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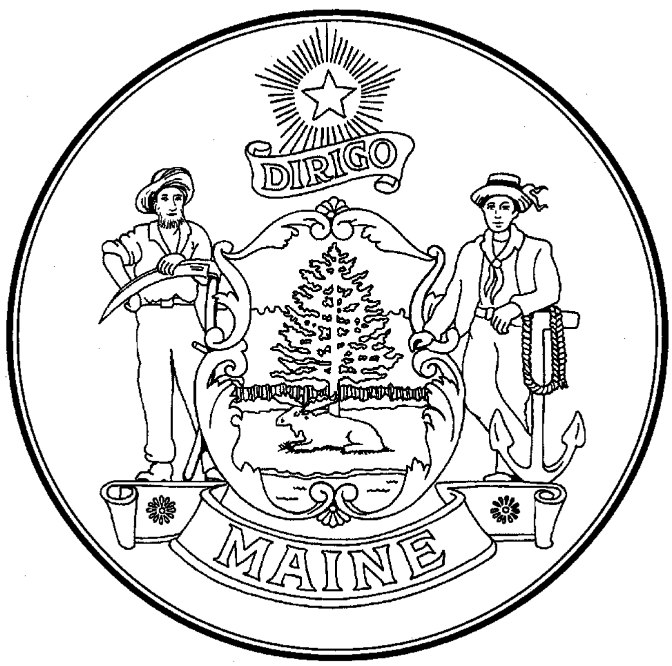

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STATE OF MAINE

SINGLE AUDIT REPORT
Uniform Guidance
Fiscal Year Ending June 30, 2017

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

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

STATE OF MAINE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2017

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STATE OF MAINE
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Deputy State Auditor

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

Letter of Transmittal

Honorable Michael D. Thibodeau
President of the Senate

Honorable Sara Gideon
Speaker of the House of Representatives

The Honorable Paul R. LePage
Governor of Maine

I am pleased to submit the Single Audit of the State of Maine for the fiscal year ended June 30, 2017. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; the requirements of the Single Audit Act Amendments of 1996; and Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our audit complies with 5 MRSA §243 and is also a prerequisite for the receipt of Federal financial assistance. During fiscal year 2017, $3.0 billion in Federal financial assistance was received by the State of Maine.

This document contains the following reports and schedules:

- Independent Auditor's Report

- Basic Financial Statements, Management's Discussion and Analysis, Notes to Financial Statements, and Required Supplementary Information

- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*

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

- Schedule of Expenditures of Federal Awards

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- Financial Statement Findings

- Indexes to Federal Program Findings

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- Corrective Action Plan

- Summary Schedule of Prior Audit Findings

On behalf of the Office of the State Auditor, I thank employees throughout Maine Government who assisted us during the audit.

Please contact me if you have questions or comments about the 2017 Single Audit of the State of Maine.

Respectfully submitted,

Pola Buckley

Pola A. Buckley
State Auditor

March 30, 2018

STATE OF MAINE
EXECUTIVE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2017

STATE OF MAINE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2017

EXECUTIVE SUMMARY

The Office of the State Auditor (OSA) performs the Single Audit of the State of Maine, an annual financial and compliance audit, to meet Federal and State requirements. OSA's audit for fiscal year 2017 includes fourteen major Federal programs that represent 77 percent of the $3.0 billion in Federal expenditures for the 2017 fiscal year. This Single Audit Report actually consists of various audit reports, the related financial statements, and Federal audit findings and recommendations.

Independent Auditor's Report

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

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

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

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

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

Compliance with program requirements

OSA qualified the opinion on compliance with program requirements for the Aging Cluster, the Children's Health Insurance Program, the Community Services Block Grant, the TANF Cluster, and the Unemployment Insurance program because of material noncompliance. The remaining nine Federal programs complied in all material respects with program requirements.

Internal control over compliance

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

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

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

Schedule of Findings and Questioned Costs

The Schedule of Findings and Questioned Costs includes management's responses to the audit findings. OSA's Single Audit Report also identified $14 million of *known questioned costs*. *Questioned costs* are amounts of Federal financial assistance that OSA believes were not spent in accordance with program requirements. The Federal government may or may not disallow these costs and could result in reimbursements from the State to the Federal government.

Corrective Action Plan

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

STATE OF MAINE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

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General Purpose Financial Statements of the State of Maine
For the Fiscal Year Ended June 30, 2017

PAGE

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Deputy State Auditor

INDEPENDENT AUDITOR'S REPORT

Honorable Michael D. Thibodeau
President of the Senate

Honorable Sara Gideon
Speaker of the House of Representatives

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2017, and the related notes to the financial statements. We did not audit the financial statements of the aggregate discretely presented component units. These financial statements collectively comprise the State of Maine'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, ConnectME Authority, Efficiency Maine Trust, Finance Authority of Maine, Loring Development Authority, Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Port Authority, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Technology Institute, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, Small Enterprise Growth Fund, and the University of Maine System. The financial statements of these named component units comprise 100 percent of the assets, revenue and net position of the aggregate discretely presented component units; 94 percent of assets and 97 percent of fund balance/net position of the aggregate remaining fund information (Maine Public Employees Retirement System and Maine Governmental Facilities Authority); and 3 percent of the liabilities of the governmental activities (Maine Governmental Facilities Authority). The financial statements of these named component units were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Maine Technology Institute and the Small Enterprise Growth Fund were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of June 30, 2017, 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 B-7 to B-17, and Budgetary Comparison Information, State Retirement Plans, Other Post-employment Benefit Plans, and Information about Infrastructure Assets Reported Using the Modified Approach on pages B-122 to B-145, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

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

Pola Buckley

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

December 15, 2017


DIRIGO
MAINE

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, 2017. 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 7.0 percent from the previous fiscal year. Net position of Governmental Activities increased by $106.6 million, while net position of Business-Type Activities increased by $38.0 million. The State's assets and deferred outflows exceeded its liabilities and deferred inflows by $2.2 billion at the close of fiscal year 2017. Of this amount $1.9 billion was reported as negative "Unrestricted" net position. A negative balance means that it would be necessary to convert restricted assets (e.g., capital assets) to unrestricted assets if all ongoing obligations were immediately due and payable. Component units reported net position of $3.1 billion, an increase of $131.3 million (4.5 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 $966.0 million, an increase of $146.5 million from the previous year. The General Fund's total fund balance was a $173.4 million, an increase of $128.1 million from the previous year. The Highway Fund total fund balance was $23.2 million, a decrease of $26.8 million from the prior year.
- The proprietary funds reported net position at year-end of $676.5 million, an increase of $60.4 million from the previous year. The increase is primarily the result of an increase in the Employment Securities Fund of $30.8 million, an increase in the Maine Military Authority fund of $8.2 million and an increase in two Internal Service Funds; Retiree Health Insurance of $31.7 million and Employee Health Insurance of $11.7 million. See Note 3, Accounting Changes and Restatements for further discussion.

Long-term Debt:

- The State's liability for general obligation bonds increased by $31.7 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State issued $114.7 million in bonds and made principal payments of $83.0 million.

Additional information regarding the government-wide, fund level, and long-term debt activities can be found beginning on page 10.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Statements

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

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

Both government-wide statements report three activities:

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

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

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

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

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

- Net position balances are allocated as follows:
  - *Net Investment in Capital Assets* are capital assets, net of accumulated depreciation, and reduced by outstanding balances for bonds, notes, and other debt attributed to the acquisition, construction or improvement of those assets.
  - *Restricted Net Position* are those with constraints placed on the use by external sources (creditors, grantors, contributors, or laws or regulations of governments) or imposed by law through constitutional provisions or enabling legislation.
  - *Unrestricted Net Position* is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet any of the above restrictions.

Fund Financial Statements

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

The State's net position increased by 7.0 percent to $2.2 billion at June 30, 2017, as detailed in Tables A-1 and A-2. The increase is primarily due to an increase in net revenue for governmental and business-type activities.

TABLE A-1: CONDENSED STATEMENT OF NET POSITION
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	**2016***	**2017**	**2016**	**2017**	**2016**
Current and other noncurrent assets	$ 2,353,471	$ 2,130,240	$ 474,048	$ 439,516	$ 2,827,519	$ 2,569,756
Total capital assets net of accum depr	4,179,693	4,129,530	35,402	38,658	4,215,095	4,168,188
Total Assets	6,533,164	6,259,770	509,450	478,174	7,042,614	6,737,944
Deferred Outflows of Resources	854,560	312,593	7,792	3,184	862,352	315,777
Current liabilities	1,101,835	1,061,722	33,995	36,899	1,135,830	1,098,621
Non-current liabilities	4,458,768	3,714,327	31,817	29,744	4,490,585	3,744,071
Total Liabilities	5,560,603	4,776,049	65,812	66,643	5,626,415	4,842,692
Deferred Inflows of Resources	58,542	134,369	242	1,534	58,784	135,903
Net Position (Deficit):						
Net Investment in Capital Assets	3,501,237	3,435,465	35,402	38,658	3,536,639	3,474,123
Restricted	152,365	132,972	429,124	398,342	581,489	531,314
Unrestricted (deficit)	(1,885,023)	(1,906,492)	(13,338)	(23,819)	(1,898,361)	(1,930,311)
Total Net Position	$ 1,768,579	$ 1,661,945	$ 451,188	$ 413,181	$ 2,219,767	$ 2,075,126

* As Restated

The State's fiscal year 2017 revenues totaled $8.2 billion. (See Table A-2) Taxes and operating grants and contributions accounted for most of the State's revenue by contributing 47.9 percent and 36.1 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 $8.1 billion for the year 2017. (See Table A-2) These expenses are predominantly (68.9 percent) related to health & human services and education activities. The State's governmental support & operations activities accounted for 4.4 percent of total costs. Total net position increased by $144.6 million, primarily due to an increase in tax revenue and charges for services.

TABLE A-2: CHANGES IN NET POSITION
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	**2016***	**2017**	**2016**	**2017**	**2016**
Revenues:						
Program Revenues:						
Charges for Services	$ 583,870	$ 572,734	$ 588,619	$ 601,718	$ 1,172,489	$ 1,174,452
Operating grants and contributions	2,966,809	2,875,849	8,714	7,948	2,975,523	2,883,797
General Revenues:						
Taxes	3,944,991	3,766,871	-	-	3,944,991	3,766,871
Other	143,785	145,366	-	-	143,785	145,366
Total Revenues	7,639,455	7,360,820	597,333	609,666	8,236,788	7,970,486
Expenses:						
Governmental Activities:						
Governmental Support	354,421	456,635	-	-	354,421	456,635
Education	1,804,804	1,614,477	-	-	1,804,804	1,614,477
Health & Human Services	3,774,348	3,587,573	-	-	3,774,348	3,587,573
Justice & Protection	493,427	412,088	-	-	493,427	412,088
Transportation Safety	664,921	590,437	-	-	664,921	590,437
Other	495,753	438,833	-	-	495,753	438,833
Interest Expense	38,992	44,822	-	-	38,992	44,822
Business-type Activities:						
Employment Security	-	-	96,075	110,912	96,075	110,912
Lottery	-	-	214,670	217,556	214,670	217,556
Alcoholic Beverages	-	-	131,192	120,373	131,192	120,373
Military Equipment Maintenance	-	-	3,858	11,610	3,858	11,610
Other	-	-	20,581	19,972	20,581	19,972
Total Expenses	7,626,666	7,144,865	466,376	480,423	8,093,042	7,625,288
Excess (Deficiency) before Special Items and Transfers	12,789	215,955	130,957	129,243	143,746	345,198
Special Items	-	-	895	11,335	895	11,335
Transfers	93,845	100,879	(93,845)	(100,879)	-	-
Increase (Decrease) in Net Position	106,634	316,834	38,007	39,699	144,641	356,533
Net Position, beginning of year (As Restated)	1,661,945	1,345,111	413,181	373,482	2,075,126	1,718,593
Ending Net Position	$ 1,768,579	$ 1,661,945	$ 451,188	$ 413,181	$ 2,219,767	$ 2,075,126

* As Restated

Governmental Activities

Revenues for the State's Governmental Activities totaled $7.6 billion while total expenses equaled $7.6 billion. The increase in net position for Governmental Activities was $106.6 million in 2017, much of which was the result of current year transfers from the State's Business-Type Activities of $93.8 million. The State's Business-Type Activities transfers of $93.8 million (net) to the Governmental Activities, included statutorily required profit transfers, capital contributions, and the pledged profit of the Alcoholic Beverages Fund to finance the payment of the Liquor Revenue Bonds. These transfers are discussed further on page 13.

The users of the State's programs financed $583.9 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of $3.0 billion. $4.1 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 2017

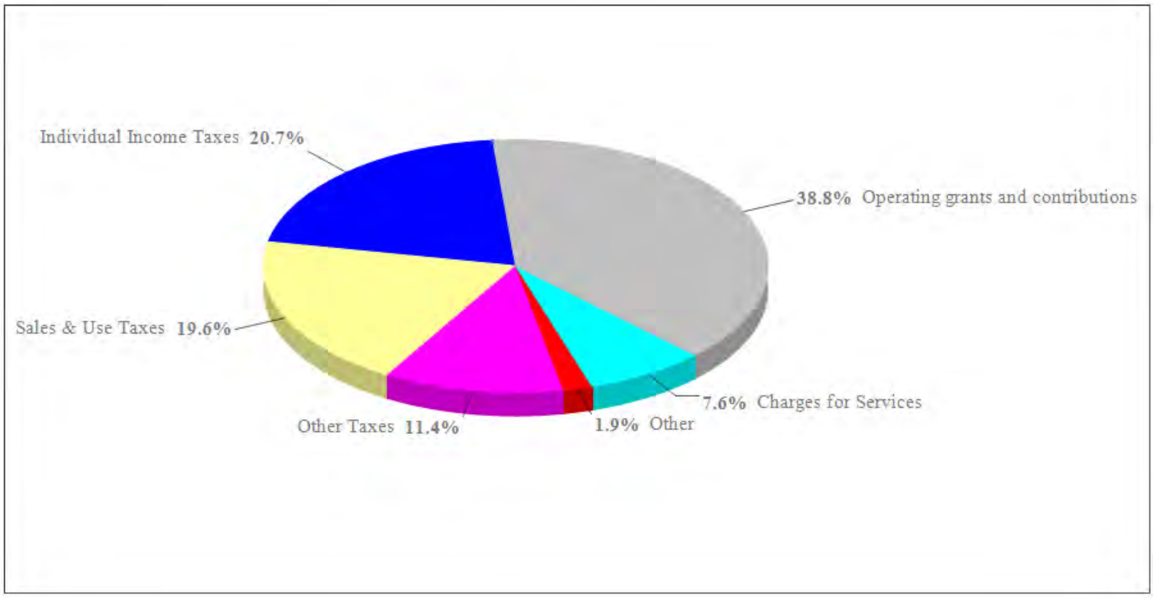
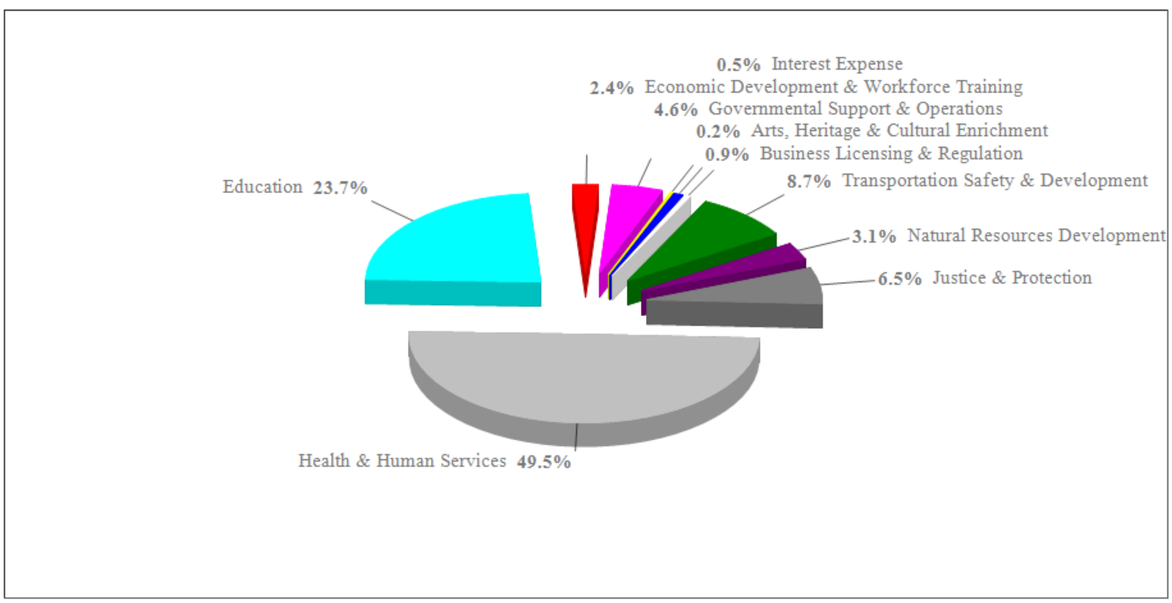


TABLE A-3: TOTAL EXPENSES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2017



Business-Type Activities

Revenues for the State's Business-Type Activities totaled $597.3 million while expenses totaled $466.4 million. The increase in net position for Business-Type Activities was $38.0 million in 2017, due primarily to an increase in Alcoholic Beverages revenue of $10.4 and a decrease in expense for Employment Security and Military Equipment Maintenance of $14.8 million and $7.8 million, respectively.

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)

	Total Cost		Net (Cost) Revenue	
	2017	**2016**	**2017**	**2016**
Employment Security	$ 96,075	$ 110,912	$ 30,846	$ 34,627
Alcoholic Beverages	131,192	120,373	45,992	46,379
Lottery	214,670	217,556	60,232	60,898
Military Equipment Maintenance	3,858	11,610	1,230	(5,471)
Dirigo Health	68	12	23	479
Other	20,513	19,960	(7,366)	(7,669)
Total	$ 466,376	$ 480,423	$ 130,957	$ 129,243

The cost of all Business-Type Activities this year was $466.4 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-Type Activities was $131.0 million, with Alcoholic Beverages and Lottery making up $46.0 and $60.2 million of the total, respectively. The $93.8 million (net) of State's Business-Type Activities transferred to the Governmental Activities, included statutorily required profit transfers and the pledged profit of the Alcoholic Beverages Fund to finance the payment of the Liquor Revenue Bonds.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

TABLE A-6: GOVERNMENTAL FUND BALANCES
(Expressed in Thousands)

	2017	2016	Change
General	$ 173,424	$ 45,334	$ 128,090
Highway	23,155	49,972	(26,817)
Federal	23,721	37,137	(13,416)
Other Special Revenue	554,133	507,648	46,485
Other Governmental Funds	191,582	179,425	12,157
Total	$ 966,015	$ 819,516	$ 146,499

As of the end of the fiscal year, the State's governmental funds reported combined ending fund balances of $966.0 million, an increase of $146.5 million in comparison with the prior year. Of this total, $31.4 million (3.3 percent) is classified as non-spendable, either due to its form or legal constraints, and $654.6 million (67.8 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 fiscal year 2017, the unassigned fund balance of the General Fund was $59.1 million, an increase of $94.2 million.

General Fund revenues and other sources surpassed General Fund expenditures and other uses resulting in an increase in the fund balance by $128.1 million. Revenues and other sources of the General Fund increased by approximately $161.5 million (4.5

percent) which is mainly attributed to an increase in tax revenue of $105.8 million, charges for service revenue of $6.2 million and other financing sources of $47.6 million. General Fund expenditures and other financing uses increased by $152.5 million (4.4 percent). This is due, primarily, to an increase in expense for education of $80.9 million, governmental support & operations of $30.0 million, health & human services of $18.7 million and justice & protection of $15.5 million.

The fund balance of the Highway Fund decreased $26.8 million from fiscal year 2016, due mainly to the increase in the Highway Fund's expenditures of $31.0 million. The decrease is due primarily to an increase in expense in transportation safety & development of $22.2 million, justice & protection of $3.1 million and debt service of $5.1 million.

Budgetary Highlights

For the 2017 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to $3.51 billion, an increase of about $91 million from the original legally adopted budget of approximately $3.42 billion. Actual expenditures on a budgetary basis amounted to approximately $154.6 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2017, including the budgeted starting balance for Fiscal Year 2017, there were funds remaining of $53.9 million to distribute in fiscal year 2018. Actual revenues exceeded final budget forecasts by $120.4 million. At year end, the State transferred $36.8 million to the Budget Stabilization Fund. Interest earnings along with legislatively and statutorily approved transfers increased the balance in the Fund to $196.3 million as of June 30, 2017. 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 2017, the State had roughly $4.2 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2017, the State acquired or constructed more than $130.1 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 17 to the financial statements.

TABLE A-7: CAPITAL ASSETS
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
Land	$ 628,824	$ 611,830	$ 2,389	$ 2,387	$ 631,213	$ 614,217
Buildings	781,762	772,193	4,655	4,655	786,417	776,848
Equipment	298,115	293,396	32,658	32,571	330,773	325,967
Improvements other than buildings	109,165	96,251	42,757	42,757	151,922	139,008
Software	75,973	73,059	-	-	75,973	73,059
Infrastructure	2,869,006	2,824,703	-	-	2,869,006	2,824,703
Construction in Progress	46,996	38,188	-	391	46,996	38,579
Total Capital Assets	4,809,841	4,709,620	82,459	82,761	4,892,300	4,792,381
Accumulated Depreciation	630,148	580,090	47,057	44,103	677,205	624,193
Capital Assets, net	$ 4,179,693	$ 4,129,530	$ 35,402	$ 38,658	$ 4,215,095	$ 4,168,188

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 8,807 highway miles or 17,900 lane miles within the State. Bridges have a deck area of 12.2 million square feet among 2,972 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2017, the actual average condition was 72.3. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 74.0 at June 30, 2017. Preservation costs for fiscal year 2017 totaled $142.1 million compared to estimated preservation costs of $165.9 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 305, PL 2015, $48 million in General fund bonds were spent during fiscal year 2017. Of the amount authorized by Chapter 478, PL 2015, $30 million in General fund bonds were spent during fiscal year 2017.

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 $1.8 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	
	2017	**2016**	**2017**	**2016**	**2017**	**2016**
General Obligation						
Bonds	$ 460,240	$ 442,610	$ -	$ -	$ 460,240	$ 442,610
Unmatured Premiums	35,892	21,834	-	-	35,892	21,834
Other Long-Term Obligations	1,255,448	1,254,558	3,924	4,994	1,259,372	1,259,552
Total	$ 1,751,580	$ 1,719,002	$ 3,924	$ 4,994	$ 1,755,504	$ 1,723,996

During the year, the State reduced outstanding long-term obligations by $83.0 million for outstanding general obligation bonds and $447.1 million for other long-term debt. Also during fiscal year 2017, the State incurred $561.6 million of additional long-term obligations.

Credit Ratings

The State's credit was rated during fiscal year 2017 by Moody's Investors Service as Aa2 with a stable outlook and by Standard & Poor's as AA with a stable outlook.

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

There are some indications that rates of growth in Maine's economy in 2017 have been somewhat lower than in 2016. However, gasoline and heating oil prices remain low, personal income continues to rise, and mortgage delinquencies and foreclosures continue to decline. The U.S. economy also continued to grow since the Consensus Economic Forecasting Commission (CEFC) last met in March 2017.

Maine's real GDP was unchanged from the fourth quarter of 2016 to the first quarter of 2017. Personal income in Maine grew 2.5 percent from the first half of 2016 to the first half of 2017, while wage and salary income, which is the largest component of total personal income, grew 2.7 percent over the same period. The debt-to-income level for Maine businesses and households continued to rise to new levels in the second quarter of 2017. The Consumer Price Index was up 2.2 percent in September 2017 from a year ago, boosted by recent increases in energy prices.

Nationwide, consumer sentiment has remained relatively stable in recent months. The September 2017 level was up 4.3 percent from a year ago and up 1.8 percent from August 2017. Small business optimism has also been fairly stable in recent months, but was down 2.2 percent from the previous month in September 2017.

The price of crude oil has continued increasing recently with prices in the third quarter of 2017 up 10.0 percent from the third quarter of 2016. As a result of the increases in crude oil prices, heating oil prices and gasoline prices have been higher as well, although gasoline prices have retreated from the post-Hurricane Harvey spike. Heating oil is around $2.28 per gallon while gasoline is currently averaging $2.69 per gallon.

New and used auto registrations increased in fiscal year 2017, with new titles increasing 48.8 percent and used titles increasing 23.6 percent. However, a large decrease in trailer titles (both new and used) resulted in a 1.5 percent year-over-year decrease overall.

Existing single-family home sales in Maine were up 6.4 percent in August 2017 compared to the same month last year and housing permits for the September 2016 – August 2017 year were 9.1 percent higher than the previous 12-month period. The median home price in the Portland-South Portland Metropolitan Statistical Area (which encompasses all of York, Cumberland, and Sagadahoc counties) increased 8.9 percent year-over-year in the second quarter of 2017. Mortgage delinquency rates in Maine have been declining but remain higher than the national rate. The foreclosure rate in Maine was 0.25 percent in the second quarter of 2017, falling below the national rate for the first time since 2014.

The Commission believes that Maine's economy continues to see slow growth with considerable challenges posed by the state's aging population and lack of population growth. These beliefs were again reinforced in comments provided by representatives from a variety of business sectors in the Commission's data gathering session that preceded the forecast deliberations.

The forecast for wage and salary employment growth was revised upward for 2017 and 2018 based on initial data showing that the first three quarters of 2017 have had stronger than anticipated growth. The new forecast reaches 623,300 in 2018 and remains at that level for 2019-2021. CPI was revised slightly downward for 2017, from 2.7 percent to 2.4 percent, due to lower than expected growth in oil prices, while the remaining years were left unchanged. Total personal income was revised down by 0.2 percentage points in 2017 following the release of revised data from the U.S. Bureau of Economic Analysis resulting in a downward revision of 0.7 percentage points in 2016. The forecast for 2018 was revised downward by 0.5 percentage points while 2020 was revised upward by 0.2 percentage points. 2019 and 2021 were left unchanged. Wage and salary income growth for 2016 was also revised downward by the U.S. Bureau of Economic Analysis. The Commission revised 2017 growth downward by 0.2 percentage points and 2018 by 0.8 percentage points. The forecasts for the remaining years were left unchanged.

General Fund revenue estimates were revised upward by $17.9 million for fiscal year 2018 but downward by $11.7 million for fiscal year 2019 (upward by $6.2 million for the 2018-2019 biennium). The revised forecast increases the overall rate of growth for General Fund revenue for fiscal year 2018 from -0.2 percent to 0.3 percent but reduces the rate of growth for fiscal year 2019 from 4.7 percent to 3.8 percent. The estimates for the 2020-2021 biennium were revised upward by a net amount of $0.5 million. It is important to note that fiscal year 2020 reflects a smaller overall growth rate of 0.5%, largely as a result of Municipal Revenue Sharing returning to the 5 percent level under current law from the 2 percent level in place for fiscal year 2016 through fiscal year 2019. The growth rate for fiscal year 2021 is projected to be 3.6 percent.

At June 30, 2017, the State of Maine reported an ending fund balance of $173.4 million in the General Fund on a GAAP basis, an increase of more than $128 million since the end of fiscal year 2016. The "Unassigned" component of fund balance was $59.1 million. This is the first time that the General Fund reflected a positive "Unassigned" fund balance on a GAAP basis.

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

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

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

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


DIRIGO
MAINE

BASIC FINANCIAL STATEMENTS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STATE OF MAINE
BASIC FINANCIAL STATEMENTS
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STATE OF MAINE
STATEMENT OF NET POSITION

June 30, 2017
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 630,367	$ 6,715	$ 637,082	$ 23,188
Cash and Cash Equivalents	3,627	1,864	5,491	117,235
Cash with Fiscal Agent	88,821	-	88,821	-
Investments	106,945	-	106,945	713,422
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	58,944	-	58,944	-
Restricted Deposits and Investments	4,050	406,028	410,078	361,752
Inventories	7,566	4,694	12,260	2,014
Receivables, Net of Allowances for Uncollectibles:				
Taxes Receivable	408,616	-	408,616	-
Loans & Notes Receivable	5,564	-	5,564	106,634
Other Receivables	259,453	60,162	319,615	74,839
Internal Balances	9,698	(9,698)	-	-
Due from Other Governments	280,657	-	280,657	157,573
Due from Primary Government	-	-	-	11,983
Loans Receivable from Primary Government	-	-	-	50,449
Due from Component Units	52,701	-	52,701	-
Other Current Assets	32,774	1,012	33,786	25,888
Total Current Assets	1,949,783	470,777	2,420,560	1,644,977
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	307,116	3,271	310,387	11,299
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	28,718	-	28,718	-
Restricted Deposits and Investments	-	-	-	371,361
Pension Assets	3,127	-	3,127	-
Investments	-	-	-	527,336
Receivables, Net of Current Portion:				
Taxes Receivable	59,773	-	59,773	-
Loans & Notes Receivable	-	-	-	1,866,595
Other Receivables	994	-	994	4,915
Due from Other Governments	3,894	-	3,894	1,327,689
Loans Receivable from Primary Government	-	-	-	378,264
Due from Primary Government	-	-	-	2,308
Post-Employment Benefit Assets	66	-	66	13,403
Other Noncurrent Assets	-	-	-	17,059
Capital Assets:				
Land, Infrastructure, & Other Non-Depreciable Assets	3,544,826	2,389	3,547,215	665,375
Buildings, Equipment & Other Depreciable Assets	634,867	33,013	667,880	1,071,786
Total Noncurrent Assets	4,583,381	38,673	4,622,054	6,257,390
Total Assets	6,533,164	509,450	7,042,614	7,902,367
Deferred Outflows of Resources	$ 854,560	$ 7,792	$ 862,352	$ 120,465

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	$ 501,427	$ 12,925	$ 514,352	$ 68,759
Accrued Payroll	49,554	844	50,398	4,635
Tax Refunds Payable	204,932	-	204,932	-
Due to Component Units	29,974	-	29,974	-
Due to Primary Government	-	-	-	52,701
Current Portion of Long-Term Obligations:				
Compensated Absences	6,387	91	6,478	3,197
Due to Other Governments	72,546	-	72,546	1,045
Amounts Held under State & Federal Loan Programs	-	-	-	31,824
Claims Payable	27,697	-	27,697	-
Bonds & Notes Payable	88,386	-	88,386	247,808
Revenue Bonds Payable	21,250	-	21,250	34,281
Obligations under Capital Leases	5,582	-	5,582	658
Certificates of Participation & Other Financing Arrangements	29,033	-	29,033	-
Loans Payable to Component Unit	50,449	-	50,449	-
Accrued Interest Payable	5,264	-	5,264	31,393
Unearned Revenue	1,289	1,284	2,573	62,804
Other Current Liabilities	8,065	18,851	26,916	66,088
Total Current Liabilities	1,101,835	33,995	1,135,830	605,193
Long-Term Liabilities:				
Compensated Absences	41,162	664	41,826	-
Due to Component Units	2,308	-	2,308	-
Due to Other Governments	-	-	-	4,676
Amounts Held under State & Federal Loan Program	-	-	-	44,101
Claims Payable	49,592	-	49,592	-
Bonds & Notes Payable	407,746	-	407,746	3,390,948
Revenue Bonds Payable	150,620	-	150,620	623,414
Obligations under Capital Leases	28,694	-	28,694	2,946
Certificates of Participation & Other Financing Arrangements	45,504	-	45,504	-
Loans Payable to Component Unit	378,264	-	378,264	-
Unearned Revenue	11,364	-	11,364	-
Net Pension Liability	2,922,300	27,984	2,950,284	88,493
Other Post-Employment Benefit Obligation	387,636	3,169	390,805	3,028
Pollution Remediation & Landfill Obligations	33,578	-	33,578	-
Other Noncurrent Liabilities	-	-	-	160,713
Total Long-Term Liabilities	4,458,768	31,817	4,490,585	4,318,319
Total Liabilities	5,560,603	65,812	5,626,415	4,923,512
Deferred Inflows of Resources	58,542	242	58,784	39,088
Net Position				
Net Investment in Capital Assets	3,501,237	35,402	3,536,639	1,190,972
Restricted:				
Business Licensing & Regulation	42,215	-	42,215	-
Governmental Support & Operations	3,127	-	3,127	-
Employment Security	-	429,124	429,124	-
Other Purposes	-	-	-	1,223,952
Funds Held for Permanent Investments:				
Expendable	79,258	-	79,258	-
Nonexpendable	27,765	-	27,765	251,952
Unrestricted	(1,885,023)	(13,338)	(1,898,361)	393,356
Total Net Position	$ 1,768,579	$ 451,188	$ 2,219,767	$ 3,060,232

STATE OF MAINE
STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Governmental Support & Operations	$ 354,421	$ 90,906	$ 2,996	$ -
Arts, Heritage & Cultural Enrichment	12,813	845	3,280	-
Business Licensing & Regulation	66,006	73,430	35	-
Economic Development & Workforce Training	180,006	8,658	82,408	-
Education	1,804,804	37,278	221,485	-
Health & Human Services	3,774,348	14,687	2,342,369	-
Justice & Protection	493,427	86,744	53,175	-
Natural Resources Development & Protection	236,928	93,304	45,334	-
Transportation Safety & Development	664,921	178,018	215,727	-
Interest Expense	38,992	-	-	-
Total Governmental Activities	7,626,666	583,870	2,966,809	-
Business-Type Activities:				
Employment Security	96,075	118,207	8,714	-
Alcoholic Beverages	131,192	177,184	-	-
Lottery	214,670	274,902	-	-
Ferry Services	12,271	4,599	-	-
Military Equipment Maintenance	3,858	5,088	-	-
Dirigo Health	68	91	-	-
Other	8,242	8,548	-	-
Total Business-Type Activities	466,376	588,619	8,714	-
Total Primary Government	8,093,042	1,172,489	2,975,523	-
Component Units:				
Finance Authority of Maine	51,123	26,314	26,816	-
Maine Community College System	136,755	19,202	59,186	5,296
Maine Health & Higher Education Facilities Authority	31,833	29,422	590	-
Maine Municipal Bond Bank	65,384	54,700	(1,041)	22,484
Maine State Housing Authority	218,950	68,061	154,860	-
Maine Turnpike Authority	93,031	133,822	-	-
University of Maine System	699,155	302,959	193,764	3,276
All Other Non-Major Component Units	207,844	45,542	118,936	25,858
Total Component Units	$ 1,504,075	$ 680,022	$ 553,111	$ 56,914

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
	$ (260,519)	$ -	$ (260,519)	$ -
	(8,688)	-	(8,688)	-
	7,459	-	7,459	-
	(88,940)	-	(88,940)	-
	(1,546,041)	-	(1,546,041)	-
	(1,417,292)	-	(1,417,292)	-
	(353,508)	-	(353,508)	-
	(98,290)	-	(98,290)	-
	(271,176)	-	(271,176)	-
	(38,992)	-	(38,992)	-
	(4,075,987)	-	(4,075,987)	-
	-	30,846	30,846	-
	-	45,992	45,992	-
	-	60,232	60,232	-
	-	(7,672)	(7,672)	-
	-	1,230	1,230	-
	-	23	23	-
	-	306	306	-
	-	130,957	130,957	-
	(4,075,987)	130,957	(3,945,030)	-
	-	-	-	2,007
	-	-	-	(53,071)
	-	-	-	(1,821)
	-	-	-	10,759
	-	-	-	3,971
	-	-	-	40,791
	-	-	-	(199,156)
	-	-	-	(17,508)
	$ -	$ -	$ -	$ (214,028)
General Revenues:				
Taxes:				
Corporate Taxes	184,599	-	184,599	-
Individual Income Taxes	1,579,511	-	1,579,511	-
Fuel Taxes	253,176	-	253,176	-
Property Taxes	62,979	-	62,979	-
Sales & Use Taxes	1,493,728	-	1,493,728	-
Other Taxes	370,998	-	370,998	-
Unrestricted Investment Earnings	22,003	-	22,003	25,890
Non-Program Specific Grants, Contributions & Appropriations	-	-	-	314,354
Miscellaneous Income	69,515	-	69,515	11,353
Gain (Loss) on Sale of Assets	-	-	-	(6,224)
Tobacco Settlement	52,267	-	52,267	-
Special Items	-	895	895	-
Transfers - Internal Activities	93,845	(93,845)	-	-
Total General Revenues and Transfers	4,182,621	(92,950)	4,089,671	345,373
Change in Net Position	106,634	38,007	144,641	131,345
Net Position - Beginning (as restated)	1,661,945	413,181	2,075,126	2,928,887
Net Position - Ending	$ 1,768,579	$ 451,188	$ 2,219,767	$ 3,060,232


DIRIGO
MAINE

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.

STATE OF MAINE
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2017
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Treasurer's Cash Pool	$ 268,571	$ 38,991	$ 8,074	$ 417,385	$ 78	$ 733,099
Cash & Short-Term Investments	106	117	-	3,402	-	3,625
Cash with Fiscal Agent	2,743	492	-	82,937	-	86,172
Investments	-	-	-	-	106,945	106,945
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	-	-	-	-	87,662	87,662
Inventories	2,818	1	459	-	-	3,278
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	431,754	23,557	-	13,078	-	468,389
Loans Receivable	1	-	-	5,563	-	5,564
Other Receivable	97,624	2,654	73,852	70,503	-	244,633
Due from Other Funds	33,745	3,337	2,697	10,164	-	49,943
Due from Other Governments	-	-	280,069	-	-	280,069
Due from Component Units	37	-	-	52,664	-	52,701
Other Assets	549	15	160	8	-	732
Working Capital Advances Receivable	111	-	-	-	-	111
Total Assets	$ 838,059	$ 69,164	$ 365,311	$ 655,704	$ 194,685	$ 2,122,923
Liabilities						
Accounts Payable	$ 152,088	$ 27,305	$ 250,849	$ 29,942	$ 648	$ 460,832
Accrued Payroll	23,024	9,193	4,638	9,577	-	46,432
Tax Refunds Payable	204,932	-	-	-	-	204,932
Due to Other Governments	-	-	72,517	-	-	72,517
Due to Other Funds	53,446	4,064	7,714	20,647	9	85,880
Due to Component Units	15,796	-	3,380	1,871	2,443	23,490
Unearned Revenue	-	4,696	459	6,876	3	12,034
Other Accrued Liabilities	3,857	-	2,004	3,959	-	9,820
Total Liabilities	453,143	45,258	341,561	72,872	3,103	915,937
Deferred Inflows of Resources	211,492	751	29	28,699	-	240,971
Fund Balances						
Nonspendable:						
Permanent Fund Principal	-	-	-	-	27,765	27,765
Inventories & Prepaid Items	3,059	-	622	-	-	3,681
Restricted	14,133	23,155	23,099	430,393	163,817	654,597
Committed	10,064	-	-	76,629	-	86,693
Assigned	87,085	-	-	47,111	-	134,196
Unassigned	59,083	-	-	-	-	59,083
Total Fund Balances	173,424	23,155	23,721	554,133	191,582	966,015
Total Liabilities, Deferred Inflows and Fund Balances	$ 838,059	$ 69,164	$ 365,311	$ 655,704	$ 194,685	$ 2,122,923

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

Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

Total fund balances for governmental funds		$ 966,015
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	4,400,218	
Accumulated Depreciation	409,217	
		3,991,001
Pension Assets		3,127
Pension Related Deferred Outflows		820,894
Other post-employment benefit assets are not financial resources.		66
Refunded Bond Deferred Outflows		4,435
Pollution Remediation Receivable		1,141
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 net effect of these balances on the statement:		
Bonds Payable	(668,002)	
Interest Payable Related to Long-term Financing	(3,188)	
Certificates of Participation and Other Financing Arrangements	(50,166)	
Capital Leases	(2,118)	
Loans Payable to Component Unit	(428,713)	
Compensated Absences	(43,858)	
Pension Liability	(2,825,232)	
Pension Related Deferred Inflows	(57,703)	
Other Post-employment Benefit Obligation	(376,108)	
Pollution Remediation and Landfill Obligations	(33,578)	
		(4,488,666)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		240,971
Other Revenue		4,306
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.		225,289
Net position of governmental activities		$ 1,768,579

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, 2017
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 3,411,497	$ 228,591	$ -	$ 296,579	$ -	$ 3,936,667
Assessments	106,085	96,646	-	161,400	-	364,131
Federal Grants & Reimbursements	1,771	-	2,955,754	9,154	-	2,966,679
Charges for Services	45,229	4,253	376	161,434	-	211,292
Investment Income	5,424	348	11	1,148	13,425	20,356
Miscellaneous Revenues	12,547	599	2,238	109,019	150	124,553
Total Revenues	3,582,553	330,437	2,958,379	738,734	13,575	7,623,678
Expenditures						
Current:						
Governmental Support & Operations	260,661	2,232	3,435	114,970	239	381,537
Economic Development & Workforce Training	42,379	-	80,436	45,029	9,825	177,669
Education	1,503,763	-	221,446	54,164	6,555	1,785,928
Health & Human Services	1,126,330	-	2,352,132	301,488	-	3,779,950
Business Licensing & Regulation	-	-	61	62,648	-	62,709
Natural Resources Development & Protection	75,445	37	45,448	104,898	1,534	227,362
Justice & Protection	336,267	28,983	56,886	48,892	1,341	472,369
Arts, Heritage & Cultural Enrichment	7,852	-	3,250	882	64	12,048
Transportation Safety & Development	-	305,410	189,583	119,810	1,035	615,838
Debt service:						
Principal Payments	78,940	21,015	11,465	32,620	-	144,040
Interest Expense	22,547	2,329	4,964	14,072	-	43,912
Capital Outlay	-	-	-	-	93,341	93,341
Total Expenditures	3,454,184	360,006	2,969,106	899,473	113,934	7,796,703
Revenue over (under) Expenditures	128,369	(29,569)	(10,727)	(160,739)	(100,359)	(173,025)
Other Financing Sources (Uses)						
Transfer from Other Funds	117,307	12,899	10,785	182,901	1,407	325,299
Transfer to Other Funds	(148,822)	(10,882)	(13,474)	(60,583)	(3,566)	(237,327)
COP's & Other	31,236	735	-	16,924	-	48,895
Loan Proceeds from Component Units	-	-	-	50,002	-	50,002
Bonds Issued	-	-	-	17,980	98,060	116,040
Refunding Bonds Issued	-	-	-	24,950	-	24,950
Premiums on Bond Issuance	-	-	-	3,875	16,615	20,490
Payments to Refunded Bond Escrow Agent	-	-	-	(28,825)	-	(28,825)
Net Other Finance Sources (Uses)	(279)	2,752	(2,689)	207,224	112,516	319,524
Net Change in Fund Balances	128,090	(26,817)	(13,416)	46,485	12,157	146,499
Fund Balances at Beginning of Year	45,334	49,972	37,137	507,648	179,425	819,516
Fund Balances at End of Year	$ 173,424	$ 23,155	$ 23,721	$ 554,133	$ 191,582	$ 966,015

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

Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 146,499
Amounts reported for governmental activities in the Statement of Net 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.		
Capital Outlay	103,700	
Depreciation Expense	(38,838)	
		64,862
Pension Assets		(390)
Pension Related Deferred Outflows		522,187
Refunded Bond Deferred Outflows		2,912
Post-employment Asset Funding, Net		(265)
Pollution Remediation Receivable		(486)
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	(140,990)	
Premium on Bonds Issued	(20,490)	
Proceeds from Other Financing Arrangements	(48,769)	
Loan Proceeds from Component Unit	(50,002)	
Payment to Refund Bond Escrow Agent	26,820	
Repayment of Bond Principal	99,955	
Repayment of Other Financing Debt	37,604	
Repayment of Pledged Revenue Principal	46,488	
Repayment of Capitalized Lease Principal	529	
Accrued Interest	932	
Amortization of Bond Premiums	2,557	
		(45,366)
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:		
Compensated Absences	(2,910)	
Pension Liability	(686,866)	
Pension Related Deferred Inflows	72,173	
Other Post-employment Benefit Obligation	(1,155)	
Pollution Remediation and Landfill Obligations	4,030	
		(614,728)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		9,006
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.		22,403
Changes in net position of governmental activities		$ 106,634

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


DIRIGO
MAINE

PROPRIETARY FUND FINANCIAL STATEMENTS

MAJOR FUNDS

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.

STATE OF MAINE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2017
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major Employment Security	Non-Major Other Enterprise	Total	Internal Service Funds
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ -	$ 6,715	$ 6,715	$ 137,451
Cash & Short-Term Investments	1,108	756	1,864	2
Cash with Fiscal Agent	-	-	-	2,649
Restricted Assets:				
Restricted Deposits & Investments	406,028	-	406,028	4,050
Inventories	-	4,694	4,694	4,288
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	25,250	34,912	60,162	10,302
Due from Other Funds	11	1,348	1,359	21,482
Other Assets	-	1,012	1,012	32,042
Total Current Assets	432,397	49,437	481,834	212,266
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	3,271	3,271	66,933
Capital Assets - Net of Depreciation	-	35,402	35,402	188,692
Total Noncurrent Assets	-	38,673	38,673	255,625
Total Assets	432,397	88,110	520,507	467,891
Deferred Outflows of Resources	$ -	$ 7,792	$ 7,792	$ 29,231
Liabilities				
Current Liabilities:				
Accounts Payable	$ 2,608	$ 10,317	$ 12,925	$ 4,932
Accrued Payroll	-	844	844	3,122
Due to Other Funds	-	11,176	11,176	6,873
Due to Component Units	-	-	-	8,792
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	9,440
Obligations under Capital Leases	-	-	-	5,053
Claims Payable	-	-	-	27,697
Compensated Absences	-	91	91	443
Unearned Revenue	-	1,284	1,284	398
Accrued Interest Payable	-	-	-	75
Other Accrued Liabilities	$ 665	$ 18,186	$ 18,851	$ 246
Total Current Liabilities	3,273	41,898	45,171	67,071
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Unearned Revenue	-	-	-	221
Certificates of Participation & Other Financing Arrangements	-	-	-	14,931
Obligations under Capital Leases	-	-	-	27,105
Claims Payable	-	-	-	49,592
Compensated Absences	-	664	664	3,248
Net Pension Liability	-	27,984	27,984	97,068
Other Post-Employment Benefit Obligation	-	3,169	3,169	11,528
Total Long-Term Liabilities	-	31,817	31,817	203,804
Total Liabilities	3,273	73,715	76,988	270,875
Deferred Inflows of Resources	$ -	$ 242	$ 242	$ 839
Net Position				
Net Investment in Capital Assets:	-	35,402	35,402	134,812
Restricted for:				
Unemployment Compensation	429,124	-	429,124	-
Other Purposes	-	-	-	505
Unrestricted	-	(13,457)	(13,457)	90,091
Total Net Position	$ 429,124	$ 21,945	451,069	$ 225,408
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			119	
			$ 451,188	

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

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

Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major Employment Security	Non-Major Other Enterprise	Total	Internal Service Funds
Operating Revenues				
Charges for Services	$ -	$ 470,745	$ 470,745	$ 436,443
Assessments	118,148	-	118,148	-
Miscellaneous Revenues	59	5	64	120
Total Operating Revenues	118,207	470,750	588,957	436,563
Operating Expenses				
General Operations	-	367,779	367,779	363,944
Depreciation	-	2,979	2,979	27,399
Claims/Fees Expense	96,075	-	96,075	13,654
Other Operating Expenses	-	-	-	549
Total Operating Expenses	96,075	370,758	466,833	405,546
Operating Income (Loss)	22,132	99,992	122,124	31,017
Nonoperating Revenues (Expenses)				
Investment Revenue (Expenses) - net	8,714	-	8,714	1,648
Interest Expense	-	-	-	(10,329)
Other Nonoperating Revenue (Expenses) - net	-	(338)	(338)	(10,078)
Total Nonoperating Revenues (Expenses)	8,714	(338)	8,376	(18,759)
Income (Loss) Before Capital Contributions, Transfers and Special Items	30,846	99,654	130,500	12,258
Capital Contributions, Transfers and Special Items				
Capital Contributions from (to) Other Funds	-	2	2	302
Transfer from Other Funds	17	12,185	12,202	10,400
Transfer to Other Funds	(81)	(105,968)	(106,049)	(100)
Special Items	-	895	895	-
Total Capital Contributions, Transfers and Special Items	(64)	(92,886)	(92,950)	10,602
Change in Net Position	30,782	6,768	37,550	22,860
Net Position - Beginning of Year (As Restated)	398,342	15,177	413,519	202,548
Net Position - End of Year	$ 429,124	$ 21,945		$ 225,408
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			457	
Changes in Business-Type Net Assets			$ 38,007	

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

STATE OF MAINE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

June 30, 2017
(Expressed in Thousands)

	Business-type Activities - Enterprise Funds			Governmental Activities
	Major Employment Security	Non-Major Other Enterprise	Totals	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from Customers and Users	122,731	457,885	580,616	69,457
Other Operating Cash Receipts (Payments)				
Cash Received from Interfund Services	312	11,121	11,433	359,175
Payments of Benefits	(96,075)	-	(96,075)	-
Payments to Prize Winners	-	(178,402)	(178,402)	-
Payments to Suppliers	(373)	(173,241)	(173,614)	(260,781)
Payments to Employees	-	(18,565)	(18,565)	(76,227)
Payments for Interfund Goods and Services	-	(8,765)	(8,765)	(49,186)
Net Cash Provided (Used) by Operating Activities	26,595	90,033	116,628	42,438
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	17	12,185	12,202	10,400
Transfers to Other Funds	(81)	(105,968)	(106,049)	(100)
Net Cash Provided (Used) by Noncapital Financing Activities	(64)	(93,783)	(93,847)	10,300
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	-	(112)	(112)	(22,758)
Proceeds from Financing Arrangements	-	-	-	5,500
Principal and Interest Paid on Financing Arrangements	-	-	-	(23,896)
Proceeds from Sale of Capital Assets	-	-	-	282
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(112)	(112)	(40,872)
Cash Flows from Investing Activities				
Interest Revenue	8,714	53	8,767	1,648
Net Cash Provided (Used) by Investing Activities	8,714	53	8,767	1,648
Net Increase (Decrease) in Cash/Cash Equivalents	35,245	(3,809)	31,436	13,514
Cash/Cash Equivalents - Beginning of Year	371,891	14,551	386,442	197,571
Cash/Cash Equivalents - End of Year	407,136	10,742	417,878	211,085
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	22,132	99,992	122,124	31,017
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	-	2,979	2,979	27,399
Decrease (Increase) in Assets				
Accounts Receivable	4,524	(6,118)	(1,594)	(8,575)
Interfund Balances	312	(851)	(539)	3,872
Due from Component Units	-	-	-	5
Inventories	-	(312)	(312)	425
Other Assets	-	(194)	(194)	(3,921)
Deferred Outflows	-	(4,608)	(4,608)	(16,871)
Increase (Decrease) in Liabilities				
Accounts Payable	(343)	(1,442)	(1,785)	(8,257)
Accrued Payroll Expense	-	22	22	339
Due to Other Governments	-	-	-	260
Compensated Absences	-	(335)	(335)	(93)
Deferred Inflows	-	(1,292)	(1,292)	(3,651)
Net Pension Liability	-	3,910	3,910	24,049
Other Accruals	(30)	(1,718)	(1,748)	(3,560)
Total Adjustments	4,463	(9,959)	(5,496)	11,421
Net Cash Provided (Used) by Operating Activities	26,595	90,033	116,628	42,438
Non Cash Investing, Capital and Financing Activities				
Property Leased, Accrued or Acquired	-	-	-	2,278
Contributed Capital Assets	-	2	2	302
Special Item	-	895	895	-

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 more than 300 local municipalities and other public entities in Maine.

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

STATE OF MAINE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Pension (and Other Employee Benefits)	Private Purpose Trusts	Agency Funds
Assets			
Equity in Treasurer's Cash Pool	$ -	$ 534	$ 29,233
Cash & Short-Term Investments	25,065	1,911	27
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	18,026	-	-
Interest and Dividends	2,790	-	-
Due from Brokers for Securities Sold	351	-	-
Other Receivable	30,363	645	-
Investments at Fair Value:			
Equity Securities	2,803,727	-	-
Common/Collective Trusts	11,147,056	-	-
Investments - Other	-	18,827	-
Restricted Deposits & Investments	-	-	11
Securities Lending Collateral	19,544	-	-
Due from Other Funds	-	35,663	-
Investments Held on Behalf of Others	-	-	59,520
Capital Assets - Net of Depreciation	7,474	-	-
Other Assets	-	3,722	4,666
Total Assets	14,054,396	61,302	93,457
Liabilities			
Accounts Payable	$ 7,660	$ 936	$ 2
Due to Other Funds	-	2	4,516
Agency Liabilities	-	-	86,610
Obligations Under Securities Lending	19,544	-	-
Other Accrued Liabilities	22,300	-	2,329
Total Liabilities	49,504	938	93,457
Net Position			
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	14,004,892	60,364	-
Total Net Position	$ 14,004,892	$ 60,364	$ -

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, 2017
(Expressed in Thousands)

	Pension (and Other Employee Benefits)	Private Purpose Trusts
Additions:		
Contributions:		
Members	$ 194,091	$ -
State & Local Agencies	343,633	-
Other Contributing Entity	119,686	-
Investment Income (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	1,631,015	1,972
Interest & Dividends	74,938	184
Securities Lending Income	567	-
Less Investment Expense:		
Investment Activity Expense	93,794	-
Securities Lending Expense	(547)	-
Net Investment Income (Loss)	1,613,273	2,156
Miscellaneous Revenues	-	20,062
Transfer from Other Funds	-	603
Total Additions	2,270,683	22,821
Deductions:		
Benefits Paid to Participants or Beneficiaries	990,630	15,090
Refunds & Withdrawals	26,098	-
Administrative Expenses	12,428	203
Claims Processing Expense	1,061	-
Transfer to Other Funds	-	5,028
Total Deductions	1,030,217	20,321
Net Increase (Decrease)	1,240,466	2,500
Net Position:		
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:		
Beginning of Year (as restated)	12,764,426	57,864
End of Year	$ 14,004,892	$ 60,364

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


DIRIGO
MAINE

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.

STATE OF MAINE
STATEMENT OF NET POSITION
COMPONENT UNITS

June 30, 2017
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health & Higher Educational Facilities Authority	Maine Municipal Bond Bank
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 11,177	$ 1,325	$ 3,464	$ -
Cash & Short-Term Investments	6,720	17,661	1,594	202
Investments	65,443	53,099	15,249	23,981
Restricted Assets:				
Restricted Deposits & Investments	-	-	24,205	262,483
Inventories	-	15	-	-
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	39,449	-	33,377	-
Other Receivable	2,410	9,251	349	631
Due from Other Governments	277	-	-	139,193
Due from Primary Government	-	699	-	-
Loans Receivable from Primary Government	-	-	-	50,449
Other Assets	1,052	2,112	735	13,427
Total Current Assets	126,528	84,162	78,973	490,366
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	5,446	646	1,687	-
Restricted Assets:				
Restricted Assets	24,176	1,091	77,639	174,380
Investments	-	14,528	25,361	-
Receivables, Net of Current Portion:				
Loans & Notes Receivable	65,330	-	548,028	-
Other Receivables	-	-	-	-
Due from Other Governments	-	-	-	1,326,117
Due from Primary Government	-	-	-	-
Loans Receivable from Primary Government	-	-	-	378,264
Post-Employment Benefit Asset	-	13,403	-	-
Capital Assets - Net of Depreciation	1,405	184,133	-	410
Other Non-Current Assets	-	-	-	-
Total Noncurrent Assets	96,357	213,801	652,715	1,879,171
Total Assets	222,885	297,963	731,688	2,369,537
Deferred Outflows of Resources	$ 765	$ 25,067	$ -	$ 35,445
Liabilities				
Current Liabilities:				
Accounts Payable	$ 4,548	$ 3,521	$ 132	$ 487
Accrued Payroll	-	-	-	-
Compensated Absences	-	2,420	-	-
Due to Other Governments	-	-	11	371
Due to Primary Government	-	-	-	51,458
Amounts Held Under State & Federal Loan Programs	-	-	-	31,824
Bonds & Notes Payable	10,541	828	34,220	154,969
Obligations under Capital Leases	-	13	-	-
Accrued Interest Payable	482	-	13,341	12,906
Unearned Revenue	1,383	2,370	2,883	3,982
Other Accrued Liabilities	22,506	6,778	-	-
Total Current Liabilities	39,460	15,930	50,587	255,997
Long-Term Liabilities				
Due to Other Governments	2,110	-	-	856
Amounts Held Under State & Federal Loan Programs	44,101	-	-	-
Bonds & Notes Payable	91,486	20,201	623,310	1,439,767
Obligations under Capital Leases	-	14	-	-
Net Pension Liability	-	66,740	-	1,585
Other Post-Employment Benefit Obligation	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-
Total Long-Term Liabilities	137,697	86,955	623,310	1,442,208
Total Liabilities	177,157	102,885	673,897	1,698,205
Deferred Inflows of Resources	-	19,007	-	252
Net Position				
Net Investment in Capital Assets	1,405	164,168	-	410
Restricted	18,133	42,301	-	633,831
Unrestricted	26,955	(5,331)	57,791	72,284
Total Net Position	$ 46,493	$ 201,138	$ 57,791	$ 706,525

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
$ -	$ -	$ 3,505	$ 3,717	$ 23,188
993	6,830	3,909	79,326	117,235
305,623	-	241,037	8,990	713,422
-	72,346	-	2,718	361,752
-	1,290	-	709	2,014
32,086	-	63	1,659	106,634
12,476	5,374	39,798	4,550	74,839
3,780	-	9,560	4,763	157,573
1,787	-	3,241	6,256	11,983
-	-	-	-	50,449
-	1,841	5,391	1,330	25,888
356,745	87,681	306,504	114,018	1,644,977
-	-	1,708	1,812	11,299
-	50,237	20,997	22,841	371,361
91,454	13,059	363,420	19,514	527,336
1,191,264	-	41,515	20,458	1,866,595
-	187	4,149	579	4,915
1,572	-	-	-	1,327,689
-	-	2,062	246	2,308
-	-	-	-	378,264
-	-	-	-	13,403
652	604,788	700,574	245,199	1,737,161
2,244	5,045	8,954	816	17,059
1,287,186	673,316	1,143,379	311,465	6,257,390
1,643,931	760,997	1,449,883	425,483	7,902,367
$ 18,665	$ 23,760	$ 8,830	$ 7,933	$ 120,465
$ 13,026	$ 11,948	$ 16,990	$ 18,107	$ 68,759
-	3,045	-	1,590	4,635
-	-	-	777	3,197
303	-	-	360	1,045
-	-	-	1,243	52,701
-	-	-	-	31,824
45,150	19,830	14,406	2,145	282,089
-	-	624	21	658
4,664	-	-	-	31,393
3,571	9,871	10,861	27,883	62,804
-	9,168	26,848	788	66,088
66,714	53,862	69,729	52,914	605,193
-	-	-	1,710	4,676
-	-	-	-	44,101
1,264,823	400,978	157,957	15,840	4,014,362
-	-	2,914	18	2,946
4,899	-	-	15,269	88,493
-	-	-	3,028	3,028
10,344	42,228	107,911	230	160,713
1,280,066	443,206	268,782	36,095	4,318,319
1,346,780	497,068	338,511	89,009	4,923,512
5,014	4,773	5,757	4,285	39,088
652	251,533	544,175	228,629	1,190,972
277,513	33,470	389,259	81,397	1,475,904
32,637	(2,087)	181,011	30,096	393,356
$ 310,802	$ 282,916	$ 1,114,445	$ 340,122	$ 3,060,232

STATE OF MAINE
STATEMENT OF ACTIVITIES
COMPONENT UNITS

Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	Finance Authority Of Maine	Maine Community College System	Maine Health & Higher Educational Facilities Authority	Maine Municipal Bond Bank
Expenses	$ 51,123	$ 136,755	$ 31,833	$ 65,384
Program Revenues				
Charges for Services	26,314	19,202	29,422	54,700
Program Investment Income	106	1,111	590	(1,778)
Operating Grants & Contributions	26,710	58,075	-	737
Capital Grants & Contributions	-	5,296	-	22,484
Net Revenue (Expense)	2,007	(53,071)	(1,821)	10,759
General Revenues				
Unrestricted Investment Earnings	192	4,654	98	118
Non-program Specific Grants, Contributions & Appropriations	-	62,571	-	-
Miscellaneous Revenues	-	1,363	127	1,850
Gain (Loss) on Assets Held for Sale	-	-	-	-
Total General Revenues	192	68,588	225	1,968
Change in Net Position	2,199	15,517	(1,596)	12,727
Net Position, Beginning of Year (as restated)	44,294	185,621	59,387	693,798
Net Position, End of Year	$ 46,493	$ 201,138	$ 57,791	$ 706,525

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
$ 218,950	$ 93,031	$ 699,155	$ 207,844	$ 1,504,075
68,061	133,822	302,959	45,542	680,022
1,922	-	24,951	3,303	30,205
152,938	-	168,813	115,633	522,906
-	-	3,276	25,858	56,914
3,971	40,791	(199,156)	(17,508)	(214,028)
51	694	15,345	4,738	25,890
-	-	228,859	22,924	314,354
-	6,053	-	1,960	11,353
-	(1,060)	1	(5,165)	(6,224)
51	5,687	244,205	24,457	345,373
4,022	46,478	45,049	6,949	131,345
306,780	236,438	1,069,396	333,173	2,928,887
$ 310,802	$ 282,916	$ 1,114,445	$ 340,122	$ 3,060,232


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MAINE

NOTES TO THE FINANCIAL STATEMENTS

STATE OF MAINE
NOTES TO THE FINANCIAL STATEMENTS
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Notes to the Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

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

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

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

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

Discrete Component Units

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

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

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

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

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

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

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

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

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

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

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

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

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

Finance Authority of Maine 5 Community Dr. PO Box 949 Augusta, ME 04432	Maine Health and Higher Ed. Facilities Authority PO Box 2268 Augusta, ME 04338	Maine Public Employees Retirement System PO Box 349 Augusta, ME 04332-0349	Maine Turnpike Authority 2360 Congress Street Portland, ME 04102
Maine Community College System 323 State Street Augusta, ME 04330	Maine Municipal Bond Bank PO Box 2268 Augusta, ME 04338	Maine State Housing Authority 89 State House Station 353 Water Street Augusta, ME 04330	University of Maine System 16 Central Street Bangor, ME 04401

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

> **Net investment in capital assets** component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
>
> **Restricted component of net position** consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Constraints placed on restricted components of net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports $581.5 million of restricted net position, of which $471.3 million is restricted by enabling legislation.
>
> **Unrestricted component of net position** consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that do not meet the definition of the two preceding categories. The unrestricted component of net position often is designated, to indicate that management does not consider it to be available for general operations and often have constraints on resources that are imposed by management, but can be removed or modified.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The State reports the following major enterprise fund:

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

Additionally, the State reports the following fund types:

Governmental Fund Types:

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

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

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

Proprietary Fund Types:

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

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

Fiduciary Fund Types:

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

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

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

D. FISCAL YEAR-ENDS

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

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

Equity in Treasurer's Cash Pool

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

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

Cash and Cash Equivalents

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

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

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

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

Investments Held on Behalf of Others
These assets include amounts held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds. Generally, these investments are reported at fair value or at amortized cost which approximates fair value. The State also holds $98.4 million of Workers' Compensation, $57.1 million of Bureau of Insurance, and $34.2 million of Maine Department of Labor surety bonds and letters of credit that are not reflected on the financial statements.

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

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

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

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

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

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

Due from/to Primary Government/Component Units
Numerous transactions are made between the primary government and component units to finance operations, provide services, acquire or construct assets, or repay bonds. To the extent that transactions between funds were not completed as of June 30, "Due from Primary Government" and "Due to Component Unit" receivables and payables have been recorded. 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 at $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 acquisition value at date of acquisition. In some instances, capital assets historical cost were not available. The costs of these assets at the date of acquisitions have been estimated.

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

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

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

Accounts Payable
Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers. Incurred but not paid (IBNP) Medicaid claims settlements are actuarially estimated. The IBNP estimate recorded at June 30, 2017 is $198.3 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, 2017 but paid after the fiscal year end are also reported in the funds. Approximately 50% of the governmental fund compensated absences are liquidated by the general fund. In the discretely presented component units, employees' accumulated compensated absences are recorded as an expense and liability as the benefits accrue.

Net Pension Liability
For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System (MPERS) and additions/deductions from MPERS' fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in

accordance with the benefit terms. The primary government's proportionate share of pension amounts were further allocated to proprietary funds based on the salaries paid by each proprietary fund. Pension investments are reported at fair value. Note 9 provides further detail on the net pension liability.

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

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

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

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

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

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

The State reported the following fund balance restrictions:

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

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

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

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

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

F. REVENUES AND EXPENDITURES/EXPENSES

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

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

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

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

NOTE 2 - BUDGETING AND BUDGETARY CONTROL, AND LEGAL COMPLIANCE

Appropriation Limits

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

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

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

Budget Stabilization Fund

The Maine Budget Stabilization Fund, a fund designation established under Title 5 MRSA C. 142, is included in the $59.1 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. The State Controller is required to transfer to the fund 80 percent of the amount available from the unappropriated surplus after all required deductions of appropriations, budgeted financial commitments and adjustments at the close of each fiscal year when the fund is not at its statutory cap. In accordance with the statute, the State Controller made the required transfer for fiscal year 2017. The State Controller transferred $35.0 million from the General Fund unappropriated surplus in accordance with Public Law 2017, Chapter 2, Part D, Section D-1. Per Public Law 2015, Chapter 481, Part A, $10.0 million was transferred to the Budget Stabilization Fund.

The statutory cap for the fund is 18 percent of the total General Fund revenue received in the immediately preceding fiscal year. At the close of the fiscal year, the cap is based on the revenue received in the fiscal year being closed. Based on fiscal year 2017 actual General Fund revenue, the statutory cap at the close of fiscal year 2017 and during fiscal year 2017 was $621.9 million. At the close of fiscal year 2017, the balance of the Maine Budget Stabilization Fund was $196.3 million. No reductions to the Maine Budget Stabilization Fund balance are required when it exceeds the balance of the statutory cap as a result of a decline of General Fund revenue.

Budget Stabilization Fund Activity

(Expressed in Thousands)

Balance, beginning of year	$ 112,352
Increase in fund balance	83,938
Balance, end of year	$ 196,290

Budget and Budgetary Expenditures

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

Except in specific instances, only the Legislature may transfer appropriations between departments. Changes in appropriation, allocation, or funding for new programs are presented to the Legislature as supplemental budgets or separate pieces of legislation. For the year ended June 30, 2017, the Legislature increased appropriations to the General Fund by $35.5 million.

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

Governmental Fund Balances - Restricted, Committed and Assigned

The State's fund balances represent: (1) restricted purposes, which include balances legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; (3) assigned purposes, which includes balances that are constrained by government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these fund balance types at June 30, 2017 are detailed on the following pages.

STATE OF MAINE
NOTES TO THE FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2017

Governmental Fund Balances
(Expressed in Thousands)

	NSIF	Restricted	Committed	Assigned
General Fund:				
Education	$ -	$ -	$ -	$ 20,779
Governmental Support & Operations	-	1,829	-	48,354
Treasury	-	-	-	7,055
Health & Human Services	-	-	-	6,825
Office of Child & Family Services	-	-	10,064	-
Public Safety	-	914	-	-
Inland Fisheries & Wildlife	-	11,390	-	-
Agriculture & Conservation	-	-	-	2,851
All Other	3,059	-	-	1,221
Total	$ 3,059	$ 14,133	$ 10,064	$ 87,085
Highway Fund:				
Transportation, Highway & Bridge Construction	$ -	$ 23,155	$ -	$ -
Total	$ -	$ 23,155	$ -	$ -
Federal Fund:				
Health & Human Services	$ -	$ 2,379	$ -	$ -
HHS Centers for Disease Control	-	1,928	-	-
HHS Office for Family Independence	-	8,549	-	-
HHS Substance Abuse & Mental Health	-	1,740	-	-
HHS Office of Child & Family Services	-	2,865	-	-
HHS Office of Aging & Disability Services	-	1,028	-	-
Justice & Protection	-	1,296	-	-
Transportation - Highway & Bridge Construction	-	3,314	-	-
All Other	622	-	-	-
Total	$ 622	$ 23,099	$ -	$ -
Other Special Revenue Fund:				
Professional & Financial Regulation	$ -	$ 64,714	$ -	$ -
Education	-	2,220	2,458	1,434
Economic & Community Development	-	6,398	6,401	-
Governmental Support & Operations	-	41,898	17,961	4,128
Public Utilities Commission	-	11,636	-	12,438
Workers Compensation Board	-	17,467	-	-
Liquor Bond	-	7,356	-	-
Fund for Healthy Maine	-	-	17,896	-
HHS Licensing & Regulatory Services	-	4,160	-	-
Office of the Commissioner	-	-	-	1,629
Substance Abuse & Mental Health	-	-	9,880	-
Centers for Disease Control & Prevention	-	1,548	6,761	-
MaineCare	-	24,742	2,726	-
Defense, Veterans & Emergency Management	-	1,576	-	3,105
Justice & Protection	-	21,475	71	5,742
Public Safety	-	13,251	1,474	-
Agriculture & Conservation	-	8,651	1,983	10,689
Environmental Protection	-	22,826	1,864	-
Inland Fisheries & Wildlife	-	11,689	-	-
Marine Resources	-	4,600	-	2,696
Highway & Bridge Capital	-	54,382	-	-
Motor Vehicles	-	6,548	-	-
Multimodal Transportation	-	981	7,153	-
Bonds for Highway & Bridge Construction	-	101,564	-	-
All Other	-	709	-	5,253
Total	$ -	$ 430,391	$ 76,628	$ 47,114

Governmental Fund Balances
(Expressed in Thousands)

	NSIF	Restricted	Committed	Assigned
Other Governmental Funds:	NSIF	Restricted	Permanent	
Capital Projects - Agriculture & Conservation	$ -	$ 8,002	$ -	$ -
Capital Projects - Higher Education	-	1,302	-	-
Capital Projects - Highway & Bridge Construction	-	39,162	-	-
Capital Projects - Justice & Protection	-	7,533	-	-
Capital Projects - Multimodal Transportation	-	24,004	-	-
Capital Projects - Environmental Protection	-	4,379	-	-
Capital Projects - Other	-	177	-	-
Permanent Funds - Baxter Park	-	-	7,713	-
Permanent Funds - All Others	-	-	20,052	-
Special Revenue Funds - Baxter Park	-	79,167	-	-
Special Revenue Funds - All Other	-	91	-	-
Total	$ -	$ 163,817	$ 27,765	$ -

NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS

Accounting Changes

There was no impact on the State's financial statements as a result of implementing the following GASB Statements:

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This Statement improves the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement also clarifies the application of certain provisions of Statements 67 and 68 with regard to the following issues: (1) information that is required to be presented as notes to the 10-year schedules of required supplementary information about investment-related factors that significantly affect trends in the amounts reported; (2) accounting and financial reporting for separately financed specific liabilities of individual employers and nonemployer contributing entities for defined benefit pensions; and (3) timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria.

GASB Statement No. 77, *Tax Abatement Disclosures*. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. As a result, users will be better equipped to understand: (1) how tax abatements affect a government's future ability to raise resources and meet its financial obligations; and, (2) the impact those abatements have on a government's financial position and economic condition.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The Statement addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and, (3) has no predominant state or local governmental employer.

GASB Statement No. 80, *Blending Requirements for Certain Component Units*. The requirements of this Statement enhance the comparability of financial statements among governments. Greater comparability improves the decision usefulness of information reported in financial statements and enhances its value for assessing government accountability.

GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73*. Specifically, this Statement addresses issues regarding: (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes; and, (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. GASB Statement 82 reinstated the pre- GASB 67 & 68 definition of "covered-employee payroll." Covered-employee payroll is defined as the payroll on which contributions to a pension plan are based. Prior year covered payroll amounts do not need to be restated since the amounts reported reflect GASB's current definition.

Restatements - Primary Government
The beginning net position for Retiree Health and Employee Health Insurance Internal Service Funds in the Statement of Net Position were increased by $5.2 million and $15.5 million, respectively. This increase of $20.7 million also impacted Governmental Activities in the Statement of Net Position to correct an overstatement of expenditures. The State of Maine had not booked a prepaid, in prior years, to fund health insurance run-out claims at the end of the insurance contract with Aetna.

Restatements - Private Purpose Trusts
The State of Maine increased its private purpose trust fund beginning net position by $3.4 million to recognize two additional trust funds. The two funds are the Maine Universal Service Trust and the Maine Telecommunications Education Access Trust.

Restatements - Component Units
Three non-major discretely presented component units restated their beginning net position. Maine Maritime Academy decreased its beginning net position $1.0 million for overstating pledges receivable. Northern New England Passenger Rail Authority decreased its net position by $0.7 million to adjust for revenue recognition of matching funds. Midcoast Regional Redevelopment Authority increased its net position by $0.4 million as a result of correcting their capital asset balances.

NOTE 4 - DEFICIT FUND BALANCES/NET POSITION

Five internal service funds showed deficits for the fiscal year ended June 30, 2017. The Workers' Compensation Fund reported a deficit of $28.3 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a deficit of $3.8 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of $5.4 million because expenses are recognized when incurred; however, related revenue is not earned until jobs are satisfactorily completed. All of the deficits mentioned above are expected to be funded by future service charges. The remaining two internal service funds, Financial and Personnel Services and Information Services, reported deficits of $20.6 million and $20.7 million, respectively. These deficits are primarily the result of the implementation of GASB Statement No. 68 in Fiscal Year 2015, which required the recognition of the entire net pension liability.

Two enterprise funds showed deficits for the fiscal year ended June 30, 2017. Maine Military Authority and Consolidated Emergency Communication Fund reported deficits of $9.4 million and $4.0 million, respectively. The deficits for these funds are primarily the result of the implementation of GASB Statement No. 68 in Fiscal Year 2015, which required the recognition of the entire net pension liability.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

The Primary Government's Deposits and Investments, excluding component units that are fiduciary in nature, at June 30, 2017 are as follows:

Primary Government Deposits and Investments
(Expressed in Thousands)

	Governmental	Business-Type Activities	Private Purpose Trusts	Agency Funds	Total
Equity in Treasurer's Cash Pool	$ 937,483	$ 9,986	$ 534	$ 29,233	$ 977,236
Cash and Cash Equivalents	3,627	1,864	1,911	27	7,429
Cash with Fiscal Agent	88,821	-	-	-	88,821
Investments	106,945	-	18,827	-	125,772
Restricted Equity in Treasurer's Cash Pool	87,662	-	-	-	87,662
Restricted Deposits and Investments	4,050	406,028	-	11	410,089
Investments Held on Behalf of Others	-	-	-	59,520	59,520
Total Primary Government	$ 1,228,588	$ 417,878	$ 21,272	$ 88,791	$ 1,756,529

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, 2017:

Maturities in Years
(Expressed in Thousands)

	Less than 1	1-5	6-10	11-20	More than 20	No Maturity	Fair Value
Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	$ 65,674	$ 203,928	$ -	$ -	$ -	$ -	$ 269,602
US Treasury Notes	23,222	88,100	-	-	-	-	111,322
Corporate Notes and Bonds	-	27,720	-	-	-	-	27,720
Commercial Paper	181,426	-	-	-	-	-	181,426
Certificates of Deposit	39,967	32,345	-	-	-	-	72,312
Cash and Cash Equivalents	907	-	-	-	-	381,383	382,290
Unemployment Fund	-	-	-	-	-	406,028	406,028
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	1,855	5,807	184	22	972	-	8,840
US Treasury Notes	1,766	10,556	2,579	2,836	148	714	18,599
Corporate Notes and Bonds	25	3,007	184	8,270	451	42,822	54,759
Other Fixed Income Securities	-	-	30,594	-	-	31,860	62,454
Commercial Paper	5,217	-	-	-	-	-	5,217
Certificates of Deposit	9,567	943	-	-	-	4,070	14,580
Money Market	1,841	-	-	-	-	1,141	2,982
Cash and Cash Equivalents	1,974	-	-	-	-	24,827	26,801
Equities	-	-	-	-	-	15,888	15,888
Other	-	-	-	-	-	6,888	6,888
	$ 333,441	$ 372,406	$ 33,541	$ 11,128	$ 1,571	$ 915,621	$ 1,667,708
Other Assets							
Cash with Fiscal Agent							88,821
Total Primary Government							$ 1,756,529

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, 2017 are presented below:

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

	A1	A	AA	AAA	BB	BBB	Not Rated	Total
Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds								
US Instrumentalities	$ 46,064	$ -	$ 220,393	$ -	$ -	$ -	$ 3,145	$ 269,602
US Treasury Notes	-	-	111,322	-	-	-	-	111,322
Corporate Notes and Bonds	-	-	-	18,458	-	-	9,262	27,720
Commercial Paper	181,426	-	-	-	-	-	-	181,426
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds								
US Instrumentalities	1,325	-	6,338	-	-	-	1,177	8,840
US Treasury Notes	-	-	3,971	-	-	-	14,628	18,599
Corporate Notes and Bonds	-	727	346	566	-	1,119	52,001	54,759
Commercial Paper	5,217	-	-	-	-	-	-	5,217
Money Market	-	-	-	-	-	-	2,982	2,982
Other Fixed Income Securities	-	-	-	-	-	-	6,889	6,889
Total Primary Government	$ 234,032	$ 727	$ 342,370	$ 19,024	$ -	$ 1,119	$ 90,084	$ 687,356

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State limits concentration of credit risk in its trusts by requiring that no single stock represent more than seven percent of the total portfolio. There is no concentration of credit risk policy for the Treasurer's Cash Pool. At June 30, 2017, 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 $78.2 million invested in non-negotiable certificates of deposit, certain CD's exceeded the FDIC insured amounts for the institutions at which they were held. However, certificates of deposits, money market accounts and regular cash deposits are all collateralized at a minimum of 100% with pledged securities or a Federal Home Loan Bank letter of credit. The State does not have a policy regarding custodial credit risk for its trusts. The Percival P. Baxter Trust is held by the counterparty's trust department, but not in the State's name.

The fair value of the trust's investments as of June 30, 2017 was $79.1 million and was comprised of the following (expressed in thousands):

U.S. Instrumentalities	$ 1,178
U.S. Treasury Notes	899
Corporate Notes and Bonds	2,338
Other Fixed Income Securities	12,626
Equities	58,459
Cash and Equivalents	727
Other	2,870
Total	$ 79,097

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2017 these disbursements, on average, exceeded $172 million per month. The funds in transit are not collateralized and are not held by the State Treasurer. Until the vendor receives payment, the State retains some liability.

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

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

Level 2 - Inputs to the valuation method include:

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

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

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

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

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

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

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

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

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

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

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

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

The following table set forth by level, within the fair value hierarchy, the State of Maine's assets carried at fair value on a recurring basis as of June 30, 2017:

Fair Value Measurement
(Expressed in Thousands)

	Total	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Commercial Paper	$ 189,529	$ -	$ 189,529	$ -
Corporate Bonds and Notes	2,339	-	2,303	36
U.S. Instrumentalities	275,302	47,393	227,909	-
U.S. Treasury Notes	115,422	115,422	-	-
Other Fixed Income Securities	43,093	43,093	-	-
Equities	73,202	73,202	-	-
Other	2,669	-	-	2,669
Total	$ 701,556	$ 279,110	$ 419,741	$ 2,705

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.

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 collateral is invested in a short-term investment pool. Cash collateral may also be invested separately in "term loans." At June 30, 2017 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, 2017 was $67.2 million and $65.7 million, respectively.

The system did not have any derivative investments as of June 30, 2017 or during the year then ended.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of investment in a single issue. The System's investment policy places no limit on the amount the System may invest in any one issuer. At June 30, 2017 one investment in BlackRock 0-5 Year TIPS pooled fixed income funds exceeded 5% of the fiduciary net position for the defined benefit plans.

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 5 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 $34.5 million of the component units' participation to "Equity in Treasurer's Cash Pool" on the State's financial statements. In addition to the amounts reported, the State Treasurer's Cash Pool includes $5.9 million, consisting of Finance Authority of Maine component unit fiduciary funds that, because of GASB Statement No. 34 reporting criteria, are not shown in the accompanying financial statements as invested in the Treasurer's Cash Pool.

NOTE 6 - RECEIVABLES

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

Primary Government - Receivables
(Expressed in Thousands)

	Taxes	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Governmental Funds:					
General	$ 544,928	$ 146,635	$ 1	$ (162,185)	$ 529,379
Highway	23,601	2,671	-	(61)	26,211
Federal	-	103,796	-	(29,944)	73,852
Other Special Revenue	13,358	88,005	5,614	(17,833)	89,144
Total Governmental Funds	581,887	341,107	5,615	(210,023)	718,586
Allowance for Uncollectibles	(113,498)	(96,474)	(51)		
Net Receivables	$ 468,389	$ 244,633	$ 5,564		$ 718,586
Proprietary Funds:					
Employment Security	$ -	$ 49,205	$ -	$ (23,955)	$ 25,250
Nonmajor Enterprise	-	35,042	-	(130)	34,912
Internal Service	-	10,302	-	-	10,302
Total Proprietary Funds	-	94,549	-	(24,085)	70,464
Allowance for Uncollectibles	-	(24,085)	-		
Net Receivables	$ -	$ 70,464	$ -		$ 70,464

Component Units - Receivables
(Expressed in Thousands)

	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Finance Authority of Maine	2,410	110,516	(5,737)	107,189
Maine Community College System	10,396	-	(1,145)	9,251
Maine Health and Educational Facilities Authority	449	581,405	(100)	581,754
Maine Municipal Bond Bank	631	-	-	631
Maine State Housing Authority	12,476	1,232,447	(9,097)	1,235,826
Maine Turnpike Authority	5,561	-	-	5,561
University of Maine System	50,795	43,196	(8,466)	85,525

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, 2017 were:

Interfund Receivables
(Expressed in Thousands)

	Due to Other Funds				
Due from Other Funds	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 1,136	$ 14,111	$ -
Highway	5	12	3,317	1	-
Federal	122	1	228	2,346	-
Other Special Revenue	7,205	166	437	412	9
Other Governmental	-	-	-	-	-
Employment Security	-	-	11	-	-
Non-Major Enterprise	1,340	8	-	-	-
Internal Service	9,111	3,877	2,585	3,777	-
Fiduciary	35,663	-	-	-	-
Total	$ 53,446	$ 4,064	$ 7,714	$ 20,647	$ 9

	Due to Other Funds				
Due from Other Funds	**Employment Security**	**Non-Major Enterprise Funds**	**Internal Service Funds**	**Fiduciary Funds**	**Total**
General	$ -	$ 8,961	$ 5,038	$ 4,499	$ 33,745
Highway	-	-	2	-	3,337
Federal	-	-	-	-	2,697
Other Special Revenue	-	1,822	113	-	10,164
Other Governmental	-	-	-	-	-
Employment Security	-	-	-	-	11
Non-Major Enterprise	-	-	-	-	1,348
Internal Service	-	393	1,720	19	21,482
Fiduciary	-	-	-	-	35,663
Total	$ -	$ 11,176	$ 6,873	$ 4,518	$ 108,447

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

Transfers are made in accordance with statutory authority. Significant transfers are used to 1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) move receipts restricted to debt service from the funds collecting the receipts to the funds required to pay debt service as principal and interest payments come due, 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, 4) move profits from the Lottery Fund, 5) transfer accumulated surpluses from other funds to the General Fund when authorized by statute and 6) move profits from the Alcoholic Beverages Fund.

During fiscal year 2017, the State of Maine, in accordance with the legislatively authorized budget, recorded the following non-routine, nonrecurring transfers.

The Other Special Revenue Fund transferred $14.9 million to the unappropriated surplus of the General Fund and $10.0 million to the Budget Stabilization Fund. The General Fund transferred $7.0 million to the Maine Military Reserve Fund, $2.5 to the Other Special Revenue, Maine National Guard Postsecondary Fund and $1.4 million to the Other Special Revenue, Retail Marijuana Regulatory Coordination Fund.

Interfund transfers for the year ended June 30, 2017 consisted of the following:

Interfund Transfers
(Expressed in Thousands)

	Transferred From				
Transferred To	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 6,008	$ 38,799	$ -
Highway	1,599	-	7,303	3,997	-
Federal	2,734	-	-	7,970	-
Other Special Revenue	127,089	5,697	146	9,817	1,556
Other Governmental Funds	-	-	-	-	1,407
Employment Security	-	-	17	-	-
Non-Major Enterprise	7,000	5,185	-	-	-
Internal Service	10,400	-	-	-	-
Fiduciary	-	-	-	-	603
Total	$ 148,822	$ 10,882	$ 13,474	$ 60,583	$ 3,566

	Transferred From				
Transferred To	**Employment Security**	**Non-Major Enterprise Funds**	**Internal Service Funds**	**Fiduciary Funds**	**Total**
General	$ -	$ 68,037	$ 100	$ 4,363	$ 117,307
Highway	-	-	-	-	12,899
Federal	81	-	-	-	10,785
Other Special Revenue	-	37,931	-	665	182,901
Other Governmental Funds	-	-	-	-	1,407
Employment Security	-	-	-	-	17
Non-Major Enterprise	-	-	-	-	12,185
Internal Service	-	-	-	-	10,400
Fiduciary	-	-	-	-	603
Total	$ 81	$ 105,968	$ 100	$ 5,028	$ 348,504

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, 2017:

Primary Government - Capital Assets
(Expressed in Thousands)

	Beginning Balance	Increases and Other Additions	Decreases and Deletions	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Land	$ 611,830	$ 17,308	$ 314	$ 628,824
Construction in progress	38,188	26,411	17,603	46,996
Infrastructure	2,824,703	44,303	-	2,869,006
Total capital assets not being depreciated	3,474,721	88,022	17,917	3,544,826
Capital assets being depreciated				
Buildings	772,193	10,961	1,392	781,762
Equipment	293,396	32,795	28,076	298,115
Improvements other than buildings	96,251	12,925	11	109,165
Software	73,059	2,914	-	75,973
Total capital assets being depreciated	1,234,899	59,595	29,479	1,265,015
Less accumulated depreciation for				
Buildings	310,654	22,319	1,424	331,549
Equipment	181,227	31,070	14,754	197,543
Improvements other than buildings	50,160	4,815	-	54,975
Software	38,049	8,032	-	46,081
Total accumulated depreciation	580,090	66,236	16,178	630,148
Total capital assets being depreciated, net	654,809	(6,641)	13,301	634,867
Governmental Activities Capital Assets, net	$ 4,129,530	$ 81,381	$ 31,218	$ 4,179,693

	Beginning Balance	Net Additions	Net Deletions	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated				
Land	$ 2,387	$ 2	$ -	$ 2,389
Construction in progress	391	-	391	-
Total capital assets not being depreciated	2,778	2	391	2,389
Capital assets being depreciated				
Buildings	4,655	-	-	4,655
Equipment	32,571	124	37	32,658
Improvements other than buildings	42,757	-	-	42,757
Total capital assets being depreciated	79,983	124	37	80,070
Less accumulated depreciation for				
Buildings	2,635	137	-	2,772
Equipment	13,040	1,338	26	14,352
Improvements other than buildings	28,428	1,505	-	29,933
Total accumulated depreciation	44,103	2,980	26	47,057
Total capital assets being depreciated, net	35,880	(2,856)	11	33,013
Business-Type Capital Assets, net	$ 38,658	$ (2,854)	$ 402	$ 35,402

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

Governmental Activities - Depreciation Expense
(Expressed in Thousands)

	Amount
Governmental Activities:	
Arts, Heritage and Cultural Enrichment	$ 56
Business Licensing and Regulation	450
Economic Development and Workforce Training	1,331
Education	160
Governmental Support and Operations	19,441
Health and Human Services	9,356
Justice and Protection	14,974
Natural Resources Development and Protection	7,803
Transportation Safety and Development	12,666
Total Depreciation Expense - Governmental Activities	$ 66,237

NOTE 9 - MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

OVERVIEW OF THE SYSTEM

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

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

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

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

The System administers three defined contribution plans for employees of PLD's that elect to participate. At June 30, 2017, there were 76 employers participating in these plans. The 1,052 participants individually direct the $34.2 million covered by the plans.

The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2017 report may be obtained from the Maine Public Employees Retirement System, PO Box 349, Augusta, ME 04332-0349 or on-line at www mainepers.org.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit retirement plans and additions to or deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the System. The measurement period used is June 30, 2016. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

EMPLOYER ALLOCATIONS FOR COST-SHARING DEFINED BENEFIT RETIREMENT PROGRAMS

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

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

MEMBERSHIP

State employees and teachers are covered under the Maine Public Employees Retirement System's State Employee and Teacher Retirement Program (SETP). State employees and public school teachers are required by law to become members of SETP when hired. Membership is optional for elected, appointed officials and substitute teachers. SETP also covers eligible employees of three discretely presented State component units: Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, and the Northern New England Passenger Rail Authority. At June 30, 2017 there were 236 employers, including the State of Maine, participating in the plan.

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

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

Membership in each single employer defined benefit plan consisted of the following at the measurement date of June 30, 2016:

Employees of single employer covered by benefit terms

	Judicial	Legislative
Inactive employees or beneficiaries currently receiving benefits	74	174
Terminated participants:		
Vested	2	121
Inactive employees due refunds	1	107
Active employees	62	177
Total participants	139	579

STATE EMPLOYEES AND TEACHERS PENSION PLAN BENEFITS

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

PARTICIPATING LOCAL DISTRICTS PLAN BENEFITS

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

CONTRIBUTION INFORMATION

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

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

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

On occasion, the State may agree to pay employee pension contributions as a part of the compensation and benefits that are negotiated with employees. The employer-paid contributions are treated as part of their pension compensation. In accordance with statute, the actuary treats these payments as employer contributions and accumulates them in the Retirement Allowance Fund. Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to terminated members' accounts is set by the System's Board of Trustees and is currently 2.45 percent.

CONTRIBUTION RATES - DEFINED BENEFIT PENSION PLANS

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

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

Contribution rates[1] in effect for the fiscal years ended June 30, 2017 and June 30, 2016 are as follows:

	June 30, 2017	Measurement Date June 30, 2016
SETP - State Employees		
Employees [2]	7.65% - 8.65%	7.65% - 8.65%
Employer [1]	21.99% - 42.18%	21.64% - 41.59%
SETP - Teachers		
Employees [2]	7.65%	7.65%
Employer [1]	3.66%	3.36%
Non-employer entity [1]	10.02%	10.02%
Judicial Plan		
Employees [2]	7.65%	7.65%
Employer [1]	14.98%	14.99%
Legislative Plan		
Employees [2]	7.65%	7.65%
Employer [1]	0.00%	0.00%
Consolidated Participating Local Entities		
Employees [2]	4.00% - 9.00%	4.00% - 9.00%
Employer [1]	4.60% - 14.20%	4.40% - 14.00%

[1] Employer and non-employer contribution rates include normal cost and the UAAL required payment, expressed as a percentage of payroll.
[2] Employer and employee contribution rates vary depending on specific terms of plan benefits for certain classes of employees.

For the year ended June 30, 2017, the contributions recognized as part of pension expense (grant expense for Teacher Members) for each plan were as follows:

(Expressed in Thousands)

State Employee and Teacher Pension Plan:		
State & Component Unit Members		
State Employees	$	136,139
3 Discrete Non-major Component Units		7,925
Subtotal State & Component Unit Members		144,064
Teacher Members (Non-employer contribution)	$	112,155

NET PENSION LIABILITY - SINGLE EMPLOYER

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

(Expressed in Thousands)

	Judicial Pension Plan			Legislative Pension Plan		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at June 30, 2016	$ 58,912	$ 56,341	$ 2,571	$ 7,558	$ 11,075	$ (3,517)
Changes for the Year:						
Service Cost	1,397	-	1,397	412	-	412
Interest	4,155	-	4,155	549	-	549
Changes in Benefit Terms	2,017	-	2,017	-	-	-
Differences Between Expected and Actual Experience	(1,746)	-	(1,746)	(246)	-	(246)
Changes in Assumptions	2,490	-	2,490	(147)	-	(147)
Benefit Payments, Including Refunds	(3,502)	(3,502)	-	(446)	(446)	-
Employer Contributions	-	1,078	(1,078)	-	-	-
Member Contributions	-	550	(550)	-	138	(138)
Transfers	-	6,343	(6,343)	-	-	-
Net Investment Income	-	130	(130)	-	48	(48)
Administrative Expense	-	(48)	48	-	(8)	8
Net Changes	4,811	4,551	260	122	(268)	390
Balances at June 30, 2017	$ 63,723	$ 60,892	$ 2,831	$ 7,680	$ 10,807	$ (3,127)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			95.6 %			140.7 %
Covered Employee Payroll			$ 7,188			$ 2,590
Net Pension Liability as a Percentage of Covered Employee Payroll			39.4 %			(120.7)%

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

The State's net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's net pension liability is measured as the proportionate share of the net pension liability. The State's proportion of the net pension liability was based on a projection of the State's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers and non-employer contributors, actuarially determined. The State's proportionate share of the collective net pension liability for each plan at June 30, 2017 and June 30, 2016 is as follows:

(Expressed in Thousands)

Pension Plan	Proportionate Share June 30, 2016	Proportionate Share June 30, 2017	Net Pension Asset June 30, 2017	Net Pension Liability June 30, 2017
SETP - State Employees 1	92.825250 %	94.498857 %	$ -	$ 1,269,080
SETP - Teachers 2	95.036038 %	95.002519 %	-	1,678,373
Total Primary Government			$ -	$ 2,947,453
SETP - 3 Non-major Discrete Component Units [1]	7.174750 %	5.501143 %	$ -	$ 73,879

1 Percentage of State Employees in the SETP

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

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

Proportion	June 30, 2016	June 30, 2017	Change Increase (Decrease)
Governmental Funds	89.70 %	90.15 %	0.45 %
Internal Service Funds	7.68 %	7.65 %	(0.03)%
Enterprise Funds	2.62 %	2.20 %	(0.42)%

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

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

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
(Expressed in Thousands)

	SETP State of Maine	Combined Totals for 3 Non-major Discrete Component Units	Total State of Maine Employees SETP	SETP Teachers
Total Pension Liability				
Service Cost	$ 71,829	$ 4,181	$ 76,010	$ 127,288
Interest	291,291	16,957	308,248	574,538
Differences Between Expected and Actual Experience	28,593	1,664	30,257	51,251
Change in Assumptions	93,078	5,418	98,496	(68,059)
Benefit Payments, Including Refunds of Member Contributions	(267,402)	(15,567)	(282,969)	(461,390)
Change in Proportionate Share	53,985	(53,985)	-	-
Net Change in Total Pension Liability	271,374	(41,332)	230,042	223,628
Beginning Total Pension Liability	4,111,097	296,453	4,407,550	8,208,737
Ending Total Pension Liability	4,382,471	255,121	4,637,592	8,432,365
Plan Fiduciary Net Position				
Employer Contributions	145,246	8,455	153,701	45,350
Non-employer Contributions	-	-	-	112,478
Member Contributions	33,856	1,971	35,827	89,698
Transfers	(5,974)	(348)	(6,322)	(26)
Net Investment Income	13,017	758	13,775	26,767
Benefit Payments, Including Refunds of Member Contributions	(267,402)	(15,567)	(282,969)	(461,390)
Change in Proportionate Share	37,208	(37,208)	-	-
Administrative Expense	(2,700)	(157)	(2,857)	(5,792)
Net Change in Plan Fiduciary Net Position	(46,749)	(42,096)	(88,845)	(192,915)
Beginning Plan Fiduciary Net Position (restated)	3,160,140	223,338	3,383,478	6,858,619
Ending Plan Fiduciary Net Position	3,113,391	181,242	3,294,633	6,665,704
Ending Net Pension Liability	$ 1,269,080	$ 73,879	$ 1,342,959	$ 1,766,661
Proportion				
June 30, 2017	94.498857 %	5.501143 %	100 %	95.002519 %
June 30, 2016	92.825250 %	7.174750 %	100 %	95.036038 %
Change - Increase (Decrease)	1.673607 %	(1.673607)%	0 %	(0.033519)%

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

All Plans

Valuation dates	June 30, 2016 Actuarially determined contribution rates are calculated based on a 2014 actuarial valuation developed as a roll-forward of the 2013 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2014 using assets as of June 30, 2014
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Cost-of-Living	2 20% Benefit changes By law, the COLA is based on the Consumer Price Index for Urban Consumers (CPI-U) as of June 30th applied to the statutory COLA base If the percentage is negative, then no adjustment is made in that year In subsequent years the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment This process of adjustment may occur over a multi-year period if needed to recoup the full actuarial value of the negative CPI-U Cost-of-living adjustments are effective September 1 Retirees are eligible to receive a cost-of-living adjustment after being retired for at least 12 months, except that retirees with less than 10 years of service on July 1, 1993 who retire prior to normal retirement age are not eligible to receive a cost-of-living adjustment until 12 months after reaching normal retirement age The maximum annual limit is 3% of up to the first $20,000 of annual benefit, indexed This is a permanent increase in retiree's benefit The $20,000 COLA base is indexed each year going forward by the same percentage as the COLA that is paid
Investment rate of return used for contributions in 2014	7 125%
Investment rate of return	6 875%
Inflation rate	2 75%
Salary increases	2 75% plus merit component based on employee's years of service
Mortality	For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used
Most recent review of plan experience:	2015

Plan specific	**SETP**	**Judicial**	**Legislative**
Amortization method	Level Percent of payroll, closed 18-year amortization of the 2014 UAL	Level percent of payroll, open 10-year amortization of 2014 UAL	Level percent of payroll, open 10-year amortization of the 2014 UAL
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	100% retirement assumed to occur at age 60 for members with at least 10 years of creditable service on July 1, 1993 For members with less than 5 years of creditable service on July 1, 2001, 50% are assumed to retire each year after reaching age 65	100% retirement assumed to occur at 60 for members with at least 10 years of creditable service on July 1, 1993 For members with less than 5 years of creditable service on July 1, 2001, 50% are assumed to retire each year after reaching age 65
Changes since last valuation - All Plans			
Former investment rate of return	7 125%		
Former salary increases	3 5% plus merit component		
Former cost-of-living increases	2 55%		
Former mortality table	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA For teachers, the same table uses a 2-year set back		

ANNUAL PENSION COST AND NET PENSION LIABILITY

For the year ended June 30, 2017, the State recognized pension expense of $351,687 which includes $165,253 of teacher pensions recorded in grant expense. At June 30, 2017, the State reported $857,917 of deferred outflows of resources and $58,784 of deferred inflows of resources related to its pension plans. Deferred outflows of resources of $257,382 relate to the State contributions that were made subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense over the next four years. Information by pension plan is as follows:

(Expressed in Thousands)

	SETP State of Maine		Combined Totals for 3 Non-Major Discrete Component Units		Total State of Maine Employees SETP		SETP Teachers		Legislative		Judicial	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience demographic and economic	$ 19,062	$ 1,222	$ 1,109	$ 629	$ 20,171	$ 1,851	$ 32,459	$ 3,170	$ -	$ 123	$ -	$ 873
Changes of assumptions	62,052	-	3,612	-	65,664	-	-	43,105	-	73	1,245	-
Net difference between projected and actual earnings on pension plan investments	153,725	-	8,949	-	162,674	-	316,337	-	537	-	2,788	-
Changes in proportion and differences between State contributions and proportionate share of contributions	12,233	9,744	113	12,179	12,346	21,923	97	474	-	-	-	-
State and component unit contributions subsequent to the measurement date	140,153	-	7,734	-	147,887	-	116,080	-	6	-	1,143	-
Total	$ 387,225	$ 10,966	$ 21,517	$ 12,808	$ 408,742	$ 23,774	$ 464,973	$ 46,749	$ 543	$ 196	$ 5,176	$ 873
For the Year Ended												
2018	55,156		(3,167)		51,989		32,431		(126)		735	
2019	65,964		(2,551)		63,413		35,669		71		363	
2020	74,239		4,321		78,560		150,948		256		1,326	
2021	40,747		2,372		43,119		83,096		140		736	
2022	-		-		-		-		-		-	

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equities	20 %	5.7 %
Non-U.S. Equities	20 %	5.5 %
Private Equity	10 %	7.6 %
Real Assets:		
Real Estate	10 %	5.2 %
Infrastructure	10 %	5.3 %
Hard Assets	5 %	5.0 %
Fixed Income	25 %	2.9 %

The discount rate used to measure the collective total pension liability was 6.875 percent for the 2016 and 2015 actuarial valuations for the State Employee and Teacher Plan. The PLD Plan used 6.875 percent for the 2016 and 2015 actuarial valuation. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at actuarially determined, contractually required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate used for all plans is 6.875 percent.

(Expressed in Thousands)

Defined Benefit Plans Administered Through MPERS	1% Decrease (5.875%)	Current Discount Rate (6.875%)	1% Increase (7.875%)
State Employee and Teacher Pension Plan:			
State & Component Unit Members			
State Employees	$ 1,781,742	$ 1,269,081	$ 838,002
Maine Community College System	93,701	66,740	44,070
Maine Educational Center for the Deaf and Hard of Hearing	8,724	6,214	4,103
Northern New England Passenger Rail Authority	1,298	924	610
Subtotal State & Component Unit Members	1,885,465	1,342,959	886,785
Teacher Members	2,828,874	1,766,661	881,316
Total State Employee and Teacher Pension Plan	$ 4,714,339	$ 3,109,620	$ 1,768,101
Judicial Pension Plan	8,732	2,831	(2,286)
Legislative Pension Plan	(2,360)	(3,127)	(3,775)

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

Differences Between Expected and Actual Experience The difference between actual and expected experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. For 2016, this was two years for the Legislative Plan, two years for the Judicial Plan, three years for the State Employee and Teacher Plan and four years for the PLD Consolidated Plan.

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

Changes in Assumptions Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the June 30, 2016 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015.

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

COMPONENT UNIT PARTICIPANTS

The Maine Municipal Bond Bank, Maine Maritime Academy, and the Maine Public Employees Retirement System have defined benefit pension plans. All are participating local entity participants in plans administered by the Maine Public Employees Retirement System.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

POST-RETIREMENT HEALTHCARE PLANS

The State sponsors and contributes to three defined benefit healthcare plans: a sole employer plan for its employees, and multiple-employer cost sharing plans for Teachers and, separately, 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 sponsors and administers a fourth agent multiple-employer plan, Ancillary Group Plan, which covers 2 non-major discretely presented component units. Under the Ancillary Group Plan, employers fund their own benefits.

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

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

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

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

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

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

PLAN MEMBERSHIP

Membership in the four healthcare plans is as follows:

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

STATE EMPLOYEES PLAN FUNDING POLICY

The Trustees of the State Retiree Healthcare Plan are the State Controller and State Treasurer. 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 for the First Responders, therefore, making the contribution on behalf of the employing jurisdictions at a 45 percent level for the current portion of the health plan costs and are not included in the Trust.

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

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

ANCILLARY GROUP PLAN

The following plan, sponsored and administered by the State, is financially independent and is not included in the State Retiree Health Internal Service Fund. This agent multiple-employer postemployment benefit plan covers 42 retirees of two non-major component units: Maine Educational Center for the Deaf and Hard of Hearing and the Northern New England Passenger Rail Authority. All active employees participate in the State Employee Group Health Insurance Plan. All eligible retired employees who elect coverage are included in this plan. The State Employee Health Commission establishes premiums annually.

ANNUAL OPEB COST

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

(Expressed in Thousands)

	State Employees	Teachers	First Responders
Annual required contribution	$ 69,000	$ 49,000	$ 2,166
Interest on net OPEB obligation	11,000	9,000	307
Adjustment to annual required contribution	(20,000)	(18,000)	(569)
Annual OPEB cost	60,000	40,000	1,904
Contributions made	74,000	29,000	828
Increase (decrease) in net healthcare obligation	(14,000)	11,000	1,076
Net healthcare obligation beginning of year	160,000	224,000	7,674
Net healthcare obligation end of year	$ 146,000	$ 235,000	$ 8,750

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

Analysis of Funding Progress
(Expressed in Thousands)

Plan	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
State Employees	6/30/2017	60,000	123.33 %	146,000
	6/30/2016	79,000	84.81 %	160,000
	6/30/2015	75,000	89.33 %	148,000
Teachers	6/30/2017	40,000	72.50 %	235,000
	6/30/2016	40,000	67.50 %	224,000
	6/30/2015	38,000	68.42 %	211,000
First Responders	6/30/2017	1,904	43.49 %	8,750
	6/30/2016	1,655	40.42 %	7,674
	6/30/2015	1,782	42.42 %	6,688

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

(Expressed in Millions)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL (as a percentage of covered payroll) ((b-a)/c)
State Employees	June 30, 2016	201	1,157	956	17.37 %	575	166.26 %
	June 30, 2015	184	1,215	1,031	15.14 %	561	183.78 %
	June 30, 2014	167	1,224	1,057	13.64 %	543	194.66 %
Teachers	June 30, 2016	-	739	739	0.00 %	1,125	65.69 %
	June 30, 2015	-	739	739	0.00 %	1,142	64.71 %
	June 30, 2014	-	684	684	0.00 %	1,106	61.84 %
First Responders	June 30, 2016	-	24	24	0.00 %	56	42.86 %
	June 30, 2015	-	22	22	0.00 %	54	40.74 %
	June 30, 2014	-	24	24	0.00 %	55	43.64 %

*June 30, 2015 SETP AAL and UAAL are restated.

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

ACTUARIAL METHODS AND ASSUMPTIONS

The projection of benefits is based on the terms of the substantive plan at the time of each valuation and include types of benefits in force at the valuation date 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, 2017	June 30, 2017	June 30, 2016
Date the valuation was issued	October 2017	October 2017	October 2017
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	20	20	21
Plan changes	30-year fixed	30-year fixed	rolling 15-year period
Actuarial (gains) / losses	10-year fixed	15-year fixed	rolling 15-year period
Asset valuation method	investment gains and losses spread over a 5 - year period no less than 80% nor more than 120% of market value	n/a	n/a
Actuarial assumptions:			
Investment rate of return	4.00% 7.25% ultimate	4.00% 7.25% ultimate	4.00%
Projected salary increases	3.25%	3.25%	3.5% - 9.5%
Inflation rate	3.00%	3.00%	3.00%
Healthcare inflation rate	initial - actual premiums ultimate 5.00% [1]	initial - actual premiums ultimate 5.00% [1]	7.5% at 2016 for Portland; ultimate CPI plus 3% 7.5% for non-Portland; ultimate 5.00% at 2026
Most recent review of plan experience	2016	2016	
Mortality Table	RP-2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used.	RP-2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used.	RP2000 Tables projected forward to 2015 using Scale AA

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CONTRIBUTIONS AND RESERVES

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

INVESTMENTS

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

POST RETIREMENT GROUP LIFE INSURANCE BENEFIT PLAN

The Maine Public Employees Retirement System (the System) is a component unit of the State of Maine. For financial reporting purposes, the System administers two multiple-employer cost-sharing, defined benefit Group Life Insurance Plans (GLIP) administered by a third party insurance company in accordance with Title 5 MRSA C. 423 and 425. Members include employees of the State, public school employees (defined by Maine law as teachers), members of the Judiciary and the Legislature, which are eligible for membership in the System. The State of Maine is also a non-employer contributing entity in that the State pays contributions for retired public school teachers in the plan. Group life insurance benefits are also provided to employees of approximately 130 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, 2017 report may be obtained from the Maine Public Employees Retirement System, PO Box 349, Augusta, ME 04332-0349.

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

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

Group life insurance plan membership counts are based on the June 30, 2016 actuarial valuation and roll forward procedures to June 30, 2017 utilize the same information. Counts are as follows:

	FY 2017
Retired State Employees	8,538
Retired Teachers	7,003
	15,541
Number of employers	225
Contributing entities	1

In order to qualify for retiree group life insurance benefits, a member must be employed the day prior to retirement.

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.

Beginning with the financial statements for the year ended June 30, 2017, the System began reporting each of the plans separately and in separate columns in its basic financial statements.

INVESTMENTS

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

FUNDING POLICY

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

ANNUAL OPEB COST

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

(Expressed in Thousands)

	State Employees	Teachers
Annual required contribution	$ 5,035	$ 3,205
Interest on net OPEB obligation	(23)	-
Adjustment to annual required contribution	24	-
Annual OPEB cost	5,036	3,205
Contributions made	3,650	3,271
Increase (decrease) in net healthcare obligation	1,386	(66)
Net (asset) obligation beginning of year	(331)	-
Net (asset) obligation end of year	$ 1,055	$ (66)

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for each plan is as follows:

Analysis of Funding Progress
(Expressed in Thousands)

Plan	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB (Asset)
State Employees	6/30/2017	5,036	72.48 %	1,055
	6/30/2016	4,995	93.49 %	(331)
	6/30/2015	4,931	86.73 %	(656)
Teachers	6/30/2017	3,205	102.06 %	(66)
	6/30/2016	3,160	100.00 %	-
	6/30/2015	3,660	100.00 %	-

FUNDED STATUS AND FUNDING PROGRESS
The funded status of the plans as of June 30, 2017 was as follows:

(Expressed in Thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL (as a percentage of covered payroll) ((b-a)/c)
State Employees	June 30, 2017	32,500	93,300	60,800	34.83 %	578,274	10.51 %
	June 30, 2016*	32,300	89,900	57,600	35.93 %	578,279	9.96 %
	June 30, 2015	32,300	89,500	57,200	36.09 %	556,900	10.27 %
Teachers	June 30, 2017	54,400	90,500	36,100	60.11 %	698,735	5.17 %
	June 30, 2016	49,800	85,700	35,900	58.11 %	698,700	5.14 %
	June 30, 2015	48,000	79,000	31,000	60.76 %	666,200	4.65 %

* Restated

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

ACTUARIAL METHODS AND ASSUMPTIONS

The projection of benefits is based on the terms of the substantive plan at the time of each valuation and include types of benefits in force at the valuation date, 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, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Asset valuation method	market
Actuarial assumptions:	
Investment rate of return	6.875%
Projected salary increases - State employees	2.75% - 8.75%
Projected salary increases - Teachers	2.75% - 14.5%
Inflation rate	2.75%
Cost of living increases in life benefits	N/A
Participation percent for future retirees	100.00%
Form of benefit payment	lump sum

Plan Information

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, principal objective is to improve the usefulness of OPEB information in the external financial statements of State and local governments. GASB established different reporting requirements for OPEB plans based on whether or not plan assets accumulated for benefits are placed in trusts (or equivalent arrangements). Two OPEB Plans met the requirements for funded OPEB trusts or their equivalents: the State Employee Healthcare Plan and the Group Life Insurance Plan for State Employees and Teachers. The other plans are funded on a pay-as-you-go basis.

Information for June 30, 2017 not already contained in this note disclosure follows. Components of the Net OPEB liabilities for the plans at June 30, 2017 were:

(Expressed in Millions)

	State Employee Healthcare Plan	State and Teachers Group Life Insurance Benefit Plan
Total OPEB liability	$ 1,161	$ 184
Plan fiduciary net position	233	87
State of Maine's net OPEB liability	$ 928	$ 97
Plan fiduciary net position as a percentage of the total OPEB liability	20.07 %	47.28 %

Significant actuarial assumptions for the June 30, 2017 State Employee Healthcare OPEB Plan included using a 6.93 percent discount rate for 2017/2018, and a 7.25 percent rate thereafter. The expected long-term rate of return is 7.25 percent since the trust is projected to have sufficient assets to pay all benefits under the State's current contribution policy. The individual entry age normal method is used to determine liabilities. General inflation of 3.00 percent was used along with an aggregate payroll increase of 3.25 percent. Merit payroll increases, mortality, termination, disability and retirement assumptions relied on the System's June 30, 2012 through June 30, 2015's experience study. The mortality improvement scale MP-2015 was modified to converge to an ultimate rate of 0.85 percent for ages 20 to 85 grading down to 0.00 percent for ages 111 to 120 with convergence to the ultimate rate in 2020.

The actuarial assumptions used in the June 30, 2017 State Employee and Teacher Group Life Insurance Benefit Plan valuation were based on results of an actuarial experience study for the period of June 30, 2012 to June 30, 2015. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period of July 1, 2005 to June 30, 2010. The individual entry age normal method is used to determine liabilities. Asset amounts used are taken as reported to the actuaries by the System without audit or change. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2017, there were 20 years remaining in the amortization schedule. The investment rate of return, inflation rate and annual salary increases, including inflation were 6.875 percent, 2.75 percent and 2.75 percent to 8.75 percent for State employees and 2.75 percent to 14.50 percent for Teachers, respectively. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. 100 percent of those currently enrolled were expected to participate and take a lump sum form of benefit. Conversion charges apply to the cost of the active group life insurance, not retiree group life insurance.

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

	Target Allocation	Long-Term Expected Real Rate of Return
Asset Class for State Employee and Teacher Group Life Insurance Benefit Plan		
Public Equity	70 %	6.00 %
Real Estate	5 %	5.20 %
Traditional Credit	16 %	3.00 %
U.S. Government Securities	9 %	2.30 %
Asset Class for State Employee Healthcare Plan		
U.S. Equity	45 %	4.82 %
International Equity	25 %	4.82 %
Real Estate	5 %	3.04 %
Fixed Income	25 %	1.47 %

For the year ended June 30, 2017, the annual money-weighted rate of return on investments, net of investment expense, was 12.88 percent for both plans. The money weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The discount rate used to measure the collective total OPEB liability for the actuarial valuations varied by plan and is disclosed below. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at actuarially determined, contractually required rates. Based on these assumptions, the OPEB plans' fiduciary net position were projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net OPEB liabilities would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate used for State Employee Healthcare OPEB Plan is 6.75 percent. The rate used for the State and Teacher Group Life Insurance Benefit Plan plan is 6.875 percent.

(Expressed in Millions)

	1% Decrease	Current Discount Rate	1% Increase
State Employee Healthcare Plan	$ 1,073	$ 928	$ 807
State Employee and Teacher Group Life Insurance Benefit Plan	$ 123	$ 97	$ 75

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following table shows how the collective net OPEB liabilities would change if the healthcare rate used was one percentage point lower or one percentage point higher than the current rate of 6 percent decreasing to 5 percent.

(Expressed in Millions)

	1% Decrease	Current Discount Rate	1% Increase
State Employee Healthcare Plan	$ 801	$ 928	$ 1,080

NOTE 11 - LONG-TERM OBLIGATIONS

PRIMARY GOVERNMENT

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

GENERAL OBLIGATIONS 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 2017 were:

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

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
General Obligation Debt:					
General Fund	$ 380,990	$ 98,060	$ 59,415	$ 419,635	$ 65,840
Special Revenue Fund	61,620	-	21,015	40,605	18,285
Unamortized Premiums:					
General Fund	21,834	16,615	2,557	35,892	4,261
Total	$ 464,444	$ 114,675	$ 82,987	$ 496,132	$ 88,386

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2017 until maturity, are summarized in the following table:

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

Fiscal Year	Principal	Interest	Total
2018	$ 84,125	$ 19,825	$ 103,950
2019	73,715	17,005	90,720
2020	60,390	14,075	74,465
2021	54,695	11,690	66,385
2022	45,860	8,956	54,816
2023-2027	141,455	15,984	157,439
Total	$ 460,240	$ 87,535	$ 547,775
Unamortized Premiums	35,892		
Total Principal	$ 496,132		

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2017 are as follows:

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

	Amounts Issued	Outstanding June 30, 2017	Fiscal Year Maturities First Year	Fiscal Year Maturities Last Year	Interest Rates
General Fund:					
Series 2007	$ 33,975	$ -	2008	2017	4.00% - 5.50%
Series 2008	46,525	4,650	2009	2018	3.00% - 5.13%
Series 2009	96,035	17,430	2011	2019	2.50% - 5.00%
Series 2010	31,755	290	2011	2020	1.41% - 4.00%
Series 2011	86,010	26,500	2012	2021	1.625% - 5.00%
Series 2012	49,265	23,675	2013	2022	1.00% - 5.00%
Series 2014	112,945	79,060	2015	2024	0.20% - 5.00%
Series 2015	102,555	82,040	2016	2025	0.85% - 5.00%
Series 2016	97,705	87,930	2017	2026	1.00% - 5.00%
Series 2017	98,060	98,060	2018	2027	2.00% - 5.00%
		419,635			
Plus Unamortized Bond Premium		35,892			
Total General Fund		$ 455,527			
Special Revenue Fund:					
Series 2007	27,000	-	2008	2017	4.00% - 5.50%
Series 2008	57,550	5,755	2009	2018	3.00% - 5.13%
Series 2009	37,310	9,230	2011	2019	2.50% - 5.00%
Series 2010	25,080	16,780	2011	2020	1.41% - 4.00%
Series 2011	22,125	8,840	2012	2021	1.625% - 5.00%
Total Special Revenue		$ 40,605			

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, 2017, general obligation bonds authorized and unissued totaled $85.2 million.

REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY

The State included $171.9 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 $616.1 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2017, MGFA issued $25.0 million in 2016A bonds with an average coupon rate of 4.39 percent to in-substance defease a total of $26.8 million of 2007A, 2008A and 2009A series bonds. The net proceeds of approximately $28.8 million, after payment of underwriting fees and other issuance costs, were used to purchase U.S. Governmental securities which provided for all debt service payments on defeased bonds through their respective call dates, from fiscal year 2018 through fiscal year 2020. Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of approximately $3.9 million in the year ended June 30, 2017, the State in effect reduced aggregate debt service approximately $30.0 million over the next thirteen years and obtained an economic gain (difference between the present value of the old and new debt service payments) of approximately $2.7 million.

Also during the fiscal year ended June 30, 2017, MGFA issued $18.0 million in 2016B bonds with interest rates between 3.00 percent and 5.00 percent.

At June 30, 2017, there was $26.8 million of MGFA in-substance defeased bonds outstanding.

CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS

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

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

SHORT-TERM OBLIGATIONS

The State of Maine did not issue or retire Bond Anticipation Notes during fiscal year 2017. Short-term obligations are used to meet temporary operating cash flow needs. At June 30, 2017 there were no outstanding Tax Anticipation Notes or Bond Anticipation Notes.

OTHER LONG-TERM OBLIGATIONS

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

Changes in other long-term obligations for governmental and business-type activities for the fiscal year ended June 30, 2017, are summarized as follows:

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

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
General Activities:					
MGFA Revenue Bonds	$ 172,373	$ 46,805	$ 47,308	$ 171,870	$ 21,250
COP's and Other Financing	69,565	54,269	49,297	74,537	29,033
Compensated Absences	44,732	8,822	6,005	47,549	6,387
Claims Payable	79,419	181,602	183,732	77,289	27,697
Capital Leases	36,679	2,441	4,844	34,276	5,582
Loans Payable to Component Unit	425,199	50,002	46,488	428,713	50,449
Other Post-Employment Benefit Obligation	387,770	102,658	102,792	387,636	-
Pollution Remediation and Landfill	38,821	44	5,287	33,578	-
Total Government Activities	$ 1,254,558	$ 446,643	$ 445,753	$ 1,255,448	$ 140,398
Business-Type Activities:					
Compensated Absences	$ 1,090	$ -	$ 335	$ 755	$ 91
Other Post-Employment Benefit Obligation	3,904	301	1,036	3,169	-
Total Business-Type Activities	$ 4,994	$ 301	$ 1,371	$ 3,924	$ 91

Debt service requirements (principal and interest) for COP’s and other financing arrangements of the primary government, from June 30, 2017 until maturity, are summarized as follows:

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

	Governmental Funds			Internal Service Funds		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2018	$ 19,593	$ 120	$ 19,713	$ 30,689	$ 8,002	$ 38,691
2019	15,557	68	15,625	28,783	6,781	35,564
2020	13,484	36	13,520	24,111	5,165	29,276
2021	1,533	14	1,547	15,349	4,178	19,527
2022	-	-	-	11,546	3,711	15,257
2023 - 2027	-	-	-	49,454	12,313	61,767
2028 - 2032	-	-	-	28,273	4,410	32,683
2033 - 2035	-	-	-	8,035	522	8,557
Total	$ 50,167	$ 238	$ 50,405	$ 196,240	$ 45,082	$ 241,322

LOANS PAYABLE TO COMPONENT UNIT

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

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

Changes in GARVEE, TransCap and Liquor Operations revenue bonds during fiscal year 2017 were:

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

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Loans Payable to Components Unit:					
Federal Funds	$ 103,053	$ 50,002	$ 12,870	$ 140,185	$ 15,926
Special Revenue Fund	322,146	-	33,618	288,528	34,523
Total	$ 425,199	$ 50,002	$ 46,488	$ 428,713	$ 50,449

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

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

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

GARVEE, TransCap and Liquor Operations Revenue bonds issued and outstanding at June 30, 2017 are as follows:

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

	Amounts Issued	Outstanding June 30, 2017	Fiscal Year Maturities First Year	Fiscal Year Maturities Last Year	Interest Rates
Federal Funds:					
Series 2008	$ 50,000	$ 19,130	2009	2020	3.25% - 4.00%
Series 2010A	25,915	4,315	2011	2017	2.00% - 5.00%
Series 2010B	24,085	24,085	2018	2022	4.52% - 5.32%
Series 2014A	44,810	39,565	2015	2026	2.00% - 5.00%
Series 2016A	44,105	44,105	2017	2028	2.63% - 5.00%
Total Federal Funds		$ 131,200			
Special Revenue Fund:					
Series 2008	$ 50,000	$ 7,010	2009	2023	3.00% - 5.50%
Series 2009A	105,000	43,190	2010	2023	2.50% - 5.00%
Series 2009B	30,000	5,070	2010	2024	2.00% - 5.00%
Series 2011A	55,000	50,010	2012	2026	2.00% - 5.00%
Series 2013	201,000	160,920	2015	2024	1.07% - 4.35%
Series 2015A	54,680	54,680	2019	2024	4.00% - 5.00%
Total Special Revenue Funds		$ 320,880			

Total principal and interest requirements over the life of the 2008 GARVEE bonds are $63.1 million, with annual requirements of up to $5.2 million; for 2010 GARVEE bonds total principal and interest requirements are $66.3 million, with annual requirements of up to $5.6 million; for 2014 GARVEE bonds total principal and interest requirements are $59.0 million, with annual requirements of up to $5.0 million; for 2016 GARVEE bonds total principal and interest requirements are $58.0 million, with annual requirements up to $4.9 million. Total federal highway transportation funds received in federal fiscal year 2017 were $218 million. Current year payments to MMBB for GARVEE bonds were $15.9 million (7.3 percent of federal highway transportation funds received).

Total principal and interest requirements over the life of the 2008 TransCap Revenue bonds are $69.5 million, with annual requirements up to $4.8 million. Total principal and interest requirements over the life of the 2009A TransCap Revenue bond are $139.3 million, with annual requirements up to $10.1 million; for the 2009B TransCap Revenue bonds total principal and interest requirements are $45.2 million, with annual requirements up to $15.9 million. Total principal and interest requirements over the life of the 2011A TransCap Revenue bond are $84.2 million, with annual requirements up to $20.3 million. Total principal and interest requirements over the life of the 2015A TransCap Revenue bond are $74.4 million, with annual requirements up to $16.6 million. Total revenue received for revenue sources used as pledged revenues were $39.7 million in fiscal year 2017.

Total principal and interest requirements over the life of the 2013 Liquor Operation Revenue bond are $273.7 million, with annual requirements up to $26.8 million. Current year payments to MMBB for the Liquor Operation bonds were $26.8 million. Total revenue received for revenue sources used as pledged revenue were $39.9 million in fiscal year 2017.

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, 2017 capital assets include capitalized buildings of $78.9 million in Governmental Activities, net of related accumulated depreciation of $48.1 million.

OBLIGATIONS UNDER OPERATING LEASES

The State is obligated under certain leases, accounted for as operating leases, in the proprietary funds. Operating leases do not give rise to property rights or lease obligations, and therefore assets and liabilities related to the lease agreements are not recorded in the State's financial statements. Rental expense incurred under operating leases totaled $2.7 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
2018	$ 5,582	$ 2,171
2019	4,687	2,040
2020	4,188	1,858
2021	3,585	1,651
2022	2,676	1,282
2023-2027	9,101	3,086
2028-2032	4,641	717
2033-2037	1,852	541
2038-2042	1,636	617
2043-2047	884	706
2048-2052	-	511
2053-2057	-	231
Total Minimum Payments	38,832	$ 15,411
Less: Amount Representing Interest	4,556	
Present Value of Future Minimum Payments	$ 34,276	

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, 2017 but paid after the fiscal year end is also reported in the funds.

COMPONENT UNITS

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

Component Unit Bonds Outstanding
(Expressed in Thousands)

Component Unit	Interest Rates	Amount	Maturity Dates
Finance Authority of Maine	3.000% - 5.875%	101,516	2017 - 2039
Maine Community College System	2.500% - 5.000%	21,029	2017 - 2035
Maine Health and Higher Educational Facilities Authority	2.000% - 5.750%	657,530	2017 - 2041
Maine Municipal Bond Bank	0.500% - 6.120%	1,594,736	2017 - 2046
Maine State Housing Authority	0.730% - 5.150%	1,309,973	2017 - 2046
Maine Turnpike Authority	2.000% - 6.000%	420,808	2017 - 2042
University of Maine System	2.000% - 5.000%	172,363	2017 - 2037

On May 17, 2017, the University of Maine System issued $30.3 million in series 2017A Revenue Bonds to currently refund $13.2 million of 2007 Series A Revenue Bonds and to provide $18.2 million for new projects. The System completed the refunding to reduce its total debt service payments over the following twenty years by $1.5 million and to obtain an economic gain of $1.4 million. The principal amount of debt refunded through in-substance defeasance was $13.2 million. No amount was still outstanding at June 30, 2017. Refunding bond proceeds of $13.4 million were placed in an escrow account to pay the interest due on the refunded bonds and to retire the bonds on their respective call dates which was June 16, 2017.

On June 27, 2017, Maine Health and Higher Educational Facilities Authority (MHHEFA) issued $39 million in series 2017A reserve resolution bonds with an average interest rate of 4.5 percent, all of which was used to defease $47.5 million of outstanding reserve fund maturities within the 2001A, 2005B and 2007A bond series. The net proceeds of approximately $48.6 million, respectively, including other sources of funds and after payment of underwriting fees, insurance and other issuance costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on defeased bonds. The economic benefits associated with the refunding inure to the respective institutions. At June 30, 2017 there were approximately $145.6 million of defeased bonds remaining outstanding with respect to all advance-refunding issues within the reserve fund resolution.

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

At June 30, 2017 the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately $196.7 million. At June 30, 2017, the remaining balances of the Transportation Infrastructure Fund Group in-substance defeased bonds total approximately $56.8 million.

At June 30, 2017, Maine Community College System (MCCS) had $18.6 million principal outstanding related to debt refunded through in-substance defeasance.

For the period ended December 31, 2016, the Maine State Housing Authority redeemed prior to maturity $200.6 million of its Mortgage Purchase Fund Group bonds from surplus revenues and the proceeds of refunding bonds. Mortgage Purchase Fund losses of $0.3 million were attributed to recognition of the bond discount and debt issuance expenses associated with the redeemed bonds.

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

Component Units Principal Maturities
(Expressed in Thousands)

Fiscal Year Ending	FAME	MMBB	MCCS	MSHA	MTA	UMS	MHHEFA
2018	$ 10,460	$ 118,729	$ 827	$ 45,150	$ 19,830	$ 11,807	$ 34,220
2019	5,885	144,255	870	49,200	20,640	10,955	37,800
2020	6,025	137,240	833	36,475	14,945	11,750	38,545
2021	3,115	137,530	880	34,430	16,015	10,699	38,185
2022	3,425	129,305	923	54,320	17,350	11,169	39,090
2023 - 2027	21,095	528,085	5,217	248,585	101,900	49,803	173,125
2028 - 2032	36,270	210,172	6,109	286,956	111,355	39,430	160,205
2033 - 2037	9,975	68,645	2,949	292,670	52,695	13,355	99,745
2038 - 2042	5,750	18,190	-	188,449	26,440	-	36,615
2043 - 2047	-	4,230	-	65,765	4,285	-	-
Net Unamortized Premium (or Deferred Amount)	(484)	98,355	2,421	7,973	35,353	13,395	-
Total Principal Payments	$ 101,516	$ 1,594,736	$ 21,029	$ 1,309,973	$ 420,808	$ 172,363	$ 657,530

NOTE 12 - SELF - INSURANCE

A. Risk Management

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

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

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

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

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

*These lines of insurance have commercial excess insurance covering losses above the risk retention amount up to the per occurrence amount listed. All other insurance programs are wholly self-insured.
[1] 10 million is the maximum limit for per occurrence coverage. Some agencies have chosen $400 thousand.
[2] Excess insurance is only for out of state travel.
[3] $3 million is the maximum limit for per occurrence coverage. Some agencies have chosen $500 thousand.

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

All risk-financing liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities represent the estimated cost of claims as of March 31, 2017. 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, 2017 and 2016 the present value of claims payable for the State's self-insurance plan was estimated at $8.2 million and $8.0 million, respectively. The actuary calculated this based on the State's rate on investments.

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

	2017	2016
Liability at Beginning of Year	$ 8,016	$ 4,228
Current Year Claims and Changes in Estimates	2,903	8,829
Claims/Fees Expense	2,723	5,041
Liability at End of Year	$ 8,196	$ 8,016

As of June 30, 2017, fund assets of $25.3 million exceeded fund liabilities of $9.2 million by $16.1 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 $791 thousand for the fiscal year ended June 30, 2017.

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, 2017:

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

	2017	2016
Liability at Beginning of Year	$ 48,193	$ 47,045
Current Year Claims and Changes in Estimates	10,931	9,767
Claims Payments	9,705	8,619
Liability at End of Year	$ 49,419	$ 48,193

Based on the actuarial calculation as of June 30, 2017, the State is liable for unfunded claims, and incurred but not reported claims, of approximately $60.9 million. The discounted amount is $49.4 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 provides catastrophic coverage for individual claims exceeding $500 thousand.

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

There are two primary health plans available. A Point-of-Service plan is available to all active employees and retirees not eligible for Medicare. A Medicare Advantage plan is available to Medicare eligible retirees. Total enrollment averaged approximately 36,300 covered individuals. This total includes 28,025 active employees and dependents and 8,275 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, 2017 the State recorded a receivable of $8.6 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 $19.7 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2017 follows:

(Expressed in Thousands)

	Employee Health Fund	Retiree Health Fund
Liability at Beginning of Year	$ 17,407	$ 5,803
Claims and Changes in Estimate	141,991	25,777
Claims Payments	144,643	26,661
Liability at End of Year	$ 14,755	$ 4,919

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 $53.1 million were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, $16.0 million of active employee healthcare costs were reclassified from the internal service fund to the OPEB Trust Fund to reflect age-adjusted claims.

NOTE 13 - JOINT VENTURES

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

TRI-STATE LOTTO COMMISSION

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

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

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

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

The Tri-State Lotto Commission financial report for fiscal year 2017, 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	$	16,078
Noncurrent Assets		26,854
Total Assets	$	42,932
Current Liabilities	$	14,624
Long-term Liabilities		21,160
Total Liabilities	$	35,784
Designated Prize Reserves		4,346
Reserve for Unrealized Gains		2,802
Total Net Position		7,148
Total Liabilities and Net Position	$	42,932
Total Revenue	$	57,580
Total Expenses		38,377
Allocation to Member States		19,203
Change in Unrealized Gain on Investments Held for Resale		(1,684)
Change in Net Position	$	(1,684)

Multi-State Lottery Association
The Maine State Lottery became a member of the Multi-State Lottery Association (MUSL) in July 2004. The MUSL currently has 36 member State lotteries, including the District of Columbia and the United States Virgin Islands. The MUSL is managed by a board of directors, which is comprised of the lottery directors or their designee from each of the party States, and authorized to initiate, promulgate, administer and carry out one or more lottery product offerings that will enhance the participating parties' lottery revenue.

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

The Multi-State Lottery Association's financial report for fiscal year 2017 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	$	398,234
Investments in US Government Securities		65,782
US Government Securities Held for Prize Annuities		69,049
Due from Party Lotteries		22,807
Patent, net of accumulated amortization		4,807
Other Assets		690
Total Assets	$	561,369
Amount Held for Future Prizes	$	480,917
Grand Prize Annuities Payable		69,640
Other Liabilities		5,668
		556,225
Net Position, Unrestricted		5,144
Total Liabilities and Net Position	$	561,369
Total Revenue	$	4,345
Total Expenses		6,143
Excess of Revenues over Expenses		(1,798)
Net Position, beginning		6,942
Net Position, ending	$	5,144

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.

Catholic Charities of Maine, a non-profit organization, received $11.3 million in pass-through grant awards from various State agencies and $7.3 million in Medicaid claims during fiscal year 2017. An employee of Maine's Department of Environmental Protection serves as an uncompensated member of its Board of Directors.

Tri-County Mental Health Services, a non-profit organization providing out-patient, crisis, housing, and group home services in central Maine, received $14.4 million during fiscal year 2017 from various programs provided by Maine's Department of Health and Human Services. A member of Maine's Senate served as an uncompensated member of its Board of Directors.

Promise Early Education, formerly known as Androscoggin Head Start and Child Care, received $894 thousand from various programs provided by Maine's Department of Health and Human Services. A member of Maine's Senate served as an uncompensated member of its Board of Directors.

COMPONENT UNITS

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, $234.1 million; Maine Community College System, $72.4 million; Maine Municipal Bond Bank, $40.0 million; Finance Authority of Maine, $21.0 million; and Maine State Housing Authority, $15.8 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total $28.7 million at June 30, 2017, 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 2017, the State expended $3.0 million to FAME for State revolving loan funds. The State also transferred $1.0 million from its Loan Insurance Reserves to FAME.

Title 20-A MRSA Chapter 419-A established the Maine State Grant Program as a fund under the jurisdiction of the Finance Authority of Maine. All grant revenues under this fund must be distributed by FAME to students who meet the eligibility requirements for a grant under this chapter. FAME paid approximately $9.3 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 year 2017, the amount billed totaled $5.8 million.

NOTE 15 - DEFERRED OUTFLOWS AND DEFERRED INFLOWS

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

(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	Component Units
Deferred Outflows of Resources:				
Accumulated Decrease in Fair Value of Hedging Derivatives	$ -	$ -	$ -	$ 10,344
Refunding of Debt	4,435	-	4,435	58,195
Pension Related	850,125	7,792	857,917	51,926
Total Deferred Outflows of Resources	$ 854,560	$ 7,792	$ 862,352	$ 120,465
Deferred Inflows of Resources:				
Grant Income	$ -	$ -	$ -	$ 8,223
Loan Origination Fees	-	-	-	572
Pension Related	58,542	242	58,784	30,293
Total Deferred Inflows of Resources	$ 58,542	$ 242	$ 58,784	$ 39,088

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

Governmental Funds
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Deferred Inflows of Resources:						
Tax Revenue or Assessments	$ 211,492	$ 751	$ 29	$ 28,699	$ -	$ 240,971
Total Deferred Inflows of Resources	$ 211,492	$ 751	$ 29	$ 28,699	$ -	$ 240,971

NOTE 16 - TAX ABATEMENTS

For financial reporting purposes, a tax abatement is defined as an agreement between the government and an individual or entity through which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to the economic development or otherwise benefits the government or its citizens.

As of June 30, 2017, the State provided tax abatements through the following programs:

Program Name	Pine Tree Development Zone Tax Credit	Employment Tax Increment Financing	New Markets Capital Investment Tax Credit
Program Purpose	The program encourages capital investment and job creation in designated industries and geographic areas within the state.	The program is designed to create and prevent loss of employment in designated industries and geographic areas within the state.	The program is designed to encourage investment in qualified businesses located in economically distressed areas within the state.
Tax Types Abated	Personal income, corporate income, insurance premiums, bank franchise and sales taxes.	State income tax withholding from employee salary.	Personal income, corporate income, insurance premiums, and bank franchise taxes.
Statutory Authority	36 M.R.S.A. §5219-W	36 M.R.S.A. §6754	36 M.R.S.A. §5219-HH
Eligibility Criteria	Businesses apply to be certified as a qualified business, agree to conduct a qualified business activity, and hire at least one net new employee within two years.	Businesses apply for certification and agree to hire at least five net new employees within two years.	A person must make a qualified equity investment that has been certified by the Finance Authority of Maine, and execute a memorandum of agreement with the state.
Abatement Method	Allowance of credit against taxes attributable to qualified business activity, up to the amount of tax liability (nonrefundable credit).	Qualified business applies for annual reimbursement payment independent of any other tax reporting requirements.	Allowance of credit against taxes. Taxpayer receives full amount of annual credit regardless of tax liability (refundable credit).
Abatement Computation	Credit equals 100 percent of the tax liability attributable to the qualified activity of a certified business for a period of five years. Businesses located in certain areas receive a 50 percent credit for an additional five years.	Reimbursement equals 30 - 80 percent of qualified state-withheld taxes, depending on the unemployment rate in the area where the employee works, for a period of ten years.	The credit amount equals a total of 39 percent of the qualified investment, spread over a period of seven years in varying amounts each year.
Recapture Provisions	None.	Any overpayment must be applied to reduce future reimbursement payments. Overpayments must be repaid if the business no longer qualifies for future payments.	The abatement amount may be recaptured upon 1) recapture of any amount of the related federal NMTC credits; 2) early repayment of any portion of the principle amount that forms the qualified equity investment, or 3) failure to reinvest less than 85% of the qualified equity investment into a qualified business.
Estimated Revenue Reduction for Fiscal Year 2017	$3,510,745	$13,326,078	$14,096,632

Note: An estimate of PTDZ sales tax exemptions claimed at the point of purchase cannot be determined.

NOTE 17 - 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.

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

Dr. Doe v. Maine Board of Dental Practice et al. Dr. Doe has filed a lawsuit against the Maine Board of Dental Practice and 11 individuals in connection with the Board's emergency suspension of his license to practice medicine and subsequent disciplinary proceedings. Dr. Doe alleges that agents and employees of the Board violated his due process rights. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time

Dylan Marc Ewer v. Jeffrey Morin et al., (D. Me.). Ewer was previously incarcerated at the Maine State Prison. Ewer was released on September 29, 2017. Prior to his release, Ewer filed a civil rights claim against several officials at the Mount View Youth Development Center claiming that, when he was a juvenile resident at the facility in 2013, they failed to protect him from assault by other juvenile residents during which he suffered a broken jaw. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Eves v. LePage (1st Cir.). The Speaker of the House has filed a lawsuit in federal court alleging First Amendment retaliation based upon the claim that the Governor threatened to withhold funds from a private school unless the school terminated its employment agreement with the Speaker. The lawsuit was recently amended to include a state law claim of intentional interference with a contract. Outside counsel has been authorized to represent the Governor. The lower court has ruled in favor of the Governor, and the First Circuit of Appeals affirmed the lower court ruling in favor of the Governor. Plaintiff filed a Petition for Rehearing in December 2016, which has not been acted on by the First Circuit Court of Appeals. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

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

Iris LaVerdiere v. Michael Baucom, et al. Plaintiff claims that she was sexually abused by a corrections officer while incarcerated at the Women's Center at the Maine Correctional Center. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Jon Adams v. Scott Landry et al. The court initially dismissed this case without prejudice for failure to prosecute. Plaintiff has now re-filed it. He claims that the defendants failed to protect him from other prisoners while he was at the Maine Correctional Center in 2015 and that, as a result, he was attacked and beaten. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Matthew Keene v. Maine Department of Corrections et al. Plaintiff claims that he was physically and mentally abused while a resident at the Maine Youth Center and Long Creek during the 1990s. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

*Riverview Psychiatric Cente*r. The United States Centers for Medicare and Medicaid Services ("CMS") has notified the Maine Department of Health and Human Services that it has disallowed $51.1 million in federal financial participation payments for

Medicaid services and for disproportionate share hospital payments claimed for the quarterly periods ending December 31, 2013 through March 31, 2017 related to the Riverview Psychiatric Center. Riverview has filed a request for reconsideration of this decision and is planning to pursue its rights to appeal if necessary. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

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

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

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

ENCUMBRANCES

Encumbrances are reported in the restricted, committed, and assigned fund balances of the governmental funds. General fund, highway fund, federal fund, other special revenue fund and other governmental funds balances are $47.0 million, $1.3 million, $154.5 million, $25.9 million and $4.8 million, respectively.

FEDERAL GRANTS

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

POLLUTION REMEDIATION

The Department of Environmental Protection (DEP) and Department of Transportation (DOT) have pollution remediation obligations as defined by Governmental Accounting Standards Board (GASB) Statement No. 49. The State's total amount of pollution remediation obligation as of June 30, 2017 is $22.1 million. Superfund sites account for approximately $8.0 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 $530 thousand. Currently the State shares the costs with Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in September of 2018, the State will assume 100 percent of the operation and maintenance and long-term monitoring costs.

Eastern Surplus – The State recorded a liability for pollution remediation activities of approximately $1.3 million. Beginning in August of 2012, the State assumed 100 percent of the operation, maintenance and monitoring costs. As of June 30, 2017, the State has received $2.1 million in recoveries from the Department of Defense. The State expects to recover additional costs of $140 thousand.

Callahan Mine – The State recorded a liability for pollution remediation activities of approximately $6.2 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 $13.3 million (net of unrealized recoveries of $797 thousand) related to five uncontrolled hazardous substance sites. The State expects to recover $1 million in costs. The Uncontrolled Hazardous Substance Sites Program was created in response to the threats and potential threats to human health and the environment posed primarily by abandoned hazardous waste sites. The Uncontrolled Hazardous Substance Sites program is the State's equivalent to the Federal Superfund Program.

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

MUNICIPAL SOLID WASTE LANDFILLS

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

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

Cost-Sharing Program – Title 38 M.R.S.A., §1310-F establishes within the Department of Environmental Protection (DEP) a cost-sharing program for the closure and remediation of municipal solid waste landfills that pose a potential hazard and that meet other qualifying criteria. The law provides for reimbursement of 75% of a municipality's closure expenses. If the initial closure fails to protect public health and the environment, DEP is obligated to reimburse up to 90% of a municipality's subsequent remediation expenses. However, these obligations are subject to the availability of funds approved for that purpose. In 2012, DEP through bonds had paid all of the outstanding match requirements for closure, but had $2.6 million in outstanding match obligation for remediation. Additionally, several Municipalities needed to close their failing landfills early, but could not afford to do so without the state match for closure, which had expired. Therefore, the legislature reopened the program to match closure and remediation costs, and enacted a fee on disposal of certain Construction and Demolition Debris (CDD) effective in 2013, to pay for the ongoing program. In fiscal year 2017 the DEP received $1.1 million from the CDD fee. The entirety of this fee was used to reimburse municipalities for eligible expenses.

In addition to the backlog of reimbursements that DEP owes to municipalities, DEP continues to incur match obligations as additional qualifying landfills close and others undertake necessary remediation actions. The Legislature has extended the eligibility date for reimbursement of closure costs from 2015 to 2025, and there is no eligibility end date for reimbursement of remediation costs. At the beginning of fiscal year 2017, DEP's total outstanding reimbursement obligation to municipalities was $6.5 million. At the end of fiscal year 2017 the outstanding match obligation was $6.0 million. Although the overall outstanding debt during the year decreased, additional debt was incurred due primarily to landfill closure and remediation expenses which were submitted over the course of the year. DEP incurred the oldest outstanding match obligations in 2008.

SAND AND SALT STORAGE PROGRAM

The State estimates the potential aggregate cost to comply with the environmental requirements associated with the Sand and Salt Storage program to be $3.0 million. This consists of approximately $1.7 million for State-owned facilities and approximately $1.3 million for the State's share, under a cost sharing arrangement, for municipal facilities.

POLLUTION ABATEMENT PROGRAM

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

and make payments to the Maine Municipal Bond Bank to supply the State's share of the revolving loan fund established by Title 30A MRSA §6006-A. During the 2017 fiscal year, $160 thousand of general obligation bond funds and $2.05 million of Liquor Operation Revenue Funds were expended for pollution abatement projects. As of June 30, 2017, amounts encumbered for pollution abatement projects totaled $33 thousand, and general obligation bonds authorized for these projects, but not yet encumbered, totaled $2.35 million. As of June 30, 2017, DEP estimates the total cost (federal, State, and local) of future projects to be $1 billion.

Ground Water Oil Clean-Up Fund

The Maine Ground and Surface Waters Clean-up and Response Fund is established in Title 38 MRSA § 551. 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 $750 thousand per occurrence for aboveground storage tanks and 1 million per occurrence for underground storage tanks. Third party injury coverage may not exceed $200 thousand per claimant.

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

Construction Commitments

A portion of the payment that is made to municipalities for General Purpose Aid to Local Schools is allocated for debt service. Although the outstanding indebtedness for school construction projects is debt of the municipalities, the State subsidizes 48.1 percent of the annual payments. As of June 30, 2017 outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled $817.6 million.

At June 30, 2017, the Department of Transportation had contractual commitments of approximately $220.1 million for construction of various highway projects. The State's share of that amount is expected to be approximately $55.5 million. Of these amounts, $9.1 million has already been accrued. Federal and State funds plus bond proceeds are expected to fund these future expenditures.

Tobacco Settlements

On November 23, 1998, Maine along with 45 other states and six civil jurisdictions, collectively known under the Master Settlement Agreement (MSA) as the "Settling States", entered into the MSA with certain Participating Tobacco Manufacturers (PMs). 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 States' 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 PMs to protect public health. In this settlement, the PMs 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 (NPMs) 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 PMs claim an NPM Adjustment for a given year and prove that they lost market share to the NPMs 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 PMs 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 PMs, 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 PMs 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 received this amount in ten annual SCP payments which began in 2008 and ended in 2017. In April 2017, Maine received a total of $51.2 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, 2017, the Fund included $3.7 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2017 of approximately $231.4 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, 2017, the amount reported in the Fund for claimant liability is $40.9 million. The General Fund shows a $35.7 million payable to the Escheat Fund.

CONSTITUTIONAL OBLIGATIONS

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

Article 9, § 14-A, C, and D of the Maine State Constitution provides that the State may insure the payment of mortgage loans for industrial, manufacturing, fishing, agricultural and recreational enterprises; mortgage loans for the acquisition, construction, repair and remodeling of houses owned or to be owned by members of two tribes on several Indian reservations; and mortgage loans to resident Maine veterans of the Armed Forces of the United States, including loans to a business organization owned in whole or in part by resident Maine veterans. The aggregate of these obligations, at any one time, may not exceed $90 million, $1 million, and $4 million, respectively. At June 30, 2017, loans outstanding pursuant to these authorizations are $82.9 million, less than $1 million, and $2.6 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, 2017.

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, 2017, 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, 2017.

MORAL OBLIGATIONS

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

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

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

The following summarizes information regarding outstanding moral obligations:

Moral Obligation Bonds

(Expressed in Thousands)

Issuer	Bonds Outstanding	Required Debt Reserve	Obligation Debt Limit [1]	Legal Citation
Maine Health and Higher Educational Facilities Authority	$ 657,530	$ 65,000	NIL	22 MRSA § 2075
Finance Authority of Maine	43,090	7,052	$ 642,000	10 MRSA §1032, 1053
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
	102,000	2,581	225,000	20-A MRSA §11424
Loring Development Authority *	-	-	100,000	5 MRSA §13080-N
Maine Municipal Bond Bank	1,172,374	148,273	NIL	30-A MRSA §6006
Maine State Housing Authority	1,266,555	108,796	2,150,000	30-A MRSA §4906
Total	$ 3,241,549	$ 331,702		

* Reported in combining non-major component unit financial statements.
[1] NIL indicates a "no limit" obligation.

Component Units

Construction Contracts

At June 30, 2017, UMS had outstanding commitments on uncompleted construction contracts that totaled $6.8 million.

At June 30, 2017, MCCS had $2.1 million remaining in construction and renovation contracts.

At December 31, 2016, the Maine Turnpike Authority had $16.1 million remaining in commitments on outstanding construction projects for improvements and maintenance.

Mortgage Commitments

Mortgage commitments are agreements to lend provided there is no violation of any term or condition of the agreement. Generally, once exercised, the loans made under the terms of such commitments are secured by a lien on the related property and other collateral as deemed necessary. At December 31, 2016 Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately $20.0 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2016, single-family loans being processed by lenders totaled $36.7 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, 2017, FAME had insurance outstanding for commercial loans under the Loan Insurance Program totaling approximately $115.0 million.

At June 30, 2017, FAME was insuring loans with an aggregate outstanding principle balance approximating $3.5 million which were 90 or more days delinquent. The aggregate insured balance of these loans was approximately $2.3 million at June 30, 2017. In addition, FAME has entered into commitments to insure loans at some future date. At June 30, 2017, these commitments under the Loan Insurance Program were approximately $7.4 million.

FEDERAL STUDENT LOAN RESERVE FUND

FAME holds and administers the Federal Student Loan Reserve Fund for the US Department of Education. Total outstanding guarantees issued under the FFELP approximated $385.7 million at June 30, 2017. A portion of the defaults on FFELP loan guarantees are paid by the US Department of Education. At June 30, 2017, the reserve level was approximately $3.0 million.

NOTE 18 - SUBSEQUENT EVENTS

PRIMARY GOVERNMENT

On August 24, 2017, the Maine Governmental Facilities Authority issued $58.5 million of Series 2017A Lease Revenue Bonds to fund various State projects. The bonds bear interest rates from 2.50 percent to 5.00 percent and maturities from 2018 to 2037. The bonds do not constitute a legal debt or obligation of the State.

On November 30, 2017, the State issued $21.0 million of Certificates of Participation (COP's) for the purpose of financing improvements to the State's technology infrastructure and data centers. This COP's carries an interest rate of 1.83 percent, with a maturity date in State fiscal year 2025.

COMPONENT UNITS

Through March 22, 2017, Maine State Housing Authority (MSHA), which has a December 31 fiscal year end, issued at par $30.0 million of bonds in the General Mortgage Purchase Bond Resolution. Through March 29, 2017, MSHA committed to redeem, at par $20.0 million of bonds in the General Mortgage Purchase Bond Resolution on April 24, 2017.

NOTE 19 - SPECIAL ITEMS

Change in Accounting Estimate

In fiscal year 2017, management eliminated the pension and other post retirement benefit cost allocations to the Dirigo Health, Non-Major Enterprise Fund. Payroll costs are no longer recorded in that fund. This resulted in a decreased liability of approximately $895 thousand. Given the material impact on that fund a special item has been recorded to reflect that adjustment.


DIRIGO
MAINE

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF MAINE
REQUIRED SUPPLEMENTARY INFORMATION
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STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	General Fund				Highway Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues								
Taxes	$ 3,220,149	$ 3,284,501	$ 3,329,007	$ 44,506	$ 224,110	$ 224,111	$ 228,295	$ 4,184
Assessments and Other	101,871	98,706	105,704	6,998	90,986	93,136	96,484	3,348
Federal Grants	1,895	1,785	1,771	(14)	-	-	-	-
Service Charges	40,723	42,213	43,630	1,417	6,489	6,485	5,852	(633)
Income from Investments	1,744	3,128	4,726	1,598	468	364	348	(16)
Miscellaneous Revenue	4,923	6,472	72,354	65,882	3,474	3,195	3,691	496
Total Revenues	3,371,305	3,436,805	3,557,192	120,387	325,527	327,291	334,670	7,379
Expenditures								
Governmental Support & Operations	293,179	314,319	289,019	25,300	38,320	38,732	2,283	36,449
Economic Development & Workforce Training	45,502	45,044	42,242	2,802	-	-	-	-
Education	1,455,897	1,493,535	1,472,157	21,378	-	-	-	-
Health and Human Services	1,191,055	1,211,081	1,129,349	81,732	-	-	-	-
Business Licensing & Regulation	-	-	-	-	-	-	-	-
Natural Resources Development & Protection	77,052	82,846	75,152	7,694	39	39	39	-
Justice and Protection	350,796	357,974	342,659	15,315	28,293	28,733	27,885	848
Arts, Heritage & Cultural Enrichment	8,435	8,380	7,977	403	-	-	-	-
Transportation Safety & Development	-	-	-	-	254,027	319,153	313,740	5,413
Total Expenditures	3,421,916	3,513,179	3,358,555	154,624	320,679	386,657	343,947	42,710
Revenues Over (Under) Expenditures	(50,611)	(76,374)	198,637	275,011	4,848	(59,366)	(9,277)	50,089
Other Financing Sources (Uses)								
Operating Transfers Net	(29,773)	(38,698)	(80,123)	(41,425)	-	162	(5,592)	(5,754)
Proceeds from Pledged Future Revenues	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	(29,773)	(38,698)	(80,123)	(41,425)	-	162	(5,592)	(5,754)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ (80,384)	$ (115,072)	$ 118,514	$ 233,586	$ 4,848	$ (59,204)	$ (14,869)	$ 44,335
Fund balances, beginning of year			387,849				72,433	
Fund balances, end of year			$ 506,363				$ 57,564	

Federal Funds				Other Special Revenue Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
$ -	$ -	$ -	$ -	$ 294,296	$ 293,615	$ 296,327	$ 2,712
-	-	-	-	174,625	175,394	161,451	(13,943)
3,009,574	3,217,683	2,667,187	(550,496)	12,931	13,232	9,154	(4,078)
487	487	376	(111)	234,272	199,543	274,305	74,762
-	-	11	11	890	891	829	(62)
-	1,306	6,157	4,851	188,251	242,525	167,260	(75,265)
3,010,061	3,219,476	2,673,731	(545,745)	905,265	925,200	909,326	(15,874)
5,734	7,408	2,820	4,588	140,162	150,941	141,447	9,494
118,646	119,607	80,699	38,908	51,080	60,556	44,781	15,775
301,161	301,494	213,183	88,311	44,838	45,153	36,583	8,570
2,342,009	2,424,181	2,056,201	367,980	492,115	495,178	431,650	63,528
117	117	62	55	81,838	86,242	62,456	23,786
60,293	62,549	40,066	22,483	125,180	149,866	103,125	46,741
128,759	165,668	56,642	109,026	48,191	56,096	45,049	11,047
3,678	3,973	3,146	827	1,934	1,968	877	1,091
195,281	260,211	224,349	35,862	86,856	154,559	121,569	32,990
3,155,678	3,345,208	2,677,168	668,040	1,072,194	1,200,559	987,537	213,022
(145,617)	(125,732)	(3,437)	122,295	(166,929)	(275,359)	(78,211)	197,148
13,169	11,715	(1,922)	(13,637)	92,771	103,329	87,184	(16,145)
-	-	-	-	67,511	85,511	62,550	(22,961)
13,169	11,715	(1,922)	(13,637)	160,282	188,840	149,734	(39,106)
$ (132,448)	$ (114,017)	$ (5,359)	$ 108,658	$ (6,647)	$ (86,519)	$ 71,523	$ 158,042
		16,670				351,354	
		$ 11,311				$ 422,877	

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILATION

Fiscal Year Ended June 30, 2017
(Expressed in Thousands)

	General Fund	Highway Fund	Federal Funds	Special Revenue Fund
Fund Balances - Non-GAAP Budgetary Basis	$ 506,363	$ 57,564	$ 11,311	$ 422,877
Basis Differences				
Revenue Accruals/Adjustments:				
Taxes Receivable	230,038	2,307	-	12,427
Intergovernmental Receivables	-	6	203,809	-
Other Receivables	54,205	2,622	72,546	64,132
Inventories	2,809	-	459	-
Due from Component	37	-	-	54,433
Due from Other Funds	30,952	7,063	2,370	92,038
Other Assets	1,514	15	71	7
Unearned Revenues	-	(4,696)	(459)	-
Deferred Inflows - Taxes and Assessment Revenues	(211,492)	(751)	(29)	(28,699)
Deferred Inflows - Unearned Revenue from Enterprise Fund	-	-	-	-
Total Revenue Accruals/Adjustments	108,063	6,566	278,767	194,338
Expenditure Accruals/Adjustments:				
Accounts Payable	(151,826)	(27,475)	(252,005)	(29,311)
Due to Component Units	-	-	-	(1,769)
Bonds Issued	-	-	-	-
Accrued Liabilities	(23,024)	(9,194)	(6,638)	(9,577)
Taxes Payable	(204,932)	-	-	-
Intergovernmental Payables	(1,643)	-	-	(1,778)
Due to Other Funds	(59,577)	(4,306)	(7,714)	(20,647)
Total Expenditure Accruals/Adjustments	(441,002)	(40,975)	(266,357)	(63,082)
Fund Balances - GAAP Basis	$ 173,424	$ 23,155	$ 23,721	$ 554,133

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, 2017, the legislature increased appropriations to the General Fund by $35.5 million.

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

The State's budget is prepared primarily on a cash basis. Sales, income, corporate and fuel taxes include a modified accrual basis adjustment to recognize revenues that are expected to be collected within 60 days of the end of the fiscal year. The Budgetary Comparison Schedule is presented as Required Supplementary Information (RSI) in this report. Actual amounts in this schedule are presented on a budgetary basis. Because this basis differs from accounting principles generally accepted in the United States of America (GAAP), a reconciliation between the budgetary and GAAP basis is presented in the RSI.

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

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

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

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

The original budget and related estimated revenues represent the spending authority enacted into law by the appropriation bills as of June 30, 2015, and includes encumbrances carried forward from the prior year.

Generally accepted accounting principles (GAAP) require that the final legal budget be reflected in the “final budget” column. Therefore updated revenue estimates available for appropriations as of June 30, 2017 rather than the amounts shown in the original budget, are reported.

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

Compliance at the Legal Level of Budgetary Control

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

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

June 30, 2017
(Expressed in Thousands)

	2017	2016	2015
Total Pension Liability			
Service Cost	$ 1,397	$ 1,606	$ 1,518
Interest	4,155	3,863	3,736
Changes in Benefit Terms	2,017	28	17
Differences Between Expected and Actual Experience	(1,746)	2,238	(292)
Changes of Assumptions	2,490	-	426
Benefit Payments, Including Refunds of Member Contributions	(3,502)	(3,384)	(3,219)
Net Change in Total Pension Liability	4,811	4,351	2,186
Beginning Total Pension Liability	58,912	54,561	52,375
Ending Total Pension Liability	63,723	58,912	54,561
Plan Fiduciary Net Position			
Employer Contributions	1,078	979	932
Member Contributions	550	550	528
Net Investment Income	130	1,055	8,416
Transfers	6,343	-	-
Benefit Payments, Including Refunds of Member Contributions	(3,502)	(3,384)	(3,219)
Administrative Expense	(48)	(49)	(42)
Net Change in Plan Fiduciary Net Position	4,551	(849)	6,615
Beginning Plan Fiduciary Net Position	56,341	57,190	50,575
Ending Plan Fiduciary Net Position	60,892	56,341	57,190
Ending Net Pension Liability	$ 2,831	$ 2,571	$ (2,629)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.6 %	95.6 %	104.8 %
Covered-employee payroll	$ 7,188	$ 7,186	$ 6,742
Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	39.4 %	35.8 %	(39.0)%

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

June 30, 2017
(Expressed in Thousands)

	2017	2016	2015
Total Pension Liability			
Service Cost	$ 412	$ 451	$ 450
Interest	549	545	503
Changes in Benefit Terms	-	4	4
Differences Between Expected and Actual Experience	(246)	(508)	(93)
Changes of Assumptions	(147)	-	86
Benefit Payments, Including Refunds of Member Contributions	(446)	(439)	(318)
Net Change in Total Pension Liability	122	53	632
Beginning Total Pension Liability	7,558	7,505	6,873
Ending Total Pension Liability	7,680	7,558	7,505
Plan Fiduciary Net Position			
Employer Contributions	-	4	4
Member Contributions	138	193	140
Net Investment Income	48	206	1,622
Benefit Payments, Including Refunds of Member Contributions	(446)	(439)	(318)
Administrative Expense	(8)	(9)	(8)
Net Change in Plan Fiduciary Net Position	(268)	(45)	1,440
Beginning Plan Fiduciary Net Position	11,075	11,120	9,680
Ending Plan Fiduciary Net Position	10,807	11,075	11,120
Ending Net Pension Liability	$ (3,127)	$ (3,517)	$ (3,615)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	140.7 %	146.5 %	148.2 %
Covered-employee payroll	$ 2,590	$ 2,528	$ 2,590
Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	(120.7)%	(139.1)%	(139.6)%

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

Last Four Fiscal Years
(Expressed in Thousands)

	2017	2016	2015	2014
Judicial Pension Plan				
Actuarially Determined Contribution	$ 1,144	$ 1,078	$ 951	$ 932
Contributions in Relation to the Actuarially Determined Employer Contribution	(1,144)	(1,078)	(951)	(932)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 7,640	$ 7,188	$ 7,186	$ 6,742
Contributions as a percentage of covered-employee payroll	14.97 %	15.00 %	13.23 %	13.82 %
Legislative Pension Plan				
Actuarially Determined Contribution	$ -	$ -	$ -	$ -
Contributions in Relation to the Actuarially Determined Employer Contribution	-	-	-	(4)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ (4)
Covered-employee payroll	$ 2,651	$ 2,590	$ 2,528	$ 2,535
Contributions as a percentage of covered-employee payroll	0.00 %	0.00 %	0.00 %	0.16 %

Notes to Schedule

Key Methods and Assumptions Used to Determine Contribution Rates	
Valuation date	June 30, 2013 June 30, 2017 actuarially determined contribution rates are calculated based on a 2014 actuarial valuation developed as a roll-forward of the 2013 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2014 using assets as of June 30, 2014.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level percent of payroll, open 10-year amortization of 2014 UAL.
Discount rate	7.125%
Amortization growth rate	3.50%
Price inflation	3.50%
Salary increases	3.50%
Retirement age	100% retirement assumed to occur at age 60 for members with at least 10 years of creditable service on July 1, 1993. For members with less than 5 years of creditable service on July 1, 2001, 50% are assumed to retire each year after reaching age 65.
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2015 using scale AA

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2016 can be found in the June 30, 2014 actuarial valuation report.

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

Last Four Fiscal Years
(Expressed in Thousands)

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

GASB Statement 82 reinstated the pre- GASB 67 & 68 definition of “covered-employee payroll.” Covered-employee payroll is defined as the payroll on which contributions to a pension plan are based. Prior year covered payroll amounts do not need to be restated since the amounts reported reflect GASB’s current definition.

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

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

Last Three Fiscal Years
(Expressed in Thousands)

	2017	2016	2015
State Employees			
Proportion of the Collective Net Pension Liability	94.498857 %	92.825250 %	92.853946 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 1,269,080	$ 950,597	$ 837,743
Covered-employee Payroll	$ 588,415	$ 520,115	$ 525,765
Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	215.68 %	182.77 %	159.34 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	71.00 %	76.80 %	79.21 %
Maine Community College System			
Proportion of the Collective Net Pension Liability	4.969634 %	6.640831 %	6.618303 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 66,740	$ 68,007	$ 59,710
Covered-employee Payroll	$ 32,627	$ 32,008	$ 31,679
Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	204.55 %	212.47 %	188.48 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	71.00 %	76.80 %	79.21 %
Maine Educational Center for the Deaf and Hard of Hearing			
Proportion of the Collective Net Pension Liability	0.462677 %	0.462378 %	0.455434 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 6,214	$ 4,735	$ 4,108
Covered-employee Payroll	$ 2,985	$ 3,492	$ 3,359
Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	208.17 %	135.60 %	122.30 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	71.00 %	76.80 %	79.21 %
Northern New England Passenger Rail Authority			
Proportion of the Collective Net Pension Liability	0.068832 %	0.071541 %	0.072317 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 924	$ 733	$ 652
Covered-employee Payroll	$ 439	$ 435	$ 417
Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	210.48 %	168.51 %	156.35 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	71.00 %	76.80 %	79.21 %
Total SETP - State of Maine Employees			
Proportion of the Collective Net Pension Liability	100.000000 %	100.000000 %	100.000000 %
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 1,342,959	$ 1,024,072	$ 902,213
Covered-employee Payroll	$ 624,466	$ 556,050	$ 561,220
Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	215.06 %	184.17 %	160.76 %
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	71.00 %	76.80 %	79.21 %

Notes to Schedule:

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

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2017 can be found in the June 30, 2014 actuarial valuation report.

GASB Statement 82 reinstated the pre- GASB 67 & 68 definition of “covered-employee payroll.” Covered-employee payroll is defined as the payroll on which contributions to a pension plan are based. Prior year amounts do not need to be restated since the amounts reported reflect GASB’s current definition. GASB Statement 82 also revised how employer-paid member contributions are reported. Only fiscal year 2014 amounts reported as actuarially determined contributions (ADC) and contributions in relation to the ADC needed restatement.

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

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

Last Four Fiscal Years
(Expressed in Thousands)

	2017	2016	2015	2014
State Employees				
Actuarially Determined Contribution	$ 141,295	$ 136,139	$ 107,807	$ 117,380
Contributions in Relation to the Actuarially Determined Employer Contribution	(141,295)	(136,139)	(107,807)	(117,380)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 601,904	$ 588,415	$ 521,846	$ 525,765
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered-Employee Payroll	23.47 %	23.14 %	20.66 %	22.33 %
Maine Community College System				
Actuarially Determined Contribution	$ 6,863	$ 7,159	$ 8,135	$ 3,133
Contributions in Relation to the Actuarially Determined Employer Contribution	(6,863)	(7,159)	(8,135)	(3,133)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 30,867	$ 32,627	$ 30,257	$ 31,679
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered-Employee Payroll	22.23 %	21.94 %	26.89 %	9.89 %
Maine Educational Center for the Deaf and Hard of Hearing				
Actuarially Determined Contribution	$ 734	$ 667	$ 554	$ 451
Contributions in Relation to the Actuarially Determined Employer Contribution	(734)	(667)	(554)	(451)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 3,231	$ 2,985	$ 3,517	$ 3,359
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered-Employee Payroll	22.72 %	22.35 %	15.75 %	13.43 %
Northern New England Passenger Rail Authority				
Actuarially Determined Contribution	$ 106	$ 99	$ 81	$ 71
Contributions in Relation to the Actuarially Determined Employer Contribution	(106)	(99)	(81)	(71)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 469	$ 439	$ 430	$ 417
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered-Employee Payroll	22.60 %	22.55 %	18.84 %	17.03 %
Total SETP - State of Maine Employees				
Actuarially Determined Contribution	$ 148,998	$ 144,064	$ 116,577	$ 121,035
Contributions in Relation to the Actuarially Determined Employer Contribution	(148,998)	(144,064)	(116,577)	(121,035)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 636,471	$ 624,466	$ 556,050	$ 561,220
Contributions Recognized by the Pension Plan in Relation to the Actuarially Determined Employer Contribution as a Percentage of Employer's Covered-Employee Payroll	23.41 %	23.07 %	20.97 %	21.57 %

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

June 30, 2017
(Expressed in Thousands)

Notes to Schedule:

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

Valuation date	June 30, 2013 June 30, 2017 actuarially determined contribution rates are calculated based on a 2014 actuarial valuation developed as a roll-forward of the 2013 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2014 using assets as of June 30, 2014.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level Percentage of payroll, closed 18-year amortization of the UAL prior to 2012 and individual, closed. level percent of payroll, 10-year amortization of UAL arising each year beginning in 2012.
Discount rate	
Amortization growth rate	3.50%
Price inflation	3.50%
Salary increases	3.50% plus merit component based on employee's years of service.
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.
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA for State Employee Program; the Teacher program used the same table with a 2-year set back.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2017 can be found in the June 30, 2014 actuarial valuation report.

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

GASB Statement 82 reinstated the pre- GASB 67 & 68 definition of “covered-employee payroll.” Covered-employee payroll is defined as the payroll on which contributions to a pension plan are based. Prior year amounts do not need to be restated since the amounts reported reflect GASB’s current definition. GASB Statement 82 also revised how employer-paid member contributions are reported. Only fiscal year 2014 amounts reported as actuarially determined contributions (ADC) and contributions in relation to the ADC needed restatement.

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

Last Three Fiscal Years
(Expressed in Thousands)

	2017	2016	2015
Non-employer Contributing Entity's Proportion of:			
Percentage of the Collective Net Pension Liability	95.002519 %	95.036038 %	95.069591 %
Amount of the Collective Net Pension Liability	$ 1,766,662	$ 1,350,118	$ 1,027,065
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	79.00 %	83.60 %	86.46 %

Notes to Schedule:

GASB Statement 82 reinstated the pre- GASB 67 & 68 definition of "covered-employee payroll." Covered-employee payroll is defined as the payroll on which contributions to a pension plan are based. Prior year amounts do not need to be restated since the amounts reported reflect GASB's current definition.

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

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

Last Four Fiscal Years
(Expressed in Thousands)

	2017	2016	2015	2014
Teachers - Non-Employer Contributor				
Actuarially Determined Contribution	$ 116,080	$ 112,478	$ 147,048	$ 146,362
Contributions in Relation to the Actuarially Determined Non-Employer Contribution	(116,080)	(112,478)	(147,048)	(146,362)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Employer Contributors				
Actuarially Determined Contribution	$ 47,659	$ 45,349	$ 38,404	$ 36,931
Contributions in Relation to the Actuarially Determined Employer Contribution	(47,659)	(45,349)	(38,404)	(36,931)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Total SETP - Teachers				
Actuarially Determined Contribution	$ 163,739	$ 157,827	$ 185,452	$ 183,293
Contributions in Relation to the Actuarially Determined Employer Contribution	(163,739)	(157,827)	(185,452)	(183,293)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -

Notes to Schedule:

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

Valuation date	June 30, 2013 June 30, 2017 actuarially determined contribution rates are calculated based on a 2014 actuarial valuation developed as a roll-forward of the 2013 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2014 using assets as of June 30, 2014.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level Percentage of payroll, closed 18-year amortization of the UAL prior to 2012 and individual, closed. level percent of payroll, 10-year amortization of UAL arising each year beginning in 2012.
Discount rate	7.125%
Amortization growth rate	3.50%
Price inflation	3.50%
Salary increases	3.50% plus merit component based on employee's years of service.
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.
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA for State Employee Program; the Teacher program used the same table with a 2-year set back.

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

Last Four Fiscal Years
(Expressed in Thousands)

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2017 can be found in the June 30, 2014 actuarial valuation report.

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

GASB Statement 82 reinstated the pre- GASB 67 & 68 definition of “covered-employee payroll.” Covered-employee payroll is defined as the payroll on which contributions to a pension plan are based. Prior year amounts do not need to be restated since the amounts reported reflect GASB’s current definition. GASB Statement 82 also revised how employer-paid member contributions are reported. Only fiscal year 2014 amounts reported as actuarially determined contributions (ADC) and contributions in relation to the ADC needed restatement.

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

STATE OF MAINE
OTHER POST-EMPLOYMENT BENEFIT PLANS
SCHEDULES OF FUNDING PROGRESS

(Expressed in Millions)

Healthcare Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL (as a percentage of covered payroll) ((b-a)/c)
State Employees	June 30, 2016	$ 201	$ 1,157	$ 956	17.37 %	$ 575	166.26 %
	June 30, 2015	184	1,215	1,031	15.14 %	561	183.78 %
	June 30, 2014	167	1,224	1,057	13.64 %	543	194.66 %
Teachers	June 30, 2016	-	739	739	0.00 %	1,125	65.69 %
	June 30, 2015	-	739	739	0.00 %	1,142	64.71 %
	June 30, 2014	-	684	684	0.00 %	1,106	61.84 %
First Responders	June 30, 2016	-	24	24	0.00 %	56	42.86 %
	June 30, 2015	-	22	22	0.00 %	54	40.74 %
	June 30, 2014	-	24	24	0.00 %	55	43.64 %

(Expressed in Thousands)

Group Life Insurance Plans	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL (as a percentage of covered payroll) ((b-a)/c)
State Employees	June 30, 2016	$ 32,500	$ 93,300	$ 60,800	34.83 %	$ 578,274	10.51 %
	June 30, 2015	32,300	89,900	57,600	35.93 %	578,279	9.96 %
	June 30, 2014	32,300	89,500	57,200	36.09 %	556,900	10.27 %
Teachers	June 30, 2016	54,400	90,500	36,100	60.11 %	698,735	5.17 %
	June 30, 2015	49,800	85,700	35,900	58.11 %	698,700	5.14 %
	June 30, 2014	48,000	79,000	31,000	60.76 %	666,200	4.65 %

STATE OF MAINE
OTHER POST-EMPLOYMENT BENEFIT PLANS
SCHEDULES OF EMPLOYER CONTRIBUTIONS

June 30, 2017
(Expressed in Thousands)

	State Employees		Teachers		First Responders	
Fiscal Year Ended June 30,	**Annual Required Contribution**	**Percent Contributed**	**Annual Required Contribution**	**Percent Contributed**	**Annual Required Contribution**	**Percent Contributed**
Healthcare - 2017	$ 69,000	107.25 %	$ 49,000	59.18 %	$ 2,166	38.23 %
Healthcare - 2016	88,000	76.14 %	48,000	56.25 %	1,883	35.53 %
Healthcare - 2015	84,000	79.76 %	46,000	56.52 %	1,976	38.26 %
Healthcare - 2014	99,000	63.87 %	45,000	55.46 %	34	33.52 %
Healthcare - 2013	94,000	72.34 %	44,000	56.82 %	1,689	34.16 %
Group Life - 2017	$ 5,035	72.49 %	$ 3,205	102.06 %	$ -	- %
Group Life - 2016	4,670	93.49 %	3,160	100.00 %	-	- %
Group Life - 2015	4,935	86.67 %	3,660	100.00 %	-	- %
Group Life - 2014	4,768	88.07 %	3,440	100.00 %	-	- %
Group Life - 2013	4,591	101.79 %	3,099	100.00 %	-	- %

STATE OF MAINE
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY STATE EMPLOYEE HEALTHCARE PLAN

June 30, 2017
(Expressed in Thousands)

	2017
Total OPEB Liability	
Service Cost	$ 12,246
Interest	75,650
Benefit Payments, Including Refunds of Member Contributions	(70,118)
Net Change in Total OPEB Liability	17,778
Beginning Total OPEB Liability	1,143,542
Ending Total OPEB Liability	1,161,320
Plan Fiduciary Net Position	
Employer Contributions	74,118
Net Investment Income	26,513
Benefit Payments, Including Refunds of Member Contributions	(70,118)
Administrative Expense	(5)
Net Change in Plan Fiduciary Net Position	30,508
Beginning Plan Fiduciary Net Position	203,088
Ending Plan Fiduciary Net Position	233,596
Ending Net OPEB Liability	$ 927,724
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	20.1 %
Covered-employee payroll	$ 574,663
Net OPEB Liability as a Percentage of Covered-employee Payroll	161.4 %

Per GASB Statement No. 74, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

STATE OF MAINE
SCHEDULE OF CHANGES IN
THE NET OPEB LIABILITY
STATE EMPLOYEE AND TEACHER GROUP LIFE INSURANCE BENEFIT PLAN

June 30, 2017
(Expressed in Thousands)

	2017
Total OPEB Liability	
Service Cost	$ 2,065
Interest	12,015
Benefit Payments, Including Refunds of Member Contributions	(6,004)
Net Change in Total OPEB Liability	8,076
Beginning Total OPEB Liability	175,647
Ending Total OPEB Liability	183,723
Plan Fiduciary Net Position	
Employer Contributions	6,921
Net Investment Income	9,886
Benefit Payments, Including Refunds of Member Contributions	(6,004)
Administrative Expense	(1,336)
Net Change in Plan Fiduciary Net Position	9,467
Beginning Plan Fiduciary Net Position	77,416
Ending Plan Fiduciary Net Position	86,883
Ending Net OPEB Liability	$ 96,840
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47.3 %
Covered payroll	$ 1,277,009
Net OPEB Liability as a Percentage of Covered Payroll	7.6 %

Per GASB Statement No. 74, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

STATE OF MAINE
SCHEDULE OF STATE CONTRIBUTIONS
STATE TRUST FUND OPEB PLANS

June 30, 2017
(Expressed in Thousands)

		2017
State Employee Healthcare		
Actuarially Determined Contribution	$	69,000
Contributions in Relation to the Actuarially Determined Employer Contribution		74,000
Contribution Deficiency (Excess)	$	(5,000)
Covered-employee payroll	$	574,663
Contributions as a percentage of covered-employee payroll		12.88 %
State Employee and Teacher Group Life Insurance Benefit Plan		
Actuarially Determined Contribution	$	8,240
Contributions in Relation to the Actuarially Determined Employer Contribution		6,921
Contribution Deficiency (Excess)	$	1,319
Covered-employee payroll	$	1,277,009
Contributions as a percentage of covered-employee payroll		0.54 %

Notes to Schedule:

Significant actuarial assumptions for the June 30, 2017 State Employee Healthcare OPEB Plan included using a 6.93 percent discount rate for 2017/2018, and a 7.25 percent rate thereafter. The expected long-term rate of return is 7.25 percent since the trust is projected to have sufficient assets to pay all benefits under the State's current contribution policy. The individual entry age normal method is used to determine liabilities. General inflation of 3.00 percent was used along with an aggregate payroll increase of 3.25 percent. Merit payroll increases, mortality, termination, disability and retirement assumptions relied on the System's June 30, 2012 through June 30, 2015's experience study. The mortality improvement scale MP-2015 was modified to converge to an ultimate rate of .85 percent for ages 20 to 85 grading down to 0.00 percent for ages 111 to 120 with convergence to the ultimate rate in 2020.

The actuarial assumptions used in the June 30, 2017 State Employee and Teacher Group Life Insurance Benefit Plan valuation were based on results of an actuarial experience study for the period of June 30, 2012 to June 30, 2015. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period of July 1, 2005 to June 30, 2010. The individual entry age normal method is used to determine liabilities. Asset amounts used are taken as reported to the actuaries by the System without audit or change. The unfunded actuarial accrued liability is being amortized as a level percentage of payroll over a 30-year period on a closed basis. As of June 30, 2017, there were 20 years remaining in the amortization schedule. The investment rate of return, inflation rate and annual salary increases, including inflation were 6.875 percent, 2.75 percent and 2.75 percent to 8.75 percent for State employees and 2.75 percent to 14.50 percent for Teachers, respectively. For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. 100 percent of those currently enrolled were expected to participate and take a lump sum form of benefit. Conversion charges apply to the cost of the active group life insurance, not retiree group life insurance.

Per GASB Statement No. 74, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

STATE OF MAINE
SCHEDULE OF INVESTMENT RETURNS
STATE FUNDED HEALTHCARE AND GROUP LIFE INSURANCE
OPEB PLANS

Last One Fiscal Year

	2017
Annual money-weighted rate of return, net of investment expense	12.88 %

Notes to Schedule:

Per GASB Statement No. 74, governments should present information for those years for which information is available. If information is not available, the government may implement them prospectively.

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 those assets, unless the improvements expand the capacity or efficiency of an asset. Assets accounted for under the modified approach include 8,807 highway miles or 17,900 lane miles of roads and 2,972 bridges having a total deck area of 12.2 million square feet that the State is responsible to maintain.

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

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

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

HIGHWAYS

Measurement Scale for Highways

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

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

BRIDGES

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

Data Element	Point Rating (%)	Description
Structural Adequacy and Safety	55	This category considers inventory rating, superstructure, substructure and culverts.
Serviceability and Functional Obsolescence	30	Serviceability and functional obsolescence that addresses the number of lanes, average daily traffic, roadway width, bridge width, deck condition, under clearances, waterway adequacy, alignment, and defense highway designation.
Essentiality for Public Use	15	This considers detour length, average daily traffic, and defense highway designation.
Special Reduction	(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
2017	$ 72.3	$ 74.0
2016	75.3	76.0
2015	$ 75.5	$ 78.0

Comparison of Estimated-to-Actual Preservation Costs

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

Actual Preservation Costs
(Expressed in millions)

	2017	2016	2015 (1)	2014	2012
Highways	$ 123.3	$ 110.7	$ 110.2	$ 163.0	$ 90.5
Bridges	18.8	4.9	5.5	71.0	14.7
Total	$ 142.1	$ 115.6	$ 115.7	$ 234.0	$ 105.2

Estimated Preservation Costs
(Expressed in millions)

	2017	2016	2015	2014	2012
Highways	$ 142.2	$ 113.4	$ 71.9	$ 24.7	$ 84.1
Bridges	23.7	8.8	3.9	3.1	13.7
Total	$ 165.9	$ 122.2	$ 75.8	$ 27.8	$ 97.8

Note 1: As restated.

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

Transportation Bonds

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 305, PL 2015, $48 million in General Fund bonds were spent during FY2017. Of the amount authorized by Chapter 478, PL 2015, $30 million in General Fund bonds were spent during FY2017.


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MAINE

STATE OF MAINE
INDEPENDENT AUDITOR'S REPORTS
ON INTERNAL CONTROL AND COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2017

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

Honorable Michael D. Thibodeau
President of the Senate

Honorable Sara Gideon
Speaker of the House of Representatives

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the State of Maine's basic financial statements, and have issued our report thereon dated December 15, 2017. Our report includes a reference to other auditors who audited the financial statements of the following component units: Child Development Services, ConnectME Authority, Efficiency Maine Trust, Finance Authority of Maine, Loring Development Authority, Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Port Authority, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Technology Institute, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, Small Enterprise Growth Fund, and the University of Maine System, as described in our report on the State of Maine's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Maine Technology Institute and the Small Enterprise Growth Fund were not audited in accordance with *Government Auditing Standards.*

Internal Control over Financial Reporting

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

Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Maine's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Pola Buckley

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

Augusta, Maine
December 15, 2017

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

Honorable Michael D. Thibodeau
President of the Senate

Honorable Sara Gideon
Speaker of the House of Representatives

Report on Compliance for Each Major Federal Program

We have audited the State of Maine's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the State of Maine's major Federal programs for the year ended June 30, 2017. The State of Maine's major Federal programs are identified in the Summary of Auditor's Results (E-3 to E-4) of the accompanying Schedule of Findings and Questioned Costs (E-11 to E-90).

The State of Maine's basic financial statements included the operations of the following component units: Child Development Services, ConnectME Authority, Efficiency Maine Trust, Finance Authority of Maine, Loring Development Authority, Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Port Authority, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Technology Institute, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, Small Enterprise Growth Fund, and the University of Maine System. The Federal awards that these component units received are not included in the Schedule of Expenditures of Federal Awards for the year ended June 30, 2017. Our audit, described below, did not include the operations of these component units because the component units engaged other auditors to perform an audit in accordance with the Uniform Guidance, if required.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on the Unemployment Insurance Program

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Unemployment Insurance program (CFDA #17.225) as described in finding number 2017-006 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

Qualified Opinion on the Unemployment Insurance Program

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Unemployment Insurance program for the year ended June 30, 2017.

Basis for Qualified Opinion on the TANF Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the TANF Cluster (Temporary Assistance for Needy Families, CFDA #93.558) as described in finding number 2017-008 for Subrecipient Monitoring, and finding number 2017-009 for Cash Management and Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

Qualified Opinion on the TANF Cluster

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the TANF Cluster for the year ended June 30, 2017.

Basis for Qualified Opinion on the Aging Cluster
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Aging Cluster (CFDA #93.044, #93.045, #93.053) as described in finding number 2017-009 for Cash Management and Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

Qualified Opinion on the Aging Cluster
In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Aging Cluster for the year ended June 30, 2017.

Basis for Qualified Opinion on the Community Services Block Grant (CSBG)
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Community Services Block Grant (CFDA #93.569) as described in finding number 2017-009 for Cash Management and Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

Qualified Opinion on the Community Services Block Grant (CSBG)
In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Community Services Block Grant for the year ended June 30, 2017.

Basis for Qualified Opinion on the Children's Health Insurance Program
As described in the accompanying Schedule of Findings and Questioned Costs, the State of Maine did not comply with requirements regarding the Children's Health Insurance Program (CFDA #93.767) as described in finding number 2017-015 for Allowable Costs/Cost Principles and Reporting. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

Qualified Opinion on the Children's Health Insurance Program
In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Children's Health Insurance Program for the year ended June 30, 2017.

Unmodified Opinion on Each of the Other Major Federal Programs
In our opinion, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major Federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2017.

Other Matters
The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-016, 2017-017 and 2017-018. Our opinion on each major Federal program is not modified with respect to these matters.

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

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

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002, 2017-006, 2017-008, 2017-009 and 2017-015 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2017-001, 2017-003 through 2017-005, 2017-007, 2017-010 through 2017-014 and 2017-016 through 2017-032 to be significant deficiencies.

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

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

Pola Buckley

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

Augusta, Maine
March 30, 2018

STATE OF MAINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017


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MAINE

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Agency CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total	
Department of Agriculture					
10.025	Plant and Animal Disease, Pest Control, and Animal Care	15,620	250,780	266,400	
10.156	Federal-State Marketing Improvement Program		672,530	672,530	
10.162	Inspection Grading and Standardization		680,526	680,526	
10.163	Market Protection and Promotion	339,308	-	339,308	
10.170	Specialty Crop Block Grant Program - Farm Bill	2,106	676,280	678,386	
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection		315,331	315,331	
10.546	Supplemental Nutrition Assistance Program (SNAP) Recipient Integrity Information Technology Grants		162,749	162,749	
10.547	Professional Standards for School Nutrition Employees		1,110	1,110	
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	4,056,679	11,712,153	15,768,832	
10.558	Child and Adult Care Food Program	10,515,399	88,448	10,603,846	
10.560	State Administrative Expenses for Child Nutrition	2,743	989,115	991,858	
10.572	WIC Farmers' Market Nutrition Program (FMNP)	15,900	49,289	65,189	
10.576	Senior Farmers Market Nutrition Program	842,266	98,310	940,576	
10.578	WIC Grants To States (WGS)		393,280	393,280	
10.579	Child Nutrition Discretionary Grants Limited Availability	89,380	-	89,380	
10.582	Fresh Fruit and Vegetable Program	1,850,862	88,534	1,939,396	
10.652	Forestry Research		439,764	439,764	
10.664	Cooperative Forestry Assistance	330,545	2,675,150	3,005,695	
10.674	Wood Utilization Assistance		10,491	10,491	
10.676	Forest Legacy Program		1,654,011	1,654,011	
10.678	Forest Stewardship Program		40,758	40,758	
10.680	Forest Health Protection		41,314	41,314	
10.902	Soil and Water Conservation	3,000	558,941	561,941	
10.912	Environmental Quality Incentives Program	6,168	22,570	28,737	
10.914	Wildlife Habitat Incentive Program		768,695	768,695	
SNAP Cluster					
10.551	Supplemental Nutrition Assistance Program		239,272,106	239,272,106	
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	3,601,546	11,709,601	15,311,147	
SNAP Cluster Total		3,601,546	250,981,707	254,583,252	
Food Distribution Cluster					
10.565	Commodity Supplemental Food Program	369,786	86,653	456,439	
10.568	Emergency Food Assistance Program (Administrative Costs)	263,600	77,925	341,525	
10.569	Emergency Food Assistance Program (Food Commodities)		3,592,330	3,592,330	
Food Distribution Cluster Total		633,386	3,756,908	4,390,294	
Child Nutrition Cluster					
10.555	National School Lunch Program	44,708,141	5,480,753	50,188,894	
10.559	Summer Food Service Program for Children	2,311,749	71,583	2,383,332	
Child Nutrition Cluster Total		47,019,890	5,552,336	52,572,226	
Department of Agriculture Total		69,324,797	282,681,077	352,005,874	
Department of Commerce					
11.407	Interjurisdictional Fisheries Act of 1986		152,513	152,513	
11.417	Sea Grant Support		109	109	1
11.419	Coastal Zone Management Administration Awards	574,036	2,136,506	2,710,542	
11.454	Unallied Management Projects	210,334	64,425	274,758	
11.472	Unallied Science Program	54,433	946,195	1,000,629	
11.473	Office for Coastal Management		17,666	17,666	2
11.474	Atlantic Coastal Fisheries Cooperative Management Act		581,932	581,932	3
Department of Commerce Total		838,803	3,899,346	4,738,149	
Department of Defense					
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services		599,338	599,338	
12.400	Military Construction, National Guard		15,531,484	15,531,484	
12.401	National Guard Military Operations and Maintenance (O&M) Projects		17,095,677	17,095,677	*
12.617	Economic Adjustment Assistance for State Governments	296,649	95,981	392,630	
Department of Defense Total		296,649	33,322,481	33,619,130	

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Agency CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total
Department of Housing And Urban Development				
14.171	Manufactured Home Dispute Resolution		15,574	15,574
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii		10,376,926	10,376,926
14.238	Shelter Plus Care	6,574,853	-	6,574,853
14.401	Fair Housing Assistance Program State and Local		195,207	195,207
Department of Housing And Urban Development Total		6,574,853	10,587,707	17,162,560
Department of the Interior				
15.424	Marine Minerals Activities - Hurricane Sandy		63,000	63,000
15.608	Fish and Wildlife Management Assistance	30,270	12,017	42,287
15.614	Coastal Wetlands Planning, Protection and Restoration	478,999	116,279	595,278
15.615	Cooperative Endangered Species Conservation Fund		40,698	40,698
15.616	Clean Vessel Act	159,859	114,263	274,121
15.622	Sportfishing and Boating Safety Act		150,000	150,000
15.630	Coastal		35,990	35,990
15.634	State Wildlife Grants	263,640	507,305	770,945
15.637	Migratory Bird Joint Ventures		15,891	15,891
15.649	Service Training and Technical Assistance (Generic Training)		20,378	20,378
15.650	Research Grants (Generic)		5,018	5,018
15.657	Endangered Species Conservation – Recovery Implementation Funds		10,831	10,831
15.810	National Cooperative Geologic Mapping		88,558	88,558
15.814	National Geological and Geophysical Data Preservation		65,155	65,155
15.817	National Geospatial Program: Building The National Map		40,000	40,000
15.904	Historic Preservation Fund Grants-In-Aid	103,637	531,724	635,361
15.916	Outdoor Recreation Acquisition, Development and Planning	227,935	-	227,935
15.925	National Maritime Heritage Grants	245,000	12,039	257,039
15.931	Conservation Activities by Youth Service Organizations		78,843	78,843
Fish and Wildlife Cluster				
15.605	Sport Fish Restoration	15,677	4,055,135	4,070,812
15.611	Wildlife Restoration and Basic Hunter Education	378,424	6,310,601	6,689,025
Fish and Wildlife Cluster Total		394,101	10,365,735	10,759,836
Department of the Interior Total		1,903,440	12,273,724	14,177,165
Department of Justice				
16.017	Sexual Assault Services Formula Program	314,570	5,225	319,795
16.527	Supervised Visitation, Safe Havens for Children	127,379	7,260	134,640
16.540	Juvenile Justice and Delinquency Prevention	86,428	269,573	356,001
16.543	Missing Children's Assistance		252,307	252,307
16.550	State Justice Statistics Program for Statistical Analysis Centers	45,879	-	45,879
16.554	National Criminal History Improvement Program (NCHIP)		777,151	777,151
16.575	Crime Victim Assistance	6,213,495	799,396	7,012,891
16.576	Crime Victim Compensation		164,724	164,724
16.582	Crime Victim Assistance/Discretionary Grants	120,097	303	120,400
16.588	Violence Against Women Formula Grants	714,878	221,377	936,255
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program		940	940 [4]
16.593	Residential Substance Abuse Treatment for State Prisoners	63,827	5,695	69,523
16.606	State Criminal Alien Assistance Program		144,356	144,356
16.710	Public Safety Partnership and Community Policing Grants		403,774	403,774
16.726	Juvenile Mentoring Program		28,788	28,788 [5]
16.734	Special Data Collections and Statistical Studies		531,383	531,383
16.738	Edward Byrne Memorial Justice Assistance Grant Program	170,388	515,554	685,942
16.741	DNA Backlog Reduction Program		178,533	178,533
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program		47,066	47,066
16.754	Harold Rogers Prescription Drug Monitoring Program		153,337	153,337
16.812	Second Chance Act Reentry Initiative		228,970	228,970
16.922	Equitable Sharing Program		8,168	8,168
Department of Justice Total		7,856,941	4,743,880	12,600,821

Federal Agency CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total	
Department of Labor					
17.002	Labor Force Statistics		1,003,873	1,003,873	
17.005	Compensation and Working Conditions		125,671	125,671	
17.225	Unemployment Insurance		122,326,292	122,326,292	*
17.235	Senior Community Service Employment Program	451,528	23,395	474,924	
17.245	Trade Adjustment Assistance		4,082,746	4,082,746	
17.261	WIA/WIOA Pilots, Demonstrations, and Research Projects		236,084	236,084	
17.267	Incentive Grants - WIA Section 503		28,310	28,310	
17.271	Work Opportunity Tax Credit Program (WOTC)		89,508	89,508	
17.273	Temporary Labor Certification for Foreign Workers		322,265	322,265	
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants	2,645,249	425,755	3,071,004	
17.281	WIA/WIOA Dislocated Worker National Reserve Technical Assistance and Training		55,282	55,282	
17.285	Apprenticeship USA Grants		9,757	9,757	
17.503	Occupational Safety and Health State Program		408,003	408,003	
17.504	Consultation Agreements		450,388	450,388	
17.600	Mine Health and Safety Grants		109,780	109,780	
WIA/WIOA Cluster					
17.258	WIA/WIOA Adult Program	2,445,587	323,483	2,769,070	
17.259	WIA/WIOA Youth Activities	2,688,113	353,723	3,041,836	
17.278	WIA/WIOA Dislocated Worker Formula Grants	2,468,653	918,852	3,387,505	
WIA/WIOA Cluster Total		7,602,353	1,596,058	9,198,411	
Employment Service Cluster					
17.207	Employment Service/Wagner-Peyser Funded Activities	182,830	3,390,653	3,573,482	
17.801	Disabled Veterans' Outreach Program (DVOP)		503,266	503,266	
17.804	Local Veterans' Employment Representative Program		419,041	419,041	
Employment Service Cluster Total		182,830	4,312,960	4,495,790	
Department of Labor Total		10,881,960	135,606,128	146,488,088	
Department of Transportation					
20.106	Airport Improvement Program		546,721	546,721	
20.218	Motor Carrier Safety Assistance		528,846	528,846	
20.233	Border Enforcement Grants		291,076	291,076	
20.234	Safety Data Improvement Program		42,762	42,762	
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements		181,630	181,630	
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research		104,312	104,312	
20.509	Formula Grants for Rural Areas	6,113,380	1,914,558	8,027,939	
20.520	Paul S. Sarbanes Transit in the Parks	301,378	272	301,650	
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants		41,253	41,253	
20.700	Pipeline Safety Program State Base Grant		341,665	341,665	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	136,202	-	136,202	
20.721	PHMSA Pipeline Safety Program One Call Grant		46,244	46,244	
20.933	National Infrastructure Investments		3,055,014	3,055,014	
Transit Services Programs Cluster					
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities	833,149	380,951	1,214,101	
Transit Services Programs Cluster Total		833,149	380,951	1,214,101	
Highway Safety Cluster					
20.600	State and Community Highway Safety	544,058	2,069,840	2,613,898	
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I		121,132	121,132	
20.610	State Traffic Safety Information System Improvement Grants		99,710	99,710	
20.612	Incentive Grant Program to Increase Motorcyclist Safety		92,351	92,351	
20.613	Child Safety and Child Booster Seats Incentive Grants	480	10,832	11,312	
20.616	National Priority Safety Programs	813,229	1,913,045	2,726,273	
Highway Safety Cluster Total		1,357,767	4,306,910	5,664,677	
Highway Planning and Construction Cluster					
20.205	Highway Planning and Construction		208,869,606	208,869,606	*
20.219	Recreational Trails Program	964,294	75,296	1,039,590	*
20.224	Federal Lands Access Program		274,038	274,038	*
Highway Planning and Construction Cluster Total		964,294	209,218,939	210,183,234	
Federal Transit Cluster					
20.500	Federal Transit Capital Investment Grants	205,507	985,024	1,190,531	
20.507	Federal Transit Formula Grants	620,271	-	620,271	
Federal Transit Cluster Total		825,778	985,024	1,810,802	
Department of Transportation Total		10,531,948	221,986,177	232,518,125	

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Agency CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total
Department of the Treasury				
21.000	Treasury Forfeiture Program		212,542	212,542
21.U01	ED-8-CO-0037-NAEP GRANT		145,646	145,646
Department of the Treasury Total			358,188	358,188
Equal Employment Opportunity Commission				
30.001	Employment Discrimination Title VII of the Civil Rights Act of 1964		194,384	194,384
Equal Employment Opportunity Commission Total			194,384	194,384
General Services Administration				
39.003	Donation of Federal Surplus Personal Property		560,521	560,521
General Services Administration Total			560,521	560,521
Institute Of Museum And Library Services				
45.310	Grants to States	25,100	1,454,966	1,480,066
Institute Of Museum And Library Services Total		25,100	1,454,966	1,480,066
National Endowment For The Arts				
45.025	Promotion of the Arts Partnership Agreements	322,295	422,740	745,035
National Endowment For The Arts Total		322,295	422,740	745,035
Department of Veterans Affairs				
64.038	Grants for the Rural Veterans Coordination Pilot	280,453	324,690	605,144
64.203	Veterans Cemetery Grants Program		55,150	55,150
Department of Veterans Affairs Total		280,453	379,840	660,294
Environmental Protection Agency				
66.032	State Indoor Radon Grants		290,215	290,215
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act		270,252	270,252
66.040	State Clean Diesel Grant Program	107,870	-	107,870
66.432	State Public Water System Supervision		955,795	955,795
66.454	Water Quality Management Planning	58,204	60,103	118,306
66.461	Regional Wetland Program Development Grants		167,375	167,375
66.472	Beach Monitoring and Notification Program Implementation Grants	177,434	56,476	233,910
66.605	Performance Partnership Grants	714,041	6,334,454	7,048,495
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		156,409	156,409
66.804	Underground Storage Tank Prevention, Detection and Compliance Program		293,406	293,406
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program		787,684	787,684
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements		125,614	125,614
66.817	State and Tribal Response Program Grants		872,759	872,759
66.818	Brownfields Assessment and Cleanup Cooperative Agreements		270,747	270,747
Drinking Water State Revolving Fund Cluster				
66.468	Capitalization Grants for Drinking Water State Revolving Funds		1,507,372	1,507,372
Drinking Water State Revolving Fund Cluster Total			1,507,372	1,507,372
Environmental Protection Agency Total		1,057,549	12,148,660	13,206,209
Department of Energy				
81.041	State Energy Program		313,051	313,051
81.119	State Energy Program Special Projects	69,009	23,262	92,270
81.138	State Heating Oil and Propane Program		11,581	11,581
Department of Energy Total		69,009	347,894	416,902

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Agency CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total	
Department of Education					
84.002	Adult Education - Basic Grants to States	1,347,128	282,359	1,629,486	
84.010	Title I Grants to Local Educational Agencies	50,054,689	1,074,325	51,129,014	
84.011	Migrant Education State Grant Program	1,271,826	255,850	1,527,676	
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth		190,406	190,406	
84.048	Career and Technical Education -- Basic Grants to States	4,808,207	793,246	5,601,453	*
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States		17,015,160	17,015,160	
84.161	Rehabilitation Services Client Assistance Program		132,378	132,378	
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind		315,784	315,784	
84.181	Special Education-Grants for Infants and Families	2,180,898	69,179	2,250,077	
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities		297,208	297,208	
84.196	Education for Homeless Children and Youth	190,406	45,304	235,710	
84.287	Twenty-First Century Community Learning Centers	5,497,286	304,910	5,802,197	
84.323	Special Education - State Personnel Development	286,353	275,501	561,854	
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	72,352	-	72,352	
84.358	Rural Education	1,335,633	46,442	1,382,075	
84.365	English Language Acquisition State Grants	464,059	165,478	629,537	
84.366	Mathematics and Science Partnerships	502,273	14,146	516,419	
84.367	Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)	10,337,829	303,915	10,641,744	*
84.369	Grants for State Assessments and Related Activities		2,984,410	2,984,410	
84.374	Teacher and School Leader Incentive Grants (formerly the Teacher Incentive Fund)	2,965,622	1,124,082	4,089,704	
84.377	School Improvement Grants	1,211,246	80,417	1,291,663	
84.419	Preschool Development Grants	3,218,027	209,173	3,427,200	
84.421	Disability Innovation Fund (DIF)		938,773	938,773	
Special Education Cluster (IDEA)					
84.027	Special Education Grants to States	60,084,020	3,288,467	63,372,487	*
84.173	Special Education Preschool Grants	3,956,750	6,817	3,963,566	*
Special Education Cluster (IDEA) Total		64,040,770	3,295,284	67,336,053	
Department of Education Total		149,784,605	30,213,730	179,998,335	
National Archives And Records Administration					
89.005	Cooperative Agreements to Support the Programs of the National Archives and Records Administration		14,747	14,747	
National Archives And Records Administration Total			14,747	14,747	
U.S. Election Assistance Commission					
90.401	Help America Vote Act Requirements Payments		450,402	450,402	
U.S. Election Assistance Commission Total			450,402	450,402	
Northern Border Regional Commission					
90.601	Northern Border Regional Development		21,305	21,305	
Northern Border Regional Commission Total			21,305	21,305	
Department of Health And Human Services					
93.041	Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	12,491	13,875	26,366	
93.042	Special Programs for the Aging Title VII, Chapter 2 Long Term Care Ombudsman Services for Older Individuals	73,357	-	73,357	
93.043	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	80,305	-	80,305	
93.048	Special Programs for the Aging Title IV and Title II Discretionary Projects	273,512	41,674	315,185	
93.051	Alzheimer's Disease Demonstration Grants to States	6,595	39,069	45,664	
93.052	National Family Caregiver Support, Title III, Part E	589,026	-	589,026	
93.069	Public Health Emergency Preparedness		41,317	41,317	
93.070	Environmental Public Health and Emergency Response		1,528,610	1,528,610	
93.071	Medicare Enrollment Assistance Program	116,335	24,083	140,419	
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements		5,778,613	5,778,613	

Federal Agency

CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total	
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance		24,357	24,357	
93.082	Sodium Reduction in Communities		160,369	160,369	
93.090	Guardianship Assistance		468,483	468,483	
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	216,048	2,177	218,225	
93.103	Food and Drug Administration Research		154,087	154,087	
93.110	Maternal and Child Health Federal Consolidated Programs		84,836	84,836	
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		170,575	170,575	
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices		59,424	59,424	
93.136	Injury Prevention and Control Research and State and Community Based Programs	243,472	643,363	886,835	
93.150	Projects for Assistance in Transition from Homelessness (PATH)	300,000	-	300,000	
93.165	Grants to States for Loan Repayment Program		181,250	181,250	
93.234	Traumatic Brain Injury State Demonstration Grant Program		149,154	149,154	
93.241	State Rural Hospital Flexibility Program		556,998	556,998	
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	680,183	1,979,514	2,659,697	
93.251	Universal Newborn Hearing Screening	80,244	109,110	189,354	
93.267	State Grants for Protection and Advocacy Services		70,638	70,638	
93.268	Immunization Cooperative Agreements		13,914,861	13,914,861	
93.270	Adult Viral Hepatitis Prevention and Control		99,680	99,680	
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance		950,165	950,165	
93.301	Small Rural Hospital Improvement Grant Program		118,312	118,312	
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)		106,430	106,430	
93.324	State Health Insurance Assistance Program	355,978	85,969	441,946	
93.369	ACL Independent Living State Grants		276,060	276,060	
93.433	ACL National Institute on Disability, Independent Living, and Rehabilitation Research		46,710	46,710	
93.464	ACL Assistive Technology	461,118	-	461,118	
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers		592,885	592,885	
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review		219,392	219,392	
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF		1,319,558	1,319,558	
93.539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds		1,356,978	1,356,978	
93.556	Promoting Safe and Stable Families	485,521	706,461	1,191,983	
93.563	Child Support Enforcement		18,155,653	18,155,653	
93.566	Refugee and Entrant Assistance State Administered Programs	453,167	841,049	1,294,216	
93.569	Community Services Block Grant	3,390,844	36,614	3,427,458	*
93.576	Refugee and Entrant Assistance Discretionary Grants	411,114	-	411,114	
93.584	Refugee and Entrant Assistance Targeted Assistance Grants	79,732	7,965	87,697	
93.586	State Court Improvement Program		150,421	150,421	
93.597	Grants to States for Access and Visitation Programs	92,820	3,579	96,399	
93.599	Chafee Education and Training Vouchers Program (ETV)		177,369	177,369	
93.603	Adoption and Legal Guardianship Incentive Payments		12,385	12,385	
93.624	ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	149,151	4,893,042	5,042,193	
93.630	Developmental Disabilities Basic Support and Advocacy Grants		269,956	269,956	
93.643	Children's Justice Grants to States		50,561	50,561	
93.645	Stephanie Tubbs Jones Child Welfare Services Program	726,570	914,369	1,640,938	
93.658	Foster Care Title IV-E	388,944	17,848,066	18,237,010	*
93.659	Adoption Assistance		16,832,714	16,832,714	*
93.667	Social Services Block Grant	5,032,006	917,337	5,949,343	
93.669	Child Abuse and Neglect State Grants		42,577	42,577	
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	821,255	23,268	844,523	
93.674	Chafee Foster Care Independence Program	171,691	396,724	568,415	
93.735	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by Prevention and Public Health Funds (PPHF)		80,737	80,737	
93.745	PPHF: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by Prevention and Public Health Fund		196,736	196,736	
93.748	PPHF Cooperative Agreements for Prescription Drug Monitoring Program Electronic Health Record (EHR) Integration and Interoperability Expansion		1,318	1,318	
93.757	State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)		848,657	848,657	
93.758	Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	33,043	1,289,382	1,322,425	
93.767	Children's Health Insurance Program		34,183,881	34,183,881	*
93.791	Money Follows the Person Rebalancing Demonstration	369,572	982,850	1,352,422	

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Agency CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total	
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).		202,173	202,173	
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities		49,888	49,888	
93.889	National Bioterrorism Hospital Preparedness Program		102,038	102,038	
93.912	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program		147,135	147,135	
93.913	Grants to States for Operation of State Offices of Rural Health		40,921	40,921	
93.917	HIV Care Formula Grants	135,220	1,449,564	1,584,784	
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	30,000	2,029,180	2,059,180	
93.940	HIV Prevention Activities Health Department Based	349,485	309,162	658,647	
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		154,524	154,524	
93.945	Assistance Programs for Chronic Disease Prevention and Control		1,109,412	1,109,412	
93.958	Block Grants for Community Mental Health Services	1,673,597	202,383	1,875,980	
93.959	Block Grants for Prevention and Treatment of Substance Abuse	5,115,662	1,517,425	6,633,087	
93.977	Preventive Health Services Sexually Transmitted Diseases Control Grants	113,236	179,105	292,340	
93.994	Maternal and Child Health Services Block Grant to the States		2,553,395	2,553,395	
93.U01	DASIS Federal Agreement MIS Implement of Uniform Alcohol & Drug Abuse Data Collection System		46,802	46,802	
TANF Cluster					
93.558	Temporary Assistance for Needy Families	19,164,475	28,895,462	48,059,937	*
TANF Cluster Total		19,164,475	28,895,462	48,059,937	
Medicaid Cluster					
93.775	State Medicaid Fraud Control Units		685,960	685,960	*
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare		3,960,632	3,960,632	*
93.778	Medical Assistance Program		1,746,059,278	1,746,059,278	*
Medicaid Cluster Total			1,750,705,870	1,750,705,870	
Maternal, Infant, and Early Childhood Home Visiting Cluster					
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	4,058,480	429,488	4,487,968	
93.870	Maternal, Infant and Early Childhood Home Visiting Grant Program	1,468,859	106,280	1,575,139	
Maternal, Infant, and Early Childhood Home Visiting Cluster Total		5,527,339	535,768	6,063,107	
CCDF Cluster					
93.575	Child Care and Development Block Grant	72,926	7,871,986	7,944,912	
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund		12,333,655	12,333,655	
CCDF Cluster Total		72,926	20,205,641	20,278,567	
Aging Cluster					
93.044	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	1,500,839	533,563	2,034,402	*
93.045	Special Programs for the Aging Title III, Part C Nutrition Services	1,960,355	-	1,960,355	*
93.053	Nutrition Services Incentive Program	488,996	-	488,996	*
Aging Cluster Total		3,950,190	533,563	4,483,753	
Department of Health And Human Services Total		52,226,222	1,942,201,659	1,994,427,881	
Corporation For National And Community Service					
94.003	State Commissions		268,304	268,304	
94.006	AmeriCorps	1,264,254	403,784	1,668,038	
94.009	Training and Technical Assistance		128,226	128,226	
Corporation For National And Community Service Total		1,264,254	800,313	2,064,568	
Social Security Administration					
Disability Insurance/SSI Cluster					
96.001	Social Security Disability Insurance		8,794,723	8,794,723	*
Disability Insurance/SSI Cluster Total			8,794,723	8,794,723	
Social Security Administration Total			8,794,723	8,794,723	
Department of Homeland Security					
97.012	Boating Safety Financial Assistance		1,403,862	1,403,862	
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)		25,976	25,976	
97.039	Hazard Mitigation Grant	216,916	1,455	218,371	
97.041	National Dam Safety Program		78,497	78,497	
97.042	Emergency Management Performance Grants	2,192,509	1,388,659	3,581,168	
97.045	Cooperating Technical Partners		289,258	289,258	

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Federal Agency CFDA#	Clusters and Program Titles	Payments to Subrecipients	Direct Expenditures	CFDA Total
97.047	Pre-Disaster Mitigation	39,029	3,334	42,364
97.056	Port Security Grant Program		12,925	12,925
97.067	Homeland Security Grant Program	2,942,385	1,170,375	4,112,760
Department of Homeland Security Total		5,390,839	4,374,341	9,765,180
Total Federal Expenditures		**318,629,717**	**2,707,838,934**	**3,026,468,651**

[1] 11.417 Virginia Institute of Marine Sciences
[2] 11.473 NERACOOS
[3] 11.474 Atlantic States Marine Fisheries Commission
[4] 16.590 Cumberland Cty
[5] 16.726 National CASA

STATE OF MAINE
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

1. Purpose of the Schedule

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

2. Significant Accounting Policies

A. *Reporting Entity* – The reporting entity is defined in Note 1 to the BFS. The accompanying Schedule includes all federal financial assistance programs of the State of Maine reporting entity for the fiscal year ended June 30, 2017, with the exception of the discrete component units identified in Note 1 to the BFS. The discrete component units engaged other auditors.

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

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

   2) Type A and Type B Programs – Levels of expenditures to be used in defining Type A and Type B federal financial assistance programs are specified by the Uniform Guidance. Type A programs for the State of Maine are those programs that equal or exceed $9.1 million in expenditures, distributions, or issuances for the year ended June 30, 2017. Programs audited as major programs are marked with asterisks in the accompanying schedule.

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

3. Indirect Costs

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

20.700 Pipeline Safety Program State Base Grant

4. Unemployment Insurance Program

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

State Funds	$96,058,488
Federal Funds	26,267,804
Total	$122,326,292

5. Noncash Awards

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

CFDA Number	Program Title	Noncash Awards
10.551	SNAP (Supplemental Nutrition Assistance Program)	$239,272,106
10.555	National School Lunch Program	$5,290,941
10.569	Emergency Food Assistance Program	$3,592,330
10.664	Cooperative Forestry Assistance	$1,537,246
12.401	National Guard Military Operations & Maint. Proj.	$20,000
39.003	Donation of Federal Surplus Personal Property	$560,521
93.268	Immunization Grants	$12,796,524

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section I – Summary of Auditor's Results

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

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

Federal Awards:

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

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

<u>Unmodified</u>
Adoption Assistance
Career and Technical Education – Basic Grants to States
Disability Insurance/SSI Cluster
Foster Care – Title IV-E
Highway Planning and Construction Cluster
Medicaid Cluster
National Guard Military Operations and Maintenance (O&M) Projects
Special Education Cluster (IDEA)
Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)

<u>Qualified</u>
Aging Cluster
Children's Health Insurance Program
Community Services Block Grant
TANF Cluster
Unemployment Insurance

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

Clusters Identified as Major Programs:

CFDA #	**Name of Federal Program or Cluster**
Highway Planning and Construction Cluster	
20.205	Highway Planning and Construction
20.219	Recreational Trails Program
20.224	Federal Lands Access Program

Special Education Cluster (IDEA)

84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants

Aging Cluster

93.044	Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers
93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services
93.053	Nutrition Services Incentive Program

TANF Cluster

93.558	Temporary Assistance for Needy Families

Medicaid Cluster

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

Disability Insurance/SSI Cluster

96.001	Social Security – Disability Insurance
96.006	Supplemental Security Income

Other Major Programs:

12.401	National Guard Military Operations and Maintenance (O&M) Projects
17.225	Unemployment Insurance
84.048	Career and Technical Education – Basic State Grants
84.367	Supporting Effective Instruction State Grant (formerly Improving Teacher Quality State Grants)
93.569	Community Services Block Grant
93.658	Foster Care – Title IV-E
93.659	Adoption Assistance
93.767	Children’s Health Insurance Program

Dollar threshold used to distinguish between type A and type B programs: $9,079,406

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

Summary of Questioned Costs:

Federal Agency	**Federal Program**	**Known Questioned Costs**	**Finding Number**
U.S. Department of Health and Human Services	Medicaid Cluster / Children’s Health Insurance Program	Undeterminable	2017-015
	Medicaid Cluster	$14,000,000	2017-016
		Undeterminable	2017-017
		Undeterminable	2017-018

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section II – Financial Statement Findings

FINANCIAL STATEMENT FINDINGS

No financial statement findings were issued for the fiscal year ending June 30, 2017.

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section III - Indexes to Federal Program Findings

INDEXES TO FEDERAL PROGRAM FINDINGS

State of Maine
Fiscal Year 2017
Index to Federal Findings
By Federal Program

Program / Finding #	Brief Summary of Finding	State Dept	Page
SNAP Cluster CFDA# 10.551, 10.561			
2017-001	Contractor-provided ______ controls for ______ need improvement (The content of this finding has been redacted. This appears as blank underlining.)	DHHS	E-23
2017-010	Income Eligibility and Verification System procedures need improvement	DHHS	E-42
2017-019	Management controls over ______ need improvement (The content of this finding has been redacted. This appears as blank underlining.)	DAFS	E-61
2017-023	No ______ is in place over the ______ (The content of this finding has been redacted. This appears as blank underlining.)	DAFS DHHS	E-69
National Guard Military Operations and Maintenance (O&M) Projects CFDA# 12.401			
2017-002	Insufficient documentation in support of payroll costs	DVEM	E-25
2017-003	Controls related to the U.S. Treasury-State Agreement for cash management and the related reporting to the Federal government on the SF-270 report need improvement	DVEM	E-27
2017-004	Monitoring of cash balance needs to be improved	DVEM	E-29
2017-005	Internal controls over suspension and debarment need improvement	DVEM	E-31
Unemployment Insurance CFDA# 17.225			
2017-006	Internal control over continuing eligibility is not adequate	DAFS DOL	E-33
2017-007	Internal controls over ______ are not adequate (The content of this finding has been redacted. This appears as blank underlining.)	DAFS DOL	E-35
Aging Cluster CFDA# 93.044, 93.045, 93.053			
2017-009	Subrecipient contracts need to be updated and monitoring of subrecipient financial information needs improvement	DHHS	E-39
TANF Cluster CFDA# 93.558			
2017-001	Contractor-provided ______ controls for ______ need improvement (The content of this finding has been redacted. This appears as blank underlining.)	DHHS	E-23

TANF Cluster continued on next page

State of Maine
Fiscal Year 2017
Index to Federal Findings
By Federal Program

Program / Finding #	Brief Summary of Finding	State Dept	Page
TANF Cluster continued from previous page			
2017-008	Performance monitoring of TANF subrecipients needs improvement	DHHS	E-37
2017-009	Subrecipient contracts need to be updated and monitoring of subrecipient financial information needs improvement	DHHS	E-39
2017-010	Income Eligibility and Verification System procedures need improvement	DHHS	E-42
2017-011	Controls over special reporting need improvement	DHHS	E-45
2017-012	Procedures related to TANF work participation need improvement	DHHS	E-47
2017-013	No evaluation of each subrecipient's risk of noncompliance	DHHS	E-49
2017-023	No ______ is in place over the ______ (The content of this finding has been redacted. This appears as blank underlining.)	DAFS DHHS	E-69
2017-024	Internal controls over ______ are not adequate (The content of this finding has been redacted. This appears as blank underlining.)	DAFS DHHS	E-71
Community Services Block Grant CFDA# 93.569			
2017-009	Subrecipient contracts need to be updated and monitoring of subrecipient financial information needs improvement	DHHS	E-39
2017-014	Internal controls over the allocation of Community Services Block Grant funds to individual community action agencies need improvement	DHHS	E-51
Children's Health Insurance Program CFDA# 93.767			
2017-010	Income Eligibility and Verification System procedures need improvement	DHHS	E-42
2017-015	Procedures over drug rebate accounting and reporting need improvement	DAFS DHHS	E-53
2017-019	Management controls over ______ need improvement (The content of this finding has been redacted. This appears as blank underlining.)	DAFS	E-61
2017-020	______ controls provided by the Department for the ______ need improvement (The content of this finding has been redacted. This appears as blank underlining.)	DHHS	E-63
2017-021	Contractor-provided ______ controls for the ______ need improvement (The content of this finding has been redacted. This appears as blank underlining.)	DHHS	E-65
Children's Health Insurance Program continued on next page			

State of Maine
Fiscal Year 2017
Index to Federal Findings
By Federal Program

Program / Finding #	Brief Summary of Finding	State Dept	Page
Children's Health Insurance Program continued from previous page			
2017-022	______ control assurance over ______ are not adequate (The content of this finding has been redacted. This appears as blank underlining.)	DHHS	E-67
2017-023	No ______ is in place over the ______ (The content of this finding has been redacted. This appears as blank underlining.)	DAFS DHHS	E-69
2017-024	Internal controls over ______ are not adequate (The content of this finding has been redacted. This appears as blank underlining.)	DAFS DHHS	E-71
2017-030	Provider eligibility procedures need to further integrate Automated Data Exchange	DHHS	E-85
Medicaid Cluster CFDA# 93.775, 93.777, 93.778			
2017-010	Income Eligibility and Verification System procedures need improvement	DHHS	E-42
2017-015	Procedures over drug rebate accounting and reporting need improvement	DAFS DHHS	E-53
2017-016	Riverview	DAFS DHHS	E-55
2017-017	Controls over Cost of Care assessments need improvement	DHHS	E-57
2017-018	Eligibility re-determination controls need improvement	DHHS	E-59
2017-019	Management controls over ______ need improvement (The content of this finding has been redacted. This appears as blank underlining.)	DAFS	E-61
2017-020	______ controls provided by the Department for the ______ need improvement (The content of this finding has been redacted. This appears as blank underlining.)	DHHS	E-63
2017-021	Contractor-provided ______ controls for the ______ need improvement (The content of this finding has been redacted. This appears as blank underlining)	DHHS	E-65
2017-022	______ control assurance over ______ are not adequate (The content of this finding has been redacted. This appears as blank underlining.)	DHHS	E-67
2017-023	No ______ is in place over the ______ (The content of this finding has been redacted. This appears as blank underlining.)	DAFS DHHS	E-69
2017-024	Internal controls over ______ are not adequate (The content of this finding has been redacted. This appears as blank underlining.)	DAFS DHHS	E-71
2017-025	Procedures related to Long Term Care Facility Audits and Hospital Interim Settlement Audits need improvement	DHHS	E-73
Medicaid Cluster continued on next page			

State of Maine
Fiscal Year 2017
Index to Federal Findings
By Federal Program

Program / Finding #	Brief Summary of Finding	State Dept	Page
Medicaid Cluster continued from previous page			
2017-026	Provider eligibility procedures need to address Advance Directives	DHHS	E-77
2017-027	Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review	DHHS	E-79
2017-028	Controls over reporting requirements need improvement	DAFS DHHS	E-81
2017-029	Procedures related to Medicare Part B premium payments need improvement	DAFS DHHS	E-83
2017-030	Provider eligibility procedures need to further integrate Automated Data Exchange	DHHS	E-85
2017-031	Medicare Buy-In information is inconsistent between the Automated Client Eligibility System and the Centers for Medicare and Medicaid Services systems	DHHS	E-87
2017-032	______ inappropriately allow ______ (The content of this finding has been redacted. This appears as blank underlining.)	DAFS	E-89

Legend of State Agency Abbreviations:

DAFS Department of Administrative and Financial Services
DHHS Department of Health and Human Services
DOL Department of Labor
DVEM Department of Defense, Veterans and Emergency Management

State of Maine
Fiscal Year 2017
Index to Federal Findings
By State Agency and Federal Compliance Area

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions	Page
Department of Administrative and Financial Services														
2017-006	Unemployment Insurance				✓									E-33
2017-007	Unemployment Insurance				✓									E-35
2017-015	Medicaid Cluster, CHIP		✓								✓			E-53
2017-016	Medicaid Cluster		✓											E-55
2017-019	Multiple Programs				✓									E-61
2017-023	Multiple Programs		✓											E-69
2017-024	Multiple Programs		✓		✓									E-71
2017-028	Medicaid Cluster										✓			E-81
2017-029	Medicaid Cluster	✓			✓									E-83
2017-032	Medicaid Cluster		✓		✓									E-89
Department of Health and Human Services														
2017-001	SNAP Cluster, TANF Cluster		✓											E-23
2017-008	TANF Cluster											✓		E-37
2017-009	Multiple Programs			✓								✓		E-39
2017-010	Multiple Programs				✓								✓	E-42
2017-011	TANF Cluster										✓			E-45
2017-012	TANF Cluster												✓	E-47
2017-013	TANF Cluster											✓		E-49
2017-014	Community Services Block Grant				✓									E-51
2017-015	Medicaid Cluster, CHIP		✓								✓			E-53
2017-016	Medicaid Cluster		✓											E-55
2017-017	Medicaid Cluster		✓											E-57
2017-018	Medicaid Cluster				✓									E-59
Department of Health and Human Services continued on next page														

State of Maine
Fiscal Year 2017
Index to Federal Findings
By State Agency and Federal Compliance Area

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions	Page
Department of Health and Human Services continued from previous page														
2017-020	Medicaid Cluster, CHIP		✓											E-63
2017-021	Medicaid Cluster, CHIP		✓											E-65
2017-022	Medicaid Cluster, CHIP		✓											E-67
2017-023	Multiple Programs		✓											E-69
2017-024	Multiple Programs		✓		✓									E-71
2017-025	Medicaid Cluster												✓	E-73
2017-026	Medicaid Cluster												✓	E-77
2017-027	Medicaid Cluster												✓	E-79
2017-028	Medicaid Cluster										✓			E-81
2017-029	Medicaid Cluster	✓			✓									E-83
2017-030	Medicaid Cluster, CHIP												✓	E-85
2017-031	Medicaid Cluster				✓									E-87
Department of Labor														
2017-006	Unemployment Insurance				✓									E-33
2017-007	Unemployment Insurance				✓									E-35
Department of Defense, Veterans and Emergency Management														
2017-002	National Guard Military Operations and Maintenance (O&M) Projects		✓											E-25
2017-003	National Guard Military Operations and Maintenance (O&M) Projects			✓							✓			E-27
Department of Defense, Veterans and Emergency Management continued on next page														

State of Maine
Fiscal Year 2017
Index to Federal Findings
By State Agency and Federal Compliance Area

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions	Page
Department of Defense, Veterans and Emergency Management continued from previous page														
2017-004	National Guard Military Operations and Maintenance (O&M) Projects			✓										E-29
2017-005	National Guard Military Operations and Maintenance (O&M) Projects								✓					E-31

State of Maine
Fiscal Year 2017
Index to Federal Findings in Finding Number Order by Finding Type

Finding #	Page	Compliance Area	Finding Type			
			Material Non-compliance	Internal Control		Known / Likely Questioned Costs
				Material Weakness	Significant Deficiency	
2017-001	E-23	Allowable Costs/Cost Principles			✓	
2017-002	E-25	Allowable Costs/Cost Principles		✓		
2017-003	E-27	Cash Management/ Reporting			✓	
2017-004	E-29	Cash Management			✓	
2017-005	E-31	Procurement and Suspension and Debarment			✓	
2017-006	E-33	Eligibility	✓	✓		
2017-007	E-35	Eligibility			✓	
2017-008	E-37	Subrecipient Monitoring	✓	✓		
2017-009	E-39	Cash Management/ Subrecipient Monitoring	✓	✓		
2017-010	E-42	Special Tests and Provisions/ Eligibility			✓	
2017-011	E-45	Reporting			✓	
2017-012	E-47	Special Tests and Provisions			✓	
2017-013	E-49	Subrecipient Monitoring			✓	
2017-014	E-51	Eligibility			✓	
2017-015	E-53	Allowable Costs/ Reporting	✓ CHIP only	✓ CHIP only		Undeterminable / Undeterminable
2017-016	E-55	Allowable Costs/Cost Principles			✓	$14,000,000 /
2017-017	E-57	Allowable Costs/Cost Principles			✓	Undeterminable / Undeterminable
2017-018	E-59	Eligibility			✓	Undeterminable / Undeterminable

State of Maine
Fiscal Year 2017
Index to Federal Findings in Finding Number Order by Finding Type

Finding #	Page	Compliance Area	Finding Type			
			Material Non-compliance	Internal Control		Known / Likely Questioned Costs
				Material Weakness	Significant Deficiency	
2017-019	E-61	Eligibility			✓	
2017-020	E-63	Allowable Costs/Cost Principles			✓	
2017-021	E-65	Allowable Costs/Cost Principles			✓	
2017-022	E-67	Allowable Costs/Cost Principles			✓	
2017-023	E-69	Allowable Costs/Cost Principles			✓	
2017-024	E-71	Allowable Costs/ Eligibility			✓	
2017-025	E-73	Special Tests and Provisions			✓	
2017-026	E-77	Special Tests and Provisions			✓	
2017-027	E-79	Special Tests and Provisions			✓	
2017-028	E-81	Reporting			✓	
2017-029	E-83	Activities Allowed/ Eligibility			✓	
2017-030	E-85	Special Tests and Provisions			✓	
2017-031	E-87	Eligibility			✓	
2017-032	E-89	Allowable Costs/ Eligibility			✓	

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

Section III – Federal Findings and Questioned Costs

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

(2017-001) Confidential finding, see Condition Section below for more information

Title: Contractor-provided ______ controls for ______ need improvement **(**The content of this finding has been redacted. This appears as blank underlining.)

Prior Year Findings:

FY16	FY15	FY14	FY13	FY12	FY11	FY10
2016-001						

State Department: Health and Human Services (DHHS)
State Bureau: Office for Family Independence (OFI)
Federal Agency: U.S. Department of Agriculture
U.S. Department of Health and Human Services
CFDA Title: SNAP Cluster (SNAP)
TANF Cluster (TANF)
CFDA #: 10.551, 10.561; 93.558
Federal Award Identification Number: 16164ME421Q3903, 16164ME401S2514, 16164ME421Q7503, 16164ME401S2520, 16164ME401S8036, 174ME421Q3903, 174ME401S2514, 174ME421Q7503, 174ME401S2519, 174ME401S2520, 174ME401S8036, 174ME401S8069 1502METANF, 1601METANF, 1701METANF

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: Federal ______; Office of Information Technology (OIT), State of Maine ______

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

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

A copy of that correspondence has also been sent to:

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

The SNAP Cluster was not audited as a major program in fiscal year 2017. However, audit evidence obtained during the current audit period supported the inclusion of this Cluster in this repeat finding.

Context: The Federal and State shares of benefits issued for SNAP and TANF exceed $400 million annually. DHHS requires the contractor to provide ______. In order for there to be a mutually acceptable contractual relationship, the Department must be able to ______ provided by the contractor.

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

Effect: Current ______ controls created the unnecessary risk for potential ______.

Recommendation: We recommend that the Department consider establishing stronger ______ controls over the ______ if the specified ______ continue to exist.

Corrective Action Plan: See F-4

Management's Response: The Department agrees with this finding. DHHS-OFI will ensure the controls over the Department's ______ be strengthened, to include the scope of ______. This will include a monthly reconciliation of all ______.

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

(State Number: 17-0922-03)

(2017-002)

Title: Insufficient documentation in support of payroll costs

Prior Year Findings: None

FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Defense, Veterans and Emergency Management
State Bureau: Military
Federal Agency: U.S. Department of Defense
CFDA Title: National Guard Military Operations and Maintenance (O&M) Projects
CFDA #: 12.401
Federal Award Identification Number: W912JD1721001

Compliance Area: Allowable costs/cost principles

Type of Finding: Material weakness

Questioned Costs: None

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

Criteria: 2 CFR 200.430(i)

Condition: The Department did not have adequate procedures in place to ensure that all timesheets were signed by the employee, supervisor, and payroll officer. Of the sixty timesheets tested:

- seven timesheets were not signed by the employee
- one timesheet was not signed by the employee or supervisor
- one timesheet was not signed by the supervisor

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

Context: Payroll expenditures were approximately $8.3 million in fiscal year 2017.

Cause: The Department did not ensure that missing employee and/or supervisor signatures were subsequently obtained.

Effect: Salaries and wages charged to the program could potentially not be:

- based on actual work performed
- allowable

Recommendation: We recommend that the Department enforce procedures to ensure that all timesheets are signed by the employee and supervisor.

Corrective Action Plan: See F-4

Management's Response: The Department agrees with this finding. Upon review of the sampling of TAMS records, it is clear not all time keeping procedures were followed. All timesheets identified by the auditor as not meeting standards were reviewed either by the employee or the supervisor and certified accurate. We did not discover any errors in the time reporting or payroll costs. The Department is committed to strengthening controls, increasing accountability and providing the resources necessary to ensure future compliance.

Contact: Scott A. Young, Deputy Commissioner, 207-430-5997

(State Number: 17-1503-03)

(2017-003)

Title: Controls related to the U.S. Treasury-State Agreement for cash management and the related reporting to the Federal government on the SF-270 report need improvement

Prior Year Findings: None

FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Defense, Veterans and Emergency Management
State Bureau: Military
Federal Agency: U.S. Department of Defense
CFDA Title: National Guard Military Operations and Maintenance (O&M) Projects
CFDA #: 12.401
Federal Award Identification Number: W912JD1721001

Compliance Area: Cash management
Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: 31 CFR 205(A); 2017 U.S. Treasury-State Agreement (TSA); National Guard Regulation 5-1 Section 11-4

Condition: The program did not request Federal funds in compliance with the TSA. This affected Federal financial reporting requirements as well. Testing of thirty-five SF-270 reports revealed that:

- fifteen reports covered periods other than the required two weeks. The periods ranged from seven to thirty-three days.
- seventeen reports included expenditures that were paid outside of the covered period.
- six reports were not submitted timely. The reports ranged from eight to thirty-four days after the last payment date.

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

Context: The National Guard O&M Projects program is required to drawdown cash on a biweekly basis based on the actual expenditures incurred in the past biweekly period. Program personnel shall submit an SF-270 report to the Federal government to process the reimbursement request.

Cause:

- Accounting personnel with direct responsibility over the program's internal control activities were unaware of the requirements included in the TSA.
- The Department was told not to submit a timely SF-270 report by the Federal government for the following reasons:
    - Federal funds had not yet been allotted
    - the request for reimbursement was under $1,000

Effect: Federal funds are received either more or less frequently than required in the TSA.

Recommendation: We recommend that the Department work with the Office of the State Treasurer (OST) to develop a funding technique that is more in line with their program operations and cash needs, and will improve SF-270 reporting to the Federal government.

Corrective Action Plan: See F-5

Management's Response: The Department disagrees with the condition stated in this finding but agrees with the stated recommendation. Unlike traditional Federal grants, this grant is administered as a Cooperative Agreement so reimbursements are requested utilizing a form SF270 instead of the automated drawdown utilized by most grants. The SF270 has specific instructions that are aligned with Department of Defense regulations but are inconsistent with the Treasury State Agreement. The requests for reimbursement were submitted to and approved by our Federal partner in compliance with all Department of Defense regulations. The purpose of the Treasury State Agreement is to create an interest neutral arrangement between the State and Federal governments. In all instances, the State had expended the funds before they were reimbursed by the Federal government so there was never a time when the State was holding Federal funds, correspondingly, the advantage was always to the Federal government.

Contact: Frances Lapointe, Business Manager II, DVEM, 207-430-5696

Auditor's Concluding Remarks: Though the Department may be submitting requests for reimbursement in line with the Master Cooperative Agreement between the Federal National Guard Bureau and the Department, the Department did not request Federal funds in compliance with the TSA. Although administration of the TSA is ultimately the responsibility of OST, the TSA should have been a collaborative effort between the Department and OST. Though OST may not have contacted the correct Department personnel regarding the TSA, it was still the Department's responsibility to ensure that the program was properly and accurately documented in the TSA.

The finding remains as stated.

(State Number: 17-1503-02)

(2017-004)

Title: Monitoring of cash balance needs to be improved

Prior Year Findings: None

FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Defense, Veterans and Emergency Management
State Bureau: Military
Federal Agency: U.S. Department of Defense
CFDA Title: National Guard Military Operations and Maintenance (O&M) Projects
CFDA #: 12.401
Federal Award Identification Number: W912JD1721001

Compliance Area: Cash management

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: 32 CFR 33.20(b)(2) and (3)

Condition: The Department does not track the actual cash balance.

Context: The National Guard Military O&M Projects (CFDA 12.401) and Military Construction, National Guard (CFDA 12.400) share a general ledger account within the State accounting system. In fiscal year 2017, the beginning cash balance in this account was a negative $1.9 million and the ending cash balance was a negative $3.6 million.

Cause: The National Guard Military O&M Projects program does not have a unique account within the State accounting system which allows for tracking the program's cash balance, nor is it tracked in any other supporting record.

Effect: Loss of control over cash balances by Federal program

Recommendation: We recommend that the Department establish separate cash accounts for the National Guard Military O&M Projects program and the Military Construction, National Guard program or track each Federal program's cash balance in a subsidiary record and monitor the cash balance to ensure compliance with Federal cash management requirements.

Corrective Action Plan: See F-5

Management's Response: The Department agrees with the stated condition but disagrees with the stated effect. The State's Department of Defense Veterans and Emergency Management and the Federally controlled National Guard Bureau, have entered a Master Cooperative Agreement that, among other things, establishes that this program operates on the reimbursement method and reimbursements will be requested utilizing form SF 270. While the Department does not track cash balances at the program level in Advantage, expenses and cash receipts are reconciled each time the SF 270 forms are prepared. Additionally, a reconciliation and true up of expenditures and cash receipts is prepared during the annual closeout report process. To address the stated condition, the Department plans on utilizing separate accounts in Advantage to track the negative cash balances in a more transparent way.

Contact: Frances Lapointe, Business Manager II, DVEM, 207-430-5696

Auditor's Concluding Remarks: The Office of the State Auditor acknowledges that the Department has a Master Cooperative Agreement that establishes the reimbursement method using the SF-270. However, the Department acknowledges that they do not track cash balances at the program level in the State accounting system or in a subsidiary record. The State is responsible for all Federal cash on hand anytime of the year by program, not just what was drawn and expended during the current fiscal year. Though the cash balance in the shared general ledger account was negative in fiscal year 2017, this does not ensure that one program did not have a positive cash balance which was offset by a larger negative cash balance in the other program. Therefore, the Office of the State Auditor recommends that as part of the Department's Internal Control system, the Department establish periodic Monitoring controls over their Internal Control Activities for each Federal program to ensure that excess cash balances do not exist. Actual Federal cash balances by program must be known in order to accomplish this.

The finding remains as stated.

(State Number: 17-1503-01)

(2017-005)

Title: Internal controls over suspension and debarment need improvement

Prior Year Findings: None

FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Defense, Veterans and Emergency Management (DVEM)
State Bureau: Military
Federal Agency: U.S. Department of Defense
CFDA Title: National Guard Military Operations and Maintenance (O&M) Projects
CFDA #: 12.401
Federal Award Identification Number: W912JD1721001

Compliance Area: Procurement and suspension and debarment

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: 2 CFR 180

Condition: The Department did not consistently ensure that vendor contracts included the required suspension and debarment language. Of the fourteen contracts tested, one contract did not contain the applicable suspension and debarment certification. In a separate test, an additional contract did not contain the suspension and debarment certification.

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

Context: Federal funds totaling $4.3 million were expended for procurement contracts in fiscal year 2017.

Cause:

- The Department did not have procedures in place to ensure that vendors were not suspended or debarred.
- The bidding forms and contract template used did not contain the applicable suspension and debarment language.

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

Recommendation: We recommend that the Department establish procedures to verify that vendors are not suspended, debarred or otherwise excluded from participating in Federal programs.

Corrective Action Plan: See F-5

Management's Response: The Department agrees with this finding. DVEM has retroactively confirmed through the SAM.gov webpage that the contractors identified in the finding are not suspended, debarred or otherwise excluded. Additionally, DVEM has taken steps to ensure future compliance by including standard suspension and debarment certification language to contract templates and bidding forms so that vendors will be required to certify themselves compliant during the contracting process.

Contact: Frances Lapointe, Business Manager II, DVEM, 207-430-5696

(State Number: 17-1503-04)

(2017-006)

Title: Internal control over continuing eligibility is not adequate

Prior Year Findings:

FY16	FY15	FY14	FY13	FY12	FY11	FY10
2016-005	2015-031	2014-039	13-1302-01	12-1302-01	11-1302-06	

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

Compliance Area: Eligibility

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

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

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

Condition: A State administering the UI program must have properly designed internal control procedures in place to determine claimants' continuing eligibility. BUC has an internal control process in place in which they audit a random sample of weekly benefit payments for compliance with work search requirements. We reviewed a random sample of sixty weekly benefit payments from the population of claimants audited by BUC as part of their own internal control process. We noted that BUC's own internal audit process established overpayments for seventeen of the sixty cases due to claimant work search noncompliance. This overpayment rate for fiscal year 2017 approximates the overpayment rate realized since the work search audit procedures' inception during fiscal year 2014 and thus provides evidence that the procedure is not providing adequate control over claimants' compliance with continuing eligibility requirements.

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

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

Context: Approximately $102 million in benefits were paid in fiscal year 2017. This includes $96 million of employer-funded benefit payments and $6 million in Federally-funded benefit payments.

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

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

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

Corrective Action Plan: See F-5

Management's Response: The Department disagrees with this finding. The Department contends that the work search audit standard operating procedure (SOP) complies with federal and state regulations. The Department conducted work search reviews and implemented additional procedures to follow-up with noncompliant claimants. This will be the last full year from which all work search samples will be from the old legacy system. As part of the UI application modernization effort to replace the fragile legacy MDOL system, Maine went live with the benefits portion of the ReEmployME application on December 06, 2017. Claimants can file their weekly claim via a weekly certification online, through the Interactive Voice Response system, or a Customer Service Representative. The new system requires each claimant to provide detailed information about their work search activities and then requires the claimant to certify using the last 4 digits of their SSN to complete the "Work Search Acknowledgement" to verify the accuracy of the information provided. A claim is not considered complete and will not be processed unless the work search requirement is fulfilled.

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

Auditor's Concluding Remarks: During our audit of the Department's work search standard operating procedure (SOP) we noted overpayment rates consistent with prior year results. Claimant noncompliance with work search requirements resulting in an overpayment rate of approximately twenty-eight percent in fiscal year 2017 is indicative of an internal control system that is not effective in correcting claimant noncompliance. At face value it is reasonable to expect that the newly implemented ReEmployME application that is part of the new electronic system that processes unemployment benefits, will in fact materially reduce overpayment rates resulting from work search noncompliance in fiscal year 2018 and beyond.

The finding remains as stated.

(State Number: 17-1302-01)

(2017-007) Confidential finding, see Condition Section below for more information

Title: Internal controls over ______ are not adequate (The content of this finding has been redacted. This appears as blank underlining.)

Prior Year Findings:

FY16	FY15	FY14	FY13	FY12	FY11	FY10
2016-008	2015-033	2014-041				

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

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: Federal ______; State of Maine ______

Condition: Controls ______, are not adequate and are not based on ______. This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

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

A copy of that correspondence has also been sent to:

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

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

Cause: There was a breakdown in the ______ procedures. ______ procedures are those actions that ______.

Effect: Current ______ controls are a potential ______. Successful ______.

Recommendation: We recommend that MDOL implement additional controls to remediate the deficiency.

Corrective Action Plan: See F-6

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

______. The Department anticipates that this phase of corrective action will be fully implemented and on-going by March 31, 2018.

To protect confidential information, the remainder of the Department's response has been redacted.

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

(State Number: 17-0914-02)

(2017-008)

Title: Performance monitoring of TANF subrecipients needs improvement

Prior Year Findings:

FY16	FY15	FY14	FY13	FY12	FY11	FY10
2016-015						

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: TANF Cluster (TANF)
CFDA #: 93.558
Federal Award Identification Number: 1502METANF, 1601METANF, 1701METANF

Compliance Area: Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

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

Criteria: 2 CFR 200.331(a); 2 CFR 200.331(d)

Condition: The Department did not effectively monitor subrecipients to ensure TANF funds were used for authorized purposes in compliance with Federal statutes, regulations, and the terms and conditions of the subaward.

Of the thirteen subrecipient contracts tested:

- eleven of the contracts required performance reports. Of the 125 total performance reports required to be completed in fiscal year 2017:
    - sixty-eight performance reports were to be sent to a separate TANF subrecipient per the contracts. The Department did not review these reports to ensure performance objectives were met.
    - twenty-two performance reports could not be located.
    - thirty-five performance reports that were located did not include evidence of State review.

- two contracts required site visits “annually, at the Department’s discretion” and one contract required two site visits “during the year at the Department’s discretion”. However, no site visits were completed.
- one contract was comprised of a target population that included populations other than TANF-eligible clients. Data collected by the Department was not sufficient to ensure that TANF funds were only spent on eligible populations. The timing of the Department’s monitoring was not within fiscal year 2017; however, expenditures related to this contract were properly transferred to the General Fund in September 2017.

In addition, TANF grant award information was not properly identified to the subrecipient in two other subrecipient contracts tested.

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

Context: The Department awarded $19.2 million to subrecipients from $48.1 million of total TANF grant funds expended during fiscal year 2017.

Cause:
- Lack of adequate internal controls
- Lack of oversight

Effect:
- Noncompliance by a subrecipient may go undetected
- TANF grant funds could be spent on ineligible populations

Recommendation: We recommend that the Department effectively monitor their subrecipients to ensure TANF funds are spent in accordance with TANF grant regulations.

Corrective Action Plan: See F-6

Management’s Response: The Department agrees with this finding. While the Department agrees that it can more effectively monitor its subrecipients, it is important to note that the Department, during subrecipient monitoring, did transfer expenditures to the General Fund as a result of ongoing monitoring. This demonstrates the Department’s commitment to the use of TANF funds only for authorized purposes under federal law. The Department transferred these expenditures to the General Fund because of data impediments, not because the services were unallowable under TANF. Additionally, the Department has undertaken a complete systemic review of contracts funded with TANF. There have been areas identified where the Department has implemented procedures and protocol to address contract management and oversight, specifically, regarding TANF funded contracts.

The Department will look to improve its monitoring of subrecipients by implementing increased protocols including revising performance reports to include programmatic signatures.

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

(State Number: 17-1111-04)

(2017-009)

Title: Subrecipient contracts need to be updated and monitoring of subrecipient financial information needs improvement

Prior Year Findings: None

FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Health and Human Services
State Bureau: Division of Contract Management
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: TANF Cluster (TANF)
Aging Cluster
Community Services Block Grant (CSBG)
CFDA #: 93.558; 93.044, 93.045, 93.053; 93.569
Federal Award Identification Number: 1502METANF, 1601METANF, 1701METANF, 14AAMET3CM, 14AAMET3SS, 14AAMET3HD, 15AAMET3CM, 15AAMET3SS, 15AAMET3HD, 16AAMET3CM, 16AAMET3SS, 16AAMET3HD, 16AAMENSIP, 17AAMET3CM, 17AAMET3SS, 17AAMET3HD, 17AAMENSIP, 17B1MECOSR

Compliance Area: Cash management
Subrecipient monitoring

Type of Finding: Material weakness
Material noncompliance

Questioned Costs: None

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

Criteria: 2 CFR 200.305(b); 2 CFR 200.331(a); 2 CFR 200.331(d)

Condition: None of the twenty-seven subrecipient contracts tested for TANF, the Aging Cluster, and CSBG contained the following information required by the Federal government:

- the subrecipient's unique entity identifier (Data Universal Numbering System number also known as a DUNS number)
- the Federal award date

- an updated reference to the Uniform Guidance issued by the Federal government
- a reference to the correct threshold of $750,000 or more expended in Federal awards during a fiscal year by non-Federal entities that requires them to receive a Single or program-specific audit

Additionally, of the thirteen TANF subrecipient contracts tested, eleven financial reports received from the subrecipient were not signed by the preparer and/or reviewer. In addition, thirteen financial reports could not be located.

Finally, the Department did not monitor subrecipients to ensure they were drawing Federal funds in accordance with cash management requirements.

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

Context: During fiscal year 2017, the Department awarded:

- $19.2 million to subrecipients from TANF grant funds of $48.1 million
- $4.0 million to subrecipients from Aging Cluster grant funds of $4.5 million
- $3.39 million to subrecipients from CSBG grant funds of $3.42 million

Cause: Lack of oversight

Effect:

- Noncompliance with Federal requirements
- Noncompliance with subrecipient cash management requirements may go undetected
- TANF, the Aging Cluster, and CSBG may not be effectively and efficiently administered consistent with Federal and State law

Recommendation: We recommend that the Department ensure that contracts contain all required information and that it be correct. We also recommend that all financial reports obtained from the subrecipient be reviewed and retained, and that there be follow-up when appropriate. We further recommend that the Department monitor subrecipients to ensure that they are drawing Federal funds in accordance with cash management requirements.

Corrective Action Plan: See F-6

Management's Response: The Department agrees that some required elements were not included in subrecipient contracts and that an updated reference to the Uniform Guidance is needed. The Department also agrees that some financial reports were not signed and some were missing. The Department disagrees that it did not monitor subrecipients to ensure they were drawing Federal funds in accordance with cash management requirements. The Department monitors subrecipients to ensure they are drawing Federal funds in accordance with cash management requirements. The Department supports the timing of payments to subrecipients so that the timing is as close as is administratively feasible to the expenditures. This is accomplished through monthly payments that are trued-up to actual expenditures on a quarterly basis. The Department also provides additional monitoring in a reasonable timeframe with the agreement close-out processing and the final financial audit performed by the Division of Audit.

Contact: Jim Lopatosky, Director, Division of Contract Management, 207-287-5075

Auditor's Concluding Remarks: The State must monitor cash drawdowns by its subrecipients and also the subrecipient's cash balance, to ensure that the time elapsing between the payment of Federal funds to the subrecipient and the subrecipient's disbursement for program purposes is minimized, consistent with the applicable cash management requirements in the Federal award to the subrecipient. During the quarterly estimated-to-actual reconciliation referred to in Management's Response, additional support is not requested for amounts reported on the quarterly, or sometimes monthly, financial report to verify when expenditures were actually paid by the State's subrecipient in comparison to the date that Federal funds were actually received by the subrecipient. Additionally, both the agreement close-out process and the financial audit are performed only after the end of the contract, which is not in accordance with 2 CFR 200.305(b).

The finding remains as stated.

(State Number: 17-1111-06)

(2017-010)

Title: Income Eligibility and Verification System procedures need improvement

Prior Year Findings:

FY16	FY15	FY14	FY13	FY12	FY11	FY10
2016-017	2015-021		13-1111-02	12-1111-02	11-1111-01	10-1111-01

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
U.S. Department of Agriculture
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
SNAP Cluster (SNAP)
TANF Cluster (TANF)
CFDA #: 93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558
Federal Award Identification Number: 1605ME5MAP, 1705ME5MAP,
05-1505ME5021, 05-1605ME5021,
1705ME5021, 1705ME0301,
16164ME421Q3903, 16164ME401S2514,
16164ME421Q7503, 16164ME401S2520,
16164ME401S8036, 174ME421Q3903,
174ME401S2514, 174ME421Q7503,
174ME401S2519, 174ME401S2520,
174ME401S8036, 174ME401S8069
1502METANF, 1601METANF, 1701METANF

Compliance Area: Special tests and provisions
Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: 42 USC 1320b-7; 45 CFR 205.56; 42 CFR 435.952

Condition: Policies and procedures in place to ensure that Income Eligibility and Verification System (IEVS) information is utilized in determining eligibility and level of benefits or in maintaining case records in the Automated Client and Eligibility System (ACES) are not always followed.

Our testing indicated that the Department did not document required follow-up for 16 of the 240 client alerts and discrepancies examined, as follows:

- follow-up for one of forty alerts on the Bendex Income Discrepancy Report was not documented
- incarcerations were not documented for two of forty alerts on the Prisoner Verification Details Report
- follow-up for two of forty alerts on the Buy-In Discrepancy Report was not documented ("Buy-In" refers to the payment of Medicare premiums by the Medicaid program for certain individuals eligible for Medicare)
- follow-up for three of forty income discrepancies on the Discrepancy in Unemployment Insurance Benefits Report was not documented
- follow-up for eight of forty income discrepancies on the Quarterly Earnings Discrepancy Report was not documented

The Office of the State Auditor (OSA) selected a sample of forty client alerts and discrepancies from each of the six IEVS reports, for a total of 240 client alerts and discrepancies examined. OSA utilized non-statistical random sampling when possible; however, due to a change in report formatting, haphazard selection was required for approximately half the sample.

The SNAP Cluster was not audited as a major program in fiscal year 2017. However, audit evidence obtained during the current audit period supported the inclusion of this Cluster in this repeat finding.

Context: The State is required to comply with Federal IEVS exchange rules and regulations in accordance with program agreements. IEVS is an exchange of information with State and Federal agencies to verify income and expense information needed to determine eligibility for Federal financial assistance.

Cause: During the first half of fiscal year 2017, caseworkers were only able to view the most recent IEVS report on their computer screens. If a caseworker did not promptly review the IEVS report, the information was overwritten by the IEVS report for the next period. As a result, caseworkers did not consistently take action and then document the action taken on reported discrepancies.

Effect:

- Potential incorrect eligibility decisions
- Failure to participate in IEVS may result in the U.S. Department of Health and Human Services penalizing the State for up to two percent of the State Family Assistance Grant known as the TANF Cluster

Recommendation: We recommend that the Department monitor and enforce procedures requiring personnel to follow through and properly resolve discrepancies. We also recommend that the Department continue with IEVS training efforts. This training must include case action that must be taken and the documentation that must exist in response to IEVS alert information included in Match Reports. Appropriate responses must be made to IEVS information on a timely basis.

Corrective Action Plan: See F-7

Management's Response: The Department agrees with this finding. The Department updated its IEVS reporting process and procedures in December 2016. The Department currently does and will continue to monitor and enforce procedures requiring personnel to follow-through and properly resolve discrepancies. The dedicated IEVS special project team routinely monitors IEVS reports to identify and resolve action items. In addition, the Compliance and Program Integrity Program Manager holds monthly meetings with the IEVS special project team to promote resolution and accountability.

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

(State Number: 17-1111-01)

(2017-011)

Title: Controls over special reporting need improvement

Prior Year Findings: None

FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Health and Human Services (DHHS)
State Bureau: Office for Family Independence (OFI)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: TANF Cluster (TANF)
CFDA #: 93.558
Federal Award Identification Number: 1502METANF, 1601METANF, 1701METANF

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: 42 CFR 265.9

Condition: The Federal fiscal year 2016 ACF-204, titled the Annual Report including the Annual Report on State Maintenance-of-Effort (MOE) Programs, reported incorrect client case count information in four of the fifteen MOE programs, as follows:

- the TANF Unemployed Parent program reported 281 average monthly families served; however, supporting documentation shows 278 average monthly families served
- the Child Care Development Fund MOE program reported 1,052 total families served over the entire fiscal year; however, supporting documentation shows 4,521 total families served
- non-recurrent short-term programs reported 488 average monthly families served; however, supporting documentation shows 472 average monthly families served
- the Head Start program reported 336 total families served over the entire fiscal year; however, supporting documentation shows 316 total families served

Context: The ACF-204 is an annual report providing information about TANF program participation and expenditures.

Cause: The ACF-204 report is prepared, reviewed, and submitted to the Federal government by the same person, without an additional level of review.

Effect: The Federal government may penalize the State by an amount equal to four percent of the adjusted State Family Assistance Grant, known as the TANF Cluster, for each quarter the State fails to submit an accurate, complete and timely report.

Recommendation: We recommend that an additional level of review be added prior to the final submission of the ACF-204 report to the Federal government.

Corrective Action Plan: See F-7

Management's Response: The Department agrees with this finding. DHHS-OFI will implement an additional level of review prior to final submission of the ACF-204 report. This will include a periodic query that will pull numbers for future reports, which will eliminate the need for a manual calculation. The provided documentation and data will be reviewed to ensure there are no discrepancies going forward.

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

(State Number: 17-1111-02)

(2017-012)

Title: Procedures related to TANF work participation need improvement

Prior Year Findings: None

FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Health and Human Services (DHHS)
State Bureau: Office for Family Independence (OFI)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: TANF Cluster (TANF)
CFDA #: 93.558
Federal Award Identification Number: 1502METANF, 1601METANF, 1701METANF

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: 45 CFR 261.60 through 45 CFR 261.62

Condition: The Department reported incorrect information about work participation in the ACF-199 TANF Data Report and the ACF-209 SSP-MOE Data Report. Of the forty cases tested by the auditor:

- one case reported job search hours as nineteen rather than the correct amount of fifteen
- two cases reported unsubsidized employment hours as forty per case rather than the correct amount of thirty-one for one case and an undeterminable amount less than forty for the other case

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

Context: The State agency must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of information reported to the Federal government and used to calculate work participation rates.

Cause:

- For TANF clients who receive Worker Supplement Benefits (WSB), the Department does not have a policy to ensure updated employment information is verified and entered as necessary in the Automated Client Eligibility System (ACES). Instead, the Department reports the higher of anticipated or actual hours as recorded in ACES for Federal performance reporting purposes.
- Work participation data was entered incorrectly in ACES and resulted in incorrect amounts being used for Federal reporting purposes.

Effect:

- The Federal government may penalize the State by an amount not less than one percent and not more than five percent of the adjusted State Family Assistance Grant, known as the TANF Cluster, for violation of this provision.
- TANF clients may be incorrectly deemed eligible to receive WSB.

Recommendation: We recommend that the Department strengthen procedures to improve the reliability of work participation information.

Corrective Action Plan: See F-7

Management's Response: The Department agrees with this finding. DHHS-OFI will implement an additional level of review prior to final submission of the ACF-199 TANF Data report and the ACF SSP-MOE Data report. The implementation of the review process will strengthen the reliability of work participation information.

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

(State Number: 17-1111-03)

(2017-013)

Title: No evaluation of each subrecipient's risk of noncompliance

Prior Year Findings: None

FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Health and Human Services
State Bureau: Office for Family Independence
Division of Contract Management
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: TANF Cluster (TANF)
CFDA #: 93.558
Federal Award Identification Number: 1502METANF, 1601METANF, 1701METANF

Compliance Area: Subrecipient monitoring

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: 2 CFR 200.331(b)

Condition: The Department did not evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. Of the nine subrecipients tested, no risk evaluations were performed.

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

Context: The Department awarded $19.2 million to subrecipients from $48.1 million of total TANF grant funds expended during fiscal year 2017.

Cause: Unknown

Effect: Subrecipients that are deemed higher risk as a result of prior noncompliance are not monitored on a more frequent basis.

Recommendation: We recommend that the Department implement a process that evaluates each subrecipient's risk of noncompliance for the purposes of determining appropriate subrecipient monitoring to be performed.

Corrective Action Plan: See F-7

Management's Response: While the Department agrees that there was not a documented specific evaluation of risk for purposes of determining appropriate subrecipient monitoring, the Department does evaluate risk on all subrecipients. Additionally, the Department has policies and procedures in place to perform all subrecipient monitoring requirements in 2 CFR Part 200.331(d) and the Department goes above and beyond those requirements with additional monitoring activities such as: budgetary reviews for compliance prior to the execution of all sub-awards, additional audit requirements outlined in Maine Uniform Accounting and Auditing Practices for Community Agencies (MAAP) and provide subrecipients with technical training and assistance.

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

Auditor's Concluding Remarks: While the Department may be performing monitoring activities over subrecipients, these monitoring activities are completed uniformly for all subrecipients, and not as a result of a risk assessment.

The finding remains as stated.

(State Number: 17-1111-05)

(2017-014)

Title: Internal controls over the allocation of Community Services Block Grant funds to individual community action agencies need improvement

Prior Year Findings: None

FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Health and Human Services
State Bureau: Office of Child and Family Services (OCFS)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Community Services Block Grant (CSBG)
CFDA #: 93.569
Federal Award Identification Number: 17B1MECOSR

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: 2 CFR 200.303; 42 USC 9907

Condition: The allocation of Federal funds passed through to designated community action agencies contained mathematical errors and was based on outdated census data. Furthermore, there was no evidence that the calculation was subject to supervisory review.

Context: Approximately $3.3 million was passed through to ten designated community action agencies.

Cause:
- Lack of internal control
- Staff turnover

Effect: Community action agencies may not have been awarded the correct amount of Federal funds.

Recommendation: We recommend that the Department implement written procedures to ensure the allocation of funds to designated community action agencies is in accordance with Federal and State regulations. We further recommend that the Department add a supervisory review procedure prior to finalizing the allocation of funds.

Corrective Action Plan: See F-8

Management's Response: The Department disagrees with this finding. The Department has written procedures to ensure the allocation of CSBG funds is in accordance with Federal and State regulations.

Contact: Robert Blanchard, Associate Director, 207-624-7955

Auditor's Concluding Remarks: The Department does not have internal written procedures that address the need for internal controls, such as an additional level of review that could detect mathematical errors and ensure that current census data is used, over the allocation calculation of funds to designated community action agencies.

The finding remains as stated.

(State Number: 17-1117-01)

(2017-015)

Title: Procedures over drug rebate accounting and reporting need improvement

Prior Year Findings:

FY16	FY15	FY14	FY13	FY12	FY11	FY10
2016-019	2015-025					

State Department: Administrative and Financial Services
Health and Human Services (DHHS)
State Bureau: Health and Human Services Service Center
Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
CFDA #: 93.775, 93.777, 93.778; 93.767
Federal Award Identification Number: 1605ME5MAP, 1705ME5MAP,
05-1505ME5021, 05-1605ME5021

Compliance Area: Allowable costs/cost principles
Reporting

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Questioned Costs: Undeterminable. There were no drug rebates reported on the CHIP CMS-64.21 or CMS-21 reports during fiscal year 2017. Questioned costs cannot reasonably be estimated because rebates cannot be tied to a particular claim. The Centers for Medicare and Medicaid Services (CMS) issued guidance specifying that States unable to tie drug rebate amounts directly to individual drug expenditures may utilize an allocation methodology for determining the appropriate Federal share of drug rebate amounts. The Department is in the process of adopting the allocation method based on the CMS guidance. This allocation method has required the Department to create new account coding in order to ensure that the rebate collections are consistent with the claim expenditures. Because new account coding was created, the allocation method approved by CMS cannot be used as a tool to calculate questioned costs for fiscal year 2017.

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

Criteria: State Medicaid Manual, Chapter 2 Section 2500.2(E); 45 CFR 92.20(a)(1) and (2); 2 CFR 200

Condition: Rebates associated with drugs dispensed to CHIP members were incorrectly offset against Medicaid expenditures and returned to the Federal government at the base (lower) Federal Medical Assistance Percentage (FMAP) rate instead of at the enhanced (higher) FMAP rate. In addition, these rebates were inappropriately reported on Medicaid's Form CMS-64.9 report instead of CHIP's CMS-64.21 and CHIP's CMS-21 reports.

Context: Approximately $100 million in Federal drug rebates were reported on Medicaid's Form CMS-64.9 report for fiscal year 2017. An amount undetermined by DHHS should have been credited to CHIP.

Cause: The Department did not obtain the supporting documentation needed to accurately account for and report drug rebates for CHIP.

Effect:
- CHIP drug expenditures are overstated and Medicaid drug expenditures are understated
- Potential current and future questioned costs
- Noncompliance with Federal regulations

Recommendation: We recommend that DHHS continue to finalize the Maine Integrated Health Management Solution (MIHMS) Change Request 60015 which implements guidance provided by CMS and will resolve the Pharmaceutical Rebate Information Management System issue.

Corrective Action Plan: See F-8

Management's Response: The Department agrees with this finding. DHHS has finalized the MIHMS Change Request 60015 effective February 20, 2018. This CMS approved method of reporting Drug Rebate expenditures will be put into place with the CMS 64 quarter 1 2018 reporting period.

Contact: Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093

(State Number: 17-1140-01)

(2017-016)

Title: Riverview

Prior Year Findings:

FY16	FY15	FY14	FY13	FY12	FY11	FY10
2016-027	2015-006	2014-006				

State Department: Administrative and Financial Services
Health and Human Services (DHHS)
State Bureau: Health and Human Services Service Center
Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification Number: 1605ME5MAP, 1705ME5MAP

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency
Questioned costs

Questioned Costs:

Questioned Costs	Total	Federal	State
Known	$14,000,000	$14,000,000	
Likely			
A Known Questioned Cost is the amount specifically identified by the auditor through actual testing. Likely Questioned Cost is the auditor's estimate of the full impact of the Condition.			

Criteria: 42 CFR 482.1(a)(5)

Condition: The Centers for Medicare and Medicaid Services (CMS) decertified Riverview as a Medicare provider of psychiatric hospital services on September 2, 2013. The Department received a notice of disallowance from CMS in June 2017. The Department appealed the disallowance on August 3, 2017 and the appeal was denied. The Department filed another appeal to the Departmental Appeals Board at CMS on February 23, 2018 and the appeal remains open. The State continues to use Federal funds for these services.

Context: The State used Federal funds of $14 million in fiscal year 2017, $14 million in fiscal year 2016, $16 million in fiscal year 2015 and $10.5 million in fiscal year 2014 subsequent to decertification by CMS. In fiscal year 2018, the State continues to use Federal funds.

Cause: The Department obtained legal advice to continue claiming these costs on the CMS-64 report.

Effect:

- Potential disallowances
- Potential noncompliance with Federal regulations

Recommendation: We recommend that DHHS continue to work with CMS to resolve this matter.

Corrective Action Plan: See F-8

Management's Response: The Department disagrees with this finding. Since the decertification of Riverview, the State has worked with CMS to achieve resolution, however, CMS has given no clear guidance on how the State would achieve recertification. The Department has and continues to work with CMS and is operating as CMS has advised. It should be noted that nothing in Federal law or rule prohibits the State from continuing to use DSH funds to support Riverview. The State continues to work proactively on this issue. The Executive has routinely communicated with the Legislature about the continued risk associated with using DSH funding for Riverview as is evidenced by the Legislatively approved Public Law 2017 Chapter 284 Part EEEEEEE that authorizes up to $65,000,000 from the Maine Budget Stabilization Fund in the event that repayment is required.

Contact: Scott Lever, Deputy Commissioner of Health Services, 207-287-5159

Auditor's Concluding Remarks: The finding remains as stated.

(State Number: 17-1106-05)

(2017-017)

Title: Controls over Cost of Care assessments need improvement

Prior Year Findings:

FY16	FY15	FY14	FY13	FY12	FY11	FY10
		2014-019	13-1106-01			

State Department: Health and Human Services (DHHS)
State Bureau: Office for Family Independence (OFI)
Federal Agency: U.S Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification Number: 1605ME5MAP, 1705ME5MAP

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency
Questioned costs

Questioned Costs:

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

Criteria: 42 CFR 435.725; MaineCare Eligibility Manual Part 14 Section 6

Condition: Cost of Care assessments were not accurate. In a sample of sixty assessments:

- four Cost of Care assessments were not systematically updated within the Automated Client Eligibility System (ACES) after a Cost of Living Adjustment (COLA) was effective. In addition, these four assessments were not identified by the established process used to identify cases requiring manual updates.
- one Cost of Care assessment that did not systematically update with a COLA was manually adjusted in ACES due to a change in income and expenses; however, the start date was entered incorrectly.
- one Cost of Care assessment was not correct in ACES because periodic manual updates were not performed after every change in income and/or expense.

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

Context: The State agency must reduce its payment to an institution for services provided to a Medicaid member in medical institutions and intermediate care facilities by the amount that remains after deducting certain amounts from the member's total income. This remaining amount is the client's share of the cost, known as "Cost of Care."

Cause:

- The process in place to identify cases requiring the Cost of Care assessment to be manually updated did not identify all cases requiring a manual update.
- Human error occurred entering data into the ACES system.

Effect: Incorrect Cost of Care assessments may result in potential overpayments or underpayments when the Cost of Care is deducted from claim payments.

Recommendation: We recommend that the Department improve controls, increase supervisory oversight, and perform periodic reviews of Cost of Care assessment calculations.

Corrective Action Plan: See F-9

Management's Response: The Department agrees with this finding. DHHS-OFI plans to improve controls in the oversight of Cost of Care determinations. This will be accomplished by increasing the supervisory oversight of conducting periodic reviews of Cost of Care assessments, as well as the manual review of COLA-related changes. We also expect that COC errors will be alleviated with the planned implementation of OFI's new Business Rules Engine.

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

(State Number: 17-1106-06)

(2017-018)

Title: Eligibility re-determination controls need improvement

Prior Year Findings: None

FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Health and Human Services (DHHS)
State Bureau: Office for Family Independence (OFI)
Federal Agency: U.S Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification Number: 1605ME5MAP, 1705ME5MAP

Compliance Area: Eligibility

Type of Finding: Significant deficiency
Questioned costs

Questioned Costs:

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

Criteria: 42 CFR 435.916(b); MaineCare Eligibility Manual Part 2 Section 13

Condition: The controls in the Automated Client Eligibility System (ACES) that automatically calculate and flag a case when the client's eligibility re-determination is due did not function consistently. As a compensating control, the Department uses a work processing tool to identify upcoming eligibility determination due dates.

Context: As part of their compensating controls, a manual exception report generated as of June 30, 2017 identified approximately 500 cases that exceeded the twelve month eligibility re-determination requirement. However, the accumulation of these cases has significantly decreased since discovery in June 2015.

Cause: ACES did not consistently generate alerts for eligibility re-determinations.

Effect:

- Potential ineligible clients receiving benefits
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department continue efforts to reduce the number of cases that exceed the twelve month eligibility re-determination requirement.

Corrective Action Plan: See F-9

Management's Response: The Department agrees with this finding. DHHS-OFI will continue to improve efforts to reduce the number of cases that exceed the twelve-month eligibility re-determination requirement. This will be accomplished by monitoring and assignment of a monthly report that identifies cases that are past their recertification date, which will be used as an additional control to further strengthen the process. In addition, DHHS-OFI's task management system, Siebel, is used as a tool to identify upcoming eligibility re-determination due dates. As a result, there is an automated system in place that consistently generates tasks for eligibility re-determinations, as appropriate.

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

(State Number: 17-1106-10)

(2017-019) Confidential finding, see Condition Section below for more information

Title: Management controls over ______ need improvement (The content of this finding has been redacted. This appears as blank underlining.)

Prior Year Findings:

FY16	FY15	FY14	FY13	FY12	FY11	FY10
2016-020	2015-014	2014-013				

State Department: Administrative and Financial Services
State Bureau: Office of Information Technology (OIT)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
SNAP Cluster (SNAP)
CFDA #: 93.775, 93.777, 93.778; 93.767; 10.551, 10.561
Federal Award Identification Number: 1605ME5MAP, 1705ME5MAP, 05-1505ME5021, 05-1605ME5021, 16164ME421Q3903, 16164ME401S2514, 16164ME421Q7503, 16164ME401S2520, 16164ME401S8036, 174ME421Q3903, 174ME401S2514, 174ME421Q7503, 174ME401S2519, 174ME401S2520, 174ME401S8036, 174ME401S8069

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: State of Maine ______; Federal ______

Condition: OIT controls over ______. This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Richard McGreal, Associate Regional Administrator, Centers for Medicare and Medicaid Services, Boston, MA and
- Jessica Shahin, Associate Administrator, U.S. Department of Agriculture, Supplemental Nutrition Assistance Program, Alexandria, VA.

A copy of that correspondence has also been sent to:

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

The SNAP Cluster was not audited as a major program in fiscal year 2017. However, audit evidence obtained during the current audit period supported the inclusion of this Cluster in this repeat finding.

Context: Some of the ______ used by OIT to administer State Department of Health and Human Services ______. Medicaid and CHIP programs are explicitly listed in the CFDA Titles above because they are the largest programs affected.

Cause:

- Competing priorities provided OIT with no time to address this risk.
- OIT states they have no ______ to manage ______.
- Service Level Agreements (SLAs) between State agencies and OIT are silent regarding ______.
- Business processes responsible for this concern have evolved over the course of many years.
- OIT operates in a fee-for-service environment. A fee could be assessed to State agencies or Federal entities ______. Although OIT is now ______.

Effect: Weak ______ controls are a ______. This could result in ______.

Recommendation: We recommend that OIT:

- ensure _____ clearly document OIT's responsibilities for ______
- establish an ongoing process to identify all ______
- continue with their efforts to ______

Corrective Action Plan: See F-9

Management's Response: The Department agrees with the condition stated in this finding. To address the stated condition, OIT is actively working to ______.

Contact: Victor Chakravarty, Associate CIO, Infrastructure, OIT, 207-624-9840

(State Number: 17-0905-02)

(2017-020) Confidential finding, see Condition Section below for more information

Title: ______ controls provided by the Department for the ______ need improvement (The content of this finding has been redacted. This appears as blank underlining.)

Prior Year Findings: None

FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Health and Human Services
State Bureau: Office of MaineCare Services (OMS)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
CFDA #: 93.775, 93.777, 93.778; 93.767
Federal Award Identification Number: 1605ME5MAP, 1705ME5MAP, 05-1505ME5021, 05-1605ME5021

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: Federal ______; State of Maine ______

Condition: Controls that should be provided by the Department to prevent ______ are not adequate ____. This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Richard McGreal, Associate Regional Administrator, Centers for Medicare and Medicaid Services, Boston, MA.

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, Office of Inspector General, U.S. Department of Health and Human Services, Office of Audit Services, National External Audit Review Center, Kansas City, MO.

Context: OMS has an agreement with a service contractor to manage and operate the ______. During fiscal year 2017, approximately $278 million of MaineCare pharmacy claims were processed for the State ______. Therefore, it is important that ______.

Cause: ______ procedures are not adequate. ______ procedures are those ______.

Effect: Current ______ are a potential ______. Successful ______.

Recommendation: We recommend that Department personnel implement additional controls to remediate the deficiency.

Corrective Action Plan: See F-9

Management's Response: The Department agrees with this finding. The Office of MaineCare Services (OMS) will conduct routine semiannual reviews of the ______ beginning March 2018. Based on the results of these reviews, OMS will update ______ with any required changes. Results will be documented and saved electronically.

Contact: Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093

(State Number: 17-0909-01)

(2017-021)   Confidential finding, see Condition Section below for more information

Title: Contractor-provided ______ controls for the ______ need improvement (The content of this finding has been redacted. This appears as blank underlining.)

Prior Year Findings:

FY16	FY15	FY14	FY13	FY12	FY11	FY10
2016-021						

State Department: Health and Human Services
State Bureau: Office of MaineCare Services (OMS)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
CFDA #: 93.775, 93.777, 93.778; 93.767
Federal Award Identification Number: 1605ME5MAP, 1705ME5MAP, 05-1505ME5021, 05-1605ME5021

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: Various contracts and service level agreements with the vendor; Federal ______; Office of Information Technology (OIT), State of Maine ______

Condition: Controls over the ______ need improvement. This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Richard McGreal, Associate Regional Administrator, Centers for Medicare and Medicaid Services, Boston, MA.

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, Office of Inspector General, U.S. Department of Health and Human Services, Office of Audit Services, National External Audit Review Center, Kansas City, MO.

Context: The ______ is the outsourced ______ Medicaid and CHIP ______. These claims total approximately $278 million per year. It functions as a major part ______.

Cause: The contractor did not ensure that adequate controls were in place and operating effectively to provide assurance that ______.

Effect: The lack of effectively implemented contractor controls creates unnecessary risk for the possibility of: ______

Recommendation: We recommend that controls over the ______ be strengthened to include monitoring of their corrective action plan resulting in audit resolution.

Corrective Action Plan: See F-9

Management's Response: The Department agrees with this finding. Office of MaineCare Services (OMS) will track changes throughout the year and perform quarterly monitoring to ensure that the ______ implements the recommended changes. OMS will document these changes as well.

Contact: Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093

(State Number: 17-0909-02)

(2017-022) Confidential finding, see Condition Section below for more information

Title: ______ control assurance over ______ are not adequate (The content of this finding has been redacted. This appears as blank underlining.)

Prior Year Findings:

FY16	FY15	FY14	FY13	FY12	FY11	FY10
2016-022						

State Department: Health and Human Services
State Bureau: Office of MaineCare Services (OMS)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
CFDA #: 93.775, 93.777, 93.778; 93.767
Federal Award Identification Number: 1605ME5MAP, 1705ME5MAP, 05-1505ME5021, 05-1605ME5021

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: Federal ______; State of Maine ______

Condition: Controls over the ______ need improvement. This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Richard McGreal, Associate Regional Administrator, Centers for Medicare and Medicaid Services, Boston, MA.

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, Office of Inspector General, U.S. Department of Health and Human Services, Office of Audit Services, National External Audit Review Center, Kansas City, MO.

Context: The ______ is the outsourced system used to process ______. These claims total approximately $278 million per year. It functions as an integral part of ______.

Cause: Although there is an agreement in place with the Department to do so, the contractor has not provided an annual ______ to OMS. The type of _____ report that would provide this assurance is a _____ report with a focus on the ______.

Effect: Not including an examination of the ______ could potentially result in the ______.

Recommendation: We recommend that the Department continue to require the ______. To accomplish this, we also recommend that OMS enforce the conditions of their ______.

Corrective Action Plan: See F-10

Management's Response: The Department agrees with the finding. OMS is entering into a new contract with the vendor effective July 1, 2018. This contract will require the vendor to have ______ in place that will be subjected to annual reviews and periodic testing. The vendor will also be required to have a ______ audit completed.

Contact: Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093

(State Number: 17-0909-03)

(2017-023) Confidential finding, see Condition Section below for more information

Title: No **______** is in place over the **______** (The content of this finding has been redacted. This appears as blank underlining.)

Prior Year Findings:

FY16	FY15	FY14	FY13	FY12	FY11	FY10
2016-024						

State Department: Health and Human Services (DHHS)
Administrative and Financial Services
State Bureau: Office for Family Independence (OFI)
Office of Information Technology
Federal Agency: U.S. Department of Health and Human Services
U.S. Department of Agriculture
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
SNAP Cluster (SNAP)
TANF Cluster (TANF)
CFDA #: 93.775, 93.777, 93.778; 93.767; 10.551, 10.561; 93.558
Federal Award Identification Number: 1605ME5MAP, 1705ME5MAP, 05-1505ME5021, 05-1605ME5021, 1705ME5021, 1705ME0301, 16164ME421Q3903, 16164ME401S2514, 16164ME421Q7503, 16164ME401S2520, 16164ME401S8036, 174ME421Q3903, 174ME401S2514, 174ME421Q7503, 174ME401S2519, 174ME401S2520, 174ME401S8036, 174ME401S8069 1502METANF, 1601METANF, 1701METANF

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: Federal **______**; State of Maine **______**

Condition: The Department does not have a ______ plan related to ______. This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Richard McGreal, Associate Regional Administrator, Centers for Medicare and Medicaid Services, Boston, MA and
- Jessica Shahin, Associate Administrator, U.S. Department of Agriculture, Supplemental Nutrition Assistance Program, Alexandria, VA and
- Carol Monteiro, Regional Program Manager, Administration for Children and Families, Office of Family Assistance, Boston, MA.

A copy of that correspondence has also been sent to:

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

OFI's estimated timeframe for completion is March 31, 2018. The lead person assigned to this initiative is OFI's Compliance and Program Integrity Program Manager.

The SNAP Cluster was not audited as a major program in fiscal year 2017. However, audit evidence obtained during the current audit period supported the inclusion of this Cluster in this repeat finding.

Context: ______ that determines ______ for major Federal assistance programs such as Medicaid, CHIP, SNAP and TANF. The total Federal and State shares of ______ resulting from ______ for these programs exceeds $2 billion each year.

Cause: Lack of resources

Effect: In the event of a ______, the lack of a ______ could result in ______. The ______ could also be jeopardized. Also, there could be ______.

Recommendation: We recommend DHHS continue to develop, and then implement their ______.

Corrective Action Plan: See F-10

Management's Response: The Department agrees with this finding. DHHS-OFI is working to develop and implement a ______. The Department is currently in the process of drafting a ______. Management letter comment ______ identified the need to ______.

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

(State Number: 17-0922-01)

(2017-024) Confidential finding, see Condition Section below for more information

Title: Internal controls over ______ are not adequate (The content of this finding has been redacted. This appears as blank underlining.)

Prior Year Findings: None

FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Administrative and Financial Services
Health and Human Services (DHHS)
State Bureau: Office of Information Technology
Office for Family Independence (OFI)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
TANF Cluster (TANF)
CFDA #: 93.775, 93.777, 93.778; 93.767; 93.558
Federal Award Identification Number: 1605ME5MAP, 1705ME5MAP,
05-1505ME5021, 05-1605ME5021,
1705ME5021, 1705ME0301,
1502METANF, 1601METANF, 1701METANF

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: Federal ______; State of Maine ______

Condition: Controls that ______ are not adequate and are not based on ______. This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Richard McGreal, Associate Regional Administrator, Centers for Medicare and Medicaid Services, Boston, MA and
- Carol Monteiro, Regional Program Manager, Administration for Children and Families, Office of Family Assistance, Boston, MA.

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, Office of Inspector General, U.S. Department of Health and Human Services, Office of Audit Services, National External Audit Review Center, Kansas City, MO and

Context: ______ that determines ______ for major Federal assistance programs such as Medicaid, CHIP, SNAP and TANF. The total Federal and State shares of ______ resulting from ______ for these programs exceeds $2 billion each year. Therefore, it is important that ______ resources should be adequately ______.

Cause: There was a ______ procedures. ______ procedures are those ______.

Effect: Current ______ controls are a potential ______. Successful ______.

Recommendation: We recommend that DHHS/OFI implement additional controls to remediate the deficiency.

Corrective Action Plan: See F-10

Management's Response: The Department agrees with this finding. DHHS-OFI has operating procedures that address the concerns brought forth in this finding, however, there have been lapses in adherence to these policies during the audit period. OFI plans on providing training to OFI staff to reinforce and ensure compliance with these operating procedures.

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

(State Number: 17-0922-04)

(2017-025)

Title: Procedures related to Long Term Care Facility Audits and Hospital Interim Settlement Audits need improvement

Prior Year Findings:

FY16	FY15	FY14	FY13	FY12	FY11	FY10
2016-025	2015-005	2014-003	13-1106-14	12-1106-01	11-1106-05	10-1106-03

State Department: Health and Human Services
State Bureau: Division of Audit
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification Number: 05-1505ME5MAP, 05-1605ME5MAP

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: 42 CFR 447.253(g); Maine State Plan Under Title XIX of the Social Security Act (TN No. 13-020); MaineCare Benefits Manual, Ch. III, Sections 45, 50, 67

Condition: The Department did not issue Long Term Care Facility (LTCF) Audits and Hospital Interim Settlement Audits in accordance with Federal regulations. LTCF Audits include audits of nursing facilities and audits of intermediate care facilities. The Maine Department of Health and Human Services must provide for periodic audits of the financial and statistical records of participating providers.

For Nursing Facility audits, the MaineCare Benefits Manual requires uniform desk reviews to be completed within 180 days after receipt of an acceptable cost report filing, including financial statements and other information requested from the provider except in unusual situations, including but not limited to delays in obtaining necessary information from a provider. The population of Nursing Facility audits due for completion in fiscal year 2017 was 103. We found that twenty-nine audits were not completed as of our testing in August 2017. Two were completed after the end of the fiscal year and the remaining seventy-two were completed within the fiscal year. Among the seventy-two Nursing Facility audits completed in fiscal year 2017, we selected a sample of fifteen Nursing Facility audits and found that audits for eleven facilities were not issued within 180 days. The eleven audits ranged from 5 to 142 days late, occurring as follows in "days late" order:

Number	Days Late
1	5
2	5
3	14
4	28
5	33
6	35
7	39
8	65
9	111
10	127
11	142

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

For Intermediate Care Facility for Persons with Mental Retardation (ICF/MR) audits, the MaineCare Benefits Manual requires ICF/MRs to submit cost reports annually based on the facility's fiscal year end, and then the Department must provide for periodic audits of these reports. The population of ICF/MR audits due for completion in fiscal year 2017 was sixteen. We found that seven audits were not completed as of our testing in August 2017. Of the remaining nine audits, six were not issued within one year. The six audits ranged from 68 to 192 days late, occurring as follows in "days late" order:

Number	Days Late
1	68
2	123
3	161
4	161
5	168
6	192

For Hospital Interim Settlement Audits, the Maine State Plan requires that for hospital fiscal years beginning on or after July 1, 2011, the interim settlement will be performed within twelve months of receipt of the Medicare Interim Cost Settlement Report. The population of Hospital Interim Settlements due in fiscal year 2017 was thirty-seven. Of the thirty-seven interim settlements, we found that seven interim settlements were not issued within the required twelve months, ranging from 48 to 55 days late, occurring as follows in "days late" order:

Number	Days Late
1	48
2-7	55

Context:
- Medicaid paid $284 million to LTCFs during fiscal year 2017.
- Medicaid paid $365 million to hospitals during fiscal year 2017.

Cause:
- Nursing and ICF/MR Facilities: Staff was diverted to areas of higher priority, including, but not limited to, overdue audits from prior fiscal years.
- Hospitals: The Division of Audit was directed to withhold issuance of seven Interim Cost Settlement reports due to budgetary delays at the Federal level.

Effect: Noncompliance with Federal and State regulations

Recommendation:
- Nursing and ICF/MR Facilities:
    - We recommend that the Department consistently perform internal control activities related to the LTCF audit process. Internal control activities provide assurance that these facilities are in compliance with Federal and State regulations.
    - We recommend that the MaineCare Benefits Manual be updated to bring ICF/MR audit requirements (Ch. III, Sect. 50) in line with Nursing Facility audit requirements (Ch. III, Sect. 67) as both are Long Term Care Facilities. This will ensure both are in compliance with 42 CFR Section 447.253 (g).
- Hospitals: The Office of the State Auditor cannot form a recommendation due to the fact that delays were caused at the Federal level.

Corrective Action Plan: See F-10

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

With regard to the Nursing Facility portion of the finding we would like to make clear that there are two different processes for the Review of Cost Reports By The Division of Audit (MaineCare Benefits Manual (MCBM) Section 67 13.4). The first process (13.4.1) has to do with Uniform Desk Reviews; this portion of the rule clearly states that the Division shall complete Uniform Desk Reviews within 180 days after receipt of an acceptable cost report filing (13.4.1.3). However, the rule continues with paragraph 13.4.1.4 which states unless the Division intends to schedule an on-site audit or requests additional information from the provider, it shall issue a written summary report of its findings and adjustments upon completion of the uniform desk review. That paragraph ends the Uniform Desk Review portion of the rule.

The second process, 13.4.2 discusses On-site Audits, which is inclusive of requesting additional information as stated above (13.4.1.4). This has been the accepted interpretation (requesting additional information) of the Office of State Auditor in previous years. Nowhere in this section of the rule is a deadline discussed for issuing audit reports. Therefore, the Department is in compliance with the MCBM in all instances of Nursing Facility desk reviews and audits.

Regarding the Intermediate Care Facility for persons with Mental Retardation (ICF/MR) portion of the finding the MCBM Section 50 paragraph 7070 discusses Final Audits. The Principle (paragraph 7071) states in part that all facilities are required to submit a cost report at the end of their fiscal year…and that The Department will conduct a final audit of each facility's cost report that may consist of a full scope examination by the Department. Again, there is no mention of a deadline for completing the audits. We do agree that 42 CFR 447.253(g) states that the Medicaid agency must provide for periodic audits of participating providers. However, there is no definition of periodic within the regulation. The Department would like to point out that due dates and deadlines are not subject to the interpretation of auditors and that if the Centers for Medicare and Medicaid Services wanted due dates and deadlines for audits they would incorporate those into regulations.

Regarding the Hospital Interim Settlement Audits, the Department agrees that seven interim settlements were not issued timely. The Department would like to point out that the audits were completed but not issued as the Department requested a delay in the release of the audits.

Finally, with regard to the recommendations of the Office of the State Auditor, the Department would like to point out that without the consistent internal control activities of the Division of Audit, the State Auditor would not have been able to perform this function of its audit. Additionally, the MCBM's audit requirements are all in line with 42 CFR 447.253(g) in that periodic audits are required and performed.

Contact: Herb Downs, Director, Division of Audit, 207-287-2778

Auditor's Concluding Remarks:
Nursing Facility Audits: The MaineCare Benefits Manual section 13.4.1.3 provides for an exception to the 180 day rule "in unusual situations, including but not limited to, delays in obtaining necessary information from a provider". In previous years, requesting additional information has been accepted as a reason for delay as the requests have met the criteria of unusual situations. For State fiscal year 2017, the Division of Audit requested additional information for every Nursing Facility audit, negating the "unusual situation" criteria. In addition, no on-site audits were scheduled, therefore the requirement that all Nursing Facility audits be completed within the 180 day requirement for uniform desk review is binding.

ICF/MR Audits: While the MaineCare Benefits Manual does not contain a specific time requirement to complete uniform desk reviews, it does require ICF/MR's to submit cost reports annually. Consequently, it is reasonable that DHHS complete a uniform desk review for each of the ICF/MR's cost reports annually. The Code of Federal Regulations (2 CFR 200.303) states that the non-Federal entity must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with the Federal statutes, regulations, and the terms and conditions of the Federal award.

The finding remains as stated.

(State Number: 17-1106-01)

(2017-026)

Title: Provider eligibility procedures need to address Advance Directives

Prior Year Findings:

FY16	FY15	FY14	FY13	FY12	FY11	FY10
2016-029	2015-007	2014-004	13-1106-09	12-1106-14	11-1106-12	10-1106-11

State Department: Health and Human Services
State Bureau: Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification Number: 1605ME5MAP, 1705ME5MAP

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: 42 CFR 431.107(b)(4); 42 CFR 455.105(b)

Condition: For provider agreements entered into prior to July 1, 2013, the Department did not ensure that these agreements contained all required provisions related to advance directive requirements and disclosure of certain types of business transactions. As of July 1, 2013, the new provider agreements contain the necessary information; however, the Department acknowledged that they did not revise older provider agreements.

In our test of forty provider agreements, we found that twenty-two were entered into prior to July 1, 2013 and did not contain the required terms and conditions. Eighteen were entered into after July 1, 2013 and did contain the required terms and conditions.

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

Context: Provider agreements must include suspension and debarment language, business ownership disclosures, and advance directive requirements as required by Federal regulations.

Cause: Competing priorities

Effect:

- Potentially ineligible providers being allowed to participate in the program
- Potential questioned costs and disallowances
- Noncompliance with the required provider documentation requirements

Recommendation: We recommend that the Department ensure that all provider agreements meet the advance directives and business transaction requirements.

Corrective Action Plan: See F-11

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

All active providers in the MIHMS system have a signed provider agreement on file. As noted in the Department's response to the SFY2014 finding, language regarding advance directive requirements and disclosure of certain types of business transactions was added to the agreement on June 26, 2013. The provider agreement with the added language has been used since then for all newly enrolling providers. As part of the ACA provider revalidation initiative, all providers are required to re-enroll and will sign the revised agreement then. The system was upgraded on January 17, 2017 and provider revalidation began in July 2017.

Contact: Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093

(State Number: 17-1106-02)

(2017-027)

Title: Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review

Prior Year Findings:

FY16	FY15	FY14	FY13	FY12	FY11	FY10
2016-032						

State Department: Health and Human Services
State Bureau: Division of Audit – Program Integrity Unit
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification Number: 1605ME5MAP, 1705ME5MAP

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: 42 CFR 455.13 through 42 CFR 455.15; MaineCare Benefits Manual, Section 1.17 and 1.18

Condition: Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review. In a sample of sixty cases:

- thirty-eight cases had no evidence of supervisory oversight
- twenty-one cases were inactive for an extended period ranging from 135-864 days
- nine cases were either missing required documents or documents were not properly signed
- one case was incorrectly closed due to "age of case and lack of follow up"
- one case was not referred to the Fraud Investigation Recovery Unit when the complaint and evidence indicated a referral was appropriate
- one case was incorrectly researched. The complainant alleged serious misconduct (non-financial) on the part of a provider. Program Integrity personnel conducted a billing review and concluded there were no issues, rather than following up on the complaint of serious misconduct. There was no documentation that follow-up resulted from the complaint.

The overall population included fifty-four cases opened in fiscal years prior to fiscal year 2017 that remained open at the end of fiscal year 2017, as presented below:

- one from fiscal year 2011
- one from fiscal year 2013
- three from fiscal year 2014
- thirteen from fiscal year 2015
- thirty-six from fiscal year 2016

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

Context: Medicaid paid approximately $2.2 billion to providers in fiscal year 2017. Appropriate review follow-up and corrective action are important safeguards against unnecessary or inappropriate use of Medicaid services and funding.

Cause:

- Competing priorities
- Staff turnover
- Lack of staff resources
- Limited supervisory oversight over how staff manages their own caseloads

Effect:

- Case reviews of potential provider or recipient fraud, abuse, or questionable practices are delayed or remain unresolved.
- Increased risk that fraud, abuse, or questionable practices will remain undetected.

Recommendation: We recommend that the Department improve supervisory review of open cases including monitoring the progress and resolution of open cases over time. We further recommend that older cases be evaluated to determine whether they should be closed due to insufficient evidence or referred to another unit or law enforcement agency for a full investigation. The case involving an allegation of serious misconduct on the part of the provider should be reopened.

Corrective Action Plan: See F-11

Management's Response: The Department disagrees with the finding. The conditions listed include opinions of the auditor and have no federal or state requirement outlined in the audit criteria; most specifically 42 CFR 455.13 - .15 or MaineCare Benefits Manual, Section 1.17 and 1.18 in which Program Integrity has responsibilities.

Contact: Herb Downs, Director, Division of Audit, 207-287-2778

Auditor's Concluding Remarks: Section 1.17 of the MaineCare Benefits Manual states that the Department is responsible for taking measures to "safeguard against excessive payments, unnecessary or inappropriate utilization of care and services, and assess the quality of services under MaineCare". Allowing cases to remain open and inactive for extended periods of time (135-864 days) and failing to properly document actions and oversight increase the likelihood of excessive payments and unnecessary or inappropriate utilization of care and services going undetected.

The finding remains as stated.

(State Number: 17-1106-03)

(2017-028)

Title: Controls over reporting requirements need improvement

Prior Year Findings: None

FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Administrative and Financial Services
Health and Human Services (DHHS)
State Bureau: Health and Human Services Service Center
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification Number: 1605ME5MAP, 1705ME5MAP

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: 2 CFR 200.302(2); 200 CFR 200.302(4); Medicaid State Plan (Section E-1, A. Inpatient Services; Section F Supplemental Pool for Non Critical Access Hospitals, Hospitals Reclassified to a Wage Area Outside Maine and Rehabilitation)

Condition: The amount reported on the June quarterly Centers for Medicare and Medicaid Services (CMS) CMS-64 report for Inpatient Hospital Services – Supplemental Payments included expenditures that were deemed not to be supplemental payments as defined in the Medicaid State Plan. These expenditures totaled approximately $2 million and consist of Federal and State funds.

Also, CMS informed DHHS about the requirement to separately report supplemental payments on the CMS-64 report in March 2017. The report prepared for quarter ending June 2017 did not conform to this requirement.

Context: Medicaid supplemental payments totaled approximately $69 million, as outlined in the Medicaid State Plan, for fiscal year 2017. The June CMS-64 report classified approximately $37 million as supplemental payments for half of the year rather than approximately $35 million.

Cause: DHHS was explicitly directed by CMS to report expenditures for Inpatient Hospital Services – Supplemental Payments on the CMS-64 report based on the Medicaid State Plan. DHHS incorrectly interpreted that supplemental payments include inpatient and outpatient reimbursement payments. These additional payments were erroneously included in the Inpatient Hospital Services – Supplemental Payments on the CMS-64 report.

Effect:

- Medicaid Inpatient Hospital Services – Supplemental Payments are overstated and Medicaid Inpatient Hospital Services – Regular payments are understated
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department update processes and controls over reporting requirements.

Corrective Action Plan: See F-12

Management's Response: The Department disagrees with this finding. The quarterly CMS 64 report for the State of Maine contains over $420 million dollars in Federal expenditures. It is anticipated that a report of that magnitude will have routine line to line adjustments for a myriad of reasons. The item in question is a routine reporting reclassification and does not affect the total amount reported or expended, a scenario that occurs frequently at the request of CMS.

Contact: Sarah Gove, Director, DHHS Service Center, 207-458-6626

Auditor's Concluding Remarks: The Department was issued explicit guidance by CMS that specified a change in required reporting for supplemental payments. CMS also provided extensive guidance on what must be included when reporting supplemental payments. This change was not implemented by the Department. Processes and controls to ensure compliance over CMS reporting requirements must be implemented in order to safeguard against further reporting oversights.

The finding remains as stated.

(State Number: 17-1106-04)

(2017-029)

Title: Procedures related to Medicare Part B premium payments need improvement

Prior Year Findings:

FY16	FY15	FY14	FY13	FY12	FY11	FY10
2016-026	2015-010			12-1106-08	11-1106-08	10-1106-01

State Department: Administrative and Financial Services
Health and Human Services (DHHS)
State Bureau: Health and Human Services Service Center
Office for Family Independence (OFI)
Office of MaineCare Services
Federal Agency: U.S Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification Number: 1605ME5MAP, 1705ME5MAP

Compliance Area: Activities allowed or unallowed
Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: 42 CFR 431.625(d)(1)

Condition: The Department receives invoices from the Centers for Medicare and Medicaid Services (CMS) for Medicare Part B premiums on a monthly basis. Around the same time, CMS sends a separate detailed listing of Medicaid members which supports the invoice to the Office of Information Technology. The Department did not verify that the members from the detailed listing were eligible prior to paying the CMS invoice for Medicare Part B premiums.

Context: Approximately $126 million was paid to CMS for Medicare Part B premiums in fiscal year 2017.

Cause: The procedures utilized by the Department do not include verifying the eligibility of the members included in the listing that supports the CMS invoice.

Effect:

- Medicare Part B premiums may be billed to the State by CMS for ineligible members
- Potential disallowances

Recommendation: We recommend that the Department develop procedures to verify that only eligible members are included on the detailed listing that supports the CMS invoice.

Corrective Action Plan: See F-12

Management's Response: The Department agrees with this finding. DHHS-OFI has developed policy and procedures to perform a monthly Medicare Part B premium buy-in reconciliation. This process was initiated in July 2017 and is conducted monthly by OFI Program Integrity Unit staff.

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

(State Number: 17-1106-07)

(2017-030)

Title: Provider eligibility procedures need to further integrate Automated Data Exchange

Prior Year Findings:

FY16	FY15	FY14	FY13	FY12	FY11	FY10
2016-028	2015-008				11-1106-12	

State Department: Health and Human Services
State Bureau: Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
CFDA #: 93.775, 93.777, 93.778; 93.767
Federal Award Identification Number: 1605ME5MAP, 1705ME5MAP, 05-1505ME5021, 05-1605ME5021

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: Request for Proposal (RFP) associated with Fiscal Agent, sections 4.22.5.3.1.2, 4.22.5.3.1.10, 4.22.5.3.1.1, Automation/Data Exchange/Interface

Condition: Through the end of fiscal year 2016, the Maine Integrated Health Management Solution system, as designed and implemented by the State of Maine's fiscal agent, did not automatically cross-reference license, accreditation, and sanction information, nor did it support automated data exchanges with the Centers for Medicare and Medicaid Services (CMS), the Drug Enforcement Agency, and other sources. Provider enrollment personnel employed by the fiscal agent manually linked to numerous websites to query sanction and license information that affect enrollment.

Beginning in January 2017, the fiscal agent contracted with a third-party vendor to process provider applications and make provider eligibility decisions using automating processes as required by the RFP associated with the fiscal agent. All new provider applications, as well as existing provider revalidation applications, are processed through the third-party vendor system. Approximately two percent of the existing provider community has been fully integrated into the system.

Context: The Department's manual process is inherently subject to human error due to the complexity of Medicaid. Not all active providers have been processed by the third-party vendor.

Cause: The fiscal agent did not comply with Section 4 of the RFP that enumerates responsibilities for automation, data exchange and interface. The State of Maine's fiscal agent did not contract with a third-party vendor to process provider applications until the beginning of January 2017.

Effect:

- Potentially ineligible providers being allowed to participate in the program
- Potential questioned costs and disallowances

Recommendation: We recommend that the Department continue to process all provider eligibility applications and process all active provider revalidation applications through the requirements and acceptance criteria over a period of time acceptable to CMS.

Corrective Action Plan: See F-12

Management's Response: The State will continue to complete provider eligibility reviews through our fiscal agent's contracted vendor Digital Harbor. All new providers and specialties are evaluated through this process. We expect to complete our provider revalidation process by April 2020, CMS has had no objections to our timeline for completion.

Contact: Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093

(State Number: 17-1106-08)

(2017-031)

Title: Medicare Buy-In information is inconsistent between the Automated Client Eligibility System and the Centers for Medicare and Medicaid Services systems

Prior Year Findings:

FY16	FY15	FY14	FY13	FY12	FY11	FY10
		ML-14-1106-12	ML-13-1106-18			

State Department: Health and Human Services (DHHS)
State Bureau: Office for Family Independence (OFI)
Federal Agency: U.S Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification Number: 1605ME5MAP, 1705ME5MAP

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: 2 CFR 200.61; 2 CFR 200.62

Condition: The State's Automated Client Eligibility System (ACES) and the Centers for Medicare and Medicaid Services (CMS) have inconsistent data related to Medicare Buy-In for which an individual qualifies for Medicaid. While the data between the two systems was inconsistent, the Medicaid/Medicare recipients selected for testing were still deemed eligible. In a sample of sixty cases tested:

- ACES did not update CMS with changes to Medicare Buy-In information for five clients
- ACES did not update CMS with a change to end Medicare Buy-In entitlement for one client

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

Context: Approximately $126 million was paid to CMS for Medicare Part B premiums in fiscal year 2017.

Cause: Lack of controls to ensure that adequate data interfaces are transmitted to CMS

Effect:

- Potential eligible clients not receiving benefits
- Potential ineligible clients receiving benefits
- Potential overpayments for Buy-In coverage

Recommendation: We recommend that the Department ensure Buy-In information is properly communicated between ACES and CMS.

Corrective Action Plan: See F-13

Management's Response: The Department agrees with this finding. DHHS-OFI plans to improve controls to ensure Buy-in information is appropriately communicated between ACES and CMS. This will be accomplished by a quarterly query that will identify discrepancies in relation to Buy-in information. The provided data will be reviewed to ensure the process is further strengthened going forward.

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

(State Number: 17-1106-09)

(2017-032) Confidential finding, see Condition Section below for more information

Title: ______ inappropriately allow **______** (The content of this finding has been redacted. This appears as blank underlining.)

Prior Year Findings: None

FY16	FY15	FY14	FY13	FY12	FY11	FY10

State Department: Administrative and Financial Services
State Bureau: Office of Information Technology (OIT)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award Identification Number: 1605ME5MAP, 1705ME5MAP

Compliance Area: Allowable costs/cost principles
Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

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

Criteria: State of Maine **______**; Federal **______**

Condition: The **______** associated with **______** is in need of improvement on a priority basis. This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Richard McGreal, Associate Regional Administrator, Centers for Medicare and Medicaid Services, Boston, MA.

A copy of that correspondence has also been sent to:

- Greg Dowell, Assistant Director, Office of Inspector General, U.S. Department of Health and Human Services, Office of Audit Services, National External Audit Review Center, Kansas City, MO.

Context: People entrust State government with a vast repository of personal and financial information. Reliance is placed on the State to maintain ______.

Simply not allowing ______ would eliminate risks from potential ______. The OIT implementation of ______.

Cause: OIT's practice is to provide ______.

Effect:

- ______ are looking for an ______.
- Risks posed by ______ State and Federal ______.

Recommendation: We recommend that OIT ______. Also, we recommend that OIT wait until better controls exist before implementing an "across the board" solution. Lastly, we recommend that OIT continue their efforts to discontinue all ______.

Corrective Action Plan: See F-13

Management's Response: The Department agrees that ______.

The Department disagrees with the Auditor's ______.

OIT is continually working to improve ______ and will be addressing the condition contained within this finding during the roll out of the new ______. The new ______ is expected to be completed by October 2019.

Contact: Victor Chakravarty, Associate CIO, Infrastructure, OIT, 207-624-9840

Auditor's Concluding Remarks: ______.

The finding remains as stated.

(State Number: 17-0905-01)

STATE OF MAINE
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2017


DIRIGO
MAINE

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

SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

ALEXANDER E. PORTEOUS
COMMISSIONER

DOUGLAS E. COTNOIR, CPA, CIA
STATE CONTROLLER

CORRECTIVE ACTION PLAN
Fiscal Year Ended June 30, 2017

Corrective Action Plan

The *Corrective Action Plan* (CAP) is compiled by the Office of the State Controller (OSC) on behalf of the State of Maine. The objective of this report is to document the corrective action steps that will be completed in response to each Single Audit Report finding, identify the individual(s) responsible for ensuring that corrective action is completed, and to provide an anticipated date for complete implementation of corrective action. The CAP complies with 2 CFR 200, Subpart F, § 200.511 Audit Findings Follow-Up, (c) Corrective Action Plan.

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2017-029	Administrative and Financial Services Health and Human Services	F-12	E-83
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Finding Number	Corrective Action Plan	
2017-001	Department:	Health and Human Services
	Title:	Contractor-provided ______ controls for ______ need improvement (The content of this finding has been redacted. This appears as blank underlining.)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The remainder of the Department’s corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	September 30, 2018, September 30, 2018 and December 31, 2018 respectively
	Agency Contact:	Bethany Hamm, Director, Office for Family Independence, 207-624-4103
2017-002	Department:	Defense, Veterans and Emergency Management
	Title:	Insufficient documentation in support of payroll costs
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department’s personnel will verify and validate timecards identified in the audit finding. Additionally, the Department’s Management will complete a

		memorandum for record for the HR Service Center Manager reinforcing communication protocols for payroll discrepancies. Lastly, the Department will conduct briefings/training with employees, supervisors, and managers to reinforce proper time keeping procedures.
	Completion Date:	March 21, 2018, March 31, 2018 and April 30, 2018 respectively
	Agency Contact:	Scott A. Young, Deputy Commissioner, DVEM, 207-430-5997
2017-003	Department:	Defense, Veterans and Emergency Management
	Title:	Controls related to the U.S. Treasury-State Agreement for cash management and the related reporting to the Federal government on the SF-270 report need improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will meet with the Office of the State Treasurer to amend the TSA for FY 2019 to align with DoD regulations. The Department will also develop procedures to ensure that the SF270 drawdown process in accordance with those newly aligned requirements.
	Completion Date:	June 30, 2018
	Agency Contact:	Frances Lapointe, Business Manager II, DVEM, 207-430-5696
2017-004	Department:	Defense, Veterans and Emergency Management
	Title:	Monitoring of cash balance needs to be improved
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department has created a separate account for CFDA #12.400 National Guard Military Construction Projects and plans to utilize that account beginning in FY2019 resulting in CFDA #12.401 National Guard O&M having its own account.
	Completion Date:	July, 1 2018
	Agency Contact:	Frances Lapointe, Business Manager II, DVEM, 207-430-5696
2017-005	Department:	Defense, Veterans and Emergency Management
	Title:	Internal controls over suspension and debarment need improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Department's management worked with procurement staff to add suspension and debarment language to the contract template to ensure the required certifications are secured during the contracting process. Additionally, the Department reviewed the SAM.gov website to ensure that the contractors identified in the finding were not suspended, debarred or otherwise excluded.
	Completion Date:	March 27, 2018
	Agency Contact:	Frances Lapointe, Business Manager II, DVEM, 207-430-5696
2017-006	Department:	Labor Administrative and Financial Services
	Title:	Internal control over continuing eligibility is not adequate
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Departments disagree with this finding. The Departments contend that the work search audit standard operating procedure (SOP) complies with federal and state regulations. The Departments conducted work search reviews and implemented additional procedures to follow-up with noncompliant claimants. This will be the last full year from which all work search samples will be from the old legacy system. As part of the UI application modernization effort to replace the

		fragile legacy MDOL system, Maine went live with the benefits portion of the ReEmployME application on December 06, 2017. Claimants can file their weekly claim via a weekly certification online, through the Interactive Voice Response system, or a Customer Service Representative. The new system requires each claimant to provide detailed information about their work search activities and then requires the claimant to certify using the last 4 digits of their SSN to complete the "Work Search Acknowledgement" to verify the accuracy of the information provided. A claim is not considered complete and will not be processed unless the work search requirement is fulfilled.
	Completion Date:	December 6, 2017
	Agency Contact:	Patricia O'Brien, Deputy Bureau Director, 207-621-5161
2017-007	Department:	Administrative and Financial Services Labor
	Title:	Internal controls over ______ are not adequate (The content of this finding has been redacted. This appears as blank underlining.)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Departments agree with the finding. The remainder of the Departments' corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	August 31, 2018
	Agency Contact:	Patricia O'Brien, Deputy Bureau Director, 207-621-5161
2017-008	Department:	Health and Human Services
	Title:	Performance monitoring of TANF subrecipients needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will look to improve its monitoring of subrecipients by implementing increased protocols including revising performance reports to include programmatic signatures.
	Completion Date:	December 31, 2018
	Agency Contact:	Bethany Hamm, Director, Office for Family Independence, 207-624-4103
2017-009	Department:	Health and Human Services
	Title:	Subrecipient contracts need to be updated and monitoring of subrecipient financial information needs improvement
	Questioned Costs:	None
	Status:	Corrective action in progress for the first areas of concern Management's opinion is that corrective action is not required for the monitoring of subrecipient cash management.
	Corrective Action:	The Department will update the contract template, modify processes and technology to include all federal award identification information, therefore, new contracts processed after November 1, 2018 will include all required information. The Department will update references to the Uniform Guidance in DHHS Rider D and update the audit threshold to $750K. The Department will implement a process to review the Uniform Guidance reference and audit threshold amounts on an annual basis. The Department will update processes and documentation to ensure financial reports are signed and stored/filed appropriately. The Department disagrees with the statement that the Department did not monitor subrecipients for compliance with cash management requirements. The Department monitors subrecipients to ensure they are drawing Federal funds in

		accordance with cash management requirements. The Department supports the timing of payments to subrecipients so that the timing is as close as is administratively feasible to the expenditures. This is accomplished through monthly payments that are trued-up to actual expenditures on a quarterly basis. The Department also provides additional monitoring in a reasonable timeframe with the agreement close-out processing and the final financial audit performed by the Division of Audit.
	Completion Date:	November 1, 2018, Completed, November 1, 2018 and May, 1 2018 respectively
	Agency Contact:	Jim Lopatosky, Director, Division of Contract Management, 207-287-5075
2017-010	Department:	Health and Human Services
	Title:	Income Eligibility and Verification System procedures need improvement
	Questioned Costs:	None
	Status:	Corrective action taken
	Corrective Action:	As of December 18, 2017, the Department distributed IEVS policies and procedures and conducted a training for all IEVS workers. This training will be conducted annually and is inclusive of the following: case action(s) that must be taken, documentation that must exist in response to IEVS alert information included in Match Reports, and the appropriate responses that must be made to IEVS information on a timely basis.
	Completion Date:	December 18, 2017
	Agency Contact:	Bethany Hamm, Director, Office for Family Independence, 207-624-4103
2017-011	Department:	Health and Human Services
	Title:	Controls over special reporting need improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department's TANF Program Manager will implement an additional level of review prior to final submission of the ACF-204 report (which is due 12/31 of every year, based on FFY). The Department's TANF Program Manager will also work with appropriate OFI staff to run an annual query that will eliminate the need for manual calculation.
	Completion Date:	December 31, 2018
	Agency Contact:	Bethany Hamm, Director, Office for Family Independence, 207-624-4103
2017-012	Department:	Health and Human Services
	Title:	Procedures related to TANF work participation need improvement
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will implement an additional level of review prior to final submission of the ACF-199 TANF report and the ACF-209 SSP-MOE Data report
	Completion Date:	December 31,2018
	Agency Contact:	Bethany Hamm, Director, Office for Family Independence, 207-624-4103
2017-013	Department:	Health and Human Services
	Title:	No evaluation of each subrecipient's risk of noncompliance
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will document specific evaluation of risk for purposes of determining appropriate subrecipient monitoring.
	Completion Date:	December 31, 2018
	Agency Contact:	Bethany Hamm, Director, Office for Family Independence, 207-624-4103

2017-014	Department:	Health and Human Services
	Title:	Internal Controls over the allocation of Community Services Block Grant funds to individual community action agencies need improvement
	Questioned Costs:	None
	Status:	Management’s opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. The Department has written procedures for allocation purposes as outlined in Maine State Statue Title 22: Chapter 1477 and the Department rules 10-144: Chapter 2. The Department's CSBG program is in accordance with Federal and State regulations. The Department's method of allocation of 50% goes beyond that of the 20% required by statute. The allocation method has been in use for the last two decades and has passed several reviews by state and federal governments. Additionally, this allocation is outlined in Maine's CSBG State Plan, which is reviewed by the public via internet publication and by public hearing which is attended by community action agencies, The Maine Community Action Association, and any other interested parties. The CSBG Coordinator, with oversight and review of Coordinator's Supervisor, calculates CSBG allocations based on the CSBG award, which is then reviewed by the Finance Team Manager, Finance Team Management Analyst, and finally by the DHHS Program Financial Officer.
	Completion Date:	Not applicable
	Agency Contact:	Robert Blanchard, Associate Director, 207-624-7955
2017-015	Department:	Administrative and Financial Services Health and Human Services
	Title:	Procedures over drug rebate accounting and reporting need improvement
	Questioned Costs:	Undeterminable
	Status:	Corrective action in progress
	Corrective Action:	The Office of MaineCare Services (OMS) Pharmacy Unit will send the Service Center (SC) and DHHS Receivables group a vetted PDF and excel copy of the desired percentage allocations by drug rebate program and FMAP category (as outlined in the most recent solution) on a quarterly basis. The SC will apply the most recent allocation percentages provided to the drug rebate monies subsequently received and deposited. Going forward, once updated allocations are provided by OMS, the SC will update the deposit allocation used for subsequent collections.
	Completion Date:	April 31,2018
	Agency Contact:	Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093
2017-016	Department:	Administrative and Financial Services Health and Human Services
	Title:	Riverview
	Questioned Costs:	$14,000,000
	Status:	Management’s opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with this finding. Since the decertification of Riverview, the State has worked with CMS to achieve resolution, however, CMS has given no clear guidance on how the State would achieve recertification. The Department has and continues to work with CMS and is operating as CMS has advised. It should be noted that nothing in Federal law or rule prohibits the State from continuing to use DSH funds to support Riverview. The State continues to work proactively on this issue. The Executive has routinely communicated with the Legislature about the continued risk associated with using DSH funding for Riverview as is evidenced by the Legislatively approved Public Law 2017 Chapter 284 Part EEEEEEE that authorizes up to $65,000,000 from the Maine Budget Stabilization Fund in the event that repayment is required.

	Completion Date:	Not applicable
	Agency Contact:	Scott Lever, Deputy Commissioner of Health Services, 207-287-5159
2017-017	Department:	Health and Human Services
	Title:	Controls over Cost of Care assessments need improvement
	Questioned Costs:	Undeterminable
	Status:	Corrective action in progress
	Corrective Action:	The Department will begin the implementation of monthly periodic supervisory reviews. Manual review of COLA-related changes will occur in November of each year. The Department's OFI's Business Rules Engine is projected to be completed by end of 2018.
	Completion Date:	June 30, 2018, November 30, 2018 and December 31, 2018 respectively
	Agency Contact:	Bethany Hamm, Director, Office for Family Independence, 207-624-4103
2017-018	Department:	Health and Human Services
	Title:	Eligibility re-determination controls need improvement
	Questioned Costs:	Undeterminable
	Status:	Corrective action in progress
	Corrective Action:	The Department's OFI Operations Manager will monitor a monthly report to identify and assign cases that are past their recertification date.
	Completion Date:	June 30,2018
	Agency Contact:	Bethany Hamm, Director, Office for Family Independence, 207-624-4103
2017-019	Department:	Administrative and Financial Services
	Title:	Management controls over ______ need improvement (The content of this finding has been redacted. This appears as blank underlining.)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the condition stated in the finding. The remainder of the Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	October 31, 2018
	Agency Contact:	Victor Chakravarty, Associate CIO, Infrastructure, OIT, 207-624-9840
2017-020	Department:	Health and Human Services
	Title:	______ controls provided by the Department for the ______ need improvement (The content of this finding has been redacted. This appears as blank underlining.)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The remainder of the Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	March 30, 2018, June 29, 2018 and October 1, 2018 respectively
	Agency Contact:	Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093
2017-021	Department:	Health and Human Services
	Title:	Contractor-provided ______ controls for the ______ need improvement (The content of this finding has been redacted. This appears as blank underlining.)
	Questioned Costs:	None
	Status:	Corrective action in progress

	Corrective Action:	The Department agrees with the finding. The remainder of the Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 29, 2018 and October 1, 2018 respectively
	Agency Contact:	Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093
2017-022	Department:	Health and Human Services
	Title:	______ control assurance over ______ are not adequate (The content of this finding has been redacted. This appears as blank underlining.)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department agrees with the finding. The remainder of the Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	December 31, 2019, June 28, 2019 and June 29, 2018 respectively
	Agency Contact:	Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093
2017-023	Department:	Administrative and Financial Services Health and Human Services
	Title:	No ______ is in place over the ______ (The content of this finding has been redacted. This appears as blank underlining.)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Departments agree with the finding. The remainder of the Departments' corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	June 30, 2018, September 30, 2018 and December 31, 2018 respectively
	Agency Contact:	Bethany Hamm, Director, Office for Family Independence, 207-624-4103
2017-024	Department:	Administrative and Financial Services Health and Human Services
	Title:	Internal controls over ______ are not adequate (The content of this finding has been redacted. This appears as blank underlining.)
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Departments agree with the finding. The remainder of the Departments' corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	April 30, 2018 and June 30, 2018 respectively
	Agency Contact:	Bethany Hamm, Director, Office for Family Independence, 207-624-4103
2017-025	Department:	Health and Human Services
	Title:	Procedures related to Long Term Care Facility Audits and Hospital Interim Settlement Audits need improvement
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with the finding. With regard to the Nursing Facility portion of the finding we would like to make clear that there are two different processes for the Review of Cost Reports by The Division of Audit (MaineCare

		Benefits Manual (MCBM) Section 67 13.4). The first process (13.4.1) has to do with Uniform Desk Reviews; this portion of the rule clearly states that the Division shall complete Uniform Desk Reviews within 180 days after receipt of an acceptable cost report filing (13.4.1.3). However, the rule continues with paragraph 13.4.1.4 which states unless the Division intends to schedule an on-site audit or requests additional information from the provider, it shall issue a written summary report of its findings and adjustments upon completion of the uniform desk review. That paragraph ends the Uniform Desk Review portion of the rule. The second process, 13.4.2 discusses On-site Audits, which is inclusive of requesting additional information as stated above (13.4.1.4). This has been the accepted interpretation (requesting additional information) of the Office of State Auditor in previous years. Nowhere in this section of the rule is a deadline discussed for issuing audit reports. Therefore, the Department is in compliance with the MCBM in all instances of Nursing Facility desk reviews and audits. Regarding the Intermediate Care Facility for persons with Mental Retardation (ICF/MR) portion of the finding the MCBM Section 50 paragraph 7070 discusses Final Audits. The Principle (paragraph 7071) states in part that all facilities are required to submit a cost report at the end of their fiscal year…and that The Department will conduct a final audit of each facility's cost report that may consist of a full scope examination by the Department. Again, there is no mention of a deadline for completing the audits. We do agree that 42 CFR 447.253(g) states that the Medicaid agency must provide for periodic audits of participating providers. However, there is no definition of periodic within the regulation. The Department would like to point out that due dates and deadlines are not subject to the interpretation of auditors and that if the Centers for Medicare and Medicaid Services wanted due dates and deadlines for audits they would incorporate those into regulations. Regarding the Hospital Interim Settlement Audits, the Department agrees that seven interim settlements were not issued timely. The Department would like to point out that the audits were completed but not issued as the Department requested a delay in the release of the audits. Finally, with regard to the recommendations of the Office of the State Auditor, the Department would like to point out that without the consistent internal control activities of the Division of Audit, the State Auditor would not have been able to perform this function of its audit. Additionally, the MCBM's audit requirements are all in line with 42 CFR 447.253(g) in that periodic audits are required and performed.
	Completion Date:	Not applicable
	Agency Contact:	Herb Downs, Director, Division of Audit, 207-287-2778
2017-026	Department:	Health and Human Services
	Title:	Provider eligibility procedures need to address Advance Directives
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will require providers to sign updated agreements as part of the provider revalidation that begins in the Summer of 2017 and will continue for approximately three years.
	Completion Date:	May 31, 2020
	Agency Contact:	Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093
2017-027	Department:	Health and Human Services
	Title:	Cases opened because of potential fraud, abuse, or questionable practices need

		improved supervisory review
	Questioned Costs:	None
	Status:	Management’s opinion is that corrective action is not required
	Corrective Action:	While the Department agrees that it can always improve its policies and procedures as they relate to supervisory reviews; the Department strongly disagrees with the conditions of this finding. Many of the conditions noted contain opinions of the auditor and are not backed up by specific federal or state requirements. Additionally, the case that was "incorrectly researched" according to the auditor, involving serious misconduct, had police involvement prior to the Department beginning any work. The auditor's recommendation to reopen the case leaves the Department questioning to what end? The Department's work related to Program Integrity is financial in nature and does not involve any criminal investigation. Separate from the criminal investigation, the Department conducted a billing review which resulted in no issues. Once, the criminal investigation completed, again separate from any billing review, the Department moved ahead on exclusion process of the provider for the serious misconduct. The Department fulfilled its obligations related to this case and to the other conditions noted.
	Completion Date:	Not applicable
	Agency Contact:	Herb Downs, Director, Division of Audit, 207-287-2778
2017-028	Department:	Administrative and Financial Services Health and Human Services
	Title:	Controls over reporting requirements need improvement
	Questioned Costs:	None
	Status:	Management’s opinion is that corrective action is not required
	Corrective Action:	The Departments disagree with this finding. The quarterly CMS 64 report for the State of Maine contains over $420 million dollars in Federal expenditures. It is anticipated that a report of that magnitude will have routine line to line adjustments for a myriad of reasons. The item in question is a routine reporting reclassification and does not affect the total amount reported or expended, a scenario that occurs frequently at the request of CMS.
	Completion Date:	Not applicable
	Agency Contact:	Sarah Gove, Director, DHHS Service Center, 207-458-6626
2017-029	Department:	Administrative and Financial Services Health and Human Services
	Title:	Procedures related to Medicare Part B premium payments need improvement
	Questioned Costs:	None
	Status:	Corrective action completed
	Corrective Action:	The Departments will prepare a monthly reconciliation between the CMS provided detailed listing and the CMS invoice for Medicare Part B premiums beginning July 2017. OFI management will review and approve the reconciliation format. Additionally, the Departments will retroactively review August and September 2017.
	Completion Date:	July 31, 2017 and June 30, 2018 respectively
	Agency Contact:	Bethany Hamm, Director, Office for Family Independence, 207-624-4103
2017-030	Department:	Health and Human Services
	Title:	Provider eligibility procedures need to further integrate Automated Data Exchange
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department will continue the provider revalidation process, which fulfills the CMS requirements for provider eligibility validation.

	Completion Date:	April 30, 2020
	Agency Contact:	Stefanie Nadeau, Director, Office of MaineCare Services, 207-287-2093
2017-031	Department:	Health and Human Services
	Title:	Medicare Buy-In information is inconsistent between the Automated Client Eligibility System and the Centers for Medicare and Medicaid Services systems
	Questioned Costs:	None
	Status:	Corrective action in progress
	Corrective Action:	The Department's Senior MaineCare Program Manager will work with appropriate OFI staff to run a quarterly query that will identify discrepancies in relation to Buy-in information. These discrepancies will be researched and corrected.
	Completion Date:	June 30, 2018
	Agency Contact:	Bethany Hamm, Director, Office for Family Independence, 207-624-4103
2017-032	Department:	Administrative and Financial Services
	Title:	______ inappropriately allow ______ (The content of this finding has been redacted. This appears as blank underlining.)
	Questioned Costs:	None
	Status:	Management's opinion is that corrective action is not required
	Corrective Action:	The Department disagrees with the finding. The remainder of the Department's corrective action plan has been excluded to protect confidential information. The complete corrective action plan has been provided to the Office of the State Auditor under separate cover.
	Completion Date:	Not applicable
	Agency Contact:	Victor Chakravarty, Associate CIO, Infrastructure, OIT, 207-624-9840

STATE OF MAINE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017


DIRIGO
MAINE

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

SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

ALEXANDER E. PORTEOUS
COMMISSIONER

DOUGLAS E. COTNOIR, CPA, CIA
STATE CONTROLLER

Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2017

Summary Schedule of Prior Audit Findings

The *Summary Schedule of Prior Audit Findings* (SSPAF) is compiled by the Office of the State Controller (OSC) on behalf of the State of Maine. The objective of the SSPAF is to report on the status of audit findings reported in the prior: (1) audit's schedule of findings and questioned costs, and (2) audit's summary schedule of prior audit findings.

For each prior year audit finding, the SSPAF reports the current status of corrective action; for findings in which corrective action has either not been taken, or not completed, explanations are generally provided that describe the reason(s) for the finding's recurrence, the planned corrective action, and any partial corrective action taken. In the event that corrective action differs significantly from previously reported corrective action, an additional explanation has been provided. The SSPAF complies with 2 CFR 200, Subpart F, § 200.511 Audit Findings Follow-Up.

Summary Schedule of Prior Audit Findings

Finding Number	**Prior Audit Finding Status**	
2014-003	Finding Title:	Procedures related to nursing facility desk reviews need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2010
	Questioned Costs:	None
	FY17 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Department's opinion is that it complies with the Nursing Facility audit requirements. The Department disagrees with the Intermediate Care Facilities / MR (ICR M/R) component of the audit finding. The MaineCare Benefits Manual does not contain a requirement that uniform desk reviews need to be completed within a specified time frame after receipt of an acceptable cost report. Therefore, the Department is not out of compliance with the regulations.
	FY 2017 Finding:	2017-025
2014-004	Finding Title:	Provider eligibility procedures need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2009

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
	Questioned Costs:	None
	FY17 Status:	Corrective action not completed in FY 2017
	Explanation:	The Department initiated partial corrective action in FY 2014, by including the required language in the provider agreements (complying with the requirements for newly enrolled providers and providers reenrolling). As part of the ACA provider revalidation initiative, all providers are required to reenroll and sign the revised provider agreement. In FY 2017 (June 2017), the Department began the reenrollment process and is currently in the phase of provider reenrollment and revalidation. The Department anticipates that full corrective action will implemented by the end of FY 2020.
	FY 2017 Finding:	2017-026
2014-006	Finding Title:	Decertification of Riverview
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2014
	Questioned Costs:	Not specified
	FY17 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	Federal officials are in the process of finalizing their decision regarding the potential disallowance of these federal expenditures.
	FY 2017 Finding:	2017-016
2014-011	Finding Title:	Surveillance of Medicaid expenditures needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2013
	Questioned Costs:	None
	FY17 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Department contends that current surveillance and utilization review activities comply with federal requirements. That being said, the Department continues to take steps to enhance and improve the program.
	FY 2017 Finding:	Finding was not reissued
2014-013	Finding Title:	Confidential finding, confidential distribution
	State Department:	Administrative and Financial Services
	CFDA Number:	93.775, 93.777, 93.778, 10.551, 10.561
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY17 Status:	Corrective action not completed in FY 2017
	Explanation:	The Department continues to implement corrective action and intends to complete the remaining corrective action step during FY 2019
	FY 2017 Finding:	2017-019
2014-014	Finding Title:	Controls to ensure Cost of Care amounts are properly deducted from nursing home and private non-medical institution (PNMI) provider payments need improvement

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status				
	State Department:	Administrative and Financial Services Health and Human Services			
	CFDA Number:	93.775, 93.777, 93.778			
	Initial Finding FY:	2011			
	Questioned Costs:	Questioned Costs	Total	Federal	State
		Known	$56,065	$32,572	$23,491
		Likely	$11,700,000	$6,800,000	$4,900,000
	FY17 Status:	Corrective action completed in FY 2017			
2014-018	Finding Title:	Confidential finding, confidential distribution			
2014-018	State Department:	Administrative and Financial Services Health and Human Services			
2014-018	CFDA Number:	93.775, 93.777, 93.778, 93.767			
2014-018	Initial Finding FY:	2014			
2014-018	Questioned Costs:	None			
2014-018	FY17 Status:	Corrective action completed in FY 2017			
2014-022	Finding Title:	Inadequate controls over required Income and Eligibility Verification System (IEVS) data exchanges			
2014-022	State Department:	Administrative and Financial Services Health and Human Services			
2014-022	CFDA Number:	93.558, 93.775, 93.777, 93.778, 93.767, 10.551, 10.561			
2014-022	Initial Finding FY:	2012			
2014-022	Questioned Costs:	None			
2014-022	FY17 Status:	Corrective action completed in FY 2017			
2014-032	Finding Title:	Internal controls to ensure the transfer of accurate client eligibility information from the Automated Client Eligibility System (ACES) to the Maine Integrated Health Management Solution (MIHMS) need improvement			
2014-032	State Department:	Health and Human Services			
2014-032	CFDA Number:	93.767, 93.775, 93.777, 93.778			
2014-032	Initial Finding FY:	2007			
2014-032	Questioned Costs:	Questioned Costs	Total	Federal	State
2014-032		*Known*	$293 CHIP ($247) Medicaid	$214 CHIP ($181) Medicaid	$79 CHIP ($66) Medicaid
2014-032		*Likely*	$416,000 CHIP ($351,000) Medicaid	$305,000 CHIP ($257,000) Medicaid	$111,000 CHIP ($94,000) Medicaid
2014-032	FY17 Status:	Corrective action completed in FY 2017			
2014-037	Finding Title:	Procedures to ensure timely eligibility decisions need improvement			
2014-037	State Department:	Labor			
2014-037	CFDA Number:	84.126			

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY17 Status:	Corrective action completed in FY 2017
2014-039	Finding Title:	Inadequate internal control over continuing eligibility
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2011
	Questioned Costs:	Undeterminable
	FY17 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Departments contend that the work search audit standard operating procedure (SOP) complies with federal and state regulations. The Department conducted work search reviews and implemented additional procedures to follow-up with noncompliant claimants. This will be the last full year from which all work search samples will be from the old legacy system. As part of the UI application modernization effort to replace the fragile legacy MDOL system, Maine went live with the benefits portion of the ReEmployME application on 12/06/2017. Claimants can file their weekly claim via a weekly certification online, through the Interactive Voice Response system, or a Customer Service Representative. The new system requires each claimant to provide detailed information about their work search activities and then requires the claimant to certify using the last 4 digits of their SSN to complete the "Work Search Acknowledgement" to verify the accuracy of the information provided. A claim is not considered complete and will not be processed unless the work search requirement is fulfilled.
	FY 2017 Finding:	2017-006
2014-040	Finding Title:	Confidential finding, confidential distribution
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY17 Status:	Corrective action completed in FY 2017
2014-041	Finding Title:	Confidential finding, confidential distribution
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY17 Status:	Corrective action not completed in FY 2017
	Explanation:	The Departments have implemented partial corrective action. The remaining corrective action steps will be fully completed with the implementation of the new system. The anticipated completion date for full corrective action is August 2018.
	FY 2017 Finding:	2017-007

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2014-042	Finding Title:	Confidential finding, confidential distribution
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY17 Status:	Corrective action not completed in FY 2017
	Explanation:	The Departments have implemented partial corrective action. The remaining corrective action steps will be fully completed with the implementation of the new system. The anticipated completion date for full corrective action is February 2018.
	FY 2017 Finding:	ML 17-0914-01
2015-005	Finding Title:	Procedures related to long term care facility audits need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2010
	Questioned Costs:	None
	FY17 Status:	Management’s opinion is that no additional corrective action is required
	Explanation:	The Department’s opinion is that it complies with the Nursing Facility audit requirements. The Department disagrees with the Intermediate Care Facilities / MR (ICR M/R) component of the audit finding. The MaineCare Benefits Manual does not contain a requirement that uniform desk reviews need to be completed within a specified time frame after receipt of an acceptable cost report. Therefore, the Department is not out of compliance with the regulations.
	FY 2017 Finding:	2017-025
2015-006	Finding Title:	Riverview
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY17 Status:	Management’s opinion is that no additional corrective action is required
	Explanation:	Federal officials are in the process of finalizing their decision regarding the potential disallowance of these federal expenditures.
	FY 2017 Finding:	2017-016
2015-007	Finding Title:	Provider eligibility procedures need to address Advance Directives
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2009
	Questioned Costs:	None
	FY17 Status:	Corrective action not completed in FY 2017

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="2"></td><td>Explanation:</td><td colspan="4">The Department initiated partial corrective action in FY 2014, by including the required language in the provider agreements (complying with the requirements for newly enrolled providers and providers reenrolling). As part of the ACA provider revalidation initiative, all providers are required to reenroll and sign the revised provider agreement. In FY 2017 (June 2017), the Department began the reenrollment process and is currently in the phase of provider reenrollment and revalidation. The Department anticipates that full corrective action will implemented by the end of FY 2020.</td></tr>
<tr><td>FY 2017 Finding:</td><td colspan="4">2017-026</td></tr>
<tr><td rowspan="8">2015-008</td><td>Finding Title:</td><td colspan="4">Provider eligibility procedures need to integrate Automated Data Exchange</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778, 93.767</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2015</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY17 Status:</td><td colspan="4">Corrective action completed in FY 2017</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department’s fiscal agent has contracted with a third-party vendor to provide the necessary automated services and data exchanges January 17, 2017.</td></tr>
<tr><td>FY 2017 Finding:</td><td colspan="4">2017-030</td></tr>
<tr><td rowspan="8">2015-010</td><td>Finding Title:</td><td colspan="4">Procedures related to Medicare Part B premium payments need improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services
Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2015</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY17 Status:</td><td colspan="4">Corrective action not completed in FY 2017</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Departments implemented corrective action in FY 2018.</td></tr>
<tr><td>FY 2017 Finding:</td><td colspan="4">2017-029</td></tr>
<tr><td rowspan="8">2015-012</td><td>Finding Title:</td><td colspan="4">Controls to ensure the members’ share of Cost of Care amounts are properly deducted from nursing home and private non-medical institution provider payments need improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2011</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$3,312</td><td>$2,047</td><td>$1,265</td></tr>
<tr><td>Likely</td><td>$4,000,000</td><td>$2,500,000</td><td>$1,500,000</td></tr>
<tr><td>FY17 Status:</td><td colspan="4">Corrective action completed in FY 2017</td></tr>
<tr><td rowspan="2">2015-013</td><td>Finding Title:</td><td colspan="4">Inadequate surveillance and utilization review of Medicaid services</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2013
	Questioned Costs:	Undeterminable
	FY17 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Department contends that current surveillance and utilization review activities comply with federal requirements. That being said, the Department continues to take steps to enhance and improve the program.
	FY 2017 Finding:	Finding was not reissued
2015-014	Finding Title:	Inadequate management controls over __________ (The content of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services
	CFDA Number:	93.775, 93.777, 93.778, 10.551, 10.561
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY17 Status:	Corrective action not completed in FY 2017
	Explanation:	The Department continues to implement corrective action and intends to complete the remaining corrective action step during FY 2019
	FY 2017 Finding:	2017-019
2015-016	Finding Title:	The ________ associated with the __________ is not adequate (The content of this finding has been redacted. This appears as a blank underlining).
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY17 Status:	Corrective action completed in FY 2017
2015-017	Finding Title:	Inadequate controls over Federal cash management
	State Department:	Administrative and Financial Services
	CFDA Number:	10.551, 10.561
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY17 Status:	Corrective action completed in FY 2017
2015-021	Finding Title:	Income Eligibility and Verification System (IEVS) procedures need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558, 93.775, 93.777, 93.778, 93.767, 10.551, 10.561
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY17 Status:	Corrective action not completed in FY 2017
	Explanation:	The Department updated the Income Eligibility and Verification System (IEVS) Policy and Procedures manual and completed staff training on December 18, 2017. Ongoing monitoring and quality assurance checks

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="2"></td><td></td><td colspan="4">will be performed to ensure that all alerts from all reports are being adequately and properly addressed and cleared. The anticipated corrective action completion date is June 30, 2019.</td></tr>
<tr><td>FY 2017 Finding:</td><td colspan="4">2017-010</td></tr>
<tr><td rowspan="6">2015-022</td><td>Finding Title:</td><td colspan="4">Inadequate controls over required Income and Eligibility Verification System (IEVS) data exchanges</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services
Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.558, 93.775, 93.777, 93.778, 93.767, 10.551, 10.561</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2012</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY17 Status:</td><td colspan="4">Corrective action completed in FY 2017</td></tr>
<tr><td rowspan="10">2015-025</td><td>Finding Title:</td><td colspan="4">Procedures over drug rebate accounting and reporting need improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services
Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778, 93.767</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2015</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$6,069 CHIP
($5,119) Medicaid</td><td>$4,446 CHIP
($3,750) Medicaid</td><td>$1,623 CHIP
($1,369) Medicaid</td></tr>
<tr><td>Likely</td><td>$2,806,000 CHIP
($2,367,000) Medicaid</td><td>$2,056,000 CHIP
($1,734,000) Medicaid</td><td>$750,000 CHIP
($633,000) Medicaid</td></tr>
<tr><td>FY17 Status:</td><td colspan="4">Corrective action not completed in FY 2017</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department has continued with the stated corrective action. Corrective action will be complete in February 2018 with the implementation of CR 60015.</td></tr>
<tr><td>FY 2017 Finding:</td><td colspan="4">2017-015</td></tr>
<tr><td rowspan="6">2015-026</td><td>Finding Title:</td><td colspan="4">Controls over level of effort requirements need improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.505</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2015</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY17 Status:</td><td colspan="4">Corrective action completed in FY 2017</td></tr>
<tr><td rowspan="6">2015-028</td><td>Finding Title:</td><td colspan="4">Internal controls over State matching requirements need improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Education</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">10.555, 10.559</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2015</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY17 Status:</td><td colspan="4">Corrective action completed in FY 2017</td></tr>
<tr><td>2015-031</td><td>Finding Title:</td><td colspan="4">Inadequate internal control over continuing eligibility</td></tr>
</table>

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2011
	Questioned Costs:	Undeterminable
	FY17 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Departments contend that the work search audit standard operating procedure (SOP) complies with federal and state regulations. The Department conducted work search reviews and implemented additional procedures to follow-up with noncompliant claimants. This will be the last full year from which all work search samples will be from the old legacy system. As part of the UI application modernization effort to replace the fragile legacy MDOL system, Maine went live with the benefits portion of the ReEmployME application on 12/06/2017. Claimants can file their weekly claim via a weekly certification online, through the Interactive Voice Response system, or a Customer Service Representative. The new system requires each claimant to provide detailed information about their work search activities and then requires the claimant to certify using the last 4 digits of their SSN to complete the "Work Search Acknowledgement" to verify the accuracy of the information provided. A claim is not considered complete and will not be processed unless the work search requirement is fulfilled.
	FY 2017 Finding:	2017-006
2015-032	Finding Title:	The ________ is too _________ to perform routine ________ and ________ (The content of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY17 Status:	Corrective action completed in FY 2017
2015-033	Finding Title:	Internal control over _________ is inadequate (The content of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY17 Status:	Corrective action not completed in FY 2017
	Explanation:	The Departments have implemented partial corrective action. The remaining corrective action steps will be fully completed with the implementation of the new system. The anticipated completion date for full corrective action is August 2018.
	FY 2017 Finding:	2017-007
2015-034	Finding Title:	_________ controls related to the Unemployment Insurance (UI) _________ need improvement (The content of this finding has been

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY17 Status:	Corrective action not completed in FY 2017
	Explanation:	The Departments have implemented partial corrective action. The remaining corrective action steps will be fully completed with the implementation of the new system. The anticipated completion date for full corrective action is February 2018.
	FY 2017 Finding:	ML 17-0914-01
2015-035	Finding Title:	Procedures are not adequate to ensure timely eligibility decisions
	State Department:	Labor
	CFDA Number:	84.126
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY17 Status:	Corrective action completed in FY 2017
2015-036	Finding Title:	Individualized Plans for Employment not completed on a timely basis
	State Department:	Labor
	CFDA Number:	84.126
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY17 Status:	Corrective action completed in FY 2017
2015-038	Finding Title:	Cash management procedures need improvement
	State Department:	Administrative and Financial Services Public Safety
	CFDA Number:	20.600, 20.601, 20.602, 20.610, 20.612, 20.613, 20.616
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY17 Status:	Corrective action completed in FY 2017
2015-039	Finding Title:	Controls over maintenance of effort requirements need improvement
	State Department:	Public Safety
	CFDA Number:	20.600, 20.601, 20.602, 20.610, 20.612, 20.613, 20.616
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY17 Status:	Corrective action completed in FY 2017
2016-001	Finding Title:	Information _______ to ensure that _______ need improvement (The content of this finding has been redacted. This appears as blank underlining).
	State Department:	Health and Human Services
	CFDA Number:	10.551, 10.561, 93.558

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY17 Status:	Corrective action not completed in FY 2017
	Explanation:	DHHS-OFI will ensure the controls over the Department's EBT contractor be strengthened, to include the scope of security risks identified within the SOC report. This will include a monthly reconciliation of all EBT production users.
	FY 2017 Finding:	2017-001
2016-002	Finding Title:	Controls over Federal cash management need improvement
	State Department:	Administrative and Financial Services
	CFDA Number:	10.551, 10.561
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY17 Status:	Corrective action completed in FY 2017
2016-003	Finding Title:	Internal controls over suspension and debarment need improvement
	State Department:	Agriculture, Conservation and Forestry
	CFDA Number:	11.419
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY17 Status:	Corrective action completed in FY 2017
	Explanation:	Per the 2016 Single Audit Report, the subrecipients in question were verified as not suspended or debarred. Additionally, all contracts entered into after April 2017 include a rider that requires the subrecipient to certify that they are not suspended or debarred from receiving Federal funds.
	FY 2017 Finding:	Finding was not reissued
2016-004	Finding Title:	Procedures to ensure compliance with subrecipient monitoring requirements need improvement
	State Department:	Agriculture, Conservation and Forestry
	CFDA Number:	11.419
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY17 Status:	Corrective action not completed in FY 2017
	Explanation:	Corrective action was implemented in FY 2018. The Department coordinated with the Office of the State Controller and the Division of Purchases to create an “audit requirements” certification form. The Department has established procedures to review subrecipient Single Audits and procedures to conduct follow-up on corrective action plans.
	FY 2017 Finding:	Finding was not reissued
2016-005	Finding Title:	Internal control over continuing eligibility is not adequate
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2011
	Questioned Costs:	None

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
	FY17 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Departments contend that the work search audit standard operating procedure (SOP) complies with federal and state regulations. The Department conducted work search reviews and implemented additional procedures to follow-up with noncompliant claimants. This will be the last full year from which all work search samples will be from the old legacy system. As part of the UI application modernization effort to replace the fragile legacy MDOL system, Maine went live with the benefits portion of the ReEmployME application on 12/06/2017. Claimants can file their weekly claim via a weekly certification online, through the Interactive Voice Response system, or a Customer Service Representative. The new system requires each claimant to provide detailed information about their work search activities and then requires the claimant to certify using the last 4 digits of their SSN to complete the "Work Search Acknowledgement" to verify the accuracy of the information provided. A claim is not considered complete and will not be processed unless the work search requirement is fulfilled.
	FY 2017 Finding:	2017-006
2016-006	Finding Title:	_______ controls related to the Unemployment Insurance Benefit _______ need improvement (The content of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY17 Status:	Corrective action not completed in FY 2017
	Explanation:	The Departments have implemented partial corrective action. The remaining corrective action steps will be fully completed with the implementation of the new system. The anticipated completion date for full corrective action is February 2018.
	FY 2017 Finding:	ML 17-0914-01
2016-007	Finding Title:	The _______ is _______ to perform routine _______ and _______. (The content of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY17 Status:	Corrective action completed in FY 2017
2016-008	Finding Title:	Internal control over _______ is not adequate (The content of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services Labor
	CFDA Number:	17.225
	Initial Finding FY:	2014

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Questioned Costs:	None
	FY17 Status:	Corrective action not completed in FY 2017
	Explanation:	The Departments have implemented partial corrective action. The remaining corrective action steps will be fully completed with the implementation of the new system. The anticipated completion date for full corrective action is August 2018.
	FY 2017 Finding:	2017-007
2016-009	Finding Title:	Controls over data accuracy related to performance reporting need improvement
	State Department:	Labor
	CFDA Number:	17.258, 17.259, 17.278
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY17 Status:	Corrective Action completed in FY 2017
	Explanation:	The Department completed corrective action in April 2017. Ticket #24368 was initiated to enhance the Maine JobLink software on March 3, 2017 and completed April 17, 2017. Exit data requirements and tracking has been communicated to personnel and additional training material was provided for their review.
	FY 2017 Finding:	Finding was not reissued
2016-010	Finding Title:	Internal controls over financial reporting need strengthening
	State Department:	Administrative and Financial Services
	CFDA Number:	66.605
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY17 Status:	Corrective action completed in FY 2017
2016-011	Finding Title:	Internal controls over subrecipient monitoring need improvement
	State Department:	Environmental Protection
	CFDA Number:	66.605
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY17 Status:	Corrective action completed in FY 2017
2016-012	Finding Title:	Procedures are not adequate to ensure timely eligibility decisions
	State Department:	Labor
	CFDA Number:	84.126
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY17 Status:	Corrective action completed in FY 2017
2016-013	Finding Title:	Individualized Plans for Employment not completed on a timely basis
	State Department:	Labor
	CFDA Number:	84.126
	Initial Finding FY:	2015
	Questioned Costs:	None

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	FY17 Status:	Corrective action completed in FY 2017
2016-014	Finding Title:	TANF grant funds transferred to the Social Services Block Grant were used for unallowable purposes
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY17 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	In an August 2016 meeting with the Office of the State Auditor, Department officials made clear that this misconceived finding should not exist. Furthermore, we question the timing of the finding outside the normal schedule of State Auditor reports. Such timing raises serious concerns about politicization of the State Auditor process and of this matter. First the "Questioned Costs" and "Context" section are telling. As stated during the August meeting, the Department sought to maximize federal block grant dollars to benefit needy Mainers. When the Department could not obtain formal guidance from federal officials permitting more flexible use of TANF dollars, the Department reversed prior transfers. Funds from those transfers that were directed to community-based services contracts were replaced by General Fund dollars. Each of these actions occurred within the allowable time-period of the federal grant, thereby mitigating any actual impact to Department finances. That is why the finding explicitly states in the Questioned Costs section that there were no questioned costs. Moreover, the Context section states that, "The total of $13.4 million was returned to the Federal government by July 2016," meaning that the transfers in question had no effect. This review of expenditures throughout a federal fiscal year related to federal grants is not only allowable, it is expected. The purpose of any review by the State of current expenditures related to federal grants is then to utilize the process of reversing such transactions, if necessary, based on that review. Second, the finding's "Cause" and "Effect" sections are both misleading. The former states that, "The Department was encouraged by the State's Department of Administrative and Financial Services to seek written Federal approval for the Department's revised plan for the use of these TANF funds," subsequently claiming that the Department did not do so. That is not the case, however, as Department officials explained to the Office of the State Auditor in August 2016. The fact is that the Department did seek—and continues to seek—formal guidance from Federal officials. Indeed, not receiving formal, written guidance factored prominently into the Department's decision to reverse the transfers. In addition, the "Effect" section states that, "The Department did not spend Federal grant funds in accordance with Federal grant regulations." But, if there were no questioned costs—which the finding states clearly—then the Office of the State Auditor has already conceded that the Department did not spend funds inappropriately. Otherwise, there would be questioned costs.

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
		Next, the finding recommends that, "the Department refrain from using Federal funds where compliance is uncertain until appropriate approvals have been secured." Because the grant period remained ongoing, however, the Department did just that. Had the transfer occurred outside the Federal grant period—and had Maine been liable for penalties—then the recommendation would be merited. As it is, the latter just affirms that the Department's actions were appropriate. Finally, the "Recommendation" section concludes by stating, "We also recommend that the Department consider legal and ethical restraints when using Federal funds." The Department adheres to this standard; did so in this case; and rejects the unfounded implication otherwise.
	FY 2017 Finding:	Finding was not reissued
2016-015	Finding Title:	Monitoring of subrecipients needs improvement
	State Department:	Health and Human Services
	CFDA Number:	93.558
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY17 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Department understands the finding's Recommendation; and the Department has already implemented the suggested measures to enhance subrecipient guidance and standardize reporting of block grant expenditures. However, the Department has concerns that the finding misunderstands the Department's utilization of TANF funds to support delivery of expanded social services in Maine and/or the federal requirements that govern TANF fund use. Whereas the Condition suggests that each contract the State Auditor reviewed consisted of TANF funding alone, in fact 12 of the 13 contracts in question contained blended funding sources, including State General Fund dollars and other federal funds. Additionally, the TANF-funded services in each contract are reasonably calculated to accomplish TANF purposes three or four (see 45 C.F.R. § 260.20). Therefore, despite the finding's suggestion to the contrary, it was allowable to provide services under the contracts in question to recipients who were not "TANF eligible." And—per the federal guidance used by the auditor during the review—TANF expenditures for services to the non-needy are clearly described in such guidance: "States may choose to use Federal only TANF funds to provide benefits that do not constitute 'assistance' to the non-needy pursuant to TANF purpose 3 or 4 only." Because of that flexibility—and the fact that the funding was blended such that TANF dollars did not support all services under most of the contracts in question—the Department does not believe TANF dollars were spent improperly and rejects any assertion otherwise. Relatedly, the Department disagrees with the finding's Effect, as well, because the groups served by the contracts in question may properly receive TANF support. The suggestion that Maine used TANF funds to support ineligible individuals is incorrect and fails to account for the

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="2"></td><td></td><td colspan="4">flexibility yielded under block grant regulations.</td></tr>
<tr><td>FY 2017 Finding:</td><td colspan="4">2017-008</td></tr>
<tr><td rowspan="6">2016-016</td><td>Finding Title:</td><td colspan="4">Controls over required Income and Eligibility Verification System data exchanges are not adequate</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services
Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.558, 93.775, 93.777, 93.778, 93.767, 10.551, 10.561</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2012</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY17 Status:</td><td colspan="4">Corrective action completed in FY 2017</td></tr>
<tr><td rowspan="8">2016-017</td><td>Finding Title:</td><td colspan="4">Income Eligibility and Verification System procedures need improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.558, 93.775, 93.777, 93.778, 93.767, 10.551, 10.561</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2015</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY17 Status:</td><td colspan="4">Corrective action not completed in FY 2017</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department updated the Income Eligibility and Verification System (IEVS) Policy and Procedures manual and completed staff training on December 18, 2017. Ongoing monitoring and quality assurance checks will be performed to ensure that all alerts from all reports are being adequately and properly addressed and cleared. The anticipated corrective action completion date is June 30, 2019.</td></tr>
<tr><td>FY 2017 Finding:</td><td colspan="4">2017-010</td></tr>
<tr><td rowspan="6">2016-018</td><td>Finding Title:</td><td colspan="4">Controls over financial reporting need improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.558</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2016</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY17 Status:</td><td colspan="4">Corrective action completed in FY 2017</td></tr>
<tr><td rowspan="8">2016-019</td><td>Finding Title:</td><td colspan="4">Procedures over drug rebate accounting and reporting need improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Administrative and Financial Services
Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778, 93.767</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2015</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$3,050 CHIP
($3,050)
Medicaid</td><td>$2,775 CHIP
($1,905)
Medicaid</td><td>$275 CHIP
($1,145)
Medicaid</td></tr>
<tr><td>Likely</td><td>$3,207,997 CHIP
($3,207,997)
Medicaid</td><td>$2,918,716 CHIP
($2,004,116)
Medicaid</td><td>$289,281 CHIP
($1,203,881)
Medicaid</td></tr>
<tr><td>FY17 Status:</td><td colspan="4">Corrective action not completed in FY 2017</td></tr>
</table>

Summary Schedule of Prior Audit Findings

Finding Number	Prior Audit Finding Status	
	Explanation:	The Department has continued with the stated corrective action. Corrective action will be complete in February 2018 with the implementation of CR 60015.
	FY 2017 Finding:	2017-015
2016-020	Finding Title:	Inadequate management controls over _______ (The content of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services
	CFDA Number:	93.775, 93.777, 93.778, 10.551, 10.561
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY17 Status:	Corrective action not completed in FY 2017
	Explanation:	The Department continues to implement corrective action and intends to complete the remaining corrective action step during FY 2019
	FY 2017 Finding:	2017-019
2016-021	Finding Title:	Information technology controls provided by the contractor to ensure that pharmacy claims are processed accurately, completely, securely, and without disruption need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.778, 93.767
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY17 Status:	Corrective action not completed in FY 2017
	Explanation:	The Department is currently developing procedures to effectively and efficiently monitor and follow-up on noted SOC deficiencies with the vendor. The Department anticipates completing corrective action in FY 2018.
	FY 2017 Finding:	2017-021
2016-022	Finding Title:	_______ controls over _______ are not adequate (The content of this finding has been redacted. This appears as blank underlining).
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY17 Status:	Corrective action not completed in FY 2017
	Explanation:	Corrective action completed in FY 2018.
	FY 2017 Finding:	2017-022
2016-023	Finding Title:	The _______ associated with the _______ is not adequate (The content of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY17 Status:	Corrective action completed in FY 2017

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
2016-024	Finding Title:	No _______ is in place over the ________ (The content of this finding has been redacted. This appears as blank underlining).
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778, 93.767, 10.551, 10.561, 93.558
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY17 Status:	Corrective action not completed in FY 2017
	Explanation:	The Department is currently implementing corrective action. The anticipated corrective action completion date is late fiscal year 2018.
	FY 2017 Finding:	2017-023
2016-025	Finding Title:	Procedures related to Long Term Care Facility audits need improvement
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2010
	Questioned Costs:	None
	FY17 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Department's opinion is that it complies with the Nursing Facility audit requirements. The Department disagrees with the Intermediate Care Facilities / MR (ICR M/R) component of the audit finding. The MaineCare Benefits Manual does not contain a requirement that uniform desk reviews need to be completed within a specified time frame after receipt of an acceptable cost report. Therefore, the Department is not out of compliance with the regulations.
	FY 2017 Finding:	2017-025
2016-026	Finding Title:	Procedures related to Medicare Part B premium payments need improvement
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2015
	Questioned Costs:	None
	FY17 Status:	Corrective action not completed in FY 2017
	Explanation:	The Departments implemented corrective action in FY 2018.
	FY 2017 Finding:	2017-029
2016-027	Finding Title:	Riverview
	State Department:	Administrative and Financial Services Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2014
	Questioned Costs:	None
	FY17 Status:	Management's opinion is that no additional corrective action is required

<table>
<tr><th colspan="6">Summary Schedule of Prior Audit Findings</th></tr>
<tr><th>Finding Number</th><th colspan="5">Prior Audit Finding Status</th></tr>
<tr><td rowspan="2"></td><td>Explanation:</td><td colspan="4">Federal officials are in the process of finalizing their decision regarding the potential disallowance of these federal expenditures.</td></tr>
<tr><td>FY 2017 Finding:</td><td colspan="4">2017-016</td></tr>
<tr><td rowspan="8">2016-028</td><td>Finding Title:</td><td colspan="4">Provider eligibility procedures need to integrate Automated Data Exchange</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778, 93.767</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2015</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY17 Status:</td><td colspan="4">Corrective action completed in FY 2017</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department's fiscal agent has contracted with a third-party vendor to provide the necessary automated services and data exchanges January 17, 2017.</td></tr>
<tr><td>FY 2017 Finding:</td><td colspan="4">2017-030</td></tr>
<tr><td rowspan="8">2016-029</td><td>Finding Title:</td><td colspan="4">Provider eligibility procedures need to address Advance Directives</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2009</td></tr>
<tr><td>Questioned Costs:</td><td colspan="4">None</td></tr>
<tr><td>FY17 Status:</td><td colspan="4">Corrective action not completed in FY 2017</td></tr>
<tr><td>Explanation:</td><td colspan="4">The Department initiated partial corrective action in FY 2014, by including the required language in the provider agreements (complying with the requirements for newly enrolled providers and providers reenrolling). As part of the ACA provider revalidation initiative, all providers are required to reenroll and sign the revised provider agreement. In FY 2017 (June 2017), the Department began the reenrollment process and is currently in the phase of provider reenrollment and revalidation. The Department anticipates that full corrective action will implemented by the end of FY 2020.</td></tr>
<tr><td>FY 2017 Finding:</td><td colspan="4">2017-026</td></tr>
<tr><td rowspan="8">2016-030</td><td>Finding Title:</td><td colspan="4">Controls to ensure the members' share of Cost of Care amounts are properly deducted from nursing home and private non-medical institution provider payments need improvement</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778</td></tr>
<tr><td>Initial Finding FY:</td><td colspan="4">2011</td></tr>
<tr><td rowspan="3">Questioned Costs:</td><td>Questioned Costs</td><td>Total</td><td>Federal</td><td>State</td></tr>
<tr><td>Known</td><td>$10,020</td><td>$6,260</td><td>$3,760</td></tr>
<tr><td>Likely</td><td>$7,095,106</td><td>$4,432,490</td><td>$2,662,616</td></tr>
<tr><td>FY17 Status:</td><td colspan="4">Corrective action completed in FY 2017</td></tr>
<tr><td rowspan="3">2016-031</td><td>Finding Title:</td><td colspan="4">Surveillance and utilization review of Medicaid services is not adequate</td></tr>
<tr><td>State Department:</td><td colspan="4">Health and Human Services</td></tr>
<tr><td>CFDA Number:</td><td colspan="4">93.775, 93.777, 93.778</td></tr>
</table>

Summary Schedule of Prior Audit Findings		
Finding Number	**Prior Audit Finding Status**	
	Initial Finding FY:	2013
	Questioned Costs:	None
	FY17 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Department contends that current surveillance and utilization review activities comply with federal requirements. That being said, the Department continues to take steps to enhance and improve the program.
	FY 2017 Finding:	Finding not reissued
2016-032	Finding Title:	Cases opened because of potential fraud, abuse, or questionable practices need improved supervisory review
	State Department:	Health and Human Services
	CFDA Number:	93.775, 93.777, 93.778
	Initial Finding FY:	2016
	Questioned Costs:	None
	FY17 Status:	Management's opinion is that no additional corrective action is required
	Explanation:	The Department's opinion is that it complies with all criteria cited in the finding. Program Integrity (PI) has a robust system for identification, prioritizing, investigation and referral of all suspected fraud and abuse cases. All provider and member complaints forwarded to (PI) are reviewed by the PI manager/designee and then entered into the PI electronic tracking (Workflow) system upon receipt of the complaint. Complaints meeting the criteria of imminent harm to the MaineCare population and/or with significant risk of fraud were immediately assigned to PI staff for investigation. Complaints with minimal or no risk to the MaineCare population and with low risk of fraud, waste or abuse were assigned to PI staff as resources became available. PI continuously reviews its methods to improve their effectiveness and efficiency. For example, a pilot project of rapid response teams are bringing resolution to low risk complaints within 5-7 business days. Additionally, PI has contracted with a data analytics consultant to further increase the effectiveness of the program.
	FY 2017 Finding:	2017-027

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