	<u>2,973,158</u>	<u>2,869,382</u>	<u>2,841,698</u>
	97,362	106,536	112,482	102,611	100,136	86,143
	12,530	12,527	12,525	12,525	12,582	89,087
	213,073	228,980	231,628	230,962	211,965	188,671
	3,961	2,089	2,169	-	-	-
	4,347	4,116	3,837	3,464	3,642	3,168
	75,784	77,229	30,656	70,427	46,476	27,336
	68,704	54,507	63,339	25,886	5,216	-
	7,150	7,213	6,882	4,242	2,730	2,039
	20,170	22,950	21,386	20,663	23,915	25,927
	-	-	4,143	-	194	1,771
	<u>503,081</u>	<u>516,147</u>	<u>489,047</u>	<u>470,780</u>	<u>406,856</u>	<u>424,142</u>
	(3,447,202)	(3,523,941)	(3,498,817)	(3,185,818)	(3,028,441)	(2,679,906)
	<u>(42,931)</u>	<u>32,722</u>	<u>65,197</u>	<u>63,183</u>	<u>54,317</u>	<u>59,445</u>
	<u>(3,490,133)</u>	<u>(3,491,219)</u>	<u>(3,433,620)</u>	<u>(3,122,635)</u>	<u>(2,974,124)</u>	<u>(2,620,461)</u>

(continued)

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

Last Ten Fiscal Years
(Expressed in Thousands)

	2013	2012	2011	2010
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Taxes:				
Corporate	\$ 294,333	\$ 334,818	\$ 310,693	\$ 282,998
Individual Income	1,508,024	1,459,039	1,455,959	1,297,568
Fuel	235,112	245,815	241,710	223,953
Property	49,444	45,902	45,882	46,627
Sales & Use	1,140,645	1,113,952	1,097,900	1,090,578
Other	313,154	273,062	283,715	258,775
Unrestricted Investment Earnings	10,288	2,543	17,051	12,378
Miscellaneous Income	100,329	76,360	107,017	92,536
Loss on Assets Held for Sale	-	-	-	-
Tobacco Settlement	50,723	51,188	48,554	51,601
Special Items	92,401	-	(36,931)	(11,728)
Transfers - Internal Activities	54,916	54,968	(13,016)	37,279
Total Governmental Activities	<u>3,849,369</u>	<u>3,657,647</u>	<u>3,558,534</u>	<u>3,382,565</u>
Business-Type Activities:				
Miscellaneous Income	-	-	-	-
Loss on Assets Held for Sale	-	-	-	-
Special Items	(108,288)	-	(7,086)	-
Transfers - Internal Activities	(54,916)	(54,968)	13,016	(37,279)
Total Business-Type Activities	<u>(163,204)</u>	<u>(54,968)</u>	<u>5,930</u>	<u>(37,279)</u>
Total Primary Government	<u>3,686,165</u>	<u>3,602,679</u>	<u>3,564,464</u>	<u>3,345,286</u>
Change in Net Position				
Governmental Activities	388,535	74,340	235,465	207,772
Business-Type Activities	(70,087)	9,049	56,748	(30,334)
Total Change in Net Position - Primary Government	<u>\$ 318,448</u>	<u>\$ 83,389</u>	<u>\$ 292,213</u>	<u>\$ 177,438</u>

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

SCHEDULE 2 (continued)

	2009	2008	2007	2006	2005	2004
\$	266,551	\$ 291,463	\$ 292,255	\$ 305,872	\$ 244,842	\$ 216,366
	1,374,681	1,552,412	1,478,542	1,403,790	1,296,606	1,149,109
	228,438	231,727	226,744	224,474	209,569	200,637
	39,120	43,672	48,339	53,272	50,962	28,412
	1,142,485	1,141,714	1,107,361	1,001,436	1,042,654	973,449
	250,297	254,297	255,550	263,506	223,326	117,168
	6,417	5,857	39,599	28,881	20,650	17,049
	91,528	120,109	123,036	104,272	92,851	124,043
	(57)	(1,016)	(445)	(217)	(112)	(3,035)
	61,388	64,399	48,978	41,573	50,006	49,018
	-	(100,000)	-	(31,212)	30,881	75,000
	43,700	38,470	40,979	51,708	50,211	68,132
	<u>3,504,548</u>	<u>3,643,104</u>	<u>3,660,938</u>	<u>3,447,355</u>	<u>3,312,446</u>	<u>3,015,348</u>
	-	2	2	448	-	-
	-	-	-	-	-	-
	-	-	-	31,787	(50,000)	(85,703)
	<u>(43,700)</u>	<u>(38,470)</u>	<u>(40,979)</u>	<u>(51,708)</u>	<u>(50,211)</u>	<u>(68,132)</u>
	<u>(43,700)</u>	<u>(38,468)</u>	<u>(40,977)</u>	<u>(19,473)</u>	<u>(100,211)</u>	<u>(153,835)</u>
	<u>3,460,848</u>	<u>3,604,636</u>	<u>3,619,961</u>	<u>3,427,882</u>	<u>3,212,235</u>	<u>2,861,513</u>
	57,346	119,163	162,121	261,537	284,005	335,442
	<u>(86,631)</u>	<u>(5,746)</u>	<u>24,220</u>	<u>43,710</u>	<u>(45,894)</u>	<u>(94,390)</u>
\$	<u><u>(29,285)</u></u>	<u><u>113,417</u></u>	<u><u>186,341</u></u>	<u><u>305,247</u></u>	<u><u>238,111</u></u>	<u><u>241,052</u></u>

STATE OF MAINE

FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(Expressed in Thousands)

	2013	2012	2011	2010
General Fund				
Nonspendable:				
Permanent Fund Principal	\$ -	\$ -	\$ -	\$ -
Inventories and Prepaid Items	3,341	2,965	3,846	-
Restricted	3,534	2,989	3,344	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	(151,250)	(355,889)	(243,559)	-
Total General Fund	\$ (144,375)	\$ (349,935)	\$ (236,369)	\$ -
All Other Governmental Funds:				
Nonspendable:				
Permanent Fund Principal	\$ 17,794	\$ 16,328	\$ 14,961	\$ -
Inventories and Prepaid Items	1,556	1,563	1,578	-
Restricted	502,108	527,811	493,094	-
Committed	-	38,436	38,444	-
Assigned	-	12,489	17,149	-
Unassigned (deficit)	(132,447)	(2,300)	(4,374)	-
Total All Other Governmental Funds	\$ 389,011	\$ 594,327	\$ 560,852	\$ -
Total Governmental Fund Balances	\$ 244,636	\$ 244,392	\$ 324,483	\$ -
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ 102,770
Unreserved	-	-	-	(411,018)
Total General Fund	\$ -	\$ -	\$ -	\$ (308,248)
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ 547,669
Unreserved, reported in:				
Special revenue funds	-	-	-	67,964
Total All Other Governmental Funds	\$ -	\$ -	\$ -	\$ 615,633
Total Governmental Fund Balances	\$ -	\$ -	\$ -	\$ 307,385

SOURCE: State of Maine Comprehensive Annual Financial Reporting System.

Modified accrual basis of accounting.

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

SCHEDULE 3

2009	2008	2007	2006	2005	2004
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ 116,986	\$ 165,402	\$ 127,136	\$ 177,796	\$ 192,684	\$ 122,440
<u>(390,379)</u>	<u>(403,874)</u>	<u>(283,485)</u>	<u>(355,427)</u>	<u>(146,328)</u>	<u>(124,706)</u>
<u>\$ (273,393)</u>	<u>\$ (238,472)</u>	<u>\$ (156,349)</u>	<u>\$ (177,631)</u>	<u>\$ 46,356</u>	<u>\$ (2,266)</u>
\$ 442,613	\$ 458,238	\$ 424,965	\$ 460,257	\$ 521,984	\$ 487,506
<u>32,736</u>	<u>(31,858)</u>	<u>4,270</u>	<u>(67,148)</u>	<u>(30,605)</u>	<u>(38,886)</u>
<u>\$ 475,349</u>	<u>\$ 426,380</u>	<u>\$ 429,235</u>	<u>\$ 393,109</u>	<u>\$ 491,379</u>	<u>\$ 448,620</u>
\$ 201,956	\$ 187,908	\$ 272,886	\$ 215,478	\$ 537,735	\$ 446,354

STATE OF MAINE

CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(Expressed in Thousands)

	2013	2012	2011	2010
Revenues				
Taxes	\$ 3,558,881	\$ 3,469,925	\$ 3,398,030	\$ 3,215,299
Assessments and Other Revenue	351,510	331,862	314,447	334,656
Federal Grants and Reimbursements	3,048,069	3,162,059	3,366,618	3,535,224
Service Charges	141,358	147,379	155,491	159,854
Investment Income (Loss)	9,921	1,299	16,250	11,273
Miscellaneous Revenue	130,615	127,327	132,411	144,509
Total Revenues	<u>7,240,354</u>	<u>7,239,851</u>	<u>7,383,247</u>	<u>7,400,815</u>
Expenditures				
Current:				
Governmental Support & Operations	402,006	408,730	400,580	410,269
Economic Development & Workforce Training	241,126	301,827	375,234	401,839
Education	1,590,595	1,616,987	1,717,991	1,776,207
Health and Human Services	3,676,832	3,771,099	3,571,466	3,608,645
Business Licensing & Regulation	62,883	65,876	67,700	73,807
Natural Resources Development & Protection	208,453	204,353	211,168	224,598
Justice and Protection	392,352	383,123	398,911	415,689
Arts, Heritage & Cultural Enrichment	10,298	10,981	11,544	11,613
Transportation Safety & Development	584,201	566,540	657,528	568,639
Debt Service:				
Principal Payments	143,229	134,886	121,995	120,087
Interest Payments	38,791	40,133	38,131	39,332
Capital Outlays	<u>7,753</u>	<u>25,729</u>		
Total Expenditures	<u>7,358,519</u>	<u>7,530,264</u>	<u>7,572,248</u>	<u>7,650,725</u>
Revenue over (under) Expenditures	<u>(118,165)</u>	<u>(290,413)</u>	<u>(189,001)</u>	<u>(249,910)</u>
Other Financing Sources (Uses):				
Transfer from Other Funds	472,313	426,135	395,679	352,719
Transfer to Other Funds	(399,791)	(365,936)	(332,250)	(309,596)
COPS and Other	6,371	2,625	5,244	40,520
Proceeds from Component Unit Loan Payable	-	58,726	51,710	142,857
Bonds Issued	30,290	82,265	108,135	70,110
Premium on Bonds Issued	<u>2,210</u>	<u>6,507</u>	<u>-</u>	<u>-</u>
Net Other Finance Sources (Uses)	<u>111,393</u>	<u>210,322</u>	<u>228,518</u>	<u>296,610</u>
Special Items:				
Transfer of STAR Fund	7,016	-	-	-
Return of Excess Equity from Retiree Health Insurance Fund	-	-	(22,520)	63,115
Refund to Federal Government Resulting from Excess Equity Distribution	-	-	-	-
Purchase of Landfill	-	-	-	-
Sale of Landfill Capacity	-	-	-	-
Proceeds from Sale of Liquor Operating Rights	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Special Items	<u>7,016</u>	<u>-</u>	<u>(22,520)</u>	<u>63,115</u>
Net Change in Fund Balance	<u>\$ 244</u>	<u>\$ (80,091)</u>	<u>\$ 16,997</u>	<u>\$ 109,815</u>
Debt Service as a Percentage of NonCapital Expenditures	2.12%	2.20%	1.67%	1.63%

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

SCHEDULE 4

	2009	2008	2007	2006	2005	2004
\$	3,240,269	\$ 3,510,637	\$ 3,430,669	\$ 3,344,803	\$ 3,035,988	\$ 2,764,684
	322,239	320,363	289,301	290,455	256,690	260,225
	3,092,757	2,569,632	2,386,317	2,625,354	2,500,523	2,461,204
	148,904	145,091	123,249	135,815	119,996	131,871
	(264)	2,356	26,740	24,140	16,740	15,247
	138,740	134,110	161,676	115,800	130,609	148,537
	<u>6,942,645</u>	<u>6,682,189</u>	<u>6,417,952</u>	<u>6,536,367</u>	<u>6,060,546</u>	<u>5,781,768</u>
	433,723	469,060	411,803	497,996	430,386	446,036
	229,090	152,403	162,003	162,326	173,919	194,379
	1,702,917	1,681,096	1,637,848	1,510,662	1,425,244	1,367,414
	3,448,401	3,356,683	3,066,272	3,364,164	3,097,852	2,830,069
	65,235	65,470	61,540	56,064	50,883	47,702
	222,947	195,330	204,204	191,612	184,171	200,428
	445,389	415,645	372,674	362,394	346,849	303,659
	13,208	12,717	13,215	12,655	13,471	12,715
	557,684	550,819	494,586	605,780	501,237	486,816
	85,759	81,015	83,680	75,090	66,790	72,325
	23,271	19,575	20,334	18,998	15,972	15,480
	<u>7,227,624</u>	<u>6,999,813</u>	<u>6,528,159</u>	<u>6,857,741</u>	<u>6,306,774</u>	<u>5,977,023</u>
	<u>(284,979)</u>	<u>(317,624)</u>	<u>(110,207)</u>	<u>(321,374)</u>	<u>(246,228)</u>	<u>(195,255)</u>
	315,508	312,154	352,896	282,739	342,965	434,934
	(254,300)	(225,695)	(279,691)	(235,505)	(288,865)	(349,799)
	4,474	50,542	35,543	10,727	6,061	11,246
	100,000	-	-	22,111	49,423	-
	133,345	104,075	60,975	52,390	140,025	133,815
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>299,027</u>	<u>241,076</u>	<u>169,723</u>	<u>132,462</u>	<u>249,609</u>	<u>230,196</u>
	-	-	-	-	-	-
	-	-	-	-	105,711	-
	-	-	-	-	(19,119)	-
	-	-	-	-	-	(26,000)
	-	-	-	-	-	26,000
	-	-	-	-	50,000	75,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>136,592</u>	<u>75,000</u>
\$	<u>14,048</u>	<u>(76,548)</u>	<u>59,516</u>	<u>(188,912)</u>	<u>139,973</u>	<u>109,941</u>
	1.23%	1.19%	1.32%	1.13%	1.10%	1.28%

STATE OF MAINE CHANGES IN FUND BALANCES GENERAL FUND

Last Ten Fiscal Years
(Expressed in Thousands)

	2013	2012	2011	2010
Revenues:				
Taxes	\$ 3,077,321	\$ 2,990,353	\$ 2,926,972	\$ 2,756,435
Assessments and Other Revenue	106,086	103,292	107,878	117,119
Federal Grants and Reimbursements	1,726	3,377	11,832	11,047
Service Charges	46,281	49,008	46,206	50,852
Investment Income (Loss)	356	1,413	(54)	567
Miscellaneous Revenue	10,467	17,047	15,805	12,284
Total Revenues	<u>3,242,237</u>	<u>3,164,490</u>	<u>3,108,639</u>	<u>2,948,304</u>
Expenditures				
Current:				
Governmental Support & Operations	265,160	255,191	238,729	257,093
Economic Development & Workforce Training	31,922	33,561	34,504	35,646
Education	1,332,688	1,335,736	1,389,383	1,419,891
Health and Human Services	907,141	1,126,805	933,047	758,808
Business Licensing & Regulation	992	-	-	22
Natural Resources Development & Protection	64,184	65,332	64,972	67,324
Justice and Protection	258,969	253,226	264,792	270,581
Arts, Heritage & Cultural Enrichment	6,932	7,117	7,081	7,311
Transportation Safety & Development	-	-	7,000	-
Debt Service:				
Principal Payments	103,840	98,340	89,835	92,035
Interest Payments	20,657	21,714	21,425	24,103
Capital Outlay	-	-	-	-
Total Expenditures	<u>2,992,485</u>	<u>3,197,022</u>	<u>3,050,768</u>	<u>2,932,814</u>
Revenue over (under) Expenditures	<u>249,752</u>	<u>(32,532)</u>	<u>57,871</u>	<u>15,490</u>
Other Financing Sources (Uses):				
Transfer from Other Funds	181,932	134,722	179,795	106,694
Transfer to Other Funds	(230,298)	(216,827)	(167,274)	(205,768)
Other	4,174	1,071	1,487	382
Bonds Issued	-	-	-	-
Net Other Finance Sources (Uses)	<u>(44,192)</u>	<u>(81,034)</u>	<u>14,008</u>	<u>(98,692)</u>
Special Items:				
Return of Excess Equity from Retiree Health Insurance Fund	-	-	-	48,347
Purchase of Landfill	-	-	-	-
Sale of Landfill Capacity	-	-	-	-
Proceeds from Sale of Liquor Operating Rights	-	-	-	-
Net Special Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,347</u>
Net Change in Fund Balance	<u>\$ 205,560</u>	<u>\$ (113,566)</u>	<u>\$ 71,879</u>	<u>\$ (34,855)</u>
Debt Service as a Percentage of NonCapital Expenditures	3.8%	3.3%	3.2%	3.5%

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

SCHEDULE 5

	2009	2008	2007	2006	2005	2004
\$	2,808,997	\$ 3,079,706	\$ 3,003,382	\$ 2,926,835	\$ 2,653,628	\$ 2,453,800
	120,682	116,742	109,336	105,371	88,514	81,852
	14,844	11,041	16,762	17,334	28,894	25,230
	44,211	47,262	36,717	41,395	38,351	44,049
	8,425	2,562	9,653	12,299	6,877	5,837
	9,892	7,872	25,099	14,993	12,437	45,008
	<u>3,007,051</u>	<u>3,265,185</u>	<u>3,200,949</u>	<u>3,118,227</u>	<u>2,828,701</u>	<u>2,655,776</u>
	273,595	280,871	262,721	327,529	270,370	263,839
	35,751	39,360	40,280	45,324	42,278	47,095
	1,451,223	1,478,192	1,438,605	1,283,214	1,201,008	1,144,907
	786,512	1,063,499	972,875	1,097,456	957,371	777,074
	6	-	-	-	3	-
	67,669	72,709	70,373	70,878	67,310	66,692
	270,594	267,117	245,592	227,588	220,141	203,360
	8,096	8,632	8,958	8,504	8,521	8,352
	1	-	-	178	831	3,338
	65,685	66,250	69,350	57,985	53,510	56,310
	15,179	16,058	17,369	15,263	12,541	12,458
	-	-	-	-	-	-
	<u>2,974,311</u>	<u>3,292,688</u>	<u>3,126,123</u>	<u>3,133,919</u>	<u>2,833,884</u>	<u>2,583,425</u>
	<u>32,740</u>	<u>(27,503)</u>	<u>74,826</u>	<u>(15,692)</u>	<u>(5,183)</u>	<u>72,351</u>
	87,178	101,092	115,292	90,912	101,813	127,525
	(155,566)	(152,813)	(190,074)	(164,923)	(168,173)	(238,637)
	727	5,531	23,346	666	-	-
	-	-	-	-	1,681	2,335
	<u>(67,661)</u>	<u>(46,190)</u>	<u>(51,436)</u>	<u>(73,345)</u>	<u>(64,679)</u>	<u>(108,777)</u>
	-	-	-	-	68,484	-
	-	-	-	-	-	(26,000)
	-	-	-	-	-	26,000
	-	-	-	-	50,000	75,000
	-	-	-	-	118,484	75,000
\$	<u>(34,921)</u>	<u>(73,693)</u>	<u>23,390</u>	<u>(89,037)</u>	<u>48,622</u>	<u>38,574</u>
	2.4%	2.1%	2.4%	2.0%	2.1%	2.5%

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

Last Ten Calendar Years
(Expressed in Thousands)

	2012	2011	2010	2009
Individual Income Tax Liability	\$ 1,433,654	\$ 1,343,096	\$ 1,310,748	\$ 1,231,328
Personal Income	\$ 41,666,105	\$ 50,868,518	\$ 48,620,161	\$ 47,840,170
Average Effective Tax Rate	3.4%	2.6%	2.7%	2.6%

	2012	2011	2010	2009
Income Bracket	\$0 - \$5,100	\$0 - \$5,000	\$0 - \$4,950	\$0 - \$5,049
Tax Rate	2.0%	2.0%	2.0%	2.0%
Income Bracket	\$5,000 - \$10,149	\$5,000 - \$9,949	\$4,950 - \$9,849	\$5,050 - \$10,049
Tax Rate	4.5%	4.5%	4.5%	4.5%
Income Bracket	\$10,150 - \$20,349	\$9,950 - \$19,950	\$9,850 - \$19,750	\$10,050 - \$20,149
Tax Rate	7.0%	7.0%	7.0%	7.0%
Income Bracket	\$20,350+	\$19,950+	\$19,750+	\$20,150+
Tax Rate	8.5%	8.5%	8.5%	8.5%

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

¹ Amounts shown are for single and married filing separate returns.
For joint filers, approx. double the income amounts, for head of household filers multiply the brackets by approx 1.5.

SOURCE: Maine Revenue Services.

SCHEDULE 6

2008	2007	2006	2005	2004
\$ 1,327,007	\$ 1,441,838	\$ 1,364,514	\$ 1,286,375	\$ 1,200,138
\$ 48,469,425	\$ 46,353,508	\$ 44,307,181	\$ 41,981,794	\$ 41,164,305
2.7%	3.1%	3.1%	3.1%	2.9%

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



SCHEDULE 7

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

(Tax Liability Expressed in Millions)

2012 Tax Year				
Income Level	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$0 and below	9,386	1.5%	\$ (0.07)	0.0%
\$1 - \$ 10,000	94,119	14.6%	0.50	0.0%
\$10,001 - \$ 20,000	103,539	16.1%	10.26	0.7%
\$20,001 - \$ 30,000	92,764	14.4%	38.65	2.7%
\$30,001 - \$ 50,000	124,690	19.4%	140.63	9.8%
\$50,001 - \$ 75,000	90,771	14.1%	213.64	14.9%
\$75,001 - \$100,000	52,005	8.1%	203.71	14.2%
\$100,001 - \$200,000	55,618	8.6%	377.24	26.3%
\$200,001 and higher	20,508	3.2%	449.09	31.3%
Total	643,400	100.0%	\$ 1,433.65	100.0%

(Tax Liability Expressed in Millions)

2004 Tax Year				
Income Level	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$0 and below	8,205	1.3%	\$ 0.10	0.0%
\$1 - \$ 10,000	114,036	17.9%	1.08	0.1%
\$10,001 - \$ 20,000	112,199	17.6%	16.21	1.3%
\$20,001 - \$ 30,000	98,084	15.4%	51.61	4.3%
\$30,001 - \$ 50,000	126,055	19.8%	158.86	13.2%
\$50,001 - \$ 75,000	87,593	13.7%	220.24	18.3%
\$75,001 - \$100,000	41,821	6.6%	172.85	14.4%
\$100,001 - \$200,000	34,463	5.4%	237.74	19.8%
\$200,001 and higher	14,737	2.3%	344.48	28.6%
Total	637,193	100.0%	\$ 1,203.16	100.0%

SOURCE: Maine Revenue Services.

STATE OF MAINE

TAXABLE SALES AND SALES TAX RATES

Last Ten Calendar Years
(Expressed in Thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Business Operating	\$ 2,067,377	\$ 2,049,006	\$ 1,918,822	\$ 1,844,137
Building Supply	2,062,228	2,077,286	1,952,223	1,935,594
Food Store	1,624,530	1,573,350	1,549,236	1,524,322
General Merchandise	3,085,993	3,023,999	3,035,357	2,961,519
Other Retail	2,104,763	2,085,879	2,017,406	1,954,976
Auto/Transportation	3,665,144	3,474,079	3,301,710	3,236,393
Restaurant/Lodging	2,926,282	2,748,285	2,668,214	2,544,180
Total	<u>\$ 17,536,317</u>	<u>\$ 17,031,884</u>	<u>\$ 16,442,968</u>	<u>\$ 16,001,121</u>

Sales and Use Tax Rates:

General Sales & Use	5%	5%	5%	5%
Lodging & Prepared Food	7%	7%	7%	7%
Short-term Auto Rental	10%	10%	10%	10%

Effective October 1, 2013 general sales and use tax increased to 5.5%.

SOURCE: Maine Revenue Services.

SCHEDULE 8

	2008	2007	2006	2005	2004	2003
\$	2,215,203	\$ 2,192,901	\$ 2,099,287	\$ 1,974,352	\$ 1,875,710	\$ 1,714,115
	2,310,974	2,423,398	2,526,623	2,464,352	2,344,687	2,013,655
	1,487,816	1,451,156	1,404,216	1,343,160	1,278,427	1,253,829
	3,072,726	3,140,117	3,097,387	2,986,708	3,001,887	2,897,803
	1,987,758	1,941,346	1,936,040	1,824,692	1,708,180	1,587,861
	3,462,852	3,639,346	3,613,741	3,695,730	3,744,219	3,698,571
	2,595,692	2,573,052	2,451,376	2,319,463	2,238,980	2,146,647
\$	<u>17,133,019</u>	<u>\$ 17,361,316</u>	<u>\$ 17,128,670</u>	<u>\$ 16,608,457</u>	<u>\$ 16,192,090</u>	<u>\$ 15,312,481</u>

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



SCHEDULE 9

STATE OF MAINE CALCULATION OF LEGAL DEBT MARGIN FOR THE TEN YEARS ENDED JUNE 30, 2013

Pursuant to Article IX, Section 14 of the Maine Constitution, the Legislature shall not create any debt or debts on behalf of the State, which shall exceed \$2,000,000 in the aggregate, except to suppress insurrection, to repel invasion, or for purposes of war, and except for temporary loans to be paid out of money raised by taxation during the fiscal year in which they are made. Whenever 2/3 of both Houses shall deem it necessary, by proper enactment ratified by a majority of the electors voting thereon at a general or special election, the Legislature may authorize the issuance of bonds on behalf of the State as approved by such action. Temporary loans to be paid out of moneys raised by taxation during any fiscal year shall not exceed in the aggregate during the fiscal year in question an amount greater than 10 percent of all the moneys appropriated, authorized and allocated by the Legislature from undedicated revenues to the General Fund and dedicated revenues to the Highway Fund for that fiscal year, exclusive of proceeds or expenditures from the sale of bonds, or greater than 1 percent of the total valuation of the State of Maine, whichever is the lesser.

There were no temporary loans outstanding at June 30, for the years presented below, which were subject to the Constitutional limitations.*

All other general long-term bonds outstanding at June 30, for the years presented below, were issued pursuant to properly ratified legislation.

Calculations of temporary loans made during the year, yet paid back prior to year end are:

(Dollar Amounts Expressed in Thousands)

Year	Temporary Loans Outstanding During the Year*	Total Governmental Funds Revenue	% of Total Governmental Funds Revenue	10% of Total Governmental Funds Revenue Limit Amount	Total Valuation	% of Total Valuation	1% of Total Valuation Limit Amount
2013	\$ -	\$6,959,426	.-%	\$695,943	\$160,011,900	.-%	\$1,600,119
2012	\$ -	\$6,947,865	.-%	\$694,787	\$163,424,200	.-%	\$1,634,242
2011	\$68,455	\$7,190,530	.95%	\$719,053	\$166,990,700	.04%	\$1,669,907
2010	\$41,245	\$7,083,733	.58%	\$708,373	\$170,336,350	.02%	\$1,703,336
2009	\$112,110	\$6,827,987	1.64%	\$682,799	\$168,006,150	.07%	\$1,680,062
2008	\$88,820	\$6,406,302	1.39%	\$640,630	\$162,744,550	.05%	\$1,627,446
2007	\$55,840	\$6,230,265	0.90%	\$623,027	\$148,946,200	.04%	\$1,489,462
2006	\$169,852	\$6,366,819	2.67%	\$636,682	\$133,628,600	.13%	\$1,336,286
2005	\$332,850	\$6,114,226	5.44%	\$611,423	\$118,038,020	.28%	\$1,180,380
2004	\$405,275	\$5,902,866	6.87%	\$590,287	\$104,219,950	.39%	\$1,042,200

STATE OF MAINE

RATIOS OF OUTSTANDING DEBT BY TYPE

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

	2013	2012	2011	2010
Governmental Activities Debt				
General Obligation Bonds	\$ 369,725	\$ 472,055	\$ 520,230	\$ 500,100
MGFA Revenue Bonds	199,910	187,865	172,150	189,080
COPS and Other Financing Arrangements	47,938	52,097	71,830	76,291
Obligations Under Capital Leases	34,741	29,778	33,690	33,329
Loans Payable to Component Unit ¹	304,045	328,131	290,919	258,394
Total Governmental Activities Debt	<u>956,359</u>	<u>1,069,926</u>	<u>1,088,819</u>	<u>1,057,194</u>
Business-Type Activities Debt	-	-	-	-
Total Primary Government Debt	<u>\$ 956,359</u>	<u>\$ 1,069,926</u>	<u>\$ 1,088,819</u>	<u>\$ 1,057,194</u>
Debt Ratios				
Ratio of Total Debt to Personal Income ²	1.8%	2.0%	2.1%	2.1%
Per Capita ³	\$ 720	\$ 805	\$ 819	\$ 796
Net General Obligation Bonded Debt				
Gross Bonded Debt	\$ 569,635	\$ 659,920	\$ 692,380	\$ 689,180
Less: Debt Service Funds	-	-	-	-
Net Bonded Debt	<u>\$ 569,635</u>	<u>\$ 659,920</u>	<u>\$ 692,380</u>	<u>\$ 689,180</u>
Ratio of Net Bonded Debt to Estimated Property Value ⁴	0.4%	0.4%	0.4%	0.4%
Per Capita ³	\$ 429	\$ 497	\$ 521	\$ 519

¹ Federal and other revenue streams associated with qualified transportation projects are pledged as security for GARVEE and TransCap bonds. These pledged future revenues offset the unspent proceeds of the bond received by a component unit.

² Personal income data, revised for all years, can be found in Schedule 12.

³ Population data, revised for all years, can be found in Schedule 12.

⁴ Estimated property value can be found on Schedule 9

SCHEDULE 10

	2009	2008	2007	2006	2005	2004
\$	529,990	\$ 475,835	\$ 448,760	\$ 467,550	\$ 487,095	\$ 416,360
	192,935	208,560	182,605	186,215	189,570	197,950
	50,079	66,493	79,886	36,581	36,865	45,346
	37,634	37,522	41,751	40,091	39,905	40,137
	<u>131,769</u>	<u>38,338</u>	<u>42,353</u>	<u>46,268</u>	<u>49,423</u>	<u>-</u>
	<u>942,407</u>	<u>826,748</u>	<u>795,355</u>	<u>776,705</u>	<u>802,858</u>	<u>699,793</u>
	-	-	-	-	-	-
\$	<u>942,407</u>	<u>826,748</u>	<u>795,355</u>	<u>776,705</u>	<u>802,858</u>	<u>699,793</u>
<hr/>						
	1.9%	1.7%	1.7%	1.7%	1.9%	1.7%
\$	709	\$ 621	\$ 599	\$ 587	\$ 609	\$ 533
\$	722,925	\$ 684,395	\$ 631,365	\$ 653,765	\$ 676,665	\$ 614,310
	-	-	-	5,824	11,657	12,002
\$	<u>722,925</u>	<u>684,395</u>	<u>631,365</u>	<u>647,941</u>	<u>665,008</u>	<u>602,308</u>
	0.4%	0.4%	0.4%	0.5%	0.6%	0.6%
\$	544	\$ 514	\$ 476	\$ 489	\$ 504	\$ 458

STATE OF MAINE PLEDGED FUTURE REVENUE COVERAGE

Last Ten Fiscal Years
(Expressed in Thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Grant Anticipation Revenue Vehicle (GARVEE) Bonds ¹				
Federal Aid Revenues	\$ 223,076	\$ 206,952	\$ 186,326	\$ 150,868
Annual Debt Service	\$ 15,921	\$ 15,100	\$ 11,191	\$ 10,650
Debt Service Coverage	7.14%	7.30%	6.01%	7.06%

The State has committed to appropriate each year a portion of the State's future federal transportation funds, in amounts sufficient to cover the principal and interest requirements of Maine Municipal Bond Bank's debt for these bonds. The State's receipt of these funds is subject to continuing federal appropriations.

Transportation Infrastructure Revenue (TRANSCAP) Bonds²

Pledged Revenue Stream	\$ 40,154	\$ 38,171	\$ 38,136	\$ 38,124
Annual Debt Service	\$ 20,268	\$ 17,467	\$ 16,951	\$ 7,567
Debt Service Coverage	50.48%	45.76%	44.45%	19.85%

The State committed a portion of specific future fees and taxes collected by the State of Maine as pledged revenues. There is no guarantee that the State will not repeal or reduce the rates of such taxes or the amounts of such fees or apportionments.

¹ Based on Federal Fiscal Year End

² Based on State Fiscal Year End

SOURCE: Department of Transportation.

SCHEDULE 11

<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 147,530	\$ 146,454	\$ 168,499	\$ 167,405	\$ 174,989	N/A
\$ 6,384	\$ 5,521	\$ 5,579	\$ 4,867	\$ 366	N/A
4.33%	3.77%	3.31%	2.91%	0.21%	N/A
\$ 5,000	N/A	N/A	N/A	N/A	N/A
\$ 658	N/A	N/A	N/A	N/A	N/A
13.16%	N/A	N/A	N/A	N/A	N/A

STATE OF MAINE

DEMOGRAPHIC INFORMATION

Last Ten Fiscal Years

	2013	2012	2011	2010
Maine:				
Population (in thousands) ¹	not available	1,329	1,329	1,328
Total Personal Income (in millions) ¹	53,886	53,283	51,653	49,360
Per Capita Personal Income ²	not available	40,093	38,866	37,169
Unemployment Rate ³	6.8%	7.5%	7.8%	8.0%
United States:				
Population (in thousands) ¹	not available	313,914	311,588	309,629
Total Personal Income (in millions) ¹	13,904,502	13,729,063	13,179,561	12,423,332
Per Capita Personal Income ²	not available	43,735	42,298	40,123
Unemployment Rate ³	7.6%	8.2%	8.9%	9.5%

¹ FY13 source is the average of the last 4 quarters reported in the Quarterly Personal Income Summary last updated September 30, 2013. FY12 - FY04 source is SA1-3 Annual Personal Income Summary last updated September 30, 2013; revised estimates for 2001 - 2012

² Calculation population/total personal income

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

SCHEDULE 12

2009	2008	2007	2006	2005	2004
1,330	1,331	1,327	1,324	1,319	1,314
48,939	48,771	47,122	45,140	42,537	41,666
36,796	36,642	35,510	34,094	32,249	31,709
8.6%	5.0%	4.5%	4.4%	4.6%	4.3%
306,772	304,094	301,231	298,380	295,517	292,805
12,073,738	12,429,284	11,990,244	11,376,460	10,605,645	10,043,284
39,357	40,873	39,804	38,127	35,888	34,300
9.2%	5.5%	4.6%	4.6%	5%	5.6%



SCHEDULE 13

STATE OF MAINE PRINCIPAL EMPLOYERS - TOP 10 Not Seasonally Adjusted

Current Year and Ten Years Ago

Employer	2013			2004		
	Employees	Rank	Percentage of Total State Employment	Employees	Rank	Percentage of Total State Employment
Maine State Government	14,001 - 14,500	1	2.4%	15,501 - 16,000	1	2.6%
Hannaford Brothers Co.	7,501 - 8,000	2	1.3%	6,501 - 7,000	2	1.1%
Wal Mart/Sam's Club	7,001 - 7,500	3	1.2%	5,501 - 6,000	3	1.0%
Department of Defense	6,501 - 7,000	4	1.1%	5,501 - 6,000	5	1.0%
Maine Medical Center	6,501 - 7,000	5	1.1%	4,501 - 5,000	6	0.8%
Bath Iron Works Corporation	4,501 - 5,000	6	0.8%	5,501 - 6,000	4	1.0%
L L Bean, Inc	4,001 - 4,500	7	0.7%	4,001 - 4,500	7	0.7%
Eastern Maine Medical Center	3,501 - 4,000	8	0.6%	-	-	-
US Post Office	3,001 - 3,500	9	0.6%	4,001 - 4,500	8	0.7%
University of Maine at Orono	3,001 - 3,500	10	0.6%	-	-	-
MBNA Marketing Systems	-	-	-	3,001 - 3,500	9	0.5%
Shaw's Supermarkets	-	-	-	3,001 - 3,500	10	0.5%
Total	59,501 - 64,500		10.5%	57,000 - 62,000		10.0%

Source: Maine Department of Labor, Center for Workforce Research and Information

Note:

Percentage of total state employment is based on the midpoints in the ranges given.

STATE OF MAINE

SCHEDULE OF STATE GOVERNMENT FULL TIME EQUIVALENT EMPLOYEES BY POLICY AREA

Last Ten Fiscal Years

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Arts, Heritage & Cultural Enrichment	89.6	90.3	92.1	94.1
Business Licensing & Regulation	395.0	395.6	406.0	413.0
Economic Development & Workforce Training	558.5	555.0	593.6	594.6
Education	190.6	185.6	194.3	195.3
Governmental Support & Operations	2,128.4	2,162.4	2,214.3	2,217.8
Health and Human Services	3,468.4	3,477.4	3,645.1	3,718.1
Justice and Protection	2,960.3	2,969.8	2,986.6	2,988.6
Natural Resources Development & Protection	1,461.0	1,446.4	1,481.8	1,490.9
Transportation Safety & Development	<u>2,072.4</u>	<u>2,072.4</u>	<u>2,123.2</u>	<u>2,123.2</u>
Total Full Time Equivalent	<u>13,324.2</u>	<u>13,354.9</u>	<u>13,737.1</u>	<u>13,835.8</u>

SOURCE: Maine Bureau of Budget.

SCHEDULE 14

2009	2008	2007	2006	2005	2004
95.9	105.4	107.4	107.4	109.5	109.5
411.5	420.0	413.2	413.2	417.2	417.2
604.6	614.6	624.1	624.1	892.5	892.5
201.6	207.9	209.6	209.6	215.0	215.0
2,239.5	2,246.0	2,247.5	2,222.5	1,696.3	1,754.3
3,691.6	3,777.4	3,738.9	3,767.4	4,025.5	4,047.5
2,986.1	2,990.6	2,937.6	2,909.6	2,969.7	2,971.2
1,498.4	1,530.0	1,523.2	1,522.3	1,615.3	1,620.8
2,277.5	2,277.5	2,300.7	2,301.7	2,390.5	2,390.5
14,006.7	14,169.5	14,102.2	14,077.8	14,331.5	14,418.5

STATE OF MAINE
OPERATING INDICATORS AND CAPITAL INFORMATION

Fiscal Years Ended June 30

Operating Indicators by Function:	2013	2012	2011	2010	2009	2008	2007	2006
Education								
Students enrolled in the free/reduced lunch program ⁴	85,731	84,717	83,625	82,372	75,358	73,130	71,536	69,125
Economic Development & Workforce Training								
Unemployed persons	48,500	52,900	52,500	54,200	59,100	36,400	30,700	32,100
Governmental Support & Operations								
Return on investments	0.29%	0.35%	0.24%	0.59%	1.52%	4.19%	5.16%	4.10%
Lottery tickets sales, in millions	228	228	216	217	211	229	234	229
Health and Human Services								
Percentage of population enrolled in MaineCare ¹	26%	26%	26%	27%	26%	25%	26%	26%
Number of TANF cases ²	9,342	13,260	14,151	13,686	12,849	12,479	12,631	12,821
Number of members served by Dirigo Health	40,388	38,070	35,105	31,323	29,936	28,745	24,110	18,067
Justice and Protection								
Average Number of Adult Inmates	2,016	2,043	2,124	2,167	2,177	2,038	2,060	2,078
Average Number of Juvenile Inmates	155	170	186	195	184	199	203	275
Number of guard troops	3,169	3,124	3,065	3,070	3,199	3,277	3,168	3,131
Number of cases tried in the court system	237,596	242,710	260,171	285,567	292,295	282,980	278,088	281,006
Natural Resources and Development								
Number of park passes purchased	12,498	12,117 *	11,288 *	11,443 *	10,073 *	10,963 *	10,092 *	9,864 *
Number of visitors to State parks	2,519,849	2,648,484	2,528,900	2,443,640	2,243,606	1,930,186	2,063,356	2,083,310
Number of hunting and fishing licenses sold ³	516,442	497,712	503,487	503,425	499,821	500,367	494,231	485,794
Transportation Safety & Development								
Number of construction projects	218	194	238	173	124	116	271	195

As restated

¹ Based on the average enrollees over the fiscal year.

² Based on the average number of cases over the fiscal year.

³ As of December.

⁴ As of October of the school year.

**STATE OF MAINE
CAPITAL ASSETS BY FUNCTION**

Fiscal Years Ended June 30

Capital Assets by Function:	2013	2012	2011	2010	2009	2008	2007	2006
Governmental Support & Operations								
Vehicles controlled by Central Fleet Management	2,116	2,037	1,922	1,977	1,596	1,665	1,738	1,675
Health and Human Services								
Number of regional offices	16	17	18	18	18	18	18	18
Justice and Protection								
Number of correctional facilities	8	9	9	9	9	9	8	8
Number of armories and AFR's	21	18	16	16	16	16	17	17
Number of State police barracks	8	8	8	8	8	8	8	8
Number of vehicles in Public Safety	420	439	504	515	605	654	541	521
Natural Resources and Development								
Total acreage of State parks	98,832	97,948	97,942	97,387	97,300	100,540	100,092	99,935
Number of State park buildings	567	556	553	552	533	530	526	519
Transportation Safety & Development								
Number of DOT vehicles and equipment	1,188	1,457	1,193	1,308	1,268	1,446	1,625	1,163
Number of regional DOT active buildings	564	564	577	587	586	574	612	647