

# MAINE



*Comprehensive Annual Financial Report  
For The Fiscal Year Ended June 30, 2007*

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**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

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**STATE OF MAINE**



**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**JOHN ELIAS BALDACCI**  
*Governor*

**REBECCA M. WYKE**  
*Commissioner*  
*Department of Administrative & Financial Services*

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

*Prepared by the Office of the State Controller*

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

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**financialreporting@maine.gov**

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

**STATE OF MAINE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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# INTRODUCTORY SECTION

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

EDWARD A. KARASS  
STATE CONTROLLER



TERRY E. BRANN, CPA  
DEPUTY STATE CONTROLLER

December 19, 2007

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

We are pleased to present the State of Maine's Fiscal Year 2007 (FY2007) Comprehensive Annual Financial Report (CAFR) prepared in accordance with Generally Accepted Accounting Principles (GAAP). The annual CAFR, required by Title 5 MRSA § 1547, is compiled and published by the Office of the State Controller (OSC). The report is the primary means of reporting the State's financial activities. The objective of this report is to provide a clear picture of our government as a single, unified entity, as well as providing traditional fund based financial statements.

**Responsibility**

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

**Adherence to Generally Accepted Accounting Principles**

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

**Format of Report**

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

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

### **Internal Control Structure**

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

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

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

### **Independent Auditors**

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

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

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

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

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

# PROFILE OF THE GOVERNMENT

## **Reporting Entity**

The Governor and Legislature govern all funds and accounts for every executive agency, board, commission, public trust, authority and component unit. The State of Maine financial reporting entity reflected in the CAFR, which is more fully described in Note 1 to the Basic Financial Statements, includes these funds, agencies, organizations, boards, commissions, Authorities and major component units in accordance with GASB Statement No. 14 as amended by GASB Statement No. 39. There are 6 major component units, 8 nonmajor component units, one blended component unit, and one fiduciary component unit included in the CAFR. The major component units are discretely presented in the financial statements; and the blended component unit is included as a separate fund in the fund financial statements. The fiduciary component unit is presented in the fiduciary fund and similar component unit financial statements, along with the other fiduciary activities of the State. The fiduciary activities are not included in the government-wide financial statements because the resources of these funds are not available to support the State's own programs.

The departments of the primary government record their daily financial operations in the State accounting system called the Maine Financial and Administrative Statewide Information System (MFASIS) operated by the Office of the State Controller.

## **Budgetary Control**

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

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

The total General Fund appropriation for each fiscal year of the biennium in the Governor's budget submission to the Legislature may not exceed the General Fund appropriation of the previous fiscal year multiplied by one plus the average real personal income growth rate, as defined in Title 5 MRSA § 1665, subsection 1, plus the average forecasted inflation rate. "Average forecasted inflation rate" means the average forecasted change in the Consumer Price Index underlying the revenue projections developed by the Revenue Forecasting Committee. This appropriation limitation may be exceeded only by the amount of the additional costs or the lost federal revenue from the following exceptional circumstances: unfunded or under-funded new federal mandates; losses in federal revenues or other revenue sources; citizens' initiatives or referenda that require increased State spending; court orders or decrees that require additional State resources to comply with the orders or decrees; and sudden or significant increases in demand for existing State services that are not the result of legislative changes that increased eligibility or increased benefits. The Governor may designate exceptional circumstances that are not explicitly defined, but meet the intent of this statute. "Exceptional circumstances" means an unforeseen condition or conditions over which the Governor and the Legislature have little or no control. Exceptional circumstances do not apply to new programs or program expansions that go beyond existing program criteria and operation.

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

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

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

#### **Maine Budget Stabilization Fund**

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

Balances in the fund do not lapse; but carry forward each year. The money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. In addition to interest earnings, the fund is capitalized at the close of each fiscal year. As the first priority before any other transfer, the State Controller is required to transfer 35 percent of the unappropriated surplus of the General Fund, when the fund is not at its statutory cap. In accordance with statute, since there was no unappropriated surplus in 2007, no transfer was required.

The statutory cap for the fund is 12 percent of the total General Fund revenue received in the immediately preceding fiscal year. At the close of the fiscal year, the cap is based on the revenue received in the fiscal year being closed. Based on fiscal year 2007 actual General Fund revenue, the statutory cap at the close of fiscal year 2007 and during fiscal year 2007 was \$362.4 million. At the close of fiscal year 2007, the balance of the Maine Budget Stabilization Fund was \$115.5 million, an increase of \$35.6 million over fiscal year 2006. No reductions to the Maine Budget Stabilization Fund balance are required when it exceeds the balance of the statutory cap as a result of a decline of General Fund revenue.

## **ECONOMIC CONDITIONS AND OUTLOOK**

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

Inflation continued to rise though the past year. The Consumer Price Index rose by 2.6 percent from July 2006 to July 2007; however, fuel and utilities prices rose much faster. The rise in oil prices to over \$90 a barrel in late fall has put pressure on both household and government budgets. Sustained oil prices in excess of \$90 per barrel will impose significant challenges to both households and governments during the winter heating season.

Personal income continues to rise in Maine faster than inflation. According to the latest statistics available, personal income is estimated to have risen by 3.9 percent in calendar year 2007. The moderate growth in 2007 and 2006 is in contrast to the much slower growth in 2005 when the state was affected by a number of events, the most significant of which was the Base Realignment and Closure Commission (BRAC) process. Unemployment has hovered around the national average throughout the year. The rate in Maine stood at 4.8 percent in September of 2007, which is slightly above the national rate of 4.7 percent.

### **NEW ACCOUNTING STANDARD**

The Governmental Accounting Standards Board Statement No. 45, which sets accounting and financial reporting standards by employers for postemployment benefits other than pensions, is effective beginning in fiscal year 2008. The term other postemployment benefits (OPEB) includes postemployment healthcare benefits and other types of postemployment benefits, such as life insurance. This new accounting standard will require the State to measure and disclose its liability for the OPEB and the status of its efforts to fund that liability in its fiscal year 2008 financial reports. The State's independent actuary has prepared valuations of the health care benefit liabilities for the State Employee and Teachers' Retiree Health Care Fund. The actuarial valuation determined the State's annual required contribution (ARC) necessary to fully fund the OPEB and compare it to the actual contribution paid. The difference is the Net OPEB Obligation to be reported in the government-wide financial statements. See Management's Discussion and Analysis for further details.

Component units and independent authorities of the State will perform their own valuations as the State does not assume the risk or financial burden for their health care costs. The State has established an Irrevocable Trust in law, PL2007, Chapter 240, Part RRR, to account for retiree health. The Trust is jointly administered by the State Controller and Treasurer who have the daily responsibilities for managing the operations trust and the Maine State Retirement System who has the investment responsibility. The State of Maine will fund the ARC incrementally over a ten year period, reaching full funding by year 10 of the 30 year amortization of the unfunded liability.

The Governmental Accounting Standards Board Statement No. 43 sets the financial reporting standards for postemployment benefit plans other than pension plans. The term plans refers to trust or other funds that accumulate assets to finance the OPEB, and benefits are paid as they come due. The requirements of this statement are effective beginning with fiscal year 2007. At this time the State of Maine administers OPEB benefits for health insurance through a self-insurance fund under the supervision of the Commissioner of Administrative and Financial Services for the purpose of accumulating funds to satisfy the ongoing retiree post-employment benefit costs for state employees and teachers, excluding pensions and benefits otherwise appropriated by statute. All funds remitted to the State as a subsidy on behalf of the members of the retiree health plan for employer-sponsored qualified prescription drug plans pursuant to the Medicare Prescription Drug

Improvement and Modernization Act of 2003 will be deposited into this fund, as well as any appropriations by the legislature to fund retiree post-employment benefits other than pensions.

Funding the ARC for retiree health benefits will have an effect on resources available for future budgets.

## **CURRENT DEVELOPMENTS AND INITIATIVES**

The First Regular Session of the 123rd Legislature as a part of Public Law 2007, Chapter 240, enacted the Governor's initiative making sweeping reform in the administrative structure of local school districts. The legislation will have long lasting effects on the delivery of administrative service to schools. The reform known as "School Consolidation" proposed to reduce the number of local school districts from 240 to no more than 80 districts. The consolidation of school administrative districts is the most far reaching and significant legislation proposed or enacted since the Sinclair Act of 1957 that created the School Administrative District system.

Also enacted in Public Law 2007, Chapter 240, was the establishment of an Irrevocable Trust to account for and invest funds set aside to amortize the unfunded liabilities of the state employee, teachers, and county and municipal firefighters and law enforcement personnel participating in the plan. The initial deposit to the trust is expected to amount to \$90.0 million.

## **FINANCIAL INFORMATION**

### **Cash Management**

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

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

### **Debt Administration**

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

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

The economic base is the most critical element in determining the rating. Growth and diversity in the demographics, tax base, and employment base of the State over the last decade are indicators of future growth prospects and debt repayment capabilities. Generally, States with higher income levels and diverse economic bases have superior debt repayment capabilities and are better protected from sudden shocks or unexpected

volatility in the economy. Because a strong economy does not always ensure a State's ability to meet debt payments, the State's financial management and performance are also key factors.

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

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

Standard & Poor’s

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

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

Moody’s Investors Service

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

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

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

FitchRatings

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

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



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

### **Risk Management**

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

## **OTHER INFORMATION**

### **Acknowledgements and Conclusion**

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

At the close of Fiscal Year 2007 on June 30<sup>th</sup>, the Office of State Controller’s officially retired the MFASIS accounting system that had served the State of Maine since 1989. July 1, 2007 saw the successful implementation of an integrated financial management system for State government, AdvantageME. The system integrates treasury functions, purchasing, general ledger accounting, cost allocation, fixed assets, cost and grant accounting, and financial reporting. The financial management system also provides the State with an integrated data analysis tool that will assist agencies to better manage and account for their resources.

In addition, the Office of the State Controller successfully implemented an Employee Self Service system that allows employees control over their personal information, benefit selection, and payroll deductions. The system will, in time, deliver the employee’s payroll advice to their desktop electronically.

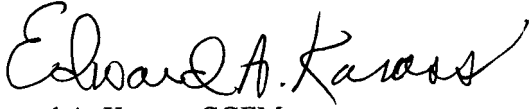
These new systems support the Administration’s comprehensive consolidation of backbone services by providing employees with the very best tools to increase their overall productivity and effectiveness.

Although we face budgetary challenges as we move toward the next biennium, the State of Maine has worked diligently to improve funding of its two major reserves, the Budget Stabilization Fund and Working Capital. The Governor and the legislature have worked cooperatively together to build reserves, at a zero balance in 2003, to approximately \$156 million.

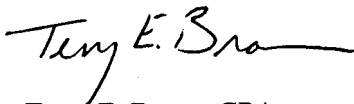
In an environment where economic resources are limited and agencies are coping with budget constraints, the challenge of maintaining effective controls is greater than ever. We will continue to partner with each department, at its highest levels, to ensure that the tools are available to help each agency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

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

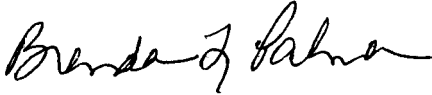
Sincerely,



Edward A. Karass, CGFM  
State Controller



Terry E. Brann, CPA  
Deputy State Controller



Brenda L. Palmer, CPA  
Principal Financial Management Coordinator



# STATE OF MAINE

## OFFICIALS OF STATE GOVERNMENT

AS OF JUNE 30, 2007

### EXECUTIVE

**John Elias Baldacci**, *Governor*

### LEGISLATIVE

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

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

#### Constitutional/Statutory Officers

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

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

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

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

### JUDICIAL

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



# STATE OF MAINE ORGANIZATION CHART AS OF JUNE 30, 2007

**MAINE  
VOTERS**

## **LEGISLATIVE BRANCH**

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

## **EXECUTIVE BRANCH**

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

The Governor  
appoints all  
Judicial Officers

## **JUDICIAL BRANCH**

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

## **CONSTITUTIONAL OFFICERS**

Secretary of State  
State Treasurer  
State Attorney General

## **STATUTORY OFFICER**

State Auditor

## **CABINET LEVEL DEPARTMENTS**

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

## **MISCELLANEOUS BOARDS & COMMISSIONS**

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

## **MAJOR COMPONENT UNITS**

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



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

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**NERIA R. DOUGLASS, JD, CIA**  
STATE AUDITOR

# STATE OF MAINE DEPARTMENT OF AUDIT

66 STATE HOUSE STATION  
AUGUSTA, MAINE 04333-0066

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**RICHARD H. FOOTE, CPA**  
DEPUTY STATE AUDITOR  
**CAROL A. LEHTO, CPA, CIA**  
DEPUTY, SINGLE AUDIT  
**MICHAEL J. POULIN, CIA**  
DIRECTOR OF AUDIT AND ADMINISTRATION

## INDEPENDENT AUDITOR’S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2007, which collectively comprise the State’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Maine’s management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following component units: Finance Authority of Maine, Maine Educational Center for the Deaf and Hard of Hearing, Loring Development Authority, Maine Educational Loan Authority, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Municipal Bond Bank, Maine Port Authority, Maine State Housing Authority, Maine Public Employees Retirement System, Maine Community College System, Maine Technology Institute, Northern New England Passenger Rail Authority, and University of Maine System. We also did not audit the financial statements of the NextGen College Investing Plan. These financial statements reflect the following percentages of total assets and revenues or additions of the indicated opinion units:

<u>Opinion Unit</u>	<u>Percent of Opinion Unit’s Total Assets</u>	<u>Percent of Opinion Unit’s Total Revenues/Additions</u>
Aggregate Discretely Presented Component Units	100%	100%
Aggregate Remaining Fund Information	96%	63%

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

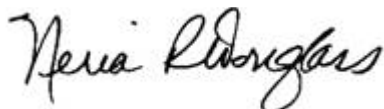
In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major

fund, and the aggregate remaining fund information of the State of Maine, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis, budgetary comparison schedules and related notes, information about infrastructure assets reported using the modified approach, and information on the schedules of funding progress and employer contributions for the State Retirement Plan and the Participating Local District Plan are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

As discussed in Note 3 to the financial statements, the State corrected the reporting of certain capital assets and reduced General Fund beginning net assets for a correction to receivables.

A handwritten signature in cursive script that reads "Neria R. Douglass".

Neria R. Douglass, JD, CIA  
State Auditor

December 19, 2007



## 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, 2007. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

#### Government-wide:

- The State's net assets increased by 8.9 percent from the previous fiscal year. Net assets of Governmental Activities increased by \$325.6 million, while net assets of Business-type Activities increased by \$24.2 million. The State's assets exceeded its liabilities by \$4.3 billion at the close of fiscal year 2007. Component units reported net assets of \$1.9 billion, an increase of \$129.6 million (7.3 percent) from the previous year. The reclassification of MHHEFA to a component unit from fiduciary reporting accounts for \$34.5 million of the increase.

#### Fund level:

- At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of \$272.9 million, an increase of \$59.5 million from the previous year. The General Fund's total fund balance was a negative \$156.3 million, an improvement of \$23.4 million from the previous year, as restated. The Highway Fund total fund balance also increased by \$17.8 million.
- The proprietary funds reported net assets at year end of \$706.1 million, an increase of \$83.9 million. This increase is due to several factors: an increase in the Retiree Health Insurance Fund of \$41.9 million, an increase in the Employment Security Fund of \$12.8 million, an increase in the Alcoholic Beverages Fund of \$12.5 million, an increase in the Workers' Compensation Fund of \$13.7 million, the creation of the Transportation Facilities Fund for \$10.1 million, offset by a decrease in the Employee Health Insurance Fund of \$11.8 million

#### Long-term Debt:

- The State's liability for general obligation bonds decreased by \$18.8 million during the fiscal year, which represents the difference between new issuances and payments of outstanding debt. During the year, the State issued \$61.0 million in bonds and made principal payments of \$79.8 million.

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

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-wide Statements

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

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

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

Both government-wide statements report three activities:

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

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

*Component units* - Although legally separate, component units are important because the State is financially accountable for these entities. The State has "blended" one component unit, the Maine Governmental Facilities Authority (MGFA) with Governmental Activities as described above. Maine reports 14 other component units as discretely presented component units of the State, and one component unit is reported with the State's fiduciary funds. Complete financial statements of the individual component units may be obtained directly from their respective administrative offices as shown in Note 1 A to the financial statements.

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

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

- Net asset balances are allocated as follows:

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

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

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

## **Fund Financial Statements**

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

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

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

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

## **Notes to the Financial Statements**

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

## Required Supplementary Information

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

## Other Supplementary Information

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

## FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

The State's net assets increased by 8.9 percent to \$4.3 billion at June 30, 2007, as detailed in Tables A-1 and A-2.

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

	Governmental		Business-type		Total	
	Activities		Activities		Primary Government	
	2007	2006*	2007	2006	2007	2006*
Current and other noncurrent assets	\$2,005,451	\$2,220,676	\$530,972	\$526,219	\$2,536,423	\$2,746,895
Capital assets	3,934,171	3,742,425	90,361	79,030	4,024,532	3,821,455
<b>Total Assets</b>	<b><u>5,939,622</u></b>	<b><u>5,963,101</u></b>	<b><u>621,333</u></b>	<b><u>605,249</u></b>	<b><u>6,560,955</u></b>	<b><u>6,568,350</u></b>
Current liabilities	1,389,939	1,735,627	39,703	35,985	1,429,642	1,771,612
Long-term liabilities	781,373	784,758	75,646	87,500	857,019	872,258
<b>Total Liabilities</b>	<b><u>2,171,312</u></b>	<b><u>2,520,385</u></b>	<b><u>115,349</u></b>	<b><u>123,485</u></b>	<b><u>2,286,661</u></b>	<b><u>2,643,870</u></b>
<b>Net assets (deficit):</b>						
Investment in capital assets, net of related debt	3,519,371	3,347,672	90,361	79,030	3,609,732	3,426,702
Restricted	198,786	172,449	489,677	476,832	688,463	649,281
Unrestricted (deficit)	50,153	(77,405)	(74,054)	(74,098)	(23,901)	(151,503)
<b>Total Net Assets</b>	<b><u>\$ 3,768,310</u></b>	<b><u>\$ 3,442,716</u></b>	<b><u>\$ 505,984</u></b>	<b><u>\$ 481,764</u></b>	<b><u>\$ 4,274,294</u></b>	<b><u>\$ 3,924,480</u></b>

\*As Restated

## Changes in Net Assets

The State's fiscal year 2007 revenues totaled \$6.9 billion. (See Table A-2) Taxes and operating grants and contributions accounted for most of the State's revenue by contributing 49.8 percent and 34.5 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 \$6.6 billion for the year 2007. (See Table A-2) These expenses are predominantly (70 percent) related to health & human services and education activities. The State's governmental support & operations activities accounted for 7 percent of total costs. Total net assets increased by \$349.8 million.

<b>Table A-2 - Changes in Net Assets</b>						
(Expressed in Thousands)						
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b><u>2007</u></b>	<b><u>2006*</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2006*</u></b>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$ 406,582	\$ 412,033	\$ 463,518	\$ 450,117	\$ 870,100	\$ 862,150
Operating	2,361,828	2,536,857	21,386	20,663	2,383,214	2,557,520
Capital Grants/Contributions	6,434	24,268	4,143		10,577	24,268
General Revenues:						
Taxes	3,448,127	3,360,545			3,448,127	3,360,545
Other	211,168	172,401	2	448	211,170	172,849
<b>Total Revenues</b>	<b>6,434,139</b>	<b>6,506,104</b>	<b>489,049</b>	<b>471,228</b>	<b>6,923,188</b>	<b>6,977,332</b>
<b>Expenses</b>						
Governmental Activities:						
Governmental Support	460,315	537,717			460,315	537,717
Education	1,622,653	1,494,438			1,622,653	1,494,438
Health & Human Services	2,989,001	3,167,521			2,989,001	3,167,521
Justice & Protection	358,718	340,281			358,718	340,281
Transportation Safety	267,994	322,438			267,994	322,438
Other	414,597	392,189			414,597	392,189
Interest	36,246	36,873			36,246	36,873
Business-Type Activities:						
Employment Security			120,215	103,867	120,215	103,867
Lottery			180,722	179,628	180,722	179,628
Military Equip. Maint.			35,140	65,013	35,140	65,013
Dirigo Health			65,178	47,122	65,178	47,122
Other			22,595	11,967	22,595	11,967
<b>Total Expenses</b>	<b>6,149,524</b>	<b>6,291,457</b>	<b>423,850</b>	<b>407,597</b>	<b>6,573,374</b>	<b>6,699,054</b>
<b>Excess (Deficiency) before Special Items and Transfers</b>	<b>284,615</b>	<b>214,647</b>	<b>65,199</b>	<b>63,631</b>	<b>349,814</b>	<b>278,278</b>
Special Items		(31,212)		31,787		575
Transfers	40,979	51,708	(40,979)	(51,708)	-	-
Increase (Decrease) in Net Assets	325,594	235,143	24,220	43,710	349,814	278,853
Net Assets, beginning of year *	3,442,716	3,207,573	481,764	438,054	3,924,480	3,645,627
Ending Net Assets	\$ 3,768,310	\$ 3,442,716	\$ 505,984	\$ 481,764	\$ 4,274,294	\$ 3,924,480

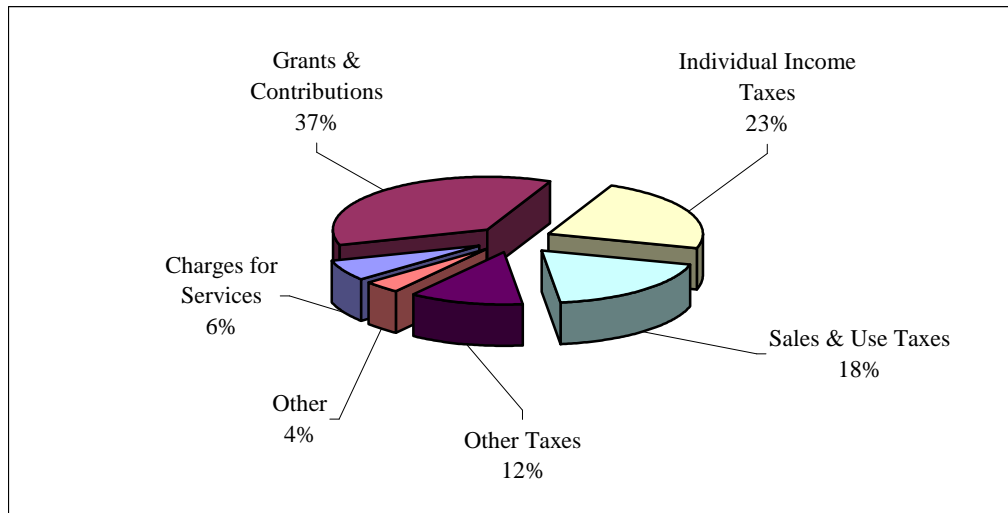
\*As Restated

**Governmental Activities**

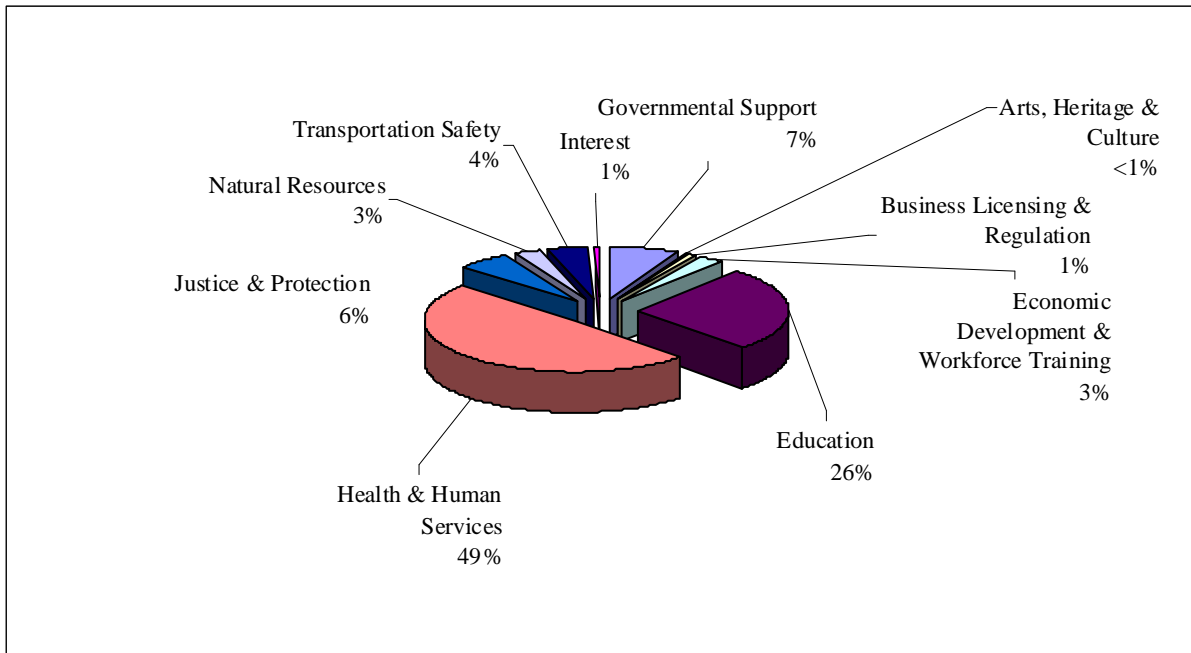
Revenues for the State's Governmental Activities totaled \$6.4 billion while total expenses equaled \$6.1 billion. The increase in net assets for Governmental Activities was \$325.6 million in 2007. This is due, primarily, to decreases in accrued expenditures for health and human services and transportation related activities, offset by increases in education spending.

The users of the State's programs financed \$406.6 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of \$2.4 billion. \$3.6 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 2007**



**Table A-4: Total Expenses for Governmental Activities for Fiscal Year 2007**



## Business-type Activities

Revenues for the State's Business-type Activities totaled \$489.0 million while expenses totaled \$423.9 million. The increase in net assets for Business-type Activities was \$24.2 million in 2007, due mainly to the collection of \$30.4 million in Savings Offset Payments by Dirigo Health.

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

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

Category	Total Cost		Net (Cost) Revenue	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Employment Security	\$ 120,215	\$ 103,867	\$ 13,991	\$ 19,407
Alcoholic Beverages	-	-	12,525	12,525
Lottery	180,722	179,628	50,906	51,334
Military Equip. Maint.	35,140	65,013	(4,822)	5,414
Dirigo Health	65,178	47,122	(1,839)	(21,236)
Other	<u>23,595</u>	<u>11,967</u>	<u>(5,562)</u>	<u>(3,813)</u>
Total	<u>\$ 423,850</u>	<u>\$ 407,597</u>	<u>\$65,199</u>	<u>\$ 63,631</u>

The cost of all Business-type Activities this year was \$423.9 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-type Activities was \$65.2 million, with the Lottery making up \$50.9 million of the total. The State's Business-type Activities transferred \$41.0 million (net) to the Governmental Activities in statutorily required profit transfers.

## FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

<b>Fund</b>	<u>2007</u>	<u>2006*</u>	<u>Change</u>
General	\$(156,349)	\$ (179,739)	\$ 23,390
Highway	27,559	9,712	17,847
Federal	37,595	22,190	15,405
Other Special Revenue	263,983	258,033	5,950
Other Governmental	<u>100,098</u>	<u>103,174</u>	<u>(3,076)</u>
<b>Total</b>	<b><u>\$ 272,886</u></b>	<b><u>\$ 213,370</u></b>	<b><u>\$ 59,516</u></b>

\* *As restated*

The State's governmental fund balances increased during fiscal year 2007 from fiscal year 2006 by \$59.5 million. The General Fund's increase was due mainly to a decrease in the Medicaid incurred but not paid (IBNP) accrual of approximately \$76 million. The Highway Fund fund balance increased by \$17.8 million from fiscal year 2006. Operationally, transportation, safety and development expenditures were \$74 million lower in fiscal year 2007. Fewer transportation projects undertaken during fiscal year 2007 accounted for most of the difference.

### **Budgetary Highlights**

For the 2007 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to \$3.1 billion, an increase of about \$166 million from the original legally adopted budget of approximately \$2.9 billion. Actual expenditures on a budgetary basis amounted to approximately \$62.9 million less than those authorized in the final budget; however, after deducting the encumbered obligations and other commitments that will come due in fiscal year 2008, \$17.1 million of unobligated funds remained as a result of a continuing concerted effort to control spending, primarily in the broad categories of education and social services. Actual revenues exceeded final budget forecasts by \$33.7 million.

As a part of the final budget adjustment for Fiscal Year 2007, the Legislature approved a direct appropriation to the State's Budget Stabilization Fund in the amount of \$35.6 million. The additional appropriation increased the balance in the Fund to \$115.5 million as of June 30, 2007. 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 2007, the State had roughly \$4 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2007, the State acquired or constructed more than \$346 million of capital assets. The most significant impact on capital assets during the year resulted from continued construction and rehabilitation of roads and bridges, and major construction and renovation of State-owned facilities. More detailed information about the State's capital assets and significant construction commitments is presented in Notes 8 and 15 to the financial statements.

**Table A-6: Capital Assets**  
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2007</u>	<u>2006*</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006*</u>
Land	\$ 424,331	\$ 394,069	\$ 38,417	\$ 38,161	\$ 462,748	\$ 432,230
Buildings	560,306	506,881	9,769	9,322	570,075	516,203
Equipment	248,130	254,007	43,385	20,220	291,515	274,227
Improvements	18,246	17,233	61,218	61,218	79,464	78,451
Infrastructure	3,023,973	2,861,522	-	-	3,023,973	2,861,522
Construction in Progress	10,230	6,818	3,613	925	13,843	7,743
Total Capital Assets	4,285,216	4,040,530	156,402	129,846	4,441,618	4,170,376
Accumulated Depreciation	(351,045)	(298,105)	(66,041)	(50,816)	(417,086)	(348,921)
Capital Assets, net	<u>\$ 3,934,171</u>	<u>\$ 3,742,425</u>	<u>\$ 90,361</u>	<u>\$ 79,030</u>	<u>\$ 4,024,532</u>	<u>\$ 3,821,455</u>

\* As restated

### 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 8,834 highway miles or 17,947 lane miles within the State. Bridges have a deck area of 11.5 million square feet among 2,965 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2007, the actual average condition was 76. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 78 at June 30, 2007. Preservation costs for fiscal year 2007 totaled \$73.3 million compared to estimated preservation costs of \$61.0 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 462, PL 2005, \$27 million was spent during FY 2007.

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% 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% of the total valuation of the State of Maine, whichever is the lesser.

At year-end, the State had \$920 million 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-7: Outstanding Long-Term Debt**  
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General Obligation						
Bonds	\$ 448,760	\$ 467,550	\$ -	\$ -	\$ 448,760	\$ 467,550
Other Long-Term						
Obligations	<u>470,815</u>	<u>441,512</u>	<u>718</u>	<u>135</u>	<u>471,533</u>	<u>441,647</u>
Total	<u>\$ 919,575</u>	<u>\$ 909,062</u>	<u>\$ 718</u>	<u>\$ 135</u>	<u>\$ 920,293</u>	<u>\$ 909,197</u>

During the year, the State reduced outstanding long-term obligations by \$79.8 million for outstanding general obligation bonds and \$227.5 million for other long-term debt. Also during fiscal year 2007, the State incurred \$318.3 million of additional long-term obligations.

**Credit Ratings**

Three of the major bond rating agencies regularly assess the State's credit rating. During fiscal year 2007, Moody's Investors Service rated the State at Aa3, Standard & Poor's rated it at AA, and Fitch Ratings rated it at AA. For fiscal year 2006, the Moody's rating was Aa3, Standard & Poor's was AA-, and Fitch Ratings was AA.

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

Inflation continued to rise though the past year. The Consumer Price Index rose nearly 2.6 percent from July 2006 to July 2007; however, fuel and utilities prices rose much faster. The rise in oil prices to over \$90 a barrel in late summer due to unrest in the Middle East put pressure on both household and government budgets. Sustained prices in the \$90 to \$100 a barrel range, will impose significant challenges to Maine households and governmental operations at all levels in the State during the winter heating season.

Personal income continues to rise in Maine faster than inflation. According to the latest statistics available, personal income is estimated to have risen by 3.6 percent in calendar year 2006. The moderate growth in 2006 is in contrast to the much slower growth in 2005 when the state was affected by a number of events, the most significant of which was the Base Realignment and Closure Commission process. Unemployment has hovered around the national average throughout the year. The rate in Maine stood at 4.8 percent in September of 2007 which is slightly above the national rate of 4.7 percent.

The General Fund Revenue estimate accepted by the Independent Revenue Forecasting Commission for the 2006-2007 Biennium provides approximately \$5.8 billion in resources to be available for general purpose spending. At the beginning of the budgeting process for the 2008-2009 Biennium, the State Budget Officer estimated structural gap at approximately \$100 million between revenue and costs to maintain current services. The 2008-2009 biennial budget was brought into balance with the enactment of Public Law 2007, Chapter 240, **“An Act Making Unified Appropriations and Allocations for the Expenditures of State Government, General Fund and Other Funds, and Changing Certain Provisions of the Law Necessary to the Proper Operations of State Government for the Fiscal Years Ending June 30, 2007, June 30, 2008, and June 30, 2009.”** The Budget will be amended several times through various public laws to ensure adequate resources are available for the fiscal years of the biennium as revenues and resources appear to be in decline as the result of high energy costs, inflation, and the slowing of the real estate market's sub prime mortgage crises.

As a result of the November 2007 report by the Revenue Forecasting Commission adjusting General Fund Revenue downward by \$95 million over current biennium, significant adjustments will be made to bring currently authorized spending into line with expected revenue for the remainder of the biennium. Along with the downturn in revenue, additional spending pressures are mounting in the State's Medicaid program which will require additional General Fund support to ensure that “cycle payments” are made on a timely basis. This will require additional cuts in other state funded programs beyond the adjustments necessary to meet the revenue downturn.

### **New Accounting Standard**

The State maintains a retiree health care plan for State employees and teachers that are affected by the standard. The plan is operated on a pay-as-you-go basis, i.e. claims benefits for health care plan participants are paid as they occur. The portion of active and retired employee's health care premiums for which the State is responsible is estimated and budgeted.

New accounting standards will require the State to begin disclosing its liability for other post employment benefits (commonly referred to as “OPEB”) in its FY 2008 financial reports. An initial valuation report by an independent actuarial firm for the State's liability for these health care and life insurance benefits for the fiscal year ended June 30, 2006 was released in January, 2007. The report presented two separate calculations of the State's OPEB liability, depending on whether the liability would be prefunded in a manner meeting the requirements of GASB Statement No. 45.

According to the report, assuming no prefunding, the actuarial accrued liability of the State for OPEB obligations incurred through June 30, 2006 is \$4.8 billion. The Present Value of Projected Benefits amounts to approximately \$5.9 billion at a discount rate of 4.5 percent. To fully amortize this liability over a 30-year period, utilizing an amortization growth rate of 4.5 percent per year would require annual required contributions (ARC) commencing at \$116 million for fiscal 2007 and projected to increase to \$296 million in fiscal year 2015-2016.

However, if prefunding at 7.5 percent is assumed, the actuarial accrued liability is reduced to \$3.2 billion and the annual required contribution is calculated to commence at \$275 million for fiscal year 2007. As the incremental cost of funding the full ARC is not within reach for the State, the State has decided to fund the ARC on a graduated basis over a ten year period to attain full funding of the annual ARC.

In making these calculations, the independent actuarial firm utilized employment and other data provided by the State and projected annual claims growth initially at 10.5 percent and declining to 5.1 percent after ten years and continuation of current benefit levels and current retiree contribution requirements. The report covered only the State's OPEB obligations for State employees, teachers, and participating ancillary groups. Municipalities and authorities of the State of Maine, even if their health care coverage is administered by the State of Maine's Retiree Healthcare Program, will perform their own valuations, as the State acts only as an agent for these entities with respect to OPEB and does not assume the risk or financial burden of their health care costs or liabilities.

In the absence of prefunding, the discount rate must approximate the State's rate of return on non-pension (liquid) investments over the long term, estimated at 4.5 percent for the purpose of this study. In the event of prefunding, the discount rate would increase to a standard return on long-term investments, estimated at 7.5 percent for the purpose of this study. In order to qualify its OPEB liabilities as prefunded, the State will have to enact legislation providing for the escrowing of annual contributions in the manner required by GASB Statement No. 45 (and similar to the program for funding the State's unfunded actuarial liability for pension).

GASB Statement No. 45 requires that OPEB obligations be recalculated at two-year intervals. Such calculations may be affected by many factors, including changing experience and assumptions regarding future health care claims, by whether or not the State enacts legislation that qualifies its OPEB obligations to be calculated on a prefunded basis, by changes in the State's employee profile, and possible changes in OPEB coverage levels and retiree contribution rates. Accordingly, it should be anticipated that the actuarial accrued liability of the State for OPEB liabilities will fluctuate.

A copy of the valuation report discussed above can be obtained by calling the Office of the State Controller.

### **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



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# **BASIC FINANCIAL STATEMENTS**

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**STATE OF MAINE  
STATEMENT OF NET ASSETS**

June 30, 2007  
(Expressed in Thousands)

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>	
<b>Assets</b>				
<b>Current Assets:</b>				
Equity in Treasurer's Cash Pool	\$ 436,233	\$ 12,387	\$ 448,620	\$ 86,891
Cash and Cash Equivalents	11,511	1,646	13,157	51,684
Cash with Fiscal Agent	46,450	-	46,450	1,081
Investments	79,424	-	79,424	943,418
<b>Restricted Assets:</b>				
Restricted Equity in Treasurer's Cash Pool	14,493	-	14,493	-
Restricted Deposits and Investments	16,301	463,099	479,400	-
Inventories	7,038	779	7,817	1,924
<b>Receivables, Net of Allowance for Uncollectibles:</b>				
Taxes Receivable	389,651	-	389,651	-
Loans Receivable	4,560	-	4,560	75,966
Notes Receivable	-	-	-	63
Other Receivables	301,847	50,931	352,778	58,985
Internal Balances	(505)	505	-	-
Due from Other Governments	601,846	-	601,846	138,670
Due from Primary Government	-	-	-	13,214
Loans receivable from primary government	-	-	-	4,015
Due from Component Units	894	66	960	-
Other Current Assets	1,518	206	1,724	38,219
<b>Total Current Assets</b>	<b>1,911,261</b>	<b>529,619</b>	<b>2,440,880</b>	<b>1,414,130</b>
<b>Noncurrent Assets:</b>				
Equity in Treasurer's Cash Pool	47,856	1,353	49,209	9,507
Assets Held in Trust	-	-	-	5,047
<b>Restricted Assets:</b>				
Restricted Deposits and Investments	-	-	-	692,191
Investments	-	-	-	365,078
<b>Receivables, Net of Current Portion:</b>				
Taxes Receivable	46,334	-	46,334	-
Loans Receivable	-	-	-	2,411,120
Notes Receivable	-	-	-	208,437
Other Receivables	-	-	-	6,337
Due from Other Governments	-	-	-	1,116,640
Loans receivable from primary government	-	-	-	38,338
Due From Primary Government	-	-	-	2,106
Other Noncurrent Assets	-	-	-	35,535
<b>Capital Assets:</b>				
Land, Infrastructure, and Other Non-Depreciable Assets	3,458,534	42,030	3,500,564	162,174
Buildings, Equipment and Other Depreciable Assets	826,682	114,372	941,054	995,060
Less: Accumulated Depreciation	(351,045)	(66,041)	(417,086)	(360,529)
<b>Capital Assets, Net of Accumulated Depreciation</b>	<b>3,934,171</b>	<b>90,361</b>	<b>4,024,532</b>	<b>796,705</b>
<b>Total Noncurrent Assets</b>	<b>4,028,361</b>	<b>91,714</b>	<b>4,120,075</b>	<b>5,687,041</b>
<b>Total Assets</b>	<b>\$ 5,939,622</b>	<b>\$ 621,333</b>	<b>\$ 6,560,955</b>	<b>\$ 7,101,171</b>

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

<b>Liabilities</b>				
<b>Current Liabilities:</b>				
Accounts Payable	\$ 901,508	\$ 5,069	\$ 906,577	\$ 74,768
Accrued Payroll	45,742	1,445	47,187	650
Compensated Absences	528	72	600	2,190
Tax Refunds Payable	131,267	-	131,267	-
Due to Component Units	15,237	-	15,237	-
Due to Other Governments	110,913	-	110,913	6,951
Due to Primary Government	-	-	-	1,043
Amounts Held under State & Federal Loan Programs	-	-	-	32,094
Undistributed Grants and Administrative Funds	-	-	-	10,867
Allowances for Losses on Insured Commercial Loans	-	-	-	5,502
Claims Payable	22,980	-	22,980	-
Bonds and Notes Payable	77,000	-	77,000	142,042
Revenue Bonds Payable	14,610	-	14,610	42,376
Obligations under Capital Leases	6,402	-	6,402	364
Certificates of Participation and Other Financing Arrangements	25,343	-	25,343	-
Pledged Future Revenues	4,015	-	4,015	-
Accrued Interest Payable	8,422	-	8,422	47,153
Deferred Revenue	1,006	14,096	15,102	42,629
Other Current Liabilities	24,966	19,021	43,987	36,510
<b>Total Current Liabilities</b>	<b>1,389,939</b>	<b>39,703</b>	<b>1,429,642</b>	<b>445,139</b>
<b>Long-Term Liabilities:</b>				
Compensated Absences	41,152	646	41,798	-
Due to Other Governments	225	-	225	9,026
Amounts Held under State & Federal Loan Programs	-	-	-	44,062
Claims Payable	41,116	-	41,116	-
Bonds and Notes Payable	371,760	-	371,760	3,231,846
Revenue Bonds Payable	167,995	-	167,995	1,342,473
Obligations under Capital Leases	35,349	-	35,349	4,321
Certificates of Participation and Other Financing Arrangements	54,543	-	54,543	-
Pledged Future Revenues	38,338	-	38,338	-
Deferred Revenue	12,451	75,000	87,451	23,466
Pension Obligation	18,444	-	18,444	-
Other Noncurrent Liabilities	-	-	-	86,983
<b>Total Long-Term Liabilities</b>	<b>781,373</b>	<b>75,646</b>	<b>857,019</b>	<b>4,742,177</b>
<b>Total Liabilities</b>	<b>2,171,312</b>	<b>115,349</b>	<b>2,286,661</b>	<b>5,187,316</b>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	3,519,371	90,361	3,609,732	592,299
<b>Restricted:</b>				
Highway Fund Purposes	26,083	-	26,083	-
Federal Programs	37,595	-	37,595	-
Natural Resources	19,079	-	19,079	-
Capital Projects and Debt Service	20,593	-	20,593	-
Unemployment Compensation	-	489,677	489,677	-
Other Purposes	15,931	-	15,931	1,072,429
<b>Funds Held as Permanent Investments:</b>				
Expendable	66,987	-	66,987	-
Nonexpendable	12,518	-	12,518	-
Unrestricted	50,153	(74,054)	(23,901)	249,127
<b>Total Net Assets</b>	<b>\$ 3,768,310</b>	<b>\$ 505,984</b>	<b>\$ 4,274,294</b>	<b>\$ 1,913,855</b>



# STATE OF MAINE STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2007  
(Expressed in Thousands)

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
Governmental Support & Operations	\$ 460,315	\$ 76,507	\$ 6,300	\$ -
Arts, Heritage & Cultural Enrichment	12,994	818	2,724	-
Business Licensing & Regulation	60,506	52,033	1,158	-
Economic Development & Workforce Training	161,427	3,202	84,358	-
Education	1,622,653	4,865	187,866	-
Health & Human Services	2,989,001	9,656	1,824,919	-
Justice & Protection	358,718	80,435	57,302	-
Natural Resources Development & Protection	179,670	81,305	35,303	6,434
Transportation Safety & Development	267,994	97,761	161,898	-
Interest Expense	36,246	-	-	-
Total Governmental Activities	<u>6,149,524</u>	<u>406,582</u>	<u>2,361,828</u>	<u>6,434</u>
Business-Type Activities:				
Employment Security	120,215	112,482	21,724	-
Alcoholic Beverages	-	12,525	-	-
Lottery	180,722	231,628	-	-
Transportation	4,218	2,169	-	1,222
Marine Ports	2,097	127	-	-
Ferry Services	9,405	3,837	-	2,921
Military Equipment Maintenance	35,140	30,656	(338)	-
Dirigo Health	65,178	63,339	-	-
Other	6,875	6,755	-	-
Total Business-Type Activities	<u>423,850</u>	<u>463,518</u>	<u>21,386</u>	<u>4,143</u>
Total Primary Government	<u>\$ 6,573,374</u>	<u>\$ 870,100</u>	<u>\$ 2,383,214</u>	<u>\$ 10,577</u>
<b>Component Units:</b>				
Finance Authority of Maine	37,027	14,851	26,930	-
Maine Community College System	101,950	24,143	29,268	861
Maine Health & Higher Educational Facilities Authority	70,518	63,349	9,879	-
Maine Municipal Bond Bank	67,364	47,457	12,988	22,043
Maine State Housing Authority	233,884	70,460	180,904	-
University of Maine System	613,575	257,096	200,890	7,859
All Other Non-Major Component Units	92,602	29,388	40,819	2,662
Total Component Units	<u>\$ 1,216,920</u>	<u>\$ 506,744</u>	<u>\$ 501,678</u>	<u>\$ 33,425</u>

General Revenues:

- Taxes:
  - Corporate
  - Individual Income
  - Fuel
  - Property
  - Sales & Use
  - Other
- Unrestricted Investment Earnings
- Non-Program Specific Grants, Contributions & Appropriations
- Miscellaneous Income
- Loss on Assets Held for Sale
- Tobacco Settlement
- Transfers - Internal Activities
- Total General Revenues and Transfers
- Change in Net Assets
- Net Assets - Beginning (As Restated)
- Net Assets - Ending

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

<b>Net (Expenses) Revenues and Changes in Net Assets</b>			
<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (377,508)	\$ -	\$ (377,508)	\$ -
(9,452)	-	(9,452)	-
(7,315)	-	(7,315)	-
(73,867)	-	(73,867)	-
(1,429,922)	-	(1,429,922)	-
(1,154,426)	-	(1,154,426)	-
(220,981)	-	(220,981)	-
(56,628)	-	(56,628)	-
(8,335)	-	(8,335)	-
(36,246)	-	(36,246)	-
<u>(3,374,680)</u>	<u>-</u>	<u>(3,374,680)</u>	<u>-</u>
-	13,991	13,991	-
-	12,525	12,525	-
-	50,906	50,906	-
-	(827)	(827)	-
-	(1,970)	(1,970)	-
-	(2,647)	(2,647)	-
-	(4,822)	(4,822)	-
-	(1,839)	(1,839)	-
-	(120)	(120)	-
-	65,197	65,197	-
<u>\$ (3,374,680)</u>	<u>\$ 65,197</u>	<u>\$ (3,309,483)</u>	<u>\$ -</u>
-	-	-	4,754
-	-	-	(47,678)
-	-	-	2,710
-	-	-	15,124
-	-	-	17,480
-	-	-	(147,730)
-	-	-	(19,733)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (175,073)</u>
292,255	-	292,255	-
1,478,542	-	1,478,542	-
181,459	-	181,459	-
48,339	-	48,339	-
1,191,982	-	1,191,982	-
255,550	-	255,550	-
39,599	-	39,599	17,083
-	-	-	286,805
123,036	2	123,038	973
(445)	-	(445)	(146)
48,978	-	48,978	-
40,979	(40,979)	-	-
<u>3,700,274</u>	<u>(40,977)</u>	<u>3,659,297</u>	<u>304,715</u>
325,594	24,220	349,814	129,642
<u>3,442,716</u>	<u>481,764</u>	<u>3,924,480</u>	<u>1,784,213</u>
<u>\$ 3,768,310</u>	<u>\$ 505,984</u>	<u>\$ 4,274,294</u>	<u>\$ 1,913,855</u>



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# GOVERNMENTAL FUND FINANCIAL STATEMENTS

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## MAJOR FUNDS

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

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

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

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

## NON-MAJOR FUNDS

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

Other governmental funds are presented, by fund type, beginning on page 111.

**STATE OF MAINE  
BALANCE SHEET  
GOVERNMENTAL FUNDS**

June 30, 2007  
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Equity in Treasurer's Cash Pool	\$ -	\$ 29,186	\$ -	\$ 225,950	\$ 83	\$ 255,219
Cash and Short-Term Investments	714	1,414	9,137	243	-	11,508
Cash with Fiscal Agent	3,807	420	-	18,488	-	22,715
Investments	-	-	-	-	79,424	79,424
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	1,638	-	-	-	12,855	14,493
Restricted Deposits and Investments	-	-	-	-	13,898	13,898
Inventories	1,790	-	557	-	-	2,347
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	402,501	23,614	-	9,870	-	435,985
Loans Receivable	1	71	-	4,488	-	4,560
Other Receivable	131,409	248	91,757	71,149	-	294,563
Due from Other Funds	39,153	7,312	5,233	8,616	-	60,314
Due from Other Governments	-	-	597,178	-	-	597,178
Due from Component Units	179	-	-	-	715	894
Other Assets	464	-	51	-	-	515
Working Capital Advances Receivable	111	-	-	-	-	111
<b>Total Assets</b>	<b>\$ 581,767</b>	<b>\$ 62,265</b>	<b>\$ 703,913</b>	<b>\$ 338,804</b>	<b>\$ 106,975</b>	<b>\$ 1,793,724</b>
<b>Liabilities and Fund Balances</b>						
Accounts Payable	\$ 317,414	\$ 15,064	\$ 520,225	\$ 31,588	\$ 4,639	\$ 888,930
Accrued Payroll	20,961	9,108	5,148	7,460	-	42,677
Tax Refunds Payable	131,242	25	-	-	-	131,267
Due to Other Governments	-	-	110,913	-	-	110,913
Due to Other Funds	25,768	2,739	26,196	2,706	71	57,480
Due to Component Units	5,398	224	2,718	4,732	2,165	15,237
Deferred Revenue	213,411	7,545	597	27,297	-	248,850
Other Accrued Liabilities	23,922	1	521	1,038	2	25,484
<b>Total Liabilities</b>	<b>738,116</b>	<b>34,706</b>	<b>666,318</b>	<b>74,821</b>	<b>6,877</b>	<b>1,520,838</b>
Fund Balances:						
Reserved						
Continuing Appropriations	81,558	49,485	40,268	221,600	155	393,066
Capital Projects	-	-	-	-	20,593	20,593
Permanent Trusts	-	-	-	-	12,518	12,518
Other	45,578	71	-	13,443	66,832	125,924
Unreserved	(283,485)	(21,997)	(2,673)	28,940	-	(279,215)
<b>Total Fund Balances</b>	<b>(156,349)</b>	<b>27,559</b>	<b>37,595</b>	<b>263,983</b>	<b>100,098</b>	<b>272,886</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 581,767</b>	<b>\$ 62,265</b>	<b>\$ 703,913</b>	<b>\$ 338,804</b>	<b>\$ 106,975</b>	<b>\$ 1,793,724</b>

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

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

June 30, 2007  
(Expressed in Thousands)

Total fund balances for governmental funds		\$ 272,886
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	3,994,388	
Less: Accumulated depreciation	<u>(177,797)</u>	3,816,591
Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental fund statements. However, these amounts are included in the Statement of Net Assets. This is the net effect of these balances on the statement:		
Bonds Payable	(448,760)	
Interest Payable Related to Long-term Financing	(4,751)	
Certificates of Participation and Other Financing Arrangements	(27,716)	
Pledged Future Revenues	(42,353)	
Compensated Absences	(38,093)	
Pension Obligation	<u>(18,444)</u>	(580,117)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		241,454
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.		17,496
Net assets of governmental activities		<u>\$ 3,768,310</u>

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

**STATE OF MAINE  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

Fiscal Year Ended June 30, 2007  
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 3,003,382	\$ 225,915	\$ -	\$ 201,372	\$ -	\$ 3,430,669
Assessments and Other Revenue	109,336	90,596	160	89,209	-	289,301
Federal Grants and Reimbursements	16,762	3,518	2,362,098	3,939	-	2,386,317
Service Charges	36,717	7,269	1,178	78,085	-	123,249
Investment Income	9,653	1,106	672	4,599	10,710	26,740
Miscellaneous Revenue	25,099	580	1,775	133,686	536	161,676
Total Revenues	<u>3,200,949</u>	<u>328,984</u>	<u>2,365,883</u>	<u>510,890</u>	<u>11,246</u>	<u>6,417,952</u>
<b>Expenditures:</b>						
Current:						
Governmental Support & Operations	262,721	35,406	9,576	131,122	5,541	444,366
Economic Development & Workforce Training	40,280	-	89,187	28,977	3,559	162,003
Education	1,438,605	-	186,754	4,459	8,030	1,637,848
Health and Human Services	972,875	-	1,828,903	262,694	1,800	3,066,272
Business Licensing & Regulation	-	-	547	60,993	-	61,540
Natural Resources Development & Protection	70,373	38	39,544	90,329	3,920	204,204
Justice and Protection	245,592	37,930	60,772	27,923	457	372,674
Arts, Heritage & Cultural Enrichment	8,958	-	2,681	996	580	13,215
Transportation Safety & Development	-	242,315	143,290	33,501	42,917	462,023
Debt Service:						
Principal Payments	69,350	10,415	3,915	-	-	83,680
Interest Payments	17,369	1,387	1,578	-	-	20,334
Total Expenditures	<u>3,126,123</u>	<u>327,491</u>	<u>2,366,747</u>	<u>640,994</u>	<u>66,804</u>	<u>6,528,159</u>
Revenue over (under) Expenditures	<u>74,826</u>	<u>1,493</u>	<u>(864)</u>	<u>(130,104)</u>	<u>(55,558)</u>	<u>(110,207)</u>
Other Financing Sources (Uses):						
Transfer from Other Funds	115,292	20,736	30,271	183,532	3,065	352,896
Transfer to Other Funds	(190,074)	(5,162)	(14,002)	(58,895)	(11,558)	(279,691)
COP's and Other	23,346	780	-	11,417	-	35,543
Bonds Issued	-	-	-	-	60,975	60,975
Net Other Finance Sources (Uses)	<u>(51,436)</u>	<u>16,354</u>	<u>16,269</u>	<u>136,054</u>	<u>52,482</u>	<u>169,723</u>
Revenues and Other Sources over (under)						
Expenditures and Other Uses	<u>23,390</u>	<u>17,847</u>	<u>15,405</u>	<u>5,950</u>	<u>(3,076)</u>	<u>59,516</u>
Fund Balances at Beginning of Year (As Restated)	<u>(179,739)</u>	<u>9,712</u>	<u>22,190</u>	<u>258,033</u>	<u>103,174</u>	<u>213,370</u>
Fund Balances at End of Year	<u>\$ (156,349)</u>	<u>\$ 27,559</u>	<u>\$ 37,595</u>	<u>\$ 263,983</u>	<u>\$ 100,098</u>	<u>\$ 272,886</u>

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

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

June 30, 2007  
(Expressed in Thousands)

Net change in fund balances - total governmental funds	\$	59,516
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, the amounts are:		
Capital outlay	211,114	
Transfer of capital assets to Transit, Aviation and Rail Transportation Fund, net	(8,920)	
Depreciation expense	<u>(25,975)</u>	176,219
The net effect of various transactions involving capital assets (ie. sales, trade ins and contributions) is to increase net assets.		
		(1,099)
The issuance of long-term debt provides current financial resources to governmental funds which increases long-term debt in the Statement of Net Assets. Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but repayment reduces long-term debt in the Statement of Net Assets. This is the amount that proceeds exceed repayments:		
Bond proceeds	(60,975)	
Proceeds from other financing arrangements	(24,126)	
Repayment of bond principal	79,765	
Repayment of other financing debt	10,473	
Accrued interest	<u>493</u>	5,630
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported as expenditures on the Statement of Net Assets and have been eliminated from the Statement of Activities as follows:		
Pension obligation	(394)	
Pledged future revenues	3,915	
Claims payable	-	
Compensated absences	<u>(155)</u>	3,366
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		
		18,663
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.		
		63,299
Changes in net assets of governmental activities	<u>\$</u>	<u>325,594</u>

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





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# PROPRIETARY FUND FINANCIAL STATEMENTS

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## MAJOR FUNDS

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

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

## NON-MAJOR FUNDS

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

Non-major enterprise funds are presented beginning on page 119.

Combining fund statements for the internal service funds, whose combined totals are presented on these statements, begin on page 127.

**STATE OF MAINE**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**

June 30, 2007  
(Expressed in Thousands)

	Business-Type Activities				Governmental Activities Internal Service Funds
	Enterprise Funds			Totals	
	Major	Major	Non-Major		
	Employment Security	Alcoholic Beverages	Other Enterprise		
<b>Assets</b>					
Current Assets:					
Equity in Treasurer's Cash Pool	\$ -	\$ -	\$ 12,387	\$ 12,387	\$ 206,298
Cash and Short-Term Investments	889	-	757	1,646	3
Cash with Fiscal Agent	-	-	-	-	23,735
Restricted Assets:					
Restricted Deposits and Investments	463,099	-	-	463,099	2,403
Inventories	-	-	779	779	4,691
Receivables, Net of Allowance for Uncollectibles:					
Loans Receivable	-	-	-	-	14,610
Other Receivable	28,839	-	22,092	50,931	5,818
Due from Other Funds	16	-	8,976	8,992	23,092
Due from Component Units	-	-	66	66	-
Other Current Assets	-	-	206	206	1,003
Total Current Assets	<u>492,843</u>	<u>-</u>	<u>45,263</u>	<u>538,106</u>	<u>281,653</u>
Noncurrent Assets:					
Equity in Treasurer's Cash Pool	-	-	1,353	1,353	22,572
Receivables, Net of Allowance for Uncollectibles:					
Loans Receivable	-	-	-	-	167,995
Capital Assets - Net of Depreciation	-	-	90,361	90,361	117,580
Total Noncurrent Assets	<u>-</u>	<u>-</u>	<u>91,714</u>	<u>91,714</u>	<u>308,147</u>
Total Assets	<u>492,843</u>	<u>-</u>	<u>136,977</u>	<u>629,820</u>	<u>589,800</u>
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable	2,296	-	2,773	5,069	5,812
Accrued Payroll	-	-	1,445	1,445	3,065
Due to Other Governments	-	-	-	-	225
Due to Other Funds	-	-	9,740	9,740	30,478
Current Portion of Long-Term Obligations:					
Certificates of Participation and Other Financing Arrangements	-	-	-	-	15,914
Revenue Bonds Payable	-	-	-	-	14,610
Obligations Under Capital Leases	-	-	-	-	6,402
Claims Payable	-	-	-	-	22,980
Compensated Absences	-	-	72	72	528
Deferred Revenue	-	12,500	1,596	14,096	409
Other Accrued Liabilities	870	-	18,151	19,021	3,153
Total Current Liabilities	<u>3,166</u>	<u>12,500</u>	<u>33,777</u>	<u>49,443</u>	<u>103,576</u>
Long-Term Liabilities:					
Working Capital Advances Payable	-	-	-	-	111
Deferred Revenue	-	75,000	-	75,000	984
Certificates of Participation and Other Financing Arrangements	-	-	-	-	36,256
Revenue Bonds Payable	-	-	-	-	167,995
Obligations Under Capital Leases	-	-	-	-	35,349
Claims Payable	-	-	-	-	41,116
Compensated Absences	-	-	646	646	3,059
Total Long-Term Liabilities	<u>-</u>	<u>75,000</u>	<u>646</u>	<u>75,646</u>	<u>284,870</u>
Total Liabilities	<u>3,166</u>	<u>87,500</u>	<u>34,423</u>	<u>125,089</u>	<u>388,446</u>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	-	-	90,361	90,361	61,590
Restricted for:					
Unemployment Compensation	489,677	-	-	489,677	-
Other Purposes	-	-	-	-	2,173
Unrestricted	<u>-</u>	<u>(87,500)</u>	<u>12,193</u>	<u>(75,307)</u>	<u>137,591</u>
Total Net Assets	<u>\$ 489,677</u>	<u>\$ (87,500)</u>	<u>\$ 102,554</u>	<u>504,731</u>	<u>\$ 201,354</u>
Amounts reported for business-type activities in the government-wide Statement of Net Assets are different due to elimination of the State's internal business-type activities.				<u>1,253</u>	
Net Assets of Business-Type Activities				<u>\$ 505,984</u>	

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

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

June 30, 2007  
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Totals	Governmental Activities Internal Service Funds
	Major	Major	Non-Major		
	Employment Security	Alcoholic Beverages	Other Enterprise		
<b>Operating Revenues</b>					
Charges for Services	\$ -	\$ 25	\$ 336,089	\$ 336,114	\$ 473,289
Assessments	112,482	-	1,749	114,231	-
Miscellaneous Revenues	-	-	65	65	714
<b>Total Operating Revenues</b>	<u>112,482</u>	<u>25</u>	<u>337,903</u>	<u>450,410</u>	<u>474,003</u>
<b>Operating Expenses</b>					
General Operations	-	-	298,157	298,157	376,428
Depreciation	-	-	5,048	5,048	16,048
Claims/Fees Expense	120,215	-	-	120,215	9,142
Other Operating Expenses	-	-	-	-	362
<b>Total Operating Expenses</b>	<u>120,215</u>	<u>-</u>	<u>303,205</u>	<u>423,420</u>	<u>401,980</u>
<b>Operating Income (Loss)</b>	<u>(7,733)</u>	<u>25</u>	<u>34,698</u>	<u>26,990</u>	<u>72,023</u>
<b>Nonoperating Revenues (Expenses)</b>					
Investment Revenue (Expense) - net	21,724	-	-	21,724	12,878
Interest Expense	-	-	-	-	(16,523)
Other Nonoperating Revenues (Expenses)- net	-	12,500	270	12,770	(373)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>21,724</u>	<u>12,500</u>	<u>270</u>	<u>34,494</u>	<u>(4,018)</u>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	<u>13,991</u>	<u>12,525</u>	<u>34,968</u>	<u>61,484</u>	<u>68,005</u>
<b>Capital Contributions and Transfers</b>					
Capital Contributions from (to) Other Funds	-	-	16,524	16,524	2,057
Transfers from (to) Other Funds	(1,146)	(24)	(52,181)	(53,351)	(10,810)
Total Capital Contributions and Transfers In (Out)	<u>(1,146)</u>	<u>(24)</u>	<u>(35,657)</u>	<u>(36,827)</u>	<u>(8,753)</u>
<b>Change in Net Assets</b>	<u>12,845</u>	<u>12,501</u>	<u>(689)</u>	<u>24,657</u>	<u>59,252</u>
<b>Total Net Assets - Beginning of Year (As Restated)</b>	<u>476,832</u>	<u>(100,001)</u>	<u>103,243</u>		<u>142,102</u>
<b>Total Net Assets - End of Year</b>	<u>\$ 489,677</u>	<u>\$ (87,500)</u>	<u>\$ 102,554</u>		<u>\$ 201,354</u>

Amounts reported for business-type activities in the government-wide Statement of Activities are different due to elimination of the State's internal business-types activities. (437)

Changes in Business-Type Net Assets \$ 24,220

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

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

June 30, 2007  
(Expressed in Thousands)

	Business-Type Activities				Governmental Activities Internal Service Funds
	Enterprise Funds			Totals	
	Major Employment Security	Major Alcoholic Beverages	Non-Major Other Enterprise		
<b>Cash Flows from Operating Activities</b>					
Receipts from Customers and Users	\$ 111,892	\$ 25	\$ 338,982	\$ 450,899	\$ 473,005
Payments of Benefits	(118,230)	-	-	(118,230)	-
Payments to Prize Winners	-	-	(145,479)	(145,479)	-
Payments to Suppliers	-	(1)	(119,399)	(119,400)	(306,931)
Payments to Employees	-	-	(32,284)	(32,284)	(69,704)
Net Cash Provided (Used) by Operating Activities	<u>(6,338)</u>	<u>24</u>	<u>41,820</u>	<u>35,506</u>	<u>96,370</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Operating Transfers in	-	-	5,275	5,275	3,170
Operating Transfers out	(1,146)	(24)	(57,456)	(58,626)	(21,984)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,146)</u>	<u>(24)</u>	<u>(52,181)</u>	<u>(53,351)</u>	<u>(18,814)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Payments for Acquisition of Capital Assets	-	-	144	144	(24,702)
Proceeds from Financing Arrangements	-	-	-	-	42,285
Principal and Interest Paid on Financing Arrangements	-	-	-	-	(37,394)
Proceeds from Sale of Capital Assets	-	-	1	1	-
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>-</u>	<u>145</u>	<u>145</u>	<u>(19,811)</u>
<b>Cash Flows from Investing Activities</b>					
Interest Revenue	21,724	-	270	21,994	12,879
Net Cash Provided (Used) by Investing Activities	<u>21,724</u>	<u>-</u>	<u>270</u>	<u>21,994</u>	<u>12,879</u>
Net Increase (Decrease) in Cash/Cash Equivalents	14,240	-	(9,946)	4,294	70,624
Cash/Cash Equivalents - Beginning of Year	449,748	-	24,446	474,194	184,387
Cash/Cash Equivalents - End of Year	<u>\$ 463,988</u>	<u>\$ -</u>	<u>\$ 14,500</u>	<u>\$ 478,488</u>	<u>\$ 255,011</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>					
Operating Income (Loss)	\$ (7,733)	\$ 25	\$ 34,698	\$ 26,990	\$ 72,023
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>					
Depreciation Expense	-	-	5,048	5,048	16,048
Decrease (Increase) in Assets					
Accounts Receivable	(600)	-	3,138	2,538	(880)
Interfund Balances	10	(1)	(3,712)	(3,703)	24,574
Inventories	-	-	31	31	(327)
Increase (Decrease) in Liabilities					
Accounts Payable	1,368	-	(1,419)	(51)	(15,427)
Accrued Payroll Expenses	-	-	294	294	214
Change in Compensated Absences	-	-	583	583	127
Other Accruals	617	-	3,159	3,776	18
Total Adjustments	<u>1,395</u>	<u>(1)</u>	<u>7,122</u>	<u>8,516</u>	<u>24,347</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (6,338)</u>	<u>\$ 24</u>	<u>\$ 41,820</u>	<u>\$ 35,506</u>	<u>\$ 96,370</u>
<b>Non Cash Investing, Capital and Financing Activities</b>					
Property Leased, Accrued, or Acquired	-	-	-	-	4,093
Contributed Capital Assets	-	-	2,926	2,926	2,057
Decrease of deferred revenue from the sale of liquor operations	-	12,500	-	12,500	-

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

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# FIDUCIARY FUND FINANCIAL STATEMENTS

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

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

A listing of fiduciary funds and combining fund statements for private-purpose trusts and agency funds begins on page 139.

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

June 30, 2007  
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts	Agency Funds
<b>Assets</b>			
Equity in Treasurer's Cash Pool	\$ -	\$ 1,272	\$ 6,590
Cash and Short-Term Investments	216,272	-	41
Receivables, Net of Allowance for Uncollectibles:			
State and Local Agency Contributions	11,342	-	-
Loans to Institutions	-	-	-
Interest and Dividends	35,970	222	-
Due from Brokers for Securities Sold	123,912	-	-
Investments at Fair Value:			
Debt Securities	3,729,557	-	-
Equity Securities	2,935,142	-	-
Common/Collective Trusts	4,068,827	-	-
Other	5,789	11,647	-
Securities Lending Collateral	3,031,737	-	-
Due from other funds	-	6,766	-
Investments Held on Behalf of Others	-	5,231,583	62,260
Capital Assets - Net of Depreciation	4,176	-	-
Other Assets	-	18,001	389
Total Assets	<u>14,162,724</u>	<u>5,269,491</u>	<u>69,280</u>
<b>Liabilities</b>			
Accounts Payable	2,016	3,277	14
Due to Other Funds	-	-	1,466
Due to Brokers for Securities Purchased	71,488	-	-
Agency Liabilities	-	-	69,280
Obligations Under Securities Lending	3,031,737	-	-
Other Accrued Liabilities	34,462	1	(1,480)
Total Liabilities	<u>3,139,703</u>	<u>3,278</u>	<u>69,280</u>
<b>Net Assets</b>			
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	<u>11,023,021</u>	<u>5,266,213</u>	<u>-</u>
Total Net Assets	<u>\$ 11,023,021</u>	<u>\$ 5,266,213</u>	<u>\$ -</u>

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

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

Fiscal Year Ended June 30, 2007  
(Expressed in Thousands)

	<u>Pension (and Other Employee Benefit Trusts)</u>	<u>Private Purpose Trusts</u>
Additions:		
Contributions:		
Members	\$ 163,899	\$ 1,699,856
State and Local Agencies	323,620	-
Investment Income:		
Net Increase (Decrease) in the Fair Value of Investments	1,369,944	432,715
Capital Gains Distributions from Investments	-	112,678
Interest and Dividends	199,741	144,331
Less Investment Expense:		
Investment Activity Expense	23,169	-
Cost of Securities Lending	671	-
Net Investment Income	<u>1,545,845</u>	<u>689,724</u>
Miscellaneous Revenues	-	12,121
Transfers In	<u>-</u>	<u>16</u>
Total Additions	<u>2,033,364</u>	<u>2,401,717</u>
Deductions:		
Benefits Paid to Participants or Beneficiaries	550,022	1,109,853
Refunds and Withdrawals	21,969	-
Administrative Expenses	11,135	36,841
Transfers Out	<u>-</u>	<u>9,060</u>
Total Deductions	<u>583,126</u>	<u>1,155,754</u>
Net Increase (Decrease)	1,450,238	1,245,963
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:		
Beginning of Year	<u>9,572,783</u>	<u>4,020,250</u>
End of Year	<u>\$ 11,023,021</u>	<u>\$ 5,266,213</u>

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





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# COMPONENT UNIT

# FINANCIAL STATEMENTS

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

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

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

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

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

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

Non-Major Component Units combining fund statements begin on page 147.

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

June 30, 2007  
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health and Higher Educational Facilities Authority
<b>Assets</b>			
Current Assets:			
Equity in Treasurer's Cash Pool	\$ 27,855	\$ 6,276	\$ -
Cash and Cash Equivalents	5,154	255	14,898
Cash with Fiscal Agent	-	-	-
Investments	203,489	23,899	16,292
Restricted Assets:			
Inventories	-	1,255	-
Receivables, Net of Allowance for Uncollectibles:			
Loans Receivable	-	-	41,970
Notes Receivable	-	-	-
Other Receivables	4,366	3,246	3,606
Due from Other Governments	1,465	-	-
Due from Primary Government	-	312	-
Loans receivable from primary government	-	-	-
Other Current Assets	2,872	558	770
Total Current Assets	<u>245,201</u>	<u>35,801</u>	<u>77,536</u>
Noncurrent Assets:			
Equity in Treasurer's Cash Pool	3,048	687	-
Assets Held in Trust	-	-	-
Restricted Assets:			
Restricted Deposits and Investments	-	6,564	155,884
Investments	-	6,307	-
Receivables, Net of Current Portion:			
Loans Receivable	-	-	1,212,383
Notes Receivable	165,510	-	-
Other Receivables	-	-	60
Due from Other Governments	-	-	-
Due from Primary Government	-	-	-
Loans receivable from primary government	-	-	-
Capital Assets - Net of Depreciation	1,801	105,279	3,262
Other Noncurrent Assets	-	302	899
Total Noncurrent Assets	<u>170,359</u>	<u>119,139</u>	<u>1,372,488</u>
Total Assets	<u>415,560</u>	<u>154,940</u>	<u>1,450,024</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	1,447	5,487	2,066
Accrued Payroll	-	-	-
Compensated Absences	-	1,761	-
Due to Other Governments	-	-	559
Due to Primary Government	-	-	-
Amounts Held under State & Federal Loan Programs	-	-	-
Undistributed Grants and Administrative Funds	10,321	-	-
Allowances for Losses on Insured Commercial Loans	5,502	-	-
Bonds Payable	53	-	41,970
Obligations under Capital Leases	-	-	-
Accrued Interest Payable	996	-	27,387
Deferred Revenue	1,710	1,940	126
Other Current Liabilities	51	6,363	1,554
Total Current Liabilities	<u>20,080</u>	<u>15,551</u>	<u>73,662</u>
Long-Term Liabilities:			
Due to Other Governments	2,443	-	1,771
Amounts Held under State & Federal Loan Programs	44,062	-	-
Bonds Payable	309,355	23,426	1,340,105
Obligations under Capital Leases	-	3,490	-
Deferred Revenue	-	-	-
Other Noncurrent Liabilities	-	-	-
Total Long-Term Liabilities	<u>355,860</u>	<u>26,916</u>	<u>1,341,876</u>
Total Liabilities	<u>375,940</u>	<u>42,467</u>	<u>1,415,538</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	1,801	85,230	3,262
Restricted	9,009	17,501	2,309
Unrestricted	28,810	9,742	28,915
Total Net Assets	<u>\$ 39,620</u>	<u>\$ 112,473</u>	<u>\$ 34,486</u>

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

<b>Maine Municipal Bond Bank</b>	<b>Maine State Housing Authority</b>	<b>University of Maine System</b>	<b>Non-Major Component Units</b>	<b>Totals</b>
\$ -	\$ -	\$ 52,663	\$ 97	\$ 86,891
86	2,258	1,751	27,282	51,684
-	-	-	1,081	1,081
19,799	594,093	80,894	4,952	943,418
-	-	-	669	1,924
-	24,111	-	9,885	75,966
-	2	61	-	63
1,746	21,575	20,904	3,542	58,985
118,924	3,551	12,522	2,208	138,670
-	1,014	9,722	2,166	13,214
4,015	-	-	-	4,015
24,859	-	7,193	1,967	38,219
<u>169,429</u>	<u>646,604</u>	<u>185,710</u>	<u>53,849</u>	<u>1,414,130</u>
-	-	5,762	10	9,507
-	-	-	5,047	5,047
259,512	149,890	115,984	4,357	692,191
-	80,765	253,760	24,246	365,078
-	1,126,434	-	72,303	2,411,120
-	944	40,800	1,183	208,437
-	-	5,325	952	6,337
1,116,640	-	-	-	1,116,640
-	-	2,106	-	2,106
38,338	-	-	-	38,338
816	1,768	577,021	106,758	796,705
4,689	4,062	19,994	5,589	35,535
<u>1,419,995</u>	<u>1,363,863</u>	<u>1,020,752</u>	<u>220,445</u>	<u>5,687,041</u>
<u>1,589,424</u>	<u>2,010,467</u>	<u>1,206,462</u>	<u>274,294</u>	<u>7,101,171</u>
452	38,808	19,219	7,289	74,768
-	-	-	650	650
-	-	-	429	2,190
3,085	3,112	-	195	6,951
-	-	-	1,043	1,043
32,094	-	-	-	32,094
546	-	-	-	10,867
-	-	-	-	5,502
99,827	35,655	6,507	406	184,418
-	-	346	18	364
8,760	9,683	-	327	47,153
507	8,061	17,207	13,078	42,629
-	-	23,038	5,504	36,510
<u>145,271</u>	<u>95,319</u>	<u>66,317</u>	<u>28,939</u>	<u>445,139</u>
1,608	-	-	3,204	9,026
-	-	-	-	44,062
980,774	1,603,935	216,900	99,824	4,574,319
-	-	766	65	4,321
-	22,449	-	1,017	23,466
-	-	86,983	-	86,983
<u>982,382</u>	<u>1,626,384</u>	<u>304,649</u>	<u>104,110</u>	<u>4,742,177</u>
<u>1,127,653</u>	<u>1,721,703</u>	<u>370,966</u>	<u>133,049</u>	<u>5,187,316</u>
-	1,768	396,319	103,919	592,299
408,184	269,697	343,104	22,625	1,072,429
53,587	17,299	96,073	14,701	249,127
<u>\$ 461,771</u>	<u>\$ 288,764</u>	<u>\$ 835,496</u>	<u>\$ 141,245</u>	<u>\$1,913,855</u>

**STATE OF MAINE**  
**STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**

June 30, 2007  
(Expressed in Thousands)

	<b>Finance Authority of Maine</b>	<b>Maine Community College System</b>	<b>Maine Health and Higher Educational Facilities Authority</b>
<b>Expenses</b>	\$ 37,027	\$ 101,950	\$ 70,518
<b>Program Revenues</b>			
Charges for Services	14,851	24,143	63,349
Program Investment Income	7,330	1,693	7,053
Operating Grants and Contributions	19,600	27,575	2,826
Capital Grants and Contributions	-	861	-
Net Revenue (Expense)	<u>4,754</u>	<u>(47,678)</u>	<u>2,710</u>
<b>General Revenues</b>			
Unrestricted Investment Earnings	-	1,919	1,437
Non-program Specific Grants, Contributions and Appropriations	-	47,773	-
Miscellaneous Income	-	1,607	110
Gain (Loss) on Assets Held for Sale	-	(35)	-
Total General Revenues	<u>-</u>	<u>51,264</u>	<u>1,547</u>
Change in Net Assets	4,754	3,586	4,257
Net Assets, Beginning of the Year	<u>34,866</u>	<u>108,887</u>	<u>30,229</u>
Net Assets, End of Year	<u>\$ 39,620</u>	<u>\$ 112,473</u>	<u>\$ 34,486</u>

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

<u>Maine Municipal Bond Bank</u>	<u>Maine State Housing Authority</u>	<u>University of Maine System</u>	<u>Non-Major Component Units</u>	<u>Totals</u>
\$ 67,364	\$ 233,884	\$ 613,575	\$ 92,602	\$ 1,216,920
47,457	70,460	257,096	29,388	506,744
6,904	35,157	-	3,132	61,269
6,084	145,747	200,890	37,687	440,409
22,043	-	7,859	2,662	33,425
<u>15,124</u>	<u>17,480</u>	<u>(147,730)</u>	<u>(19,733)</u>	<u>(175,073)</u>
917	737	10,457	1,616	17,083
-	-	223,280	15,752	286,805
939	-	(2,269)	586	973
-	-	-	(111)	(146)
<u>1,856</u>	<u>737</u>	<u>231,468</u>	<u>17,843</u>	<u>304,715</u>
16,980	18,217	83,738	(1,890)	129,642
444,791	270,547	751,758	143,135	1,784,213
<u>\$ 461,771</u>	<u>\$ 288,764</u>	<u>\$ 835,496</u>	<u>\$ 141,245</u>	<u>\$ 1,913,855</u>



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# **NOTES TO THE FINANCIAL STATEMENTS**

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

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

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

**A. REPORTING ENTITY**

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

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

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

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

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

**Discrete Component Units** - Discrete component units are entities that are legally separate from the State but are either accountable to the State or related so closely to the State that exclusion would cause the State's financial statements to be misleading or incomplete. Component units that are not material to the State's financial statements have been excluded. The column labeled "Component Units" emphasizes these organizations' separateness from the State's primary government. Because of its' nature, the Maine Public Employees Retirement System (formerly the Maine State Retirement System) is reported in the fiduciary funds.

The State's major discrete and fiduciary component units are:

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

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

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

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

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

*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 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, eleven centers, the central administrative office, and its component units, which include several foundations and alumni associations that raise funds on the System's behalf.

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

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

**Related Organizations**

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

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Government-Wide Financial Statements**

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

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

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

**Restricted net assets** result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net assets reports \$688.5 million of restricted net assets, of which \$42.0 million is restricted by enabling legislation.

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

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

**Fund Financial Statements**

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

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

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

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

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

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

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

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

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

**Financial Statement Presentation**

The State reports the following major governmental funds:

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

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

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

The *Other Special Revenue Fund* accounts for specific revenue sources that are legally restricted to expenditures for specified purposes, and the related current liabilities, including some major capital projects that are not accounted for in the Highway and Federal Fund.

The State reports the following major enterprise funds:

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

The *Alcoholic Beverages Fund* licenses and regulates the sale of alcoholic beverages. During fiscal year 2004, the State of Maine entered into a 10 year contract with a vendor to manage and operate wholesale liquor distribution as the State's agent.

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

These assets include amounts held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds. Generally, these investments are reported at fair value or at amortized cost which approximates fair value. The State also holds \$155 million of Workers' Compensation, \$52 million of Bureau of Insurance, and \$23 million of Maine Department of Labor surety bonds and letters of credit that are not reflected on the financial statements.

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

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

**Inventories**

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

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

**Receivables**

Receivables consist primarily of amounts due to the State from taxpayers and service providers. Also included in receivables are amounts due but not yet remitted to the State from lottery sales by agents. Loans receivable for the primary government represent low interest financing arrangements to construct and modernize agricultural storage facilities and local commercial enterprises, as well as Department of Transportation loans to local governments. Receivables in the component units' column arise in the normal course of business. Receivables are stated net of estimated allowances for uncollectible amounts that are determined based upon past collection experience and aging of the accounts. Receivables due from related providers for interim payments are \$160 million, net of an allowance for uncollectible amounts of \$29.7 million.

**Interfund Transactions and Balances**

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

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

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

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

**Due from/to Other Governments**

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

**Capital Assets**

Capital assets, which include land, buildings, equipment and infrastructure assets (e.g., roads, bridges, ramps and similar items), are reported in the government-wide statements and applicable fund financial statements. Capital assets that are used for governmental activities are only reported in the government-wide statements. The State capitalizes governmental fund buildings valued at \$1 million or more and proprietary fund buildings valued at \$100 thousand or more. Governmental fund equipment is capitalized at \$10 thousand or more and proprietary fund



equipment is capitalized \$3 thousand or more. All land, regardless of value, is capitalized. Capital assets are recorded at cost or, if donated, at estimated fair market value at date of acquisition. In some instances, capital assets historical cost were not available. The costs of these assets at the date of acquisitions have been estimated.

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

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

**Accounts Payable**

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers. Incurred but not paid (IBNP) Medicaid claims settlements; however, are actuarially estimated. The IBNP estimate at June 30, 2007 is \$317 million.

**Tax Refunds Payable**

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

**Claims Payable**

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

**Compensated Employee Absences**

In the government-wide statements and proprietary fund financial statements, compensated absences are recorded as liabilities as required by GASB. In the governmental fund financial statements, vested or accumulated leave expected to be liquidated with current available financial resources is reported as an expenditure and fund liability. In the discretely presented component units, employees' accumulated compensated absences are recorded as an expense and liability as the benefits accrue.

**Deferred Revenue**

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

**Pledged Future Revenues**

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

**Long-Term Obligations**

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

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

**Net Assets/Fund Balances**

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

**Fund Balance Reservations**

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

The State reported the following fund balance reservations:

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

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

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

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

**F. REVENUES AND EXPENDITURES/EXPENSES**

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

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

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

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

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

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

### **Appropriation Limits**

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

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

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

### **Budget Stabilization Fund**

The Maine Budget Stabilization Fund, a fund designation established under Title 5 MRSA C. 142, is included in the negative \$263.9 million unreserved General Fund fund balance. Amounts in the stabilization fund may be expended only to offset a General Fund revenue shortfall. The Governor may also allocate funds for payment of death benefits for law enforcement officers, firefighters and emergency medical services personnel.

Balances in the fund do not lapse, but carry forward each year. Money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. In addition to interest earnings, the fund is capitalized at the close of each fiscal year. As the third priority before any other transfer, the State Controller is required to transfer 35 percent of the unappropriated surplus of the General Fund, when the fund is not at its statutory cap. In accordance with statute, since there was no unappropriated surplus in 2007, no transfer was required.

The statutory cap for the fund is 12 percent of the total General Fund revenue received in the immediately preceding fiscal year. At the close of the fiscal year, the cap is based on the revenue received in the fiscal year being closed. Based on fiscal year 2007 actual General Fund revenue, the statutory cap at the close of fiscal year 2007 and during fiscal year 2007 was \$362.4 million. At the close of fiscal year 2007, the balance of the Maine Budget Stabilization Fund was \$115.5 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	\$ 79,903
Increase in fund balance	35,577
Balance, end of year	<u>\$ 115,480</u>

**Budget and Budgetary Expenditures**

The biennial budget sets forth proposed expenditures for the administration, operation and maintenance of the departments and agencies of the State Government; all interest and debt redemption charges during each fiscal year and all expenditures for capital projects to be undertaken and executed during each fiscal year. Within this structure, budgetary control by agency is maintained at the program and line category level. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers.

Except in specific instances, only the Legislature may transfer appropriations between departments. Changes in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget. For the year ended June 30, 2007, the Legislature decreased supplemental appropriations to the General Fund by \$15.2 million.

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

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

Governmental Accounting Standards Board (GASB) Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, became effective in fiscal year 2007; however, it was not applicable to the State as no trust fund has yet been established for postemployment benefits.

**Changes in Classification**

Beginning in fiscal year 2007, Maine Health and Higher Educational Facilities Authority (MHHEFA) is reported as a discrete component unit. Prior to fiscal year 2007, MHHEFA was reported with the State's fiduciary funds. This change was made after re-evaluating the nature of the entity. The State determined that it is more correctly classified as an enterprise activity. As a result, beginning net assets for discretely presented component units increased \$30.2 million.

The presentation of component units was changed to depict major and nonmajor classifications.

**Change in Accounting Estimate**

The liability estimate for incurred but not paid (IBNP) Medicaid claims as of June 30, 2006 was reduced by approximately \$117 million as determined by actuarial calculations. The cause of the decrease was a higher-than-usual claims payment pattern at the end of fiscal year 2006, causing the IBNP amount to be inflated. The payment pattern has now stabilized, resulting in more consistent actuarial results.

**Restatement – Primary Government**

The beginning net assets on the Governmental Activities in the Statement of Net Assets were decreased \$7.5 million for assets that should not have been capitalized in the prior period. Beginning net assets in the governmental funds balance sheet, general fund, decreased by \$2.1 million for a correction to receivables from the lottery fund.

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

Five internal service funds showed deficit Net Assets for the fiscal year ended June 30, 2007. The Workers' Compensation Fund reported a deficit of \$15.2 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a fund balance deficit of \$4.2 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of \$65 thousand because expenses are recognized when incurred; however, related revenue is not earned until jobs are satisfactorily completed. The Information Services Fund has a deficit balance of \$818 thousand because rates charged were insufficient to cover expenses incurred. The Financial & Personnel Services Fund had a fund balance deficit of \$1.2 million because rates charged were insufficient to cover expenses incurred. All of the deficits mentioned above are expected to be funded by future service charges.

The Alcoholic Beverages Enterprise Fund shows a deficit of \$87.5 million. During fiscal year 2004, the State of Maine entered into a 10 year contract with a vendor to manage and operate wholesale liquor distribution as the State's agent. The deficit reflects the deferral of license fees that will be amortized over that 10 year period.

The Maine Military Authority Enterprise Fund shows a deficit of \$168 thousand. Expenses are recognized when incurred; however, related revenue is not earned until repair projects are satisfactorily completed. The deficit will be funded by future billings as projects are completed.

The General Fund shows a deficit fund balance of \$156.3 million at June 30, 2007, and a deficit of \$179.7 million at June 30, 2006, as restated. The change in recognizing income, sales and fuel tax revenues to 60 days from one year decreased the beginning fund balance by \$137.3 million in fiscal year 2006. This deficit is in part due to the full recognition of the state's share of Medicaid liabilities at fiscal year end, which are funded throughout the year with the aforementioned tax revenue. The federal portion of these liabilities is also fully accrued, with an offsetting receivable from the federal government as allowed under GASB 33. Per GASB 33 revenue associated with government mandated non-exchange transactions should be recognized when applicable eligibility requirements have been met and the resources are available. Medicaid is an entitlement program. Therefore, the funds are available when the payments for these liabilities are processed.

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

The Primary Government's Deposits and Investments excluding component units that are fiduciary in nature at June 30, 2007:

**Primary Government Deposits and Investments**  
(Expressed in Thousands)

	<b>Governmental Activities</b>	<b>Business- Type Activities</b>	<b>Private Purpose Trusts</b>	<b>Agency Funds</b>	<b>Total</b>
Equity in Treasurer's Cash Pool	\$ 484,089	\$ 13,740	\$ 1,272	\$ 6,590	\$ 505,691
Cash and Cash Equivalents	11,511	1,646	-	14	13,171
Cash with Fiscal Agent	46,450	-	-	27	46,477
Investments	79,424	-	11,647	-	91,071
Restricted Equity in Treasurer's Cash Pool	14,493	-	-	-	14,493
Restricted Deposits and Investments	16,301	463,099	-	-	479,400
Investments Held on Behalf of Others	-	-	5,231,583	62,260	5,293,843
Other Assets	-	-	18,001	389	18,390
<b>Total Primary Government</b>	<b>\$ 652,268</b>	<b>\$ 478,485</b>	<b>\$ 5,262,503</b>	<b>\$ 69,280</b>	<b>\$ 6,462,536</b>

*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, 2007:

	Maturities in Years (Expressed in Thousands)					No Maturity	Fair Value
	Less than 1	1 - 5	6 - 10	11 - 20	More than 20		
<i>Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds</i>							
US Instrumentalities	\$16,901	\$48,386	\$ -	\$ -	\$ -	\$ -	\$65,287
US Treasury Notes	7,888	-	-	-	-	-	7,888
Repurchase Agreements	15,760	-	-	-	-	-	15,760
Corporate Notes and Bonds	13,675	3,978	-	-	-	-	17,653
Commercial Paper	167,755	-	-	-	-	-	167,755
Certificates of Deposit	9,862	1,471	-	-	-	-	11,333
Money Market	242,150	-	-	-	-	-	242,150
Cash and Cash Equivalents Unemployment Fund	-	-	-	-	-	13,954	13,954
Deposits with US Treasury	-	-	-	-	-	463,099	463,099
<i>Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds</i>							
US Instrumentalities	1,023	4,668	2,248	1,383	5,646	-	14,968
US Treasury Notes	3,409	17,013	3,184	6,267	3,614	-	33,487
Repurchase Agreements	29	-	-	-	-	-	29
Corporate Notes and Bonds	1,728	4,598	2,177	183	2,191	-	10,877
Other Fixed Income Securities	-	-	132	-	-	-	132
Commercial Paper	2,574	-	-	-	-	-	2,574
Certificates of Deposit	127	23	-	-	-	-	150
Money Market	3,716	-	-	-	-	1,254	4,970
Cash and Cash Equivalents	-	-	-	-	-	27,627	27,627
Equities	-	-	-	-	-	66,082	66,082
Other	-	-	-	-	-	311	311
	<u>\$486,597</u>	<u>\$80,137</u>	<u>\$7,741</u>	<u>\$7,833</u>	<u>\$11,451</u>	<u>\$572,327</u>	<u>\$1,166,086</u>
NextGen College Investing Plan							5,231,583
Other Assets							18,390
Cash with Fiscal Agent							46,477
Total Primary Government							<u>\$6,462,536</u>

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

The Primary Government's total investments by credit quality rating as of June 30, 2007 are presented below:

	Standard & Poor's Credit Rating (Expressed in Thousands)								Total
	<u>A1</u>	<u>A</u>	<u>AA</u>	<u>AA+</u>	<u>AAA</u>	<u>BB</u>	<u>BBB</u>	<u>Not Rated</u>	
<i>Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds</i>									
US Instrumentalities	\$ -	\$ -	\$ -	\$ -	\$ 65,287	\$ -	\$ -	\$ -	\$ 65,287
US Treasury Notes	-	-	-	-	7,888	-	-	-	7,888
Corporate Notes and Bonds	-	-	-	-	17,653	-	-	-	17,653
Commercial Paper	100,732	-	-	-	-	-	-	67,023*	167,755
Money Market	-	-	-	-	-	-	-	242,150	242,150
<i>Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds</i>									
US Instrumentalities	-	98	344	-	3,962	-	-	10,564	14,968
US Treasury Notes	-	300	123	-	33,064	-	-	-	33,487
Corporate Notes and Bonds	-	2,075	947	-	3,170	23	729	3,933	10,877
Commercial Paper	1,545	-	-	-	-	-	-	1,029*	2,574
Money Market	-	-	-	-	-	-	-	4,970	4,970
Other Fixed Income Securities	-	-	-	-	-	-	132	-	132
Total Primary Government	<u>\$ 102,277</u>	<u>\$ 2,473</u>	<u>\$ 1,414</u>	<u>\$ -</u>	<u>\$ 131,024</u>	<u>\$ 23</u>	<u>\$ 861</u>	<u>\$ 329,669</u>	<u>\$ 567,741</u>

\*Rated "P1" by Moody's credit rating.

**Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State limits concentration of credit risk in its trusts by requiring that no single stock represent more than 10 percent of the total portfolio. There is no concentration of credit risk policy for the Treasurer's Cash Pool. At June 30, 2007, more than 5 percent of the cash pool's investments were in Citizens Bank, and TD Banknorth. These investments are \$283 million (42.1 percent), and \$34 million (5.1 percent), respectively, of the cash pool's total investments.

**Custodial Credit Risk** - For investments, custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The State limits its custodial credit risk for the Treasurer's Cash Pool by maintaining a file of the most recent credit rating analysis reports performed for each approved financial institution. The State also requires that all securities be perfected in the name of the State and held in third party safekeeping by a state approved custodian. Of the cash pool's \$12.2 million invested in non-negotiable certificates of deposit, \$5.8 million exceeded the FDIC insured amounts for the institutions at which they were held. The State does not have a policy regarding custodial credit risk for its trusts. The Percival P. Baxter Trust is held by the counterparty's trust department, but not in the State's name.



The fair value of the trust's investments as of June 30, 2007 was \$66.8 million and was comprised of the following:

U.S. Instrumentalities	\$ 8,123
US Treasury Notes	3,387
Corporate Notes and Bonds	5,744
Other Fixed Income Securities	132
Equities	47,879
Cash and Equivalents	1,307
Other	261
Total	<u>\$ 66,833</u>

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2007, these disbursements, on average, exceeded \$153 million per month. The funds in transit are not collateralized and are not held by the State Treasurer. Until the vendor receives payment, the State retains some liability.

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

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

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

Cash open collateral is invested in a short-term investment pool, the Global Core Collateral Section. Cash collateral may also be invested separately in "term loans." At June 30, 2007, 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, 2007 was \$3.6 billion and \$3.5 billion, respectively.

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

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

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

NextGen's investments are comprised of 47 different investment portfolios which are reported at fair value and total \$5.2 billion at June 30, 2007.

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

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

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

*Credit Risk* - The Program has not established an investment policy that specifically limits its exposure to credit risk. The Program's investments in fixed income mutual funds, the Principal Plus Portfolio, and the Account may bear credit risk. The GIC underlying the Program's investment in the Principal Plus Portfolio has not been rated by any of the nationally recognized statistical rating organizations. The fair value of the GIC at June 30, 2007 was \$62.1 million.

The assets of the Account are invested in a portfolio of high-quality, short-term money-market securities consisting primarily of direct U.S. Government obligations, U.S. Government agency securities, obligations of domestic and foreign banks, U.S. dollar denominated commercial paper, and other short-term debt securities issued by U.S. and foreign entities repurchase agreements. In addition, the Account invests in certificates of deposit issued by Maine financial institutions in accordance with instructions of FAME and the Treasurer. All Maine Certificate of Deposit's are FDIC insured or fully collateralized. The value of the Account at June 30, 2007 was \$289.2 million.

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

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

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

	<u>Fair Value</u>
Principal Plus Portfolio	\$ 62,090
Cash Allocation Account	289,212
Fixed Income Securities	<u>1,032,289</u>
Total Fair Value	<u><u>\$1,383,591</u></u>

#### **COMPONENT UNITS**

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

Certain component units also invest in the Treasurer's Cash Pool and comprise approximately 16 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 \$96.4 million of the component units' participation to "Equity in Treasurer's Cash Pool" on the State's financial statements. In addition to the amounts reported, the State Treasurer's Cash Pool includes \$18.8 million, consisting of Finance Authority of Maine component unit fiduciary funds that, because of GASB Statement No. 34 reporting criteria, are not shown in the accompanying financial statements.

**NOTE 6 - RECEIVABLES**

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

**Primary Government – Receivables**

(Expressed in Thousands)

	<u>Taxes</u>	<u>Accounts</u>	<u>Loans</u>	<u>Allowance for Uncollectibles</u>	<u>Net Receivables</u>
<b>Governmental Funds:</b>					
General	\$539,806	\$195,650	\$1	(\$201,546)	\$533,911
Highway	28,064	263	71	(4,465)	23,933
Federal	-	124,865	-	(33,108)	91,757
Other Special Revenue	10,297	75,138	5,469	(5,397)	85,507
Other Governmental Funds	-	-	-	-	-
Total Governmental Funds	578,167	395,916	5,541	(244,516)	735,108
Allowance for Uncollectibles	(142,182)	(101,353)	(981)		
Net Receivables	\$435,985	\$294,563	\$4,560		\$735,108
<b>Proprietary Funds:</b>					
Employment Security	\$0	\$36,847	\$0	(\$8,008)	\$28,839
Nonmajor Enterprise	-	22,517	-	(425)	22,092
Internal Service	-	5,818	182,605	-	188,423
Total Proprietary Funds	-	65,182	182,605	(8,433)	239,354
Allowance for Uncollectibles	-	(8,433)	-		
Net Receivables	\$0	\$ 56,749	\$182,605		\$ 239,354

**Component Units – Receivables**

(Expressed in Thousands)

	<u>Accounts</u>	<u>Loans</u>	<u>Notes</u>	<u>Allowance For Uncollectibles</u>	<u>Net Receivables</u>
Finance Authority of Maine	\$4,366	\$ -	\$170,286	(\$4,776)	\$169,876
Maine Community College System	4,050	-	-	(804)	3,246
Maine Health and Educational Facilities Authority	3,666	2,318,841	-	(1,064,488)	1,258,019
Maine Municipal Bond Bank	1,746	-	-	-	1,746
Maine State Housing Authority	21,575	1,160,219	1,039	(9,767)	1,173,066
University of Maine System	28,727	-	41,653	(3,290)	67,090

**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, 2007 were:

<b>Interfund Receivables</b>					
(Expressed in Thousands)					
<b>Due to Other Funds</b>					
<b><u>Due from Other Funds</u></b>	<b><u>General</u></b>	<b><u>Highway</u></b>	<b><u>Federal</u></b>	<b><u>Other Special Revenue</u></b>	<b><u>Other Governmental</u></b>
General			\$ 10,741		\$ 71
Highway			4,692		
Federal	1,171	20	136	102	
Other Special Revenue	1,956	266	2,298	582	
Employment Security			16		
Non-Major Enterprise	2,690	2	5,182	5	
Internal Service	13,185	2,451	3,131	2,017	
Fiduciary	6,766				
<b>Total</b>	<b>\$ 25,768</b>	<b>\$ 2,739</b>	<b>\$ 26,196</b>	<b>\$ 2,706</b>	<b>\$ 71</b>
<b><u>Due to Other Funds</u></b>	<b><u>Non-Major Enterprise</u></b>	<b><u>Internal Service</u></b>	<b><u>Fiduciary</u></b>	<b><u>Total</u></b>	
General	\$ 8,689	\$ 18,186	\$ 1,466	\$	39,153
Highway		2,620			7,312
Federal		3,804			5,233
Other Special Revenue	653	2,861			8,616
Employment Security					16
Non-Major Enterprise	86	1,011			8,976
Internal Service	312	1,996			23,092
Fiduciary					6,766
<b>Total</b>	<b>\$ 9,740</b>	<b>\$ 30,478</b>	<b>\$ 1,466</b>	<b>\$</b>	<b>99,164</b>

Not included in the table above are interfund loans/advances, which are not expected to be repaid within one year. Postal, Printing & Supply (an internal service fund) owes \$111 thousand to the General Fund for operating capital. Transfers are made in accordance with statutory authority. Significant transfers are used to 1) move revenues from the fund that statute requires to collect them to the fund that statute requires to expend them, 2) move receipts

restricted to debt service from the funds collecting the receipts to the funds required to pay debt service as principal and interest payments come due, 3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, 4) move profits from the Lottery Fund, and 5) transfer accumulated surpluses from other funds to the General Fund when authorized by statute.

During fiscal year 2007, the State of Maine, in accordance with the legislatively authorized budget, recorded several non-routine, nonrecurring transfers.

The General Fund transferred \$27.8 million to other funds for the following purposes: \$2.1 million to the Other Special Revenue Fund for the Fund for a Healthy Maine, \$15.0 million to the unappropriated surplus of the Highway Fund, \$8.7 million to the Federal Fund for indirect cost allocation settlements and federal audit settlements within the Department of Health and Human Services, and \$2.0 million to the Information Services Fund to partially fund the development and implementation of the State accounting system.

The Other Special Revenue Fund transferred \$6.6 million to the unappropriated surplus of the General Fund.

The Dirigo Health Fund transferred \$1.1 million to the unappropriated surplus of the General Fund.

The Employee Health Insurance Fund transferred \$3.5 million to the unappropriated surplus of the General Fund.

Interfund transfers for the year ended June 30, 2007, consisted of the following:

**Interfund Transfers**  
(Expressed in Thousands)

<u>Transferred To</u>	<u>Transferred From</u>				
	<u>General</u>	<u>Highway</u>	<u>Federal</u>	<u>Other Special Revenue</u>	<u>Other Governmental</u>
General	\$ -	\$ -	\$ 5	\$ 42,098	\$ 3,023
Highway	16,911	-	-	-	-
Federal	10,055	-	-	15,472	-
Other Special Revenue	153,834	-	12,794	-	8,535
Other Governmental Funds	3,023	-	-	42	-
Employment Security	-	-	-	-	-
Non-Major Enterprise	858	3,755	7	109	-
Internal Service	5,393	1,407	1,196	1,158	-
Fiduciary	-	-	-	16	-
<b>Total</b>	<b>\$ 190,074</b>	<b>\$ 5,162</b>	<b>\$ 14,002</b>	<b>\$ 58,895</b>	<b>\$ 11,558</b>

<u>Transferred To</u>	<u>Transferred From</u>					
	<u>Alcoholic Beverages</u>	<u>Employment Security</u>	<u>Non-Major Enterprise</u>	<u>Internal Service</u>	<u>Fiduciary</u>	<u>Total</u>
General	\$ 24	\$ -	\$ 51,753	\$ 9,473	\$ 8,916	\$ 115,292
Highway	-	-	-	3,825	-	20,736
Federal	-	1,146	-	3,598	-	30,271
Other Special Revenue	-	-	5,770	2,455	144	183,532
Other Governmental Funds	-	-	-	-	-	3,065
Employment Security	-	-	-	-	-	-
Non-Major Enterprise	-	-	-	931	-	5,660
Internal Service	-	-	318	1,702	-	11,174
Fiduciary	-	-	-	-	-	16
<b>Total</b>	<b>\$ 24</b>	<b>\$ 1,146</b>	<b>\$ 57,841</b>	<b>\$ 21,984</b>	<b>\$ 9,060</b>	<b>\$ 369,746</b>

**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, 2007:

**Primary Government – Capital Assets**  
(Expressed in Thousands)

	<u>Beginning Balance*</u>	<u>Increases and Other Additions</u>	<u>Decreases and Other Deletions</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 394,069	\$ 31,050	\$ 788	\$ 424,331
Construction in progress	6,818	21,191	17,779	10,230
Infrastructure	2,861,522	162,451	-	3,023,973
Total capital assets not being depreciated	<u>3,262,409</u>	<u>214,692</u>	<u>18,567</u>	<u>3,458,534</u>
Capital assets being depreciated:				
Buildings	506,881	56,123	2,697	560,307
Equipment	254,007	46,621	52,499	248,129
Improvements other than buildings	17,233	1,016	3	18,246
Total capital assets being depreciated	<u>778,121</u>	<u>103,760</u>	<u>55,199</u>	<u>826,682</u>
Less accumulated depreciation for:				
Buildings	129,264	57,264	2,620	183,908
Equipment	166,813	21,876	30,549	158,140
Improvements other than buildings	2,028	6,972	3	8,997
Total accumulated depreciation	<u>298,105</u>	<u>86,112</u>	<u>33,172</u>	<u>351,045</u>
Total capital assets being depreciated, net	480,016	17,648	22,027	475,637
Governmental Activities Capital Assets, net	<u>\$ 3,742,425</u>	<u>\$ 232,340</u>	<u>\$ 40,594</u>	<u>\$ 3,934,171</u>
	<u>Beginning Balance*</u>	<u>Net Additions</u>	<u>Net Deletions</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 38,161	\$ 256	\$ -	\$ 38,417
Construction in progress	925	2,688	-	3,613
Total capital assets not being depreciated	<u>39,086</u>	<u>2,944</u>	<u>-</u>	<u>42,030</u>
Capital assets being depreciated:				
Buildings	9,322	451	4	9,769
Equipment	20,220	23,932	767	43,385
Improvements other than buildings	61,218	-	-	61,218
Total capital assets being depreciated	<u>90,760</u>	<u>24,383</u>	<u>771</u>	<u>114,372</u>
Less accumulated depreciation	<u>50,816</u>	<u>15,875</u>	<u>650</u>	<u>66,041</u>
Total capital assets being depreciated, net	39,944	8,508	121	48,331
Business-Type Activities Capital Assets, net	<u>\$ 79,030</u>	<u>\$ 11,452</u>	<u>\$ 121</u>	<u>\$ 90,361</u>

\*As restated.

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

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

	<u>Amount</u>
<b>Governmental Activities:</b>	
Arts, Heritage and Cultural Enrichment	\$ 40
Business Licensing and Regulation	390
Economic Development and Workforce Training	824
Education	2,059
Governmental Support and Operations	6,798
Health and Human Services	6,608
Justice and Protection	10,843
Natural Resources Development and Protection	4,378
Transportation Safety and Development	11,873
Total Depreciation Expense – Governmental Activities	\$ 43,813

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

**PLAN DESCRIPTION**

The Maine Public Employees Retirement System, formerly the Maine State Retirement System, (the System), which is a component unit of the State, is the administrator of an agent, multiple-employer, defined benefit public employee retirement system established and administered under Title 5 MRSA C. 421, 423, and 425. Financial information for the System is included in the Statement of Fiduciary Net Assets and in the Statement of Changes in Fiduciary Net Assets. Additional schedules and notes are presented in the accompanying Required Supplementary Information (RSI). The System issues a publicly available comprehensive annual financial report that includes schedules of funding progress and employer contributions. The June 30, 2007 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

The System provides pension, disability, and survivor benefits to its members and their beneficiaries. Members include employees of the State, public school employees who are defined by Maine law as teachers for whom the State is the employer for retirement contribution and benefit purposes, and employees of approximately 270 local municipalities and other public entities (PLD's) in Maine. These 270 entities each contract for participation in the System under provisions of relevant statutes.

At June 30, 2007, membership consisted of:

Active vested and nonvested members	52,060
Terminated vested participants	7,852
Retirees and benefit recipients	33,586
Total	93,498

The System's retirement programs provide retirement benefits based on members' average final compensation and creditable service. Vesting occurs upon the earning of five years of service credit or the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age is age 60 or 62, determined by whether the member had at least 10 years of creditable service on June 30, 1993 (effective October 1, 1999, the prior ten-year requirement was reduced to five years by legislative action). The monthly



benefit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and survivor benefits, which are established by statute for State employee and teacher members, and by contract with other participating employers under applicable statutory provisions.

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

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

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

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

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

The System also provides group life insurance under a plan administered by a third party insurance company. 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.

#### **BASIS OF ACCOUNTING**

The System's financial statements are prepared on the accrual basis of accounting. Pension contributions and group life insurance premiums 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. Pension and group life insurance benefits and contributions 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. Benefits payable and group life insurance death benefits incurred but not reported are reflected as other liabilities.

#### **INVESTMENTS**

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

**SIGNIFICANT INVESTMENTS**

As of June 30, 2007, the System did not have any investments in any one organization, other than the U.S. government, which represented greater than 5% of plan net assets.

**FUNDING POLICY**

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.

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 and teacher plan over a closed period that cannot be longer than 31 years from July 1, 1997 but may be, and at certain times has been, shorter than that period. In 2000, the amortization period was reduced to a 19-year period from June 30, 2000. In 2004, the Legislature relengthened the period to 25 years, the full extent of the then-remaining Constitutional years for the 2004-2005 biennium, and reshortened the period effective July 1, 2005 to the 13 years that will then remain in the earlier shortened period. In 2005, the State repealed the “sunset” provision, with the result that the period for reduction of these unfunded actuarial liabilities continues to the full extent permitted by the State constitution, or June 30, 2028. The contribution rate in effect for 2007 was determined by the 2004 valuation, as revised, and reflects the relengthened amortization period. The unfunded actuarial accrual liability of the judicial plan is amortized over a period of which 10 years remained at June 30, 2007.

For PLD’s, the level percentage of payroll method is used to fund any unfunded liability.

In order to reduce any unfunded pension liability for State employees and teachers under Title 5 MRSA § 1536, the State is required to remit 20 percent of its General Fund unappropriated surplus to the System at year-end. For fiscal 2007, no General Fund unappropriated surplus existed.

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

The actuarially determined contribution rates in effect for 2007 for participating entities are:

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

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

**ANNUAL PENSION COST AND NET PENSION OBLIGATION**

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

<b>Net Pension Obligation</b>	
(Expressed in Thousands)	
Annual required contribution	\$ 303,076
Interest on net pension obligation	1,444
Adjustment to annual required contribution	<u>(1,050)</u>
Annual pension cost	303,470
Contributions made	<u>303,076</u>
Increase (decrease) in net pension obligation	394
Net pension obligation beginning of year	<u>18,050</u>
Net pension obligation end of year	<u><u>\$ 18,444</u></u>

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

<u>Year</u>	<u>Annual Pension Cost</u>	<u>Percentage Covered</u>	<u>Net Pension Obligation</u>
2007	303,470	99.87%	18,444
2006	287,253	105.63%	18,050
2005	262,874	104.50%	34,236

The annual required contribution for the current year was determined as part of the June 30, 2004 actuarial valuation using the entry age normal cost method based on a level percentage of covered payrolls. The actuarial assumptions included (a) 8 percent return on investments, and (b) projected salary increases of 5.5 percent to 9.5 percent per year, including cost of living. The assumptions include post retirement benefit increases of 4 percent per annum. The System also uses the level percentage of payroll method to amortize the unfunded liability of the State and teacher plan over a 24 year period from June 30, 2004.

**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. Employees of the Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, and the Northern New England Passenger Rail Authority are considered to be State employees for retirement benefit purposes and are included in the pension disclosures of the State.

Employer contributions met actuarially determined contribution requirements.

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS****POST RETIREMENT HEALTH CARE 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 officer and municipal firefighters, as defined in subsection 286-M, who participates in an employer-sponsored retirement plan and, prior to July 1, 2007 was enrolled in a self-insured health benefits plan offered by the employing county or municipality.

The State pays 100 percent of post retirement health insurance premiums for 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. 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. County and municipal law enforcement officers and municipal firefighters will begin coverage in Fiscal Year 2008 with the State contributing 45% of the cost of their respective plans.

The State had been in the process of changing funding of retiree health care benefits from a pay-as-you-go basis to an actuarial funding method. For retired State employees, the State estimated the total amount necessary to pay health insurance premiums. This amount is generated using a contribution rate, authorized by Title 5 MRSA § 286-A, multiplied by the value of the current employee payroll. The amounts contributed were reported as expenditures/expense in each of the various funds. For retired teachers, the State estimates the total annual amount necessary to pay its 45 percent share of health insurance premiums. This amount, less any accumulated funds remaining from prior years' estimates, is appropriated and reported as expenditures in the General Fund. Contributions resulting from both sources are accumulated in and reported as revenue of the Retiree Health Insurance Internal Service Fund. The State's share of the premium expense is paid from that fund when retiree payrolls are processed. With the enactment of Chapter 240, Public Laws 2007, the State of Maine has transitioned from a pay-as-you-go plan to an actuarial based funding plan beginning with Fiscal Year 2008. Chapter 240 established an OPEB Trust Fund to be invested by the Maine Public Employees Retirement System in a similar manner to the investment of employee retirement funds.

As of June 30, 2007, there were 9,069 retired eligible State employees and 7,768 retired teachers. In fiscal year 2007, the State paid into the Retiree Health Insurance Fund \$75.0 million for retired employees and \$16.9 million for retired teachers. Premium charges paid were \$40.8 million and \$16.1 million, respectively. Overall, Net Assets increased by \$41.9 million to \$103.7 million at June 30, 2007 as a result of an increase in cash of \$42 million. The increase in cash relates to a premium increase in anticipation of the implementation of GASB Statement No. 45.

Under current accounting standards, GASB Statement No. 12, *Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers*, the State has an actuarial accrued liability at June 30, 2006 and 2007 for postretirement benefits of \$2.6 billion.

GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pensions*, became effective in 2007. The standards in this Statement apply to OPEB trust funds, of which the State does not currently have any. Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, will be implemented by the State for the fiscal year beginning July 1, 2007, as required. This Statement will require that the long-term cost of retirement health care and other obligations for postemployment benefits be determined on an actuarial basis and reported in a manner similar to pension plans. An actuarial study was completed to determine the actuarial accrued liability as of June 30, 2006 and forecast to June 30, 2007. The study determined the liability if funded at transition of \$3.2 billion, or \$4.8 billion if not funded at transition. GASB Statement No. 45 does not mandate the prefunding of postemployment benefit liabilities; however, any prefunding of these benefits will help minimize the obligation required to be reported on the financial statements. The Legislature authorized the creation of an irrevocable trust fund to be established in fiscal year 2008 to meet the State's unfunded liability obligations for retiree health benefits for eligible participants. The Legislature will appropriate funds annually, beginning in fiscal year 2010, which will retire in 30 years or less, the unfunded liability for retiree health benefits. The actuarial opinion will be updated for fiscal year 2007.

#### **POST RETIREMENT LIFE INSURANCE BENEFITS**

The Maine Public Employees Retirement System provides certain life insurance benefits for retirees who, as active employees, participated in the Group Life Insurance Program for a minimum of ten years. Payments of claims are made from a fund containing the life insurance premiums of active State employees and teachers, plus earnings on the investments of the fund. In addition to the cost of claims, the State pays a monthly retention fee to a life insurance company. For the fiscal year ended June 30, 2007, claims totaled \$2.3 million for retired State employees and \$1.6 million for retired teachers. The number of participants eligible to receive benefits at fiscal year-end was 8,201 retired State employees and 5,228 retired teachers.

### **NOTE 11 - LONG-TERM OBLIGATIONS**

#### **PRIMARY GOVERNMENT**

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

#### **GENERAL OBLIGATION BONDS**

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

Changes in general obligation bonds of the primary government during fiscal year 2007 were:

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

	<b>Balance</b>			<b>Balance</b>	<b>Due</b>
	<b><u>July 1, 2006</u></b>	<b><u>Additions</u></b>	<b><u>Retirements</u></b>	<b><u>June 30, 2007</u></b>	<b><u>Within One Year</u></b>
General Obligation Debt:					
General Fund	\$433,585	\$33,975	\$69,280	\$398,280	\$66,230
Special Revenue Fund	33,875	27,000	10,415	50,460	10,750
Self Liquidating	90	-	70	20	20
Total	<u>\$467,550</u>	<u>\$60,975</u>	<u>\$79,765</u>	<u>\$448,760</u>	<u>\$77,000</u>

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2007 until maturity, are summarized in the following table:

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

<b><u>Fiscal Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2008	\$ 77,000	\$ 18,109	\$ 95,109
2009	68,780	14,945	83,725
2010	62,980	11,960	74,940
2011	57,620	9,202	66,822
2012	53,595	6,915	60,510
2013-2017	128,785	10,332	139,117
Total	<u>\$ 448,760</u>	<u>\$ 71,463</u>	<u>\$ 520,223</u>

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2007 are as follows:

**Primary Government – General Obligation Bonds Outstanding**

(Expressed in Thousands)

	Amounts Issued	Outstanding June 30, 2007	Fiscal Year Maturities First Year	Last Year	Interest Rates
<b>General Fund:</b>					
Series 1998	\$ 54,500	\$ 5,205	1999	2008	4.20% - 6.50%
Series 1999	54,385	7,745	2000	2009	4.20% - 6.75%
Series 2000	66,290	16,815	2000	2010	4.875% - 7.75%
Series 2001	22,050	8,420	2002	2011	4.00% - 6.08%
Series 2002	27,610	13,800	2003	2012	3.00% - 5.75%
Series 2003	97,080	58,235	2003	2013	1.50% - 5.00%
Series 2004	117,275	84,725	2005	2014	2.00% - 5.27%
Series 2005	137,525	122,215	2006	2015	2.00% - 5.27%
Series 2006	52,390	47,145	2007	2016	4.00% - 5.51%
Series 2007	33,975	<u>33,975</u>	2008	2017	4.00% - 5.50%
Total General Fund		<u>\$ 398,280</u>			
<b>Special Revenue Fund:</b>					
Series 1998	\$ 30,000	\$ 3,000	1999	2008	4.00% - 5.25%
Series 1999	16,900	3,380	2000	2009	4.00% - 5.50%
Series 2001	19,225	7,680	2002	2011	4.00% - 5.00%
Series 2004	13,000	9,400	2005	2014	2.00% - 4.00%
Series 2007	27,000	<u>27,000</u>	2008	2017	4.00% - 5.50%
Total Special Revenue		<u>\$ 50,460</u>			
<b>Self Liquidating:</b>					
Maine Veteran's Home	\$ 1,700	<u>\$ 20</u>	1982	2008	8.34%

**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, 2007, general obligations bonds authorized and unissued totaled \$35 million.

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

The State included \$182.6 million in other financing arrangements to reflect revenue bonds issued by the Maine Governmental Facilities Authority (MGFA), a blended component unit. Payment of the bonds is subject to, and dependent upon, biennial appropriations being made by the State Legislature. Debt issued by MGFA is not debt of the State or any political subdivision within the State. The State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. MGFA may not issue securities in excess of \$263.5 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2007, MGFA issued the Series 2007 Bonds, which totaled \$11.0 million at an interest rate between 4 percent and 5 percent. At June 30, 2007, there were approximately \$71.9 million of MGFA in-substance defeased bonds outstanding.

#### **CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS**

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

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

#### **SHORT TERM OBLIGATIONS**

The State of Maine issued and retired \$54.5 million in Bond Anticipation Notes during fiscal year 2007. Short term obligations are used to meet temporary operating cash flow needs. At June 30, 2007 there were no outstanding Tax Anticipation Notes or Bond Anticipation Notes.

#### **OTHER LONG-TERM OBLIGATIONS**

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

Changes in other long-term obligations for governmental and business-type activities for the fiscal year ended June 30, 2007, are summarized as follows:

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

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities:</b>					
MGFA Revenue Bonds	\$186,215	\$10,985	\$14,595	\$182,605	\$14,610
COP's and Other Financing	36,581	60,294	16,989	79,886	25,343
Compensated Absences	41,326	638	284	41,680	528
Claims Payable	72,981	176,658	185,543	64,096	22,980
Capital Leases	40,091	7,814	6,154	41,751	6,402
Pledged Future Revenues	46,268	-	3,915	42,353	4,015
Net Pension Obligation	18,050	394	-	18,444	-
Total Governmental Activities	<u>\$441,512</u>	<u>\$256,783</u>	<u>\$227,480</u>	<u>\$470,815</u>	<u>\$73,878</u>
<b>Business-Type Activities:</b>					
Compensated Absences	\$135	\$583	\$ -	\$718	\$72
Total Business-Type Activities	<u>\$135</u>	<u>\$583</u>	<u>\$ -</u>	<u>\$718</u>	<u>\$72</u>



Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2007 until maturity, are summarized as follows:

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

(Expressed in Thousands)

Fiscal Year	Governmental Funds			Internal Service Funds		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 9,429	\$ 1,173	\$ 10,602	\$ 30,524	\$ 10,163	\$ 40,687
2009	7,921	767	8,688	25,953	8,710	34,663
2010	7,174	379	7,553	25,033	7,667	32,700
2011	1,237	130	1,367	20,207	6,649	26,856
2012	1,293	74	1,367	17,707	5,856	23,563
2013 - 2017	661	93	754	71,182	18,709	89,891
2018 - 2022	-	-	-	39,655	4,593	44,248
2023 - 2027	-	-	-	3,940	417	4,357
2028 - 2032	-	-	-	575	14	589
Total	<u>\$ 27,715</u>	<u>\$ 2,616</u>	<u>\$ 30,331</u>	<u>\$ 234,776</u>	<u>\$ 62,778</u>	<u>\$ 297,554</u>

**CONDUIT DEBT OBLIGATIONS**

To enable local school districts to purchase learning technology at a lower cost than they would be able to negotiate independently, the State has entered into a series of lease agreements with Apple Computer. These leases are special limited obligations of the State, payable solely from and secured by a pledge of rentals to be received from participating school administrative units. The leases do not constitute a debt or pledge of the faith and credit of the State or any political subdivision thereof and accordingly have not been reported in the accompanying financial statements.

At June 30, 2007, lease agreements outstanding totaled \$893.5 thousand.

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

**PLEGGED FUTURE REVENUES**

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

Total principal and interest requirements over the life of the bonds are \$60.2 million, with annual requirements of up to \$5.6 million. Federal transportation funds received by the State for the federal fiscal year preceding the issuance of the bonds totaled \$175 million. Total federal transportation funds received in federal fiscal year 2007 were \$168 million. Current year payments to MMBB were \$5.6 million (0.3 percent of federal transportation funds received).

**OBLIGATIONS UNDER CAPITAL LEASES**

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

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

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

Leases that exist between the State and the Maine Governmental Facilities Authority (MGFA), a blended component unit, are not recorded as leases in this report. In their separately issued financial statements, MGFA records a lease receivable from the State. Although payables and receivables technically exist between these parties, when combined for government-wide reporting, they are eliminated. A long-term liability exists on the government-wide statements for the bonds issued by MGFA to construct the assets associated with the leases. Future payments to MGFA are, therefore, not included in the schedule of lease commitments below. At June 30, 2007 capital assets include \$67.8 million of capitalized buildings in the internal service funds, net of related accumulated depreciation of \$30.2 million.

**OBLIGATIONS UNDER OPERATING LEASES**

The State is obligated under certain leases, accounted for as operating leases, in the proprietary funds. Operating leases do not give rise to property rights or lease obligations, and therefore assets and liabilities related to the lease agreements are not recorded in the State's financial statements. Rental expense incurred under operating leases totaled \$2.1 million during the year.

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

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

<b>Fiscal Year</b>	<b>Capital Leases</b>	<b>Operating Leases</b>
2008	\$ 6,402	\$ 3,251
2009	5,987	2,826
2010	5,538	2,753
2011	5,287	2,421
2012	5,049	2,353
2012-2016	16,070	6,329
2017-2021	6,498	683
2022-2026	1,406	-
2027-2030	2	-
Total Minimum Payments	52,239	\$ 20,616
Less: Amount Representing Interest	10,488	
Present Value of Future Minimum Payments	\$ 41,751	

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

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

**CLAIMS PAYABLE**

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

**COMPENSATED ABSENCES**

In the government-wide statements and proprietary fund financial statements, compensated absences are reported as liabilities as required by GASB. In the governmental fund financial statements, liabilities for compensated absences are accrued when they are considered "due and payable" and recorded in the fund only for separations or transfers that occur before year-end. The liabilities are liquidated by the funds that account for the salaries and wages of the related employees.

**COMPONENT UNITS**

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

**Component Unit Bonds Outstanding**

(Expressed in Thousands)

<u>Component Unit</u>	<u>Interest Rates</u>	<u>Amount</u>	<u>Maturity Dates</u>
Finance Authority of Maine	1.0 - 3.98%	309,408	2025 - 2037
Maine Community College System	4.0 - 5.0%	23,426	2012 - 2036
Maine Health and Higher Educational Facilities Authority			
debt	2.0 - 6.2%	1,382,075	1993 - 2036
conduit debt	4.5 - 7.3%	50,994	1990 - 2043
Maine Municipal Bond Bank	1.0 - 10.25%	1,080,601	1991 - 2036
Maine State Housing Authority	2.20 - 6.40%	1,639,590	2007 - 2039
University of Maine System	2.0 - 5.75%	223,407	2000 - 2037

MHHEFA advance refunded various bond obligations in prior years. Proceeds were primarily used to purchase U.S. Government securities that will provide for future payment on the debt. At June 30, 2007, there were approximately \$6.7 million of in-substance defeased bonds remaining outstanding with respect to all advance-refunded issues within the reserve fund and taxable fund resolutions. At June 30, 2007, there were approximately \$24.1 million of defeased bonds remaining outstanding with respect to advance refunded bond issues of the general resolution. The general resolution bonds are considered conduit debt.

On June 28, 2007, UMS issued 2007 Series A Revenue Bonds, \$14.1 million of which was used to advance refund \$13.8 million of outstanding bonds. The refunding resulted in a deferred amount on refunding of \$841 thousand, of

which the unamortized balance was \$841 thousand as of June 30, 2007. Total interest payments over the next 27 years were reduced by \$310 thousand, and an economic gain of \$375 thousand was obtained. At June 30, 2007, \$13.8 million of advance refunded bonds remained outstanding.

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

**Component Units Principal Maturities**  
(Expressed in Thousands)

<u>Fiscal Year Ending</u>	<u>FAME</u>	<u>MMBB</u>	<u>MCCS</u>	<u>MSHA</u>	<u>UMS</u>	<u>MHHEFA</u>
2008	\$ 53	\$ 100,239	\$ -	\$ 35,655	\$ 7,114	\$ 41,970
2009	54	99,018	-	49,820	7,523	44,880
2010	54	94,351	-	53,705	7,926	47,980
2011	55	92,060	-	129,725	8,365	50,350
2012	55	83,238	545	52,550	39,267	55,090
2013-2017	286	326,366	3,065	263,845	37,779	293,380
2018-2022	300	203,199	3,775	295,495	35,066	286,900
2023-2027	176	74,920	4,790	277,150	32,125	257,940
2028-2032	-	6,980	6,095	270,580	32,920	199,450
2033-2037	309,500	2,025	5,960	185,935	13,190	104,135
2038-2042	-	-	-	41,285	-	-
2043-2047	-	-	-	-	-	-
Net unamortized premium or (deferred amount)	(1,125)	(1,795)	(804)	(16,155)	2,132	-
Total Principal Payments	\$ 309,408	\$ 1,080,601	\$ 23,426	\$ 1,639,590	\$ 223,407	\$ 1,382,075

## 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. Not all departments elect to insure through the Risk Management Division. Specifically, the Department of Transportation elected not to purchase general liability insurance.

In some cases the State purchases excess insurance to limit the State's liability for insured events. For example, coverage for property damage is \$250 million per occurrence. The State retains \$2 million of this risk per occurrence. A private insurance carrier covers the remaining risk (excess insurance). Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

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

<u>Type of Insurance</u>	<u>Coverage Per Occurrence</u>	<u>Risk Retention Per Occurrence</u>	<u>Excess Insurance Per Occurrence</u>
Property *	\$250 million	\$ 2 million	\$250 million
Ocean Marine Boat Liability *	10 million	10 thousand	10 million
Loss of Software and Data *	8 million	25 thousand	8 million
Boiler and Machinery*	3 million	2 million	3 million
General Liability Including			
Employment Practices	400 thousand	400 thousand	none
Police Professionals	400 thousand	400 thousand	none
Vehicular Liability	400 thousand	400 thousand	none
Bonding	500 thousand	500 thousand	none
Foster Parents	300 thousand	300 thousand	none
Inland Marine (various policies)	2 million	2 million	none

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

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

All risk-financing liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities represent the estimated cost of claims as of June 30, 2007. This cost of claims includes case reserves, the development of known claims and incurred but not reported claims, and the direct administrative expenses for settling specific claims.

Claims liabilities are determined on an actuarial basis. Periodic 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 June 30, 2007 and 2006, the present value of the claims payable for the State's self-insurance plan was estimated at \$3.2 million and \$3.2 million, respectively. The actuary calculated this based on a 1.75 percent yield on investments.

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

	<u>2007</u>	<u>2006</u>
Liability at Beginning of Year	\$ 3,190	\$ 3,547
Current Year Claims and Changes in Estimates	683	1,424
Claims Payments	683	1,781
Liability at End of Year	<u>\$ 3,190</u>	<u>\$ 3,190</u>

As of June 30, 2007, fund assets of \$20.3 million exceeded fund liabilities of \$3.7 million by \$16.6 million. The portion of this amount that may be reserved for catastrophic losses has not been determined.

In the past, general liability insurance coverage excluded lawsuits brought by employees. Therefore, the loss history used by the actuary to project claims did not include the effects of any such lawsuits. Effective July 1, 1999, the State added \$50 thousand coverage per occurrence for the cost of defending the State in any such lawsuits. Effective July 1, 2000, the State increased coverage to include both defense and indemnification costs up to \$400 thousand. The effect of this change has not been incorporated into the estimate used to determine claims payable as of June 30, 2007.

#### **B. UNEMPLOYMENT INSURANCE**

The State is self-insured for unemployment compensation. As a direct reimbursement employer, the State recognizes all costs for unemployment compensation as claims are paid. These costs totaled \$1.2 million for the fiscal year ended June 30, 2007.

#### **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, 2007:

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

	<u>2007</u>	<u>2006</u>
Liability at Beginning of Year	\$ 53,343	\$ 53,343
Current Year Claims and		
Changes in Estimates	474	8,955
Claims Payments	8,459	8,955
Liability at End of Year	<u>\$ 45,358</u>	<u>\$ 53,343</u>

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

#### **D. EMPLOYEE HEALTH INSURANCE**

The employee health and retiree health insurance programs are accounted for in two Internal Service Funds. The State became self insured for employee and retiree health care coverage on July 1, 2003. A stop loss agreement with Anthem Blue Cross and Blue Shield provides catastrophic coverage for individual claims exceeding \$350 thousand.

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

There are two primary health plans available. HMO Choice is a point-of-service plan available to all active employees and retirees not eligible for Medicare. The Group Companion Plan is a supplement to Medicare Parts A & B and is available to Medicare eligible retirees. Total enrollment averaged approximately 41,000 covered individuals. This total includes 30,300 active employees and dependents, 4,200 pre-Medicare retirees and dependents, and 6,500 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, 2007, the State recorded a receivable of \$2.7 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 \$15.5 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2007 follows (in thousands):

	<u>Employee Health</u> <u>Fund</u>	<u>Retiree Health</u> <u>Fund</u>
Liability at Beginning of Year	\$ 10,554	\$ 5,894
Current Year Claims and Changes in Estimates	125,641	49,860
Claims Payments	126,249	50,152
Liability at End of Year	\$ 9,946	\$ 5,602

**NOTE 13 – JOINT VENTURES**

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

**Tri-State Lotto Commission**

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

The Commission is composed of one member from each of the participating states. Each member State’s commission appoints one of its members to serve on the Commission and each member holds office at the pleasure of his or her appointing authority. The Commission annually elects a chairman from among its members.

The Commission designated that 50 percent of its operating revenue be aggregated in a common prize pool.

A prize award liability is established when the winning ticket number is selected. If no winning ticket is selected, the available jackpot is carried over to the following drawing. The Tri-State Lotto Compact requires that prizes not claimed within one year from the date of the drawing be forfeited. All expired unclaimed prizes are credited to

future prize pools. The Commission funds its jackpots through annuity contracts purchased from insurance companies and zero-coupon U.S. Government Treasury Strips.

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

The Tri-State Lotto Commission financial report for fiscal year 2007, 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	\$	40,895
Noncurrent Assets		94,558
Total Assets	\$	135,453
Current Liabilities	\$	27,760
Long-term Liabilities		95,296
Total Liabilities		123,056
Designated Prize Reserves		4,096
Unrealized Gain on Investments Held for Installment Prize Obligations		8,301
Total Net Assets		12,397
Total Liabilities and Net Assets	\$	135,453
Total Revenue	\$	70,041
Total Expenses		46,726
Allocation to Member States		23,315
Change in Unrealized Gain on Investments Held for Resale		(530)
Change in Net Assets	\$	(530)

**Multi-State Lottery Association**

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

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



The Multi-State Lottery Association's financial report for fiscal year 2007, 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	\$ 156,119
Investments in US Government Securities	77,714
US Government Securities Held for Prize Annuities	703,846
Due from Party Lotteries	32,039
Other Assets	2,674
Total Assets	\$ 972,392
Amount Held for Future Prizes	227,850
Grand Prize Annuities Payable	730,805
Other Liabilities	13,540
	972,195
Net Assets, Unrestricted	197
Total Liabilities and Net Assets	\$ 972,392
Total Revenue	\$ 3,035
Total Expenses	3,050
Excess (deficit) of revenue over expenses	(15)
Net assets, beginning	212
Net assets, ending	\$ 197

**NOTE 14 - RELATED PARTY TRANSACTIONS****PRIMARY GOVERNMENT**

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

By statute, the program assets and liabilities are held by the Treasurer of the State of Maine. FAME and the Treasurer of the State of Maine have entered into a management agreement for the Treasurer to act as a fiduciary of the Fund. The Treasurer is responsible for investment of the Fund and determining, with the advice of the Advisory Committee on College Savings, the proper allocation of the investments of the Fund. The NextGen had approximately \$5.2 billion in net assets at June 30, 2007, which have been recorded in an Agency Fund on the financial statements of the State.

General Obligation Bonds of the State include \$20 thousand of self-liquidating bonds of the Maine Veterans’ Home. The State issues the bonds, and the Maine Veterans’ Home remits to the State the debt service as it comes due.

The State of Maine pays a local company as a provider for mental health and independent living services through the MaineCare program. The Executive Director of the company also serves as House Chair of the Joint Standing Committee on Health and Human Services in the Maine Legislature. During fiscal year 2007, the State paid \$12.2 million for these services; \$5.1 million from the General Fund and \$7.1 million from the Federal Fund. At June 30, 2007, the State owed \$319 thousand to this vendor.

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

**COMPONENT UNITS**

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, \$230.1 million; Maine Community College System, \$52.1 million; Maine Municipal Bond Bank, \$3.3 million; Finance Authority of Maine, \$16.8 million; and Maine State Housing Authority, \$12.0 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total \$34.8 million at June 30, 2007, as a liability in Amounts Held Under State Revolving Loan Programs in their financial statements. The state reports the asset as a receivable in the Special Revenue Fund. During fiscal year 2007, the State expended \$2.0 million to FAME for State revolving loan funds.

Title 20-A MRSA Chapter 419-A establishes the Maine State Grant Program as a fund under the jurisdiction of the Finance Authority of Maine. All grant revenues under this fund must be distributed by FAME to students who meet the eligibility requirements for a grant under this chapter. During fiscal year 2007, the NextGen College Savings grant funds and the Maine State Grant funds were pooled into the new State of Maine Grant. FAME paid approximately \$8.0 million in grants to the University of Maine System (UMS) on behalf of eligible students. The UMS reflected these as grant revenues from the State.

**RELATED ORGANIZATIONS**

The State receives transfers in the amount of the annual operating surplus from the Maine Turnpike Authority under the Sensible Transportation Act of 1991. The Legislature defined operating surplus within the Maine Turnpike Authority statute to be the total operating revenues of the Authority after money has been set aside to pay reasonable operating expenses and to meet the requirements of any resolution authorizing bonds. The Authority, with the concurrence of the Maine Department of Transportation, established the operating surplus at \$4.7 million annually. The payment of debt service costs in connection with the issuance of the Series 1996 Special Obligation Bonds is considered to constitute payment of the operating surplus for the year 2007.

**NOTE 15 - COMMITMENTS AND CONTINGENCIES****PRIMARY GOVERNMENT****LITIGATION**

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

*Paul and Robert Dyer v. State of Maine, Department of Transportation.* The Dyers were awarded approximately \$447 thousand by the State Claims Board in connection with the taking of property in Waldo County for the new Penobscot Narrows Bridge. They are seeking approximately \$2 million in damages.

*Goodall Hospital v. Harvey.* This suit was filed on November 20, 2006. Plaintiff hospital alleges that the Department of Health and Human Services has refused or failed to pay the hospital's 2005 fiscal year bills for services to Medicaid recipients. The case is worth slightly over \$2 million, approximately \$666 thousand of State dollars. The potential for expenditure is moderate.

*Franklin Memorial Hospital v DHHS.* The issue in this case is whether DHHS has failed to issue interim settlements for the fiscal years 2005 and 2006, and if so, whether DHHS is required legally to issue those interim settlements. Maine regulations require that payment follows within 30 days of settlements. The complaint alleges that DHHS owes Franklin approximately \$3.0 million for 2005 and \$1.7 million for 2006. Status: this case has not yet been briefed. The potential for expenditure is moderate.

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

*Gannet Co. v. State Tax Assessor.* This case involves whether certain income is taxable by the State of Maine for the tax year 2000. Plaintiff is seeking a refund of over \$700,000 plus interest, which may make the total refund over \$1 million. The State is appealing, but the potential for expenditure is more than moderate.

In various lawsuits, Plaintiffs seek damages in excess of \$1 million against the State or against State officials, and various notices of claim also specify damages in excess of \$1 million where no lawsuit has been filed. In none of

these lawsuits, in the view of the Attorney General, is there any reasonable possibility that the State's liability could reach or exceed \$1 million. Therefore, these suits have not been individually identified.

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

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

#### **FEDERAL GRANTS**

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

#### **MUNICIPAL SOLID WASTE LANDFILLS**

Title 38 MRSA §1310-F, establishes within the Department of Environmental Protection (DEP) a cost-sharing program for the closure and remediation of municipal solid waste landfills that pose an actual or potential hazard to the environment and public health. The State's obligation to provide cost sharing to municipalities is subject to the availability of funds approved for that purpose. State expenditures for landfill remediation projects totaled \$49 thousand for fiscal year 2007.

During the 2007 fiscal year, no State general funds or bond funds were expended for municipal solid waste landfill closure projects. After January 1, 2000, the State is no longer liable for the costs relating to the closure of municipal solid waste landfills, except the Commissioner may make grants or payments up to 30 percent, if they are incurred pursuant to an alternative closure schedule approved by DEP prior to January 1, 2000, and if they are specifically identified in a department order or license, schedule of compliance or consent agreement. No reimbursement applications for past closure costs are on file. No additional cost share eligible closures have been approved by DEP. Consequently, the DEP expects no further expenditures for municipal landfill closures.

During the 2007 fiscal year, the State expended \$49 thousand of general obligation bond funds for municipal solid waste landfill remediation projects. Remediation funding, subject to the availability of funds, will continue for 90 percent of the cost of remediation for threats posed by a municipal landfill to wells or other structures constructed on or before December 31, 1999. The maximum reimbursement for remediation funding is 50 percent for structures constructed after that date. Bonds have not been issued to cover these outstanding obligations. Approximately \$48 thousand remains in the existing municipal landfill bond account.

The DEP recognizes that, in the future, some landfills will require State funds for post closure investigation and remediation activities. The DEP has estimated the amount of these potential future costs could be as much as \$5 million, based on current site knowledge, the increasing frequency of residential development near closed municipal landfills, the discovery of older abandoned dump sites now occupied by residential homes, and recent issues involving gas migration from two municipal landfills in the state.

#### **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 \$20 million. This consists of approximately \$14 million for State-owned facilities and approximately \$6 million for the State's share, under a cost sharing arrangement, for municipal facilities.

**POLLUTION ABATEMENT PROGRAM**

Title 38 MRSA § 411 establishes within DEP a cost-sharing program for pollution abatement projects. Subject to funding by the Legislature and the approval of the Commissioner, the State may contribute to the design, engineering and construction of municipal pollution abatement facilities. During the 2007 fiscal year, \$2.4 million of general obligation bond funds were expended for pollution abatement projects. As of June 30, 2007, amounts encumbered for pollution abatement projects totaled \$820 thousand; and general obligation bonds authorized for these projects, but not yet encumbered or expended, totaled \$1.3 million. At June 30, 2007, DEP estimated the total cost (federal, State, and local) of future projects to be \$422 million.

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

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

**GROUND WATER OIL CLEAN-UP FUND**

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

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

**CONSTRUCTION COMMITMENTS**

A portion of the payment that is made to municipalities for General Purpose Aid to Local Schools is allocated for debt service. Although the outstanding indebtedness for school construction projects is debt of the municipalities, the State subsidizes 53.51 percent of the annual payments. As of June 30, 2007, outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled \$824.6 million.

At June 30, 2007, the Department of Transportation had contractual commitments of approximately \$59.8 million for construction of various highway projects. The State's share of that amount is expected to be approximately \$16.2 million. Of these amounts, \$2.7 million has already been accrued. Federal and State funds plus bond proceeds are expected to fund these future expenditures.

**TOBACCO SETTLEMENTS**

On November 23, 1998, Maine along with 45 other states and five civil jurisdictions, entered into a Master Settlement Agreement (MSA) with certain Participating Tobacco Manufacturers (PM's) to recover smoking-related Medicaid costs. In this out-of-court settlement, the PM's agreed to make annual payments to the states and jurisdictions based on their allocated share of the market. In return, the states agreed to relinquish claims to further damages resulting from Medicaid costs. Annual payments will fluctuate subject to various adjustments and are contingent on the passage and enforcement of a State statute imposing economic conditions on the Nonparticipating manufactures (NPM's) and market forces. The NPM adjustment is set forth in the Master Settlement Agreement (MSA). If the PM's prove that they lost market share to the NPM's, and if they prove Maine did not diligently enforce its statutes concerning NPM escrow, then the Participating Manufacturers may lower their annual payment pursuant to the MSA. This NPM adjustment may be sought each year. For the year 2003, the adjustment sought was approximately 18%.

The PM's have also agreed to pay \$8.6 billion in Strategic Contribution Payments (SCP) to certain states and jurisdictions as compensation for their contribution to the overall settlement. Maine's share is approximately \$114 million. Maine will receive ten annual SCP payments starting in 2008.

#### **DIRIGO HEALTH AGENCY**

##### Experience Modification Program

Title 24-A, MRSA Chapter 87 established the Dirigo Health Agency to arrange for the provision of comprehensive, affordable health care coverage to eligible small employers, including the self-employed, their employees and dependents, and individuals on a voluntary basis (DirigoChoice).

Because DirigoChoice members had no prior claims history, the Dirigo Health Agency agreed to share claims costs that exceed an agreed upon level through an Experience Modification Program (EMP) with its carrier, Anthem Blue Cross Blue Shield (Anthem). The EMP is a form of experience rating not uncommon in start up association-like plans where the risk of the population is unknown. The EMP protects the DirigoChoice pool from adverse selection.

The Dirigo Health Agency prepays the EMP quarterly, based on enrollment assumptions. Because the Dirigo Health Agency assumes the most adverse outcome, the EMP liability cannot exceed the total prepayments.

If the experience outcome is favorable in the DirigoChoice plan, Anthem returns all of the EMP to the Dirigo Health Agency. Terms of the outcome sharing are detailed in the contractual agreement between the Dirigo Health Agency and Anthem.

Due to limited claims and experience data for DirigoChoice members for 2007, the medical loss ratio and related amount that may be returned to the Dirigo Health Agency, if any, cannot be reasonably estimated. EMP payments for State fiscal year 2007 totaled \$2.3 million, net of refunds.

##### Savings Offset Payment

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

For the first Savings Offset Payment, the State Superintendent of Insurance determined that \$43.7 million was saved in the health care system because of Dirigo Health. The Board established a percentage of .02408 to be applied to claims paid by health insurance carriers, employee benefit excess insurance carriers and third party administrators. In SFY 2007, Dirigo Health collected \$30.4 million of this assessment and expects to collect an additional \$5.1 million in SFY 2008. For the second Savings Offset Payment, the State Superintendent determined the amount of savings to be \$34.3 million. Of this amount, the Agency expects to collect \$15.5 million in fiscal year 2008.

#### **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, 2007, the Fund included \$18 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2007 of approximately \$130.8 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, 2007, the amount reported in the Fund for claimant liability is \$20.1 million. The General Fund shows a \$1.6 million payable to the Escheat Fund.

#### **NURSING HOME LOANS**

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

MHHEFA advanced approximately \$761 thousand from the operating fund as of June 30, 2007 to other financially troubled institutions, with combined loan amounts due the Authority of approximately \$11.4 million at June 30, 2007, including loans of \$9.7 million reserved at June 30, 2007. These advances were primarily made to assist these institutions in meeting debt service requirements in years prior to fiscal 2007. MHHEFA also has approximately \$.5 million of other receivables outstanding with the operating fund at June 30, 2007, primarily related to amounts due from institutions to reimburse the Authority for arbitrage rebate payments made on their behalf. MHHEFA established a \$1.2 million reserve in its operating fund related to the above loans, advances and other receivables outstanding.

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, 2007, loans outstanding pursuant to these authorizations are \$31.2 million, less than \$1 million, and less than \$1 million, respectively. The State has not paid, nor does it expect to pay, any amounts as a result of these authorizations as of June 30, 2007.

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. The State has not paid, nor does it expect to pay, any amount as a result of this authorization as of June 30, 2007.

#### **TARGETED CASE MANAGEMENT**

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

#### **MORAL OBLIGATIONS**

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

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

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

The following summarizes information regarding outstanding moral obligations:

<b>Moral Obligation Bonds</b> (Expressed in Thousands)				
<u>Issuer</u>	<u>Bonds Outstanding</u>	<u>Required Debt Reserve</u>	<u>Obligation Debt Limit</u>	<u>Legal Citation</u>
Maine Health and Higher Educational Facilities Authority - debt	\$ 1,382,075	\$ 113,397	no limit	22 MRSA § 2075
conduit debt	50,994		no limit	22 MRSA § 2075
Finance Authority of Maine	40,041	2,378	\$ 572,100	10 MRSA §1032,
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
Loring Development Authority *	-	-	100,000	5 MRSA §13080-N
Maine Municipal Bond Bank	1,082,397	127,959	no limit	30-A MRSA §6006
Maine Educational Loan Authority *	32,115	1,285	50,000	20-A MRSA §11424
Maine State Housing Authority	1,580,800	137,091	2,150,000	30-A MRSA §4906
Total	<u>\$ 4,168,422</u>	<u>\$ 382,110</u>		

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



**NOTE 16 - SUBSEQUENT EVENTS****PRIMARY GOVERNMENT**

On August 2, 2007 and October 16, 2007, the State issued \$44.6 million, and \$26.7 million, respectively, of Bond Anticipation Notes that mature on June 10, 2008.

Public Law 2005 Chapter 636 established the Retired County and Municipal Law Enforcement Officers and Municipal Firefighters Health Insurance Program to provide health insurance coverage to retired county and municipal law enforcement officers and retired municipal firefighters. Beginning July 1, 2007, the State shall provide a premium subsidy of 45 percent to enrollees. The impact of this program on the State's postemployment benefits other than pensions (OPEB) liability, required by GASB Statement No. 45, has not been determined.

**COMPONENT UNITS**

On February 1, 2007 the Maine State Housing Authority (MSHA) redeemed \$30 million of its 2005 Series B General Housing Draw Down bonds, with variable interest rates maturing in 2010. On February 1, 2007, MSHA issued a total of \$6.4 million 2005 Series A and B General Housing Draw Down bonds at par, with variable interest rates maturing in 2010. In February and March 2007, MSHA redeemed a total of \$107.4 million of various series of its Mortgage Purchase Program bonds at par. The bonds carried interest rates from 3.5 percent to 5.95 percent, and maturities from 2007 to 2034.

On February 13, 2007, Maine Educational Loan Authority, a non-major component unit (MELA), issued \$50 million of Student Loan Revenue Bonds. The 2007 Series bonds are nontaxable auction rate securities and mature June 1, 2041. The proceeds from this bond will be used to acquire and originate nonguaranteed supplemental educational loans.

In accordance with the Higher Education Loan Purchase Program, the Finance Authority of Maine (FAME) purchased FFELP student loan portfolios totaling approximately \$7.3 million in July 2007. During July 2007, 2005 Subordinate Series B bonds totaling \$5.5 million were retired with the proceeds from the 2007 Series bond issue.

On September 7, 2007, the U.S. Congress passed, and the President has indicated his intention to sign, the College Cost Reduction and Access Act. The Act reduces certain fees paid by the Federal government to lenders and guarantors participating in the Federal Family Education Loan Program (FFELP) starting on October 1, 2007. FAME expects to receive less revenue in its Federal student loan guaranty program and its Federal student loan secondary market program (HELPP) as a result of the fee reductions.

**COMMERCIAL PAPER**

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

As of December 14, 2007, no Mainsail payment had been received by the State. The State does not expect this default to adversely affect its ability to meet all of its obligations when due. The State, however, cannot predict the outcome of this matter.

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**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

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Required Supplementary Information - Budgetary Reporting

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

Fiscal Year Ended June 30, 2007  
(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
<b>Revenues</b>								
Taxes	\$ 2,814,411	\$ 2,894,048	\$ 2,912,019	\$ 17,971	\$ 229,661	226,777	\$ 226,824	\$ 47
Assessments and Other	102,537	109,319	111,673	2,354	94,838	92,874	93,293	419
Federal Grants	22,025	16,810	16,762	(48)	-	-	-	-
Service Charges	37,157	38,242	36,691	(1,551)	5,703	5,422	7,322	1,900
Income from Investments	6,164	1,424	7,646	6,222	1,350	795	1,106	311
Miscellaneous Revenue	12,826	21,051	29,763	8,712	283	330	2,791	2,461
<b>Total Revenues</b>	<u>2,995,120</u>	<u>3,080,894</u>	<u>3,114,554</u>	<u>33,660</u>	<u>331,835</u>	<u>326,198</u>	<u>331,336</u>	<u>5,138</u>
<b>Expenditures</b>								
Governmental Support and Operations	243,014	261,585	253,803	7,782	36,090	37,591	35,404	2,187
Economic Development & Workforce Training	42,861	43,261	40,668	2,593	-	-	-	-
Education	1,421,686	1,425,921	1,419,038	6,883	-	-	-	-
Health and Human Services	912,515	1,045,165	1,008,391	36,774	-	-	-	-
Business Licensing & Regulation	-	-	-	-	-	-	-	-
Natural Resources Development & Protection	71,894	73,863	70,867	2,996	41	40	40	-
Justice and Protection	240,247	248,460	242,654	5,806	38,104	37,785	36,806	979
Arts, Heritage & Cultural Enrichment	8,881	9,075	8,999	76	-	-	-	-
Transportation Safety & Development	-	-	-	-	284,762	322,830	272,746	50,084
<b>Total Expenditures</b>	<u>2,941,098</u>	<u>3,107,330</u>	<u>3,044,420</u>	<u>62,910</u>	<u>358,997</u>	<u>398,246</u>	<u>344,996</u>	<u>53,250</u>
<b>Revenues Over (Under) Expenditures</b>	<u>54,022</u>	<u>(26,436)</u>	<u>70,134</u>	<u>96,570</u>	<u>(27,162)</u>	<u>(72,048)</u>	<u>(13,660)</u>	<u>58,388</u>
<b>Other Financing Sources (Uses)</b>								
Operating Transfers Net	(60,448)	(73,724)	(77,871)	(4,147)	3,448	3,852	14,568	10,716
Proceeds from Pledged Future Revenues	-	-	-	-	-	-	-	-
<b>Net Other Financing Sources (Uses)</b>	<u>(60,448)</u>	<u>(73,724)</u>	<u>(77,871)</u>	<u>(4,147)</u>	<u>3,448</u>	<u>3,852</u>	<u>14,568</u>	<u>10,716</u>
<b>Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses</b>	<u>\$ (6,426)</u>	<u>\$ (100,160)</u>	<u>\$ (7,737)</u>	<u>\$ 92,423</u>	<u>\$ (23,714)</u>	<u>\$ (68,196)</u>	<u>\$ 908</u>	<u>\$ 69,104</u>
Fund Balances at Beginning of Year			286,486				129,159	
Fund Balances at End of Year			<u>\$ 278,749</u>				<u>\$ 130,067</u>	

Federal Funds				Other Special Revenue Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ 217,591	\$ 238,669	\$ 198,865	\$ (39,804)
-	-	-	-	108,398	118,613	93,192	(25,421)
2,549,184	2,724,279	2,153,681	(570,598)	10,336	11,911	3,769	(8,142)
1,179	1,179	1,149	(30)	131,179	134,262	74,189	(60,073)
17	17	672	655	2,303	2,381	4,599	2,218
20,521	21,698	5,157	(16,541)	186,798	178,676	216,679	38,003
<u>2,570,901</u>	<u>2,747,173</u>	<u>2,160,659</u>	<u>(586,514)</u>	<u>656,605</u>	<u>684,512</u>	<u>591,293</u>	<u>(93,219)</u>
13,301	20,568	9,282	11,286	137,180	166,244	144,933	21,311
151,213	151,382	88,587	62,795	24,662	31,490	25,045	6,445
194,489	215,158	184,991	30,167	6,314	10,292	7,729	2,563
1,833,060	1,960,948	1,613,390	347,558	456,400	482,740	364,908	117,832
946	1,681	541	1,140	66,262	76,802	59,816	16,986
41,596	55,664	37,129	18,535	99,138	132,385	90,441	41,944
107,001	122,665	89,306	33,359	32,244	35,942	26,953	8,989
3,247	3,414	2,794	620	1,342	1,661	996	665
205,471	199,954	163,921	36,033	30,088	16,955	13,118	3,837
<u>2,550,324</u>	<u>2,731,434</u>	<u>2,189,941</u>	<u>541,493</u>	<u>853,630</u>	<u>954,511</u>	<u>733,939</u>	<u>220,572</u>
20,577	15,739	(29,282)	(45,021)	(197,025)	(269,999)	(142,646)	127,353
(5,703)	(6,028)	10,063	16,091	188,970	174,051	125,747	(48,304)
						-	-
(5,703)	(6,028)	10,063	16,091	188,970	174,051	125,747	(48,304)
<u>\$ 14,874</u>	<u>\$ 9,711</u>	<u>\$ (19,219)</u>	<u>\$ (28,930)</u>	<u>\$ (8,055)</u>	<u>\$ (95,948)</u>	<u>\$ (16,899)</u>	<u>\$ 79,049</u>
		22,741				248,473	
		<u>\$ 3,522</u>				<u>\$ 231,574</u>	



## Required Supplementary Information - Budgetary Reporting

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

Fiscal Year Ended June 30, 2007  
(Expressed in Thousands)

	<u>General Fund</u>	<u>Highway Fund</u>	<u>Federal Funds</u>	<u>Special Revenue Fund</u>
Fund Balances - Non-GAAP Budgetary Basis	\$ 278,749	\$ 130,067	\$ 3,522	\$ 231,574
<b>Basis Differences</b>				
Revenue Accruals/Adjustments:				
Taxes Receivable	203,368	1,232	-	8,403
Intergovernmental Receivables	-	-	595,710	-
Other Receivables	54,484	215	93,532	71,928
Inventories	1,788	-	557	-
Due from Component Units	179	-	-	-
Due from Other Funds	18,010	(69,079)	4,931	21,272
Other Assets	-	-	-	74
Deferred Revenues	(213,411)	(7,545)	(557)	(23,375)
Total Revenue Accruals/Adjustments	<u>64,418</u>	<u>(75,177)</u>	<u>694,173</u>	<u>78,302</u>
Expenditure Accruals/Adjustments:				
Accounts Payable	(317,402)	(15,235)	(520,319)	(30,995)
Due to Component Units	(5,398)	(224)	(2,718)	(4,732)
Bonds Issued	-	-	-	-
Accrued Liabilities	(20,961)	(9,108)	(5,666)	(7,460)
Taxes Payable	(131,242)	(25)	-	-
Intergovernmental Payables	-	-	(110,913)	-
Due to Other Funds	(24,513)	(2,739)	(20,484)	(2,706)
Total Expenditure Accruals/Adjustments	<u>(499,516)</u>	<u>(27,331)</u>	<u>(660,100)</u>	<u>(45,893)</u>
Fund Balances - GAAP Basis	<u>\$ (156,349)</u>	<u>\$ 27,559</u>	<u>\$ 37,595</u>	<u>\$ 263,983</u>

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION BUDGETARY REPORTING**

### **Statutory/Budgetary Presentation**

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

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

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

Detailed budgetary control is maintained at the program and line category level at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers. Except in specific instances, only the Legislature may transfer appropriations between departments. Increases in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget. For the year ended June 30, 2007, the legislature deappropriated \$15.2 million of original appropriations for the General Fund.

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

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

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

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

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

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

The budgetary comparison schedule presented for the General Fund, the Highway Fund, the Federal Fund, and the Other Special Revenue Fund presents the original and final appropriated budgets for fiscal year 2006-2007, 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 March 31, 2005, 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 19, 2007, 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 following schedules 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.



<b>Required Supplementary Information – State Retirement Plan</b>
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### Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c
Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
June 30, 2007	8,302,466,643	11,209,708,127	2,907,241,484	74.1%	1,595,199,514	182.2%
June 30, 2006	7,556,514,663	10,598,346,071	3,041,831,408	71.3%	1,546,315,522	196.7%
June 30, 2005	7,013,846,148	10,048,587,643	3,034,741,495	69.8%	1,516,390,862	200.1%
June 30, 2004	6,498,608,717	9,485,605,608	2,986,996,891	68.5%	1,472,429,214	202.9%
June 30, 2003	6,085,632,834	9,007,851,422	2,922,218,588	67.6%	1,442,278,362	202.6%
June 30, 2002	5,920,475,637	8,511,834,626	2,591,358,989	69.6%	1,413,262,420	183.4%
June 30, 2001	5,844,838,370	7,997,931,582	2,153,093,212	73.1%	1,326,375,573	162.3%
June 30, 2000	5,528,795,711	7,491,075,545	1,962,279,834	73.8%	1,271,009,158	154.4%

### Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Annual Contribution	Percentage Contributed
2007	303,075,774	303,075,774	100.0%
2006	286,438,610	303,438,610	105.9%
2005	261,697,901	274,697,901	105.0%
2004	251,482,848	273,482,848	108.7%
2003	252,709,148	263,209,148	104.2%
2002	242,486,089	242,486,089	100.0%
2001	247,526,221	247,526,221	100.0%
2000	232,878,658	236,878,658	101.7%

<b>Required Supplementary Information – Participating Local District Plan</b>
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### Schedule of Funding Progress

	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/c
Actuarial Valuation Date	Actuarial Value Of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL (as a percentage of covered payroll)
June 30, 2007	2,134,633,222	1,879,685,508	(254,947,714)	113.6%	345,008,132	-73.9%
June 30, 2006	1,974,083,999	1,759,072,188	(215,011,811)	112.2%	326,272,608	-65.9%
June 30, 2005	1,874,310,141	1,641,144,382	(233,165,759)	114.2%	304,975,678	-76.5%
June 30, 2004	1,774,950,786	1,582,991,084	(191,959,702)	112.1%	292,321,815	-65.7%
June 30, 2003	1,701,572,665	1,463,437,856	(238,134,809)	116.3%	277,032,661	-86.0%
June 30, 2002	1,692,033,523	1,377,659,381	(314,374,142)	122.8%	268,161,476	-117.2%
June 30, 2001	1,544,720,492	1,427,090,054	(117,630,438)	108.2%	254,155,180	-46.3%
June 30, 2000	1,498,729,722	1,351,640,782	(147,088,940)	110.9%	244,163,272	-60.2%

### Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Annual Contribution	Percentage Contributed
2007	8,957,077	9,226,517	103.0%
2006	8,449,017	8,577,898	101.5%
2005	7,587,753	7,594,557	100.1%
2004	7,664,957	17,089,419	223.0%
2003	8,503,871	22,436,866	263.8%
2002	10,017,340	173,065,194	1727.7%
2001	17,122,717	17,122,717	100.0%
2000	13,433,467	13,433,467	100.0%

## **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

### **PENSION INFORMATION**

#### **Basis of Presentation**

For financial statement reporting purposes, the information provided on the required supplementary information schedules includes amounts for employees of participating local districts as well as combined amounts for State employees, teachers, judicial and legislative employees. Employees of participating local districts are not considered state employees.

#### **Actuarial Assumptions and Methods:**

The information in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation date, June 30, 2007 is as follows:

#### **Funding Method**

Costs are developed using the entry age normal cost method (based on a level percentage of covered payroll), except for the costs of the legislative plan, where the aggregate method is used. Under this method the accrued liability and the present value of future normal costs are determined by summing the individual entry age results for each participant. The normal cost is then determined in aggregate by spreading the present value of future normal costs as a level percentage of expected future covered payroll. Entry age is defined as the first day service is credited under the plan.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

#### **Asset Valuation Method**

Assets are valued for funding purposes using a three-year moving average. Under this method, the year-end actuarial asset value equals 1/3 of the current fiscal year-end fair value, as reported in the financial statements, plus 2/3 of the "expected market value." For purposes of this calculation, the "expected market value" is the preceding fiscal year's actuarial asset value, adjusted for the current fiscal year's cash flows with interest accumulated at the actuarial assumed rate of return on investments.

#### **Amortization**

The unfunded actuarial liability is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements, which is over a 19 year closed period from June 30, 2000. In 2004, the Legislature relengthened the period to 25 years, the full extent of the then-remaining Constitutional years for the 2004-2005 biennium, and reshortened the period effective July 1, 2005 to the 13 years that will then remain in the earlier shortened period. In 2005, the State repealed the "sunset" provision, with the result that the period for reduction of these unfunded actuarial liabilities continues to the full extent permitted by the State constitution, or June 30, 2028. The unfunded actuarial accrual liability of the judicial plan is amortized over a period of which 10 years remained at June 30, 2007.

The IUUAL of PLDs are amortized over periods established for each PLD separately. During fiscal years 2007 and 2006, various PLD's contributed approximately \$186,741 and \$128,881 to reduce or pay in full their initial unpooled unfunded actuarial liability, respectively. The Consolidated Plan has no Pooled Unfunded Actuarial Liability.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2007 are as follows:

Investment Return – 7.75% per annum, compounded annually

Salary Increases – 4.75% to 10.0% per year

Mortality Rates – Active State employee members and active participating local district members, non-disabled State employee retirees and non-disabled participating local district members – UP 1994 Tables; Active teacher members and non-disabled teacher retirees – 85% of UP 1994 Tables; All recipients of disability benefits – RPA 1994 Table for pre-1995 Disabilities.

Post Retirement Benefit Increases – 3.75% per annum

**Group Life Plan:**

The Group Life Insurance Program administered by the System provides for a life insurance benefit for active members equal to a member's annual base compensation as defined by statute. Upon retirement, life insurance coverage in the amount of the member's average final compensation is provided with a reduction of 15% per year until the greater of 40% of the average final compensation or \$2,500 is reached. To be covered in retirement, retirees must have participated in the Group Life Program for a minimum of ten years. Premiums are remitted to the System by the employer. The State pays a premium rate of \$0.30 per \$1,000 of coverage per month for active state employees. Teachers and employees of participating local districts pay a premium rate of \$0.22 and \$0.46 per \$1,000 of coverage per month, respectively, some or all of which may be deducted from employees' compensation as per individual agreements with employers and employees. Many assumptions used to determine the actuarial liability are the same as for the pension plan. At June 30, 2007 and 2006, the net assets held in trust for group life insurance benefits were \$50.6 million and \$43.5 million, respectively. At June 30, 2007 and 2006, the plan had actuarially determined liabilities of \$135.5 and \$129.8 million, respectively.

The System is in the process of implementing new premium rates in Group Life Insurance that were adopted by the Board after an extensive premium study and valuation of the Group Life Insurance Program in 2006. This study resulted in changes in both the funding structure and premium rates that become effective in fiscal 2008.

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

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Assets accounted for under the modified approach include 8,834 highway miles or 17,947 lane miles of roads and 2,965 bridges having a total deck area of 11.5 million square feet that the State is responsible to maintain.

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

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

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

**Highways**

**Measurement Scale for Highways**

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

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

**Bridges**

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

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

**Assessed Conditions**

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

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

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

Fiscal Year	Highways	Bridges
2007	76.0	78.0
2006	75.0	77.0
2005	79.3	77.0

**Budgeted and Estimated Costs to Maintain**

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).

Fiscal Year	Estimated Spending	Actual Spending
2008	\$ 100	\$ -
2007	61	73.3
2006	52	51.1
2005	48	46.1
2004	30	35.3
2003	36	34.3

**Transportation Bonds**

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 462, PL 2005, \$27 million was spent during FY2007.

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

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

June 30, 2007  
(Expressed in Thousands)

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Funds</u>	<u>Totals Other Governmental Funds</u>
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 83	\$ -	\$ -	\$ 83
Investments	66,906	-	12,518	79,424
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	-	12,855	-	12,855
Restricted Deposits and Investments	-	13,898	-	13,898
Due from Component Units	-	715	-	715
Total Current Assets	<u>66,989</u>	<u>27,468</u>	<u>12,518</u>	<u>106,975</u>
Total Assets	<u>\$ 66,989</u>	<u>\$ 27,468</u>	<u>\$ 12,518</u>	<u>\$ 106,975</u>
<b>Liabilities and Fund Balances</b>				
Current Liabilities:				
Accounts Payable	\$ -	\$ 4,639	\$ -	\$ 4,639
Due to Other Funds	-	71	-	71
Due to Component Units	-	2,165	-	2,165
Other Accrued Liabilities	<u>2</u>	<u>-</u>	<u>-</u>	<u>2</u>
Total Current Liabilities	<u>2</u>	<u>6,875</u>	<u>-</u>	<u>6,877</u>
Total Liabilities	<u>2</u>	<u>6,875</u>	<u>-</u>	<u>6,877</u>
Fund Balances:				
Reserved				
Continuing Appropriations	155	-	-	155
Capital Projects	-	20,593	-	20,593
Permanent Trusts	-	-	12,518	12,518
Other	<u>66,832</u>	<u>-</u>	<u>-</u>	<u>66,832</u>
Total Fund Balances	<u>66,987</u>	<u>20,593</u>	<u>12,518</u>	<u>100,098</u>
Total Liabilities and Fund Balances	<u>\$ 66,989</u>	<u>\$ 27,468</u>	<u>\$ 12,518</u>	<u>\$ 106,975</u>

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

Fiscal Year Ended June 30, 2007  
(Expressed in Thousands)

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent Funds</u>	<u>Totals Other Governmental Funds</u>
Revenues:				
Investment Income	\$ 9,441	\$ -	\$ 1,269	\$ 10,710
Miscellaneous Revenue	-	536	-	536
Total Revenues	<u>9,441</u>	<u>536</u>	<u>1,269</u>	<u>11,246</u>
Expenditures:				
Governmental Support & Operations	130	5,411	-	5,541
Economic Development & Workforce Training	-	3,559	-	3,559
Education	-	8,030	-	8,030
Health and Human Services	-	1,800	-	1,800
Natural Resources Development & Protection	-	3,920	-	3,920
Justice and Protection	-	457	-	457
Arts, Heritage, and Cultural Enrichment	-	580	-	580
Transportation, Safety & Development	-	42,917	-	42,917
Total Expenditures	<u>130</u>	<u>66,674</u>	<u>-</u>	<u>66,804</u>
Revenue over (under) Expenditures	<u>9,311</u>	<u>(66,138)</u>	<u>1,269</u>	<u>(55,558)</u>
Other Financing Sources (Uses):				
Transfers from Other Funds	35	3,030	-	3,065
Transfers to Other Funds	(1,993)	(9,540)	(25)	(11,558)
Other	-	-	-	-
Bonds Issued	-	60,975	-	60,975
Net Other Finance Sources (Uses)	<u>(1,958)</u>	<u>54,465</u>	<u>(25)</u>	<u>52,482</u>
Revenue and Other Sources over (under) Expenditures and Other Uses	<u>7,353</u>	<u>(11,673)</u>	<u>1,244</u>	<u>(3,076)</u>
Fund Balances at Beginning of Year	<u>59,634</u>	<u>32,266</u>	<u>11,274</u>	<u>103,174</u>
Fund Balances at End of Year	<u>\$ 66,987</u>	<u>\$ 20,593</u>	<u>\$ 12,518</u>	<u>\$ 100,098</u>



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# OTHER GOVERNMENTAL FUNDS

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## Special Revenue Funds

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

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

## Capital Projects Funds

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

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

## Permanent Funds

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

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

**STATE OF MAINE**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR SPECIAL REVENUE FUNDS**

June 30, 2007  
(Expressed in Thousands)

	<u>Baxter Park</u>	<u>Revenue on Permanent Funds</u>	<u>Totals Special Revenue Funds</u>
<b>Assets</b>			
Current Assets:			
Equity in Treasurer's Cash Pool	\$ -	\$ 83	\$ 83
Investments	66,832	74	66,906
Total Current Assets	<u>66,832</u>	<u>157</u>	<u>66,989</u>
Total Assets	<u>\$ 66,832</u>	<u>\$ 157</u>	<u>\$ 66,989</u>
<b>Liabilities and Fund Balances</b>			
Current Liabilities:			
Other Accrued Liabilities	\$ -	\$ 2	\$ 2
Total Current Liabilities	<u>-</u>	<u>2</u>	<u>2</u>
Total Liabilities	<u>-</u>	<u>2</u>	<u>2</u>
Fund Balances:			
Reserved			
Continuing Appropriations	-	155	155
Other	66,832	-	66,832
Total Fund Balances	<u>66,832</u>	<u>155</u>	<u>66,987</u>
Total Liabilities and Fund Balances	<u>\$ 66,832</u>	<u>\$ 157</u>	<u>\$ 66,989</u>

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

Fiscal Year Ended June 30, 2007  
(Expressed in Thousands)

	<b>Baxter Park</b>	<b>Revenue on Permanent Funds</b>	<b>Totals  Special Revenue Funds</b>
<b>Revenues:</b>			
Investment Income	\$ 9,028	\$ 413	\$ 9,441
Total Revenues	<u>9,028</u>	<u>413</u>	<u>9,441</u>
<b>Expenditures</b>			
General Government	-	130	130
Total Expenditures	<u>-</u>	<u>130</u>	<u>130</u>
Revenue over (under) Expenditures	<u>9,028</u>	<u>283</u>	<u>9,311</u>
Other Financing Sources (Uses):			
Transfer from Other Funds	-	35	35
Transfer to Other Funds	<u>(1,675)</u>	<u>(318)</u>	<u>(1,993)</u>
Net Other Finance Sources (Uses)	<u>(1,675)</u>	<u>(283)</u>	<u>(1,958)</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	<u>7,353</u>	<u>-</u>	<u>7,353</u>
Fund Balances at Beginning of Year	<u>59,479</u>	<u>155</u>	<u>59,634</u>
Fund Balances at End of Year	<u>\$ 66,832</u>	<u>\$ 155</u>	<u>\$ 66,987</u>

**STATE OF MAINE  
BALANCE SHEET  
NON-MAJOR CAPITAL PROJECTS FUND**

June 30, 2007  
(Expressed in Thousands)

	<b>General Bond Fund</b>
<b>Assets</b>	
Current Assets:	
Restricted Assets:	
Restricted Equity in Treasurer's Cash Pool	\$ 12,855
Restricted Deposits and Investments	13,898
Due from Component Units	715
Total Current Assets	27,468
Total Assets	\$ 27,468
<b>Liabilities and Fund Balances</b>	
Current Liabilities:	
Accounts Payable	\$ 4,639
Due to Other Funds	71
Due to Component Units	2,165
Total Current Liabilities	6,875
Total Liabilities	6,875
Fund Balances:	
Reserved	
Capital Projects	20,593
Total Fund Balances	20,593
Total Liabilities and Fund Balances	\$ 27,468

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

Fiscal Year Ended June 30, 2007

(Expressed in Thousands)

	<b>General Bond Fund</b>
<b>Revenues:</b>	
Miscellaneous Revenue	\$ 536
Total Revenues	536
<b>Expenditures</b>	
Current:	
Governmental Support & Operations	5,411
Economic Development & Workforce Training	3,559
Education	8,030
Health and Human Services	1,800
Natural Resources Development & Protection	3,920
Justice and Protection	457
Arts, Heritage & Cultural Enrichment	580
Transportation, Safety & Development	42,917
Debt Service:	
Principal Payments	-
Interest Payments	-
Total Expenditures	66,674
Revenue over (under) Expenditures	(66,138)
Other Financing Sources (Uses):	
Transfers from Other Funds	3,030
Transfers to Other Funds	(9,540)
Bonds Issued	60,975
Net Other Finance Sources (Uses)	54,465
Revenues and Other Sources over (under)	
Expenditures and Other Uses	(11,673)
Fund Balances at Beginning of Year	32,266
Fund Balances at End of Year	\$ 20,593



**STATE OF MAINE  
COMBINING BALANCE SHEET  
NON-MAJOR PERMANENT FUNDS**

June 30, 2007  
(Expressed in Thousands)

	<u>Baxter Trust</u>	<u>Other Trusts</u>	<u>Totals Permanent Funds</u>
<b>Assets</b>			
Investments	\$ 5,283	\$ 7,235	\$ 12,518
Total Assets	<u>\$ 5,283</u>	<u>\$ 7,235</u>	<u>\$ 12,518</u>
<b>Fund Balances</b>			
Reserved: Permanent Trusts	<u>\$ 5,283</u>	<u>\$ 7,235</u>	<u>\$ 12,518</u>

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

Fiscal Year Ended June 30, 2007  
(Expressed in Thousands)

	<u>Baxter Trust</u>	<u>Other Trusts</u>	<u>Totals Permanent Funds</u>
Revenues:			
Investment Income (Loss)	\$ 567	\$ 702	\$ 1,269
Total Revenues	<u>567</u>	<u>702</u>	<u>1,269</u>
Expenditures			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over Expenditures	<u>567</u>	<u>702</u>	<u>1,269</u>
Transfers to Other Funds	<u>-</u>	<u>(25)</u>	<u>(25)</u>
Net Other Finance Sources (Uses)	<u>-</u>	<u>(25)</u>	<u>(25)</u>
Revenues and Other Sources over Expenditures and Other Uses	<u>567</u>	<u>677</u>	<u>1,244</u>
Fund Balances at Beginning of Year	<u>4,716</u>	<u>6,558</u>	<u>11,274</u>
Fund Balances at End of Year	<u>\$ 5,283</u>	<u>\$ 7,235</u>	<u>\$ 12,518</u>



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# NON-MAJOR ENTERPRISE FUNDS

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

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

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

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

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

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

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

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

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

**STATE OF MAINE**  
**COMBINING STATEMENT OF NET ASSETS**  
**NON-MAJOR ENTERPRISE FUNDS**

June 30, 2007  
(Expressed in Thousands)

	<u>Lottery</u>	<u>Maine Military Authority</u>	<u>Seed Potato</u>	<u>Marine Ports</u>
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 5	\$ -	\$ -	\$ 187
Cash and Short-Term Investments	750	-	1	-
Inventories	-	-	1	-
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	18,943	228	76	205
Due from Other Funds	2,728	5,992	-	-
Due from Component Units	-	-	-	66
Other Current Assets	179	26	1	-
Total Current Assets	<u>22,605</u>	<u>6,246</u>	<u>79</u>	<u>458</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	-	-	20
Capital Assets - Net of Depreciation	7	1,590	600	20,056
Total Noncurrent Assets	<u>7</u>	<u>1,590</u>	<u>600</u>	<u>20,076</u>
 Total Assets	 <u>22,612</u>	 <u>7,836</u>	 <u>679</u>	 <u>20,534</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	1,255	1,091	-	-
Accrued Payroll	77	836	19	-
Due to Other Funds	3,330	5,084	10	-
Current Portion of Long-Term Obligations:				
Compensated Absences	10	8	2	-
Deferred Revenue	373	-	-	-
Other Accrued Liabilities	17,075	916	160	-
Total Current Liabilities	<u>22,120</u>	<u>7,935</u>	<u>191</u>	<u>-</u>
Long-Term Liabilities:				
Compensated Absences	86	69	21	-
Total Long-Term Liabilities	<u>86</u>	<u>69</u>	<u>21</u>	<u>-</u>
 Total Liabilities	 <u>22,206</u>	 <u>8,004</u>	 <u>212</u>	 <u>-</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	7	1,590	600	20,056
Unrestricted	399	(1,758)	(133)	478
 Total Net Assets	 <u>\$ 406</u>	 <u>\$ (168)</u>	 <u>\$ 467</u>	 <u>\$ 20,534</u>

						<u>Totals</u>
<u>Ferry Service</u>	<u>Prison Industries</u>	<u>Dirigo Health</u>	<u>Transit, Aviation, &amp; Rail Transportation</u>	<u>Consolidated Emergency Communications Fund</u>	<u>Other Enterprise Funds</u>	
\$ 120	\$ 95	\$ 10,445	\$ 1,137	\$ 398	\$ 12,387	
3	3	-	-	-	757	
277	501	-	-	-	779	
105	21	1,874	530	110	22,092	
126	-	-	-	130	8,976	
-	-	-	-	-	66	
-	-	-	-	-	206	
<u>631</u>	<u>620</u>	<u>12,319</u>	<u>1,667</u>	<u>638</u>	<u>45,263</u>	
13	10	1,143	124	43	1,353	
21,343	9	-	46,756	-	90,361	
<u>21,356</u>	<u>19</u>	<u>1,143</u>	<u>46,880</u>	<u>43</u>	<u>91,714</u>	
21,987	639	13,462	48,547	681	136,977	
34	26	361	4	2	2,773	
302	14	36	161	-	1,445	
20	2	1,205	-	89	9,740	
28	1	6	-	17	72	
-	-	1,223	-	-	1,596	
-	-	-	-	-	18,151	
<u>384</u>	<u>43</u>	<u>2,831</u>	<u>165</u>	<u>108</u>	<u>33,777</u>	
248	11	56	4	151	646	
<u>248</u>	<u>11</u>	<u>56</u>	<u>4</u>	<u>151</u>	<u>646</u>	
632	54	2,887	169	259	34,423	
21,343	9	-	46,756	-	90,361	
12	576	10,575	1,622	422	12,193	
<u>\$ 21,355</u>	<u>\$ 585</u>	<u>\$ 10,575</u>	<u>\$ 48,378</u>	<u>\$ 422</u>	<u>\$ 102,554</u>	

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

June 30, 2007  
(Expressed in Thousands)

	<u>Lottery</u>	<u>Maine Military Authority</u>	<u>Seed Potato</u>	<u>Marine Ports</u>
<b>Operating Revenues</b>				
Charges for Services	\$ 231,122	\$ 30,656	\$ 228	\$ 89
Assessments	-	-	-	-
Miscellaneous Revenues	50	1	12	-
Total Operating Revenues	<u>231,172</u>	<u>30,657</u>	<u>240</u>	<u>89</u>
<b>Operating Expenses</b>				
General Operations	180,718	34,992	612	755
Depreciation	4	148	15	1,342
Total Operating Expenses	<u>180,722</u>	<u>35,140</u>	<u>627</u>	<u>2,097</u>
Operating Income (Loss)	<u>50,450</u>	<u>(4,483)</u>	<u>(387)</u>	<u>(2,008)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Other Nonoperating Revenues (Expenses)- net	456	(339)	2	38
Total Nonoperating Revenues (Expenses)	<u>456</u>	<u>(339)</u>	<u>2</u>	<u>38</u>
Income (Loss) Before Capital Contributions and Transfers	<u>50,906</u>	<u>(4,822)</u>	<u>(385)</u>	<u>(1,970)</u>
<b>Capital Contributions and Transfers</b>				
Capital Contributions from Other Funds	-	-	-	-
Transfers from (to) Other Funds	(50,830)	567	270	-
Total Capital Contributions and Transfers In (Out)	<u>(50,830)</u>	<u>567</u>	<u>270</u>	<u>-</u>
Change in Net Assets	76	(4,255)	(115)	(1,970)
Total Net Assets - Beginning of Year	<u>330</u>	<u>4,087</u>	<u>582</u>	<u>22,504</u>
Total Net Assets - End of Year	<u>\$ 406</u>	<u>\$ (168)</u>	<u>\$ 467</u>	<u>\$ 20,534</u>

						Totals
Ferry Service	Prison Industries	Dirigo Health	Transit, Aviation, & Rail Transportation	Consolidated Emergency Communications Fund		Other Enterprise Funds
\$ 3,799	\$ 1,506	\$ 63,339	\$ 358	\$ 4,992	\$	336,089
-	-	-	1,749	-		1,749
-	2	-	-	-		65
<u>3,799</u>	<u>1,508</u>	<u>63,339</u>	<u>2,107</u>	<u>4,992</u>		<u>337,903</u>
7,500	1,686	65,178	2,159	4,557		298,157
<u>1,475</u>	<u>5</u>	<u>-</u>	<u>2,059</u>	<u>-</u>		<u>5,048</u>
<u>8,975</u>	<u>1,691</u>	<u>65,178</u>	<u>4,218</u>	<u>4,557</u>		<u>303,205</u>
<u>(5,176)</u>	<u>(183)</u>	<u>(1,839)</u>	<u>(2,111)</u>	<u>435</u>		<u>34,698</u>
<u>38</u>	<u>13</u>	<u>-</u>	<u>62</u>	<u>-</u>		<u>270</u>
<u>38</u>	<u>13</u>	<u>-</u>	<u>62</u>	<u>-</u>		<u>270</u>
<u>(5,138)</u>	<u>(170)</u>	<u>(1,839)</u>	<u>(2,049)</u>	<u>435</u>		<u>34,968</u>
2,926	-	-	13,598	-		16,524
<u>3,802</u>	<u>(38)</u>	<u>(5,937)</u>	<u>(2)</u>	<u>(13)</u>		<u>(52,181)</u>
<u>6,728</u>	<u>(38)</u>	<u>(5,937)</u>	<u>13,596</u>	<u>(13)</u>		<u>(35,657)</u>
1,590	(208)	(7,776)	11,547	422		(689)
<u>19,765</u>	<u>793</u>	<u>18,351</u>	<u>36,831</u>	<u>-</u>		<u>103,243</u>
<u>\$ 21,355</u>	<u>\$ 585</u>	<u>\$ 10,575</u>	<u>\$ 48,378</u>	<u>\$ 422</u>	<u>\$</u>	<u>102,554</u>



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

June 30, 2007  
(Expressed in Thousands)

	Lottery	Maine Military Authority	Seed Potato	Marine Ports
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 228,887	\$ 34,597	\$ 206	\$ 23
Payments to Prize Winners	(145,479)	-	-	-
Payments to Suppliers	(31,450)	(14,883)	(129)	(755)
Payments to Employees	(1,579)	(20,217)	(399)	-
Net Cash Provided (Used) by Operating Activities	<u>50,379</u>	<u>(503)</u>	<u>(322)</u>	<u>(732)</u>
Operating Transfers in	620	793		-
Operating Transfers out	(51,450)	(226)	270	-
Special Item - Transfer of Assets to STAR fund				
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(50,830)</u>	<u>567</u>	<u>270</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	-	275	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Net Cash Provided (Used) by Capital Financing Activities	<u>-</u>	<u>275</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>				
Interest Revenue	456	(339)	2	38
Net Cash Provided (Used) by Investing Activities	<u>456</u>	<u>(339)</u>	<u>2</u>	<u>38</u>
Net Increase (Decrease) in Cash/Cash Equivalents	5	-	(50)	(694)
Cash/Cash Equivalents - Beginning of Year	750	-	51	901
Cash/Cash Equivalents - End of Year	<u>\$ 755</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 207</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>				
Operating Income (Loss)	\$ 50,450	\$ (4,483)	\$ (387)	\$ (2,008)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>				
Depreciation Expense	4	148	15	1,342
Decrease (Increase) in Assets & Liabilities:				
Accounts Receivable	443	3,192	(34)	(66)
Interfund Balances	(3,010)	852	8	-
Inventories	-	-	-	-
Accounts Payable	68	(1,080)	-	-
Accrued Payroll Expenses	18	104	(1)	-
Change in Compensated Absences	(39)	77	23	-
Other Accruals	2,445	687	54	-
Total Adjustments	<u>(71)</u>	<u>3,980</u>	<u>65</u>	<u>1,276</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 50,379</u>	<u>\$ (503)</u>	<u>\$ (322)</u>	<u>\$ (732)</u>
<b>Non Cash Investing, Capital and Financing Activities</b>				
Contributed Capital Assets	-	-	-	-

							Totals
Ferry Service	Prison	Dirigo Health	Transit, Aviation, & Rail Transportation	Consolidated Emergency Communications			Other Enterprise Funds
\$ 3,705	\$ 1,590	\$ 62,801	\$ 2,288	\$ 4,882	\$		338,982
-	-	-	-	-	-		(145,479)
(2,587)	(1,415)	(65,827)	(1,833)	(520)			(119,399)
(4,744)	(185)	(1,084)	(168)	(3,908)			(32,284)
(3,626)	(10)	(4,110)	287	454			41,820
3,862	-	-	-	-			5,275
(60)	(38)	(5,937)	(2)	(13)			(57,456)
-	-	-	-	-			-
3,802	(38)	(5,937)	(2)	(13)			(52,181)
(268)	-	-	137	-			144
-	1	-	-	-			1
(268)	1	-	137	-			145
38	13	-	62	-			270
38	13	-	62	-			270
(54)	(34)	(10,047)	484	441			(9,946)
190	142	21,635	777	-			24,446
\$ 136	\$ 108	\$ 11,588	\$ 1,261	\$ 441	\$		14,500
\$ (5,176)	\$ (183)	\$ (1,839)	\$ (2,111)	\$ 435	\$		34,698
1,475	5	-	2,059	-			5,048
17	56	(538)	178	(110)			3,138
(111)	28	(1,446)	5	(41)			(3,712)
(15)	46	-	-	-			31
(117)	26	(314)	(4)	2			(1,419)
25	-	(8)	156	-			294
276	12	62	4	168			583
-	-	(27)	-	-			3,159
1,550	173	(2,271)	2,398	19			7,122
\$ (3,626)	\$ (10)	\$ (4,110)	\$ 287	\$ 454	\$		41,820
2,926	-	-	-	-			2,926



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# INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

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

Retiree Health Insurance Fund – This fund accounts for post retirement health care premiums and benefits for most retired state employees and Legislators, and for a portion of the premiums for teachers.

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

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

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

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

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

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

June 30, 2007  
(Expressed in Thousands)

	Motor Transport Service	Postal, Printing & Supply	Information Services	Risk Management
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 1,936	\$ -	\$ -	\$ 17,998
Cash and Short-Term Investments	1	1	-	-
Cash with Fiscal Agent	438	-	12,498	-
Restricted Assets:				
Restricted Deposits and Investments	-	-	-	-
Inventories	3,733	904	-	-
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	-	-	-	-
Other Receivable	534	129	41	11
Due from Other Funds	1,590	2,489	16,129	60
Other Current Assets	-	123	479	271
Total Current Assets	<u>8,232</u>	<u>3,646</u>	<u>29,147</u>	<u>18,340</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	212	-	-	1,969
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	-	-	-	-
Capital Assets - Net of Depreciation	47,086	7	14,438	-
Total Noncurrent Assets	<u>47,298</u>	<u>7</u>	<u>14,438</u>	<u>1,969</u>
Total Assets	<u>55,530</u>	<u>3,653</u>	<u>43,585</u>	<u>20,309</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	34	1,085	3,847	44
Accrued Payroll	657	98	1,498	13
Due to Other Governments	-	-	-	-
Due to Other Funds	35	2,307	7,912	99
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrang	1,731	-	9,249	-
Revenue Bonds Payable	-	-	-	-
Obligations Under Capital Leases	-	-	-	-
Claims Payable	-	-	-	-
Compensated Absences	49	12	204	25
Deferred Revenue	-	-	-	325
Other Accrued Liabilities	55	-	772	-
Total Current Liabilities	<u>2,561</u>	<u>3,502</u>	<u>23,482</u>	<u>506</u>
Long-Term Liabilities:				
Working Capital Advances Payable	-	111	-	-
Deferred Revenue	-	-	-	-
Certificates of Participation and Other Financing Arrang	3,533	-	19,168	-
Revenue Bonds Payable	-	-	-	-
Obligations Under Capital Leases	-	-	-	-
Claims Payable	-	-	-	3,190
Compensated Absences	424	105	1,753	-
Total Long-Term Liabilities	<u>3,957</u>	<u>216</u>	<u>20,921</u>	<u>3,190</u>
Total Liabilities	<u>6,518</u>	<u>3,718</u>	<u>44,403</u>	<u>3,696</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	42,676	7	14,397	-
Restricted for:				
Other Purposes	-	-	-	-
Unrestricted	6,336	(72)	(15,215)	16,613
Total Net Assets	<u>\$ 49,012</u>	<u>\$ (65)</u>	<u>\$ (818)</u>	<u>\$ 16,613</u>

<u>Workers' Compensation</u>	<u>Central Fleet Management</u>	<u>Leased Space</u>	<u>Revenue Services</u>	<u>Retiree Health Insurance</u>	<u>Employee Health Insurance</u>	<u>Statewide Radio &amp; Network System</u>
\$ 26,515	\$ -	\$ 109	\$ 384	\$ 97,962	\$ 54,625	\$ 184
-	1	-	-	-	-	-
-	1,483	-	-	-	-	9,316
-	-	-	-	-	-	-
-	54	-	-	-	-	-
-	-	-	-	-	-	-
-	20	-	-	587	2,082	-
1,041	1,273	127	-	-	12	-
114	-	-	-	5	8	-
<u>27,670</u>	<u>2,831</u>	<u>236</u>	<u>384</u>	<u>98,554</u>	<u>56,727</u>	<u>9,500</u>
2,901	-	12	42	10,718	5,977	20
-	-	-	-	-	-	-
-	14,000	37,599	-	-	-	1,503
<u>2,901</u>	<u>14,000</u>	<u>37,611</u>	<u>42</u>	<u>10,718</u>	<u>5,977</u>	<u>1,523</u>
<u>30,571</u>	<u>16,831</u>	<u>37,847</u>	<u>426</u>	<u>109,272</u>	<u>62,704</u>	<u>11,023</u>
288	166	245	-	-	73	-
49	30	9	-	-	33	-
-	-	-	-	-	-	-
41	1,887	30	-	-	17,853	130
-	3,663	-	-	-	-	1,271
-	-	-	-	-	-	-
-	-	6,402	-	-	-	-
7,432	-	-	-	5,602	9,946	-
42	42	24	-	-	42	-
-	-	-	-	-	-	-
-	88	-	-	-	-	191
<u>7,852</u>	<u>5,876</u>	<u>6,710</u>	<u>-</u>	<u>5,602</u>	<u>27,947</u>	<u>1,592</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6,295	-	-	-	-	7,260
-	-	-	-	-	-	-
-	-	35,349	-	-	-	-
37,926	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>37,926</u>	<u>6,295</u>	<u>35,349</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,260</u>
<u>45,778</u>	<u>12,171</u>	<u>42,059</u>	<u>-</u>	<u>5,602</u>	<u>27,947</u>	<u>8,852</u>
-	4,042	(4,152)	-	-	-	1,503
-	-	-	-	-	-	2,171
(15,207)	618	(60)	426	103,670	34,757	(1,503)
<u>\$ (15,207)</u>	<u>\$ 4,660</u>	<u>\$ (4,212)</u>	<u>\$ 426</u>	<u>\$ 103,670</u>	<u>\$ 34,757</u>	<u>\$ 2,171</u>

(continued)

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

June 30, 2007  
(Expressed in Thousands)

				Totals
	Financial & Personnel Services	Transportation Facilities Fund	Governmental Facilities Authority	Internal Service Funds
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 119	\$ 6,466	\$ -	\$ 206,298
Cash and Short-Term Investments	-	-	-	3
Cash with Fiscal Agent	-	-	-	23,735
Restricted Assets:				
Restricted Deposits and Investments	-	-	2,403	2,403
Inventories	-	-	-	4,691
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	-	-	14,610	14,610
Other Receivable	-	-	2,414	5,818
Due from Other Funds	371	-	-	23,092
Other Current Assets	-	-	3	1,003
Total Current Assets	<u>490</u>	<u>6,466</u>	<u>19,430</u>	<u>281,653</u>
Noncurrent Assets				
Equity in Treasurer's Cash Pool	13	708	-	22,572
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	-	-	167,995	167,995
Capital Assets - Net of Depreciation	-	2,947	-	117,580
Total Noncurrent Assets	<u>13</u>	<u>3,655</u>	<u>167,995</u>	<u>308,147</u>
 Total Assets	 <u>503</u>	 <u>10,121</u>	 <u>187,425</u>	 <u>589,800</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	20	2	8	5,812
Accrued Payroll	678	-	-	3,065
Due to Other Governments	-	-	225	225
Due to Other Funds	184	-	-	30,478
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	15,914
Revenue Bonds Payable	-	-	14,610	14,610
Obligations Under Capital Leases	-	-	-	6,402
Claims Payable	-	-	-	22,980
Compensated Absences	88	-	-	528
Deferred Revenue	-	-	84	409
Other Accrued Liabilities	-	-	2,047	3,153
Total Current Liabilities	<u>970</u>	<u>2</u>	<u>16,974</u>	<u>103,576</u>
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Deferred Revenue	-	-	984	984
Certificates of Participation and Other Financing Arrangements	-	-	-	36,256
Revenue Bonds Payable	-	-	167,995	167,995
Obligations Under Capital Leases	-	-	-	35,349
Claims Payable	-	-	-	41,116
Compensated Absences	777	-	-	3,059
Total Long-Term Liabilities	<u>777</u>	<u>-</u>	<u>168,979</u>	<u>284,870</u>
 Total Liabilities	 <u>1,747</u>	 <u>2</u>	 <u>185,953</u>	 <u>388,446</u>
<b>Net Assets</b>				
Invested in Capital Assets, Net of Related Debt	-	3,117	-	61,590
Restricted for:				
Other Purposes	-	-	2	2,173
Unrestricted	(1,244)	7,002	1,470	137,591
 Total Net Assets	 <u>\$ (1,244)</u>	 <u>\$ 10,119</u>	 <u>\$ 1,472</u>	 <u>\$ 201,354</u>





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

June 30, 2007  
(Expressed in Thousands)

	<u>Motor Transport Service</u>	<u>Postal, Printing &amp; Supply</u>	<u>Information Services</u>	<u>Risk Management</u>
<b>Operating Revenues</b>				
Charges for Services	\$ 34,752	\$ 42,735	\$ 64,222	\$ 4,935
Miscellaneous Revenues	-	-	230	22
Total Operating Revenues	<u>34,752</u>	<u>42,735</u>	<u>64,452</u>	<u>4,957</u>
<b>Operating Expenses</b>				
General Operations	24,334	42,742	69,064	3,488
Depreciation	5,717	6	3,144	-
Claims/Fees Expense	-	-	-	683
Other Operating Expenses	-	-	-	-
Total Operating Expenses	<u>30,051</u>	<u>42,748</u>	<u>72,208</u>	<u>4,171</u>
Operating Income (Loss)	<u>4,701</u>	<u>(13)</u>	<u>(7,756)</u>	<u>786</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Revenue (Expense) - net	130	-	-	1,172
Interest Expense	(183)	-	(304)	-
Other Nonoperating Revenues (Expenses)- net	-	-	1	-
Total Nonoperating Revenues (Expenses)	<u>(53)</u>	<u>-</u>	<u>(303)</u>	<u>1,172</u>
Income (Loss) Before Capital Contributions and Transfers	<u>4,648</u>	<u>(13)</u>	<u>(8,059)</u>	<u>1,958</u>
<b>Capital Contributions and Transfers</b>				
Capital Contributions from Other Funds	2,057	-	-	-
Transfers from (to) Other Funds	212	49	2,308	(7)
Total Capital Contributions and Transfers In (Out)	<u>2,269</u>	<u>49</u>	<u>2,308</u>	<u>(7)</u>
Change in Net Assets	6,917	36	(5,751)	1,951
Total Net Assets - Beginning of Year (As Restated)	<u>42,095</u>	<u>(101)</u>	<u>4,933</u>	<u>14,662</u>
Total Net Assets - End of Year	<u>\$ 49,012</u>	<u>\$ (65)</u>	<u>\$ (818)</u>	<u>\$ 16,613</u>

<u>Workers' Compensation</u>	<u>Central Fleet Management</u>	<u>Leased Spaces</u>	<u>Revenue Services</u>	<u>Retiree Health Insurance</u>	<u>Employee Health Insurance</u>	<u>Statewide Radio &amp; Network Systems</u>
\$ 16,266	\$ 8,884	\$ 22,393	\$ 184	\$ 91,881	\$ 148,195	\$ 1,955
117	-	-	-	11	82	215
<u>16,383</u>	<u>8,884</u>	<u>22,393</u>	<u>184</u>	<u>91,892</u>	<u>148,277</u>	<u>2,170</u>
3,750	6,023	10,069	-	55,233	142,554	-
-	2,359	4,822	-	-	-	-
8,459	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>12,209</u>	<u>8,382</u>	<u>14,891</u>	<u>-</u>	<u>55,233</u>	<u>142,554</u>	<u>-</u>
4,174	502	7,502	184	36,659	5,723	2,170
1,587	-	88	19	5,213	4,018	-
(9)	(307)	(7,764)	-	-	-	-
-	(374)	-	-	-	-	-
<u>1,578</u>	<u>(681)</u>	<u>(7,676)</u>	<u>19</u>	<u>5,213</u>	<u>4,018</u>	<u>-</u>
5,752	(179)	(174)	203	41,872	9,741	2,170
-	-	-	-	-	-	-
7,995	8	(1)	-	-	(21,501)	-
<u>7,995</u>	<u>8</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(21,501)</u>	<u>-</u>
13,747	(171)	(175)	203	41,872	(11,760)	2,170
(28,954)	4,831	(4,037)	223	61,798	46,517	1
<u>\$ (15,207)</u>	<u>\$ 4,660</u>	<u>\$ (4,212)</u>	<u>\$ 426</u>	<u>\$ 103,670</u>	<u>\$ 34,757</u>	<u>\$ 2,171</u>

(continued)

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

June 30, 2007  
(Expressed in Thousands)

				<u>Totals</u>
	<u>Financial &amp; Personnel Services</u>	<u>Transportation Facilities Fund</u>	<u>Governmental Facilities Authority</u>	<u>Internal Service Funds</u>
<b>Operating Revenues</b>				
Charges for Services	\$ 17,638	\$ 10,753	\$ 8,496	\$ 473,289
Miscellaneous Revenues	-	-	37	714
Total Operating Revenues	<u>17,638</u>	<u>10,753</u>	<u>8,533</u>	<u>474,003</u>
<b>Operating Expenses</b>				
General Operations	17,793	1,151	227	376,428
Depreciation	-	-	-	16,048
Claims/Fees Expense	-	-	-	9,142
Other Operating Expenses	-	-	362	362
Total Operating Expenses	<u>17,793</u>	<u>1,151</u>	<u>589</u>	<u>401,980</u>
Operating Income (Loss)	<u>(155)</u>	<u>9,602</u>	<u>7,944</u>	<u>72,023</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Revenue (Expense) - net	-	517	134	12,878
Interest Expense	-	-	(7,956)	(16,523)
Other Nonoperating Revenues (Expenses)- net	-	-	-	(373)
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>517</u>	<u>(7,822)</u>	<u>(4,018)</u>
Income (Loss) Before Capital Contributions, Transfers and Special Items	<u>(155)</u>	<u>10,119</u>	<u>122</u>	<u>68,005</u>
<b>Capital Contributions, Transfers and Special Items</b>				
Capital Contributions from Other Funds	-	-	-	2,057
Transfers from (to) Other Funds	127	-	-	(10,810)
Total Capital Contributions, Transfers In (Out) and Special Items	<u>127</u>	<u>-</u>	<u>-</u>	<u>(8,753)</u>
Change in Net Assets	(28)	10,119	122	59,252
Total Net Assets - Beginning of Year (As Restated)	<u>(1,216)</u>	<u>-</u>	<u>1,350</u>	<u>142,102</u>
Total Net Assets - End of Year	<u>\$ (1,244)</u>	<u>\$ 10,119</u>	<u>\$ 1,472</u>	<u>\$ 201,354</u>



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

June 30, 2007  
(Expressed in Thousands)

	Motor Transport Service	Postal Printing & Supply	Information Services	Risk Management
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 33,201	\$ 43,565	\$ 58,545	\$ 5,165
Payments to Suppliers	(14,960)	(41,234)	(24,722)	(3,880)
Payments to Employees	(10,992)	(2,381)	(37,229)	(340)
Net Cash Provided (Used) by Operating Activities	<u>7,249</u>	<u>(50)</u>	<u>(3,406)</u>	<u>945</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating Transfers In	337	70	2,499	-
Operating Transfers Out	(125)	(21)	(191)	(7)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>212</u>	<u>49</u>	<u>2,308</u>	<u>(7)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	(9,756)	1	(7,449)	-
Proceeds From Financing Arrangements	2,000	-	14,800	-
Principal and Interest Paid on Financing Arrangements	(1,339)	-	3,838	-
Net Cash Provided (Used) by Capital Financing Activities	<u>(9,095)</u>	<u>1</u>	<u>11,189</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>				
Interest Revenue	130	-	1	1,172
Net Cash Provided (Used) by Investing Activities	<u>130</u>	<u>-</u>	<u>1</u>	<u>1,172</u>
Net Increase (Decrease) in Cash/Cash Equivalents	(1,504)	-	10,092	2,110
Cash/Cash Equivalents - Beginning of Year	4,091	1	2,406	17,857
Cash/Cash Equivalents - End of Year	<u>\$ 2,587</u>	<u>\$ 1</u>	<u>\$ 12,498</u>	<u>\$ 19,967</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>				
Operating Income (Loss)	\$ 4,701	\$ (13)	\$ (7,756)	\$ 786
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>				
Depreciation Expense	5,717	6	3,144	-
Decrease (Increase) in Assets				
Accounts Receivable	(1,258)	910	(5,753)	179
Interfund Balances	(18)	453	6,952	22
Inventories	(293)	(27)	-	-
Increase (Decrease) in Liabilities				
Accounts Payable	(1,643)	(1,285)	(531)	38
Accrued Payroll Expenses	16	4	87	1
Change in Compensated Absences	9	(45)	87	(2)
Other Accruals	18	(53)	364	(79)
Total Adjustments	<u>2,548</u>	<u>(37)</u>	<u>4,350</u>	<u>159</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,249</u>	<u>\$ (50)</u>	<u>\$ (3,406)</u>	<u>\$ 945</u>
<b>Non Cash Investing, Capital and Financing Activities</b>				
Property Leased, Accrued, or Acquired	-	-	-	-
Contributed Capital Assets	2,057	-	-	-

<u>Workers' Compensation</u>	<u>Central Fleet Management</u>	<u>Leased Space</u>	<u>Revenue Services</u>	<u>Retiree Health Insurance</u>	<u>Employee Health Insurance</u>	<u>Statewide Radio &amp; Network System</u>
\$ 16,441	\$ 8,653	\$ 22,401	\$ 184	\$ 92,459	\$ 150,275	\$ 2,170
(11,197)	(4,915)	(9,791)	-	(55,623)	(137,712)	321
<u>(1,046)</u>	<u>(746)</u>	<u>(195)</u>	<u>-</u>	<u>-</u>	<u>(786)</u>	<u>-</u>
<u>4,198</u>	<u>2,992</u>	<u>12,415</u>	<u>184</u>	<u>36,836</u>	<u>11,777</u>	<u>2,491</u>
-	14	-	-	-	12	-
<u>(9)</u>	<u>(6)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(21,513)</u>	<u>-</u>
<u>(9)</u>	<u>8</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(21,501)</u>	<u>-</u>
-	(3,033)	(15)	-	-	-	(1,503)
-	4,500	-	-	-	-	10,000
<u>(9)</u>	<u>(3,472)</u>	<u>(12,392)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,469)</u>
<u>(9)</u>	<u>(2,005)</u>	<u>(12,407)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,028</u>
<u>1,587</u>	<u>-</u>	<u>88</u>	<u>19</u>	<u>5,213</u>	<u>4,018</u>	<u>-</u>
<u>1,587</u>	<u>-</u>	<u>88</u>	<u>19</u>	<u>5,213</u>	<u>4,018</u>	<u>-</u>
5,767	995	95	203	42,049	(5,706)	9,519
<u>23,649</u>	<u>489</u>	<u>26</u>	<u>223</u>	<u>66,631</u>	<u>66,308</u>	<u>1</u>
<u>\$ 29,416</u>	<u>\$ 1,484</u>	<u>\$ 121</u>	<u>\$ 426</u>	<u>\$ 108,680</u>	<u>\$ 60,602</u>	<u>\$ 9,520</u>
<u>\$ 4,174</u>	<u>\$ 502</u>	<u>\$ 7,502</u>	<u>\$ 184</u>	<u>\$ 36,659</u>	<u>\$ 5,723</u>	<u>\$ 2,170</u>
-	2,359	4,822	-	-	-	-
(302)	(224)	8	-	567	1,998	-
3	303	8	-	-	16,632	130
-	(7)	-	-	-	-	-
(70)	38	70	-	(98)	(11,962)	-
14	-	1	-	-	4	-
-	10	4	-	-	(10)	-
<u>379</u>	<u>11</u>	<u>-</u>	<u>-</u>	<u>(292)</u>	<u>(608)</u>	<u>191</u>
<u>24</u>	<u>2,490</u>	<u>4,913</u>	<u>-</u>	<u>177</u>	<u>6,054</u>	<u>321</u>
<u>\$ 4,198</u>	<u>\$ 2,992</u>	<u>\$ 12,415</u>	<u>\$ 184</u>	<u>\$ 36,836</u>	<u>\$ 11,777</u>	<u>\$ 2,491</u>
-	-	4,093	-	-	-	-
-	-	-	-	-	-	-

(continued)

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

June 30, 2007  
(Expressed in Thousands)

	Financial and Personnel Services	Transportation Facilities Fund	Governmental Facilities Authority	Totals Internal Service Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 17,382	\$ 10,753	\$ 11,811	\$ 473,005
Payments to Suppliers	(1,483)	(1,149)	(586)	(306,931)
Payments to Employees	(15,989)	-	-	(69,704)
Net Cash Provided (Used) by Operating Activities	(90)	9,604	11,225	96,370
<b>Cash Flows from Noncapital Financing Activities</b>				
Operating Transfers In	238	-	-	3,170
Operating Transfers Out	(111)	-	-	(21,984)
Net Cash Provided (Used) by Noncapital Financing Activities	127	-	-	(18,814)
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	-	(2,947)	-	(24,702)
Proceeds From Financing Arrangements	-	-	10,985	42,285
Principal and Interest Paid on Financing Arrangements	-	-	(22,551)	(37,394)
Net Cash Provided (Used) by Capital Financing Activities	-	(2,947)	(11,566)	(19,811)
<b>Cash Flows from Investing Activities</b>				
Interest Revenue	-	517	134	12,879
Net Cash Provided (Used) by Investing Activities	-	517	134	12,879
Net Increase (Decrease) in Cash/Cash Equivalents	37	7,174	(207)	70,624
Cash/Cash Equivalents - Beginning of Year	95	-	2,610	184,387
Cash/Cash Equivalents - End of Year	\$ 132	\$ 7,174	\$ 2,403	\$ 255,011
<b>Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities</b>				
Operating Income (Loss)	\$ (155)	\$ 9,602	\$ 7,944	\$ 72,023
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>				
Depreciation Expense	-	-	-	16,048
Decrease (Increase) in Assets				
Accounts Receivable	(256)	-	3,251	(880)
Interfund Balances	-	-	89	24,574
Inventories	-	-	-	(327)
Increase (Decrease) in Liabilities				
Accounts Payable	15	2	(1)	(15,427)
Accrued Payroll Expenses	87	-	-	214
Change in Compensated Absences	74	-	-	127
Other Accruals	145	-	(58)	18
Total Adjustments	65	2	3,281	24,347
Net Cash Provided (Used) by Operating Activities	\$ (90)	\$ 9,604	\$ 11,225	\$ 96,370
<b>Non Cash Investing, Capital and Financing Activities</b>				
Property Leased, Accrued, or Acquired	-	-	-	4,093
Contributed Capital Assets	-	-	-	2,057

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# PRIVATE PURPOSE TRUSTS & AGENCY FUNDS

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## Private Purpose Trust Funds

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

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

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

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

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

## Agency Funds

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

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

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

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

Municipal Health Insurance Program Fund – This fund accounts for health insurance coverage provided to retired county and municipal law enforcement officers and retired municipal firefighters.



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

June 30, 2007  
(Expressed in Thousands)

	Abandoned Property	Revenue on Private Purpose Trusts	Lands Reserved	Permanent School	NextGen College Investing Plan	Totals Private Purpose Trusts
<b>Assets</b>						
Equity in Treasurer's Cash Pool	\$ 523	\$ 38	\$ 711	\$ -	\$ -	\$ 1,272
Investments at Fair Value:						
Other	-	33	8,765	2,849	-	11,647
Investments Held on Behalf of Others	-	-	-	-	5,231,583	5,231,583
Receivables, Net of Allowance for Uncollectibles:						
Interest and Dividends	-	-	-	-	222	222
Due from Other Funds	6,766	-	-	-	-	6,766
Other Assets	18,001	-	-	-	-	18,001
Total Assets	<u>25,290</u>	<u>71</u>	<u>9,476</u>	<u>2,849</u>	<u>5,231,805</u>	<u>5,269,491</u>
<b>Liabilities</b>						
Accounts Payable	23	-	-	-	3,254	3,277
Other Accrued Liabilities	-	1	-	-	-	1
Total Liabilities	<u>23</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>3,254</u>	<u>3,278</u>
<b>Net Assets</b>						
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	<u>25,267</u>	<u>70</u>	<u>9,476</u>	<u>2,849</u>	<u>5,228,551</u>	<u>5,266,213</u>
Total Net Assets	<u>\$ 25,267</u>	<u>\$ 70</u>	<u>\$ 9,476</u>	<u>\$ 2,849</u>	<u>\$ 5,228,551</u>	<u>\$ 5,266,213</u>

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

Fiscal Year Ended June 30, 2007  
(Expressed in Thousands)

	<u>Abandoned Property</u>	<u>Revenue on Private Purpose Trusts</u>	<u>Lands Reserved</u>	<u>Permanent School</u>	<u>NextGen College Investing Plan</u>	<u>Totals Private Purpose Trusts</u>
<b>Additions:</b>						
Contributions:						
Members	\$ -	\$ -	\$ -	\$ -	\$ 1,699,856	\$ 1,699,856
Investment Income:						
Net Increase in the Fair Value of Investments	-	-	702	161	431,852	432,715
Capital Gains Distributions from Investments	-	-	-	-	112,678	112,678
Interest and Dividends	356	187	193	71	143,524	144,331
Net Investment Income	<u>356</u>	<u>187</u>	<u>895</u>	<u>232</u>	<u>688,054</u>	<u>689,724</u>
Bond and Note Proceeds	-	-	-	-	-	-
Miscellaneous Revenues	12,121	-	-	-	-	12,121
Transfers In	-	16	-	-	-	16
Total Additions	<u>12,477</u>	<u>203</u>	<u>895</u>	<u>232</u>	<u>2,387,910</u>	<u>2,401,717</u>
<b>Deductions:</b>						
Benefits Paid to Participants or Beneficiaries	263	59	-	-	1,109,531	1,109,853
Administrative Expenses	-	-	-	-	36,841	36,841
Transfers Out	8,916	144	-	-	-	9,060
Total Deductions	<u>9,179</u>	<u>203</u>	<u>-</u>	<u>-</u>	<u>1,146,372</u>	<u>1,155,754</u>
Net Increase (Decrease)	3,298	-	895	232	1,241,538	1,245,963
Net Assets Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:						
Beginning of Year	<u>21,969</u>	<u>70</u>	<u>8,581</u>	<u>2,617</u>	<u>3,987,013</u>	<u>4,020,250</u>
End of Year	<u>\$ 25,267</u>	<u>\$ 70</u>	<u>\$ 9,476</u>	<u>\$ 2,849</u>	<u>\$ 5,228,551</u>	<u>\$ 5,266,213</u>



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

June 30, 2007  
(Expressed in Thousands)

	<u>Payroll Withholding</u>	<u>Private Trusts</u>	<u>Other Agency</u>	<u>Municipal Health Insurance Program Fund</u>	<u>Treasurer's Agency</u>	<u>Totals Agency Funds</u>
<b>Assets</b>						
Equity in Treasurer's Cash Pool	\$ -	\$ 4,341	\$ 1,916	\$ 333	\$ -	\$ 6,590
Cash and Short-Term Investments	-	-	-	-	14	14
Cash with Fiscal Agent	-	27	-	-	-	27
Investments Held on Behalf of Others	-	60,034	2,226	-	-	62,260
Other Assets	-	389	-	-	-	389
Total Assets	<u>\$ -</u>	<u>\$ 64,791</u>	<u>\$ 4,142</u>	<u>\$ 333</u>	<u>\$ 14</u>	<u>\$ 69,280</u>
<b>Liabilities</b>						
Accounts Payable	\$ 14	\$ -	\$ -	\$ -	\$ -	\$ 14
Agency Liabilities	-	64,791	4,142	333	14	69,280
Due to Other Funds	1,466	-	-	-	-	1,466
Other Accrued Liabilities	(1,480)	-	-	-	-	(1,480)
Total Liabilities	<u>\$ -</u>	<u>\$ 64,791</u>	<u>\$ 4,142</u>	<u>\$ 333</u>	<u>\$ 14</u>	<u>\$ 69,280</u>

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

Fiscal Year Ended June 30, 2007  
(Expressed in Thousands)

	<u>Balance</u>				<u>Balance</u>	
	<u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>		<u>June 30, 2007</u>	
<b>Payroll Withholding</b>						
<b>Assets</b>						
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 149	\$ 266,302	\$ 266,451	\$	-	
Total Assets	<u>\$ 149</u>	<u>\$ 266,302</u>	<u>\$ 266,451</u>	\$	<u>-</u>	
<b>Liabilities</b>						
Accounts Payable & Other Accrued Liabilities Due to Other Funds	\$ 149	\$ 429,689	\$ 431,304	\$	(1,466)	
	<u>-</u>	<u>1,466</u>	<u>-</u>	\$	<u>1,466</u>	
Total Liabilities	<u>\$ 149</u>	<u>\$ 431,155</u>	<u>\$ 431,304</u>	\$	<u>-</u>	
<b>Private Trusts</b>						
<b>Assets</b>						
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 3,465	\$ 4,751	\$ 3,848	\$	4,368	
Other Assets	300	91	2	\$	389	
Investments Held on Behalf of Others	<u>60,539</u>	<u>1,234,420</u>	<u>1,234,925</u>	\$	<u>60,034</u>	
Total Assets	<u>\$ 64,304</u>	<u>\$ 1,239,262</u>	<u>\$ 1,238,775</u>	\$	<u>64,791</u>	
<b>Liabilities</b>						
Accounts Payable & Other Accrued Liabilities Agency Liabilities	\$ -	\$ 683	\$ 683	\$	-	
	<u>64,304</u>	<u>1,239,202</u>	<u>1,238,715</u>	\$	<u>64,791</u>	
Total Liabilities	<u>\$ 64,304</u>	<u>\$ 1,239,885</u>	<u>\$ 1,239,398</u>	\$	<u>64,791</u>	
<b>Municipal Health Insurance Program</b>						
<b>Assets</b>						
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ -	\$ 333	\$ -	\$	333	
Total Assets	<u>\$ -</u>	<u>\$ 333</u>	<u>\$ -</u>	\$	<u>333</u>	
<b>Liabilities</b>						
Agency Liabilities	\$ -	\$ 333	\$ -	\$	333	
Total Liabilities	<u>\$ -</u>	<u>\$ 333</u>	<u>\$ -</u>	\$	<u>333</u>	

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>Other Agency</b>				
<b>Assets</b>				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 4,253	\$ 8,678	\$ 8,789	\$ 4,142
Total Assets	<u>\$ 4,253</u>	<u>\$ 8,678</u>	<u>\$ 8,789</u>	<u>\$ 4,142</u>
<b>Liabilities</b>				
Accounts Payable & Other Accrued Liabilities	\$ 15	\$ 5,969	\$ 5,984	\$ 0
Agency Liabilities	<u>4,238</u>	<u>6,442</u>	<u>6,538</u>	<u>4,142</u>
Total Liabilities	<u>\$ 4,253</u>	<u>\$ 12,411</u>	<u>\$ 12,522</u>	<u>\$ 4,142</u>
<b>Treasurer's Agency</b>				
<b>Assets</b>				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 72	\$ 139,905	\$ 139,963	\$ 14
Total Assets	<u>\$ 72</u>	<u>\$ 139,905</u>	<u>\$ 139,963</u>	<u>\$ 14</u>
<b>Liabilities</b>				
Agency Liabilities	\$ 72	\$ 139,901	\$ 139,959	\$ 14
Total Liabilities	<u>\$ 72</u>	<u>\$ 139,901</u>	<u>\$ 139,959</u>	<u>\$ 14</u>
<b>Totals - All Agency Funds</b>				
<b>Assets</b>				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 7,939	\$ 419,969	\$ 419,051	\$ 8,857
Investments Held on Behalf of Others	60,539	1,234,420	1,234,925	60,034
Other Assets	<u>300</u>	<u>91</u>	<u>2</u>	<u>389</u>
Total Assets	<u>\$ 68,778</u>	<u>\$ 1,654,480</u>	<u>\$ 1,653,978</u>	<u>\$ 69,280</u>
<b>Liabilities</b>				
Accounts Payable & Other Accrued Liabilities	\$ 164	\$ 436,341	\$ 437,971	\$ (1,466)
Agency Liabilities	68,614	1,385,878	1,385,212	69,280
Due to Other Funds	<u>-</u>	<u>1,466</u>	<u>-</u>	<u>1,466</u>
Total Liabilities	<u>\$ 68,778</u>	<u>\$ 1,823,685</u>	<u>\$ 1,823,183</u>	<u>\$ 69,280</u>



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# NON-MAJOR COMPONENT UNIT FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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



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

June 30, 2007  
(Expressed in Thousands)

	Child Development Services	Loring Development Authority	Maine Educational Center for the Deaf and Hard of Hearing
<b>Assets</b>			
Current Assets:			
Equity in Treasurer's Cash Pool	\$ -	\$ -	\$ -
Cash and Cash Equivalents	1,764	746	450
Cash with Fiscal Agent	-	-	-
Investments	-	-	-
Restricted Assets:			
Inventories	-	-	-
Receivables, Net of Allowance for Uncollectibles:			
Loans Receivable	-	-	-
Other Receivables	63	114	44
Due from Other Governments	-	-	-
Due from Primary Government	1,305	766	-
Other Current Assets	<u>27</u>	<u>44</u>	<u>1</u>
Total Current Assets	<u>3,159</u>	<u>1,670</u>	<u>495</u>
Noncurrent Assets:			
Equity in Treasurer's Cash Pool	-	-	-
Assets Held in Trust	-	-	2
Restricted Assets:			
Restricted Deposits and Investments	-	-	-
Investments	-	-	789
Receivables, Net of Current Portion:			
Loans Receivable	-	-	-
Notes Receivable	-	1,114	-
Other Receivables	-	-	-
Capital Assets - Net of Depreciation	829	67,990	309
Other Noncurrent Assets	<u>-</u>	<u>-</u>	<u>-</u>
Total Noncurrent Assets	<u>829</u>	<u>69,104</u>	<u>1,100</u>
Total Assets	<u>3,988</u>	<u>70,774</u>	<u>1,595</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	2,204	147	297
Accrued Payroll	185	-	465
Compensated Absences	305	34	74
Due to Other Governments	-	12	-
Due to Primary Government	131	715	131
Bonds Payable	-	-	-
Obligations under Capital Leases	15	-	-
Accrued Interest Payable	-	-	-
Deferred Revenue	397	75	-
Other Current Liabilities	<u>150</u>	<u>122</u>	<u>2</u>
Total Current Liabilities	<u>3,387</u>	<u>1,105</u>	<u>969</u>
Long-Term Liabilities:			
Due to Other Governments	-	-	-
Bonds Payable	-	-	-
Obligations under Capital Leases	51	-	-
Deferred Revenue	<u>-</u>	<u>-</u>	<u>-</u>
Total Long-Term Liabilities	<u>51</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>3,438</u>	<u>1,105</u>	<u>969</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	764	67,704	309
Restricted	49	-	608
Unrestricted	<u>(263)</u>	<u>1,965</u>	<u>(291)</u>
Total Net Assets	<u>\$ 550</u>	<u>\$ 69,669</u>	<u>\$ 626</u>

<u>Maine Educational Loan Authority</u>	<u>Maine Maritime Academy</u>	<u>Maine Port Authority</u>	<u>Maine Technology Institute</u>	<u>Northern New England Passenger Rail Authority</u>	<u>Totals</u>
\$ -	\$ 97	\$ -	\$ -	\$ -	\$ 97
9,077	651	1,597	12,991	6	27,282
-	-	-	1,081	-	1,081
-	4,752	-	200	-	4,952
-	669	-	-	-	669
9,674	183	-	28	-	9,885
2,909	395	13	3	1	3,542
-	-	-	9	2,199	2,208
-	-	-	95	-	2,166
185	919	-	-	791	1,967
<u>21,845</u>	<u>7,666</u>	<u>1,610</u>	<u>14,407</u>	<u>2,997</u>	<u>53,849</u>
-	10	-	-	-	10
-	-	-	5,045	-	5,047
-	2,993	-	-	1,364	4,357
10,944	12,513	-	-	-	24,246
69,677	2,564	-	62	-	72,303
-	-	69	-	-	1,183
863	89	-	-	-	952
2	19,223	17,293	30	1,082	106,758
864	4,725	-	-	-	5,589
<u>82,350</u>	<u>42,117</u>	<u>17,362</u>	<u>5,137</u>	<u>2,446</u>	<u>220,445</u>
104,195	49,783	18,972	19,544	5,443	274,294
159	2,305	11	660	1,506	7,289
-	-	-	-	-	650
-	-	-	-	16	429
183	-	-	-	-	195
-	-	66	-	-	1,043
-	139	-	-	267	406
-	-	-	3	-	18
327	-	-	-	-	327
338	136	7	12,125	-	13,078
-	185	-	5,045	-	5,504
<u>1,007</u>	<u>2,765</u>	<u>84</u>	<u>17,833</u>	<u>1,789</u>	<u>28,939</u>
1,494	1,710	-	-	-	3,204
97,456	2,368	-	-	-	99,824
-	-	-	14	-	65
1,017	-	-	-	-	1,017
<u>99,967</u>	<u>4,078</u>	<u>-</u>	<u>14</u>	<u>-</u>	<u>104,110</u>
100,974	6,843	84	17,847	1,789	133,049
-	16,767	17,293	-	1,082	103,919
2,332	16,339	933	-	2,364	22,625
889	9,834	662	1,697	208	14,701
<u>\$ 3,221</u>	<u>\$ 42,940</u>	<u>\$ 18,888</u>	<u>\$ 1,697</u>	<u>\$ 3,654</u>	<u>\$ 141,245</u>

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

June 30, 2007  
(Expressed in Thousands)

	<u>Child Development Services</u>	<u>Loring Development Authority</u>	<u>Maine Educational Center for the Deaf and Hard of Hearing</u>
<b>Expenses</b>	\$ 25,621	\$ 3,420	\$ 6,377
<b>Program Revenues</b>			
Charges for Services	4,279	1,609	211
Program Investment Income	72	-	-
Operating Grants and Contributions	20,352	42	-
Capital Grants and Contributions	-	57	-
	<u>          </u>	<u>          </u>	<u>          </u>
Net Revenue (Expense)	<u>(918)</u>	<u>(1,712)</u>	<u>(6,166)</u>
<b>General Revenues</b>			
Unrestricted Investment Earnings	-	93	137
Non-program Specific Grants, Contributions and Appropriations	-	1,050	6,330
Miscellaneous Income	121	20	-
Gain (Loss) on Assets Held for Sale	-	80	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total General Revenues	<u>121</u>	<u>1,243</u>	<u>6,467</u>
Change in Net Assets	(797)	(469)	301
Net Assets, Beginning of the Year	<u>1,347</u>	<u>70,138</u>	<u>325</u>
Net Assets, End of Year	<u>\$ 550</u>	<u>\$ 69,669</u>	<u>\$ 626</u>

<b>Maine Educational Loan Authority</b>	<b>Maine Maritime Academy</b>	<b>Maine Port Authority</b>	<b>Maine Technology Institute</b>	<b>Northern New England Passenger Rail Authority</b>	<b>Totals</b>
\$ 6,209	\$ 24,533	\$ 1,046	\$ 8,660	\$ 16,736	\$ 92,602
5,079	12,746	138	68	5,258	29,388
1,332	1,728	-	-	-	3,132
-	1,445	221	8,333	7,294	37,687
-	262	-	-	2,343	2,662
<u>202</u>	<u>(8,352)</u>	<u>(687)</u>	<u>(259)</u>	<u>(1,841)</u>	<u>(19,733)</u>
-	477	68	697	144	1,616
-	8,372	-	-	-	15,752
-	429	-	16	-	586
-	(191)	-	-	-	(111)
<u>-</u>	<u>9,087</u>	<u>68</u>	<u>713</u>	<u>144</u>	<u>17,843</u>
202	735	(619)	454	(1,697)	(1,890)
<u>3,019</u>	<u>42,205</u>	<u>19,507</u>	<u>1,243</u>	<u>5,351</u>	<u>143,135</u>
<u>\$ 3,221</u>	<u>\$ 42,940</u>	<u>\$ 18,888</u>	<u>\$ 1,697</u>	<u>\$ 3,654</u>	<u>\$ 141,245</u>



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# **BUDGETARY COMPARISON SCHEDULES BY AGENCY**

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

Fiscal Year Ended June 30, 2007  
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Department of Administrative and Financial Services</b>			
Administrative Services	\$ 14,815	\$ 12,906	\$ 1,909
Employee Relations	824	814	10
Financial Services	91,319	90,489	830
Human Resources	1,278	1,265	13
Financial and Personnel Services	-	-	-
Purchasing	477	477	-
	<u>108,713</u>	<u>105,951</u>	<u>2,762</u>
<b>Department of Agriculture</b>			
	<u>8,377</u>	<u>8,172</u>	<u>205</u>
<b>Attorney General</b>			
	<u>15,318</u>	<u>15,280</u>	<u>38</u>
<b>Department of Audit</b>			
	<u>1,213</u>	<u>1,208</u>	<u>5</u>
<b>Department of Corrections</b>			
Corrections	45,341	42,313	3,028
Maine State Prison	37,764	37,560	204
Maine Correctional Center	21,800	21,626	174
Downeast Correctional Facility	5,484	5,466	18
Charleston Correctional Facility	16,595	16,456	139
Long Creek Youth Development Center	14,917	14,821	96
	<u>141,901</u>	<u>138,242</u>	<u>3,659</u>
<b>Department of Conservation</b>			
	<u>23,434</u>	<u>22,563</u>	<u>871</u>
<b>Department of Economic and Community Development</b>			
	<u>12,197</u>	<u>11,883</u>	<u>314</u>
<b>Department of Environmental Protection</b>			
	<u>6,729</u>	<u>6,562</u>	<u>167</u>
<b>Department of Human Services</b>			
Human Services	723,805	695,333	28,472
Behavioral and Developmental Services	280,406	274,896	5,510
Riverview Psychiatric Center	12,486	11,766	720
Dorothea Dix Psychiatric Center	12,566	10,965	1,601
Office of Substance Abuse	12,553	12,103	450
Freeport Towne Square	2	-	2
Elizabeth Levinson Center	3,080	3,061	19
	<u>1,044,898</u>	<u>1,008,124</u>	<u>36,774</u>
<b>Department of Labor</b>			
Labor	16,758	14,482	2,276
Labor Relations Board	471	467	4
	<u>17,229</u>	<u>14,949</u>	<u>2,280</u>
<b>Department of Transportation</b>			
Transportation	-	-	-
Air Transportation	-	-	-
Rail/Van Pool	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<b>Defense, Veterans and Emergency Management</b>			
	<u>8,313</u>	<u>7,265</u>	<u>1,048</u>
<b>Department of Education</b>			
Education	1,159,917	1,153,285	6,632
Education - Unorganized Territory	10,824	10,580	244
	<u>1,170,741</u>	<u>1,163,865</u>	<u>6,876</u>
<b>General Government</b>			
Office of the Governor	3,021	3,014	7
State Planning	2,507	2,258	249
Ombudsman Program	127	127	-
	<u>5,655</u>	<u>5,399</u>	<u>256</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Department of Inland Fisheries and Wildlife</b>	\$ 24,840	\$ 23,540	\$ 1,300
<b>Judicial Department</b>	58,374	57,922	452
<b>Legislative Department</b>			
Legislative	24,771	22,683	2,088
Law and Legislative Reference Library	1,541	1,385	156
Statehouse Preservation and Maintenance	1,914	1,899	15
Program Evaluation and Government Accountability	960	715	245
	<u>29,186</u>	<u>26,682</u>	<u>2,504</u>
<b>Department of Marine Resources</b>	9,717	9,541	176
<b>Department of Public Safety</b>	23,675	23,085	590
<b>Secretary of State</b>			
Secretary of State	2,538	2,513	25
Archives Services	866	862	4
	<u>3,404</u>	<u>3,375</u>	<u>29</u>
<b>Treasurer of State</b>	89,138	89,089	49
<b>Direct Charges</b>	22,487	20,057	2,430
<b>Other Agencies</b>			
Museum	1,624	1,586	38
Maine State Cultural Affairs Council	527	497	30
Maine Historic Preservation Commission	305	305	-
Library	3,459	3,459	-
Maine Humanities Council	67	67	-
Finance Authority of Maine	13,244	13,244	-
Centers for Innovation	149	149	-
Com. On Governmental Ethics and Election Practices	145	139	6
Maine Indian Tribal State Council	59	59	-
Board of Property Tax Review	115	98	17
Maine Municipal Bond Bank	83	83	-
Maine State Retirement System	1,389	1,389	-
Human Rights Commission	572	556	16
Saco River Corridor Commission	56	56	-
Atlantic Salmon Commission	624	624	-
NE International Water Pollution Control Commission	10	10	-
Downeast Institute Appl Marine	15	15	-
Atlantic States Marine Fisheries Commission	34	34	-
St. Croix International Waterway	26	26	-
Maine Public Broadcasting Corporation	2,251	2,251	-
Maine State Housing Authority	438	438	-
Maine Educational Center for the Deaf and Hard of Hearing	6,057	6,057	-
Maine Potato Board	5	5	-
Board of Education	140	130	10
Maine Historical Society	55	55	-
Foundation for Blood Research	66	66	-
Pine Tree Legal	304	304	-
Maine Community College System	47,721	47,721	-
Maine Maritime Academy	7,738	7,738	-
University of Maine	193,524	193,524	-
Arts and Humanities Administration	787	779	8
Disability Rights Center	136	136	-
Maine Hospice Counsel	66	66	-
	<u>281,791</u>	<u>281,666</u>	<u>125</u>
<b>Grand Total</b>	\$ 3,107,330	\$ 3,044,420	\$ 62,910





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

Fiscal Year Ended June 30, 2007  
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Department of Administrative and Financial Services</b>			
Administrative Services	\$ 2,566	\$ 2,476	\$ 90
Financial Services	372	364	8
	<u>2,938</u>	<u>2,840</u>	<u>98</u>
<b>Department of Environmental Protection</b>			
	<u>40</u>	<u>40</u>	<u>-</u>
<b>Legislative Department</b>			
Program Evaluation and Government Accountability	<u>99</u>	<u>3</u>	<u>96</u>
<b>Department of Transportation</b>			
Transportation	322,159	279,280	42,879
Rail/Van Pool	671	671	-
	<u>322,830</u>	<u>279,951</u>	<u>42,879</u>
<b>Department of Public Safety</b>			
	<u>37,785</u>	<u>36,806</u>	<u>979</u>
<b>Secretary of State</b>			
Motor Vehicles	<u>34,554</u>	<u>32,563</u>	<u>1,991</u>
<b>Direct Charges</b>			
	<u>-</u>	<u>(7,207)</u>	<u>7,207</u>
<b>Grand Total</b>	<u>\$ 398,246</u>	<u>\$ 344,996</u>	<u>\$ 53,250</u>

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

Fiscal Year Ended June 30, 2007  
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Department of Administrative and Financial Services</b>			
Administrative Services	\$ 123	\$ 74	\$ 49
Bureau of Information Services	405	-	405
Financial Services	5	-	5
Financial and Personnel Services	553	369	184
State Employee Health Commission	129	-	129
	<u>1,215</u>	<u>443</u>	<u>772</u>
<b>Department of Agriculture</b>	<u>6,150</u>	<u>3,645</u>	<u>2,505</u>
<b>Attorney General</b>	<u>5,588</u>	<u>4,306</u>	<u>1,282</u>
<b>Department of Corrections</b>			
Corrections	7,428	3,008	4,420
Maine State Prison	20	-	20
Maine Correctional Center	105	51	54
Downeast Correctional Facility	52	1	51
Charleston Correctional Facility	260	120	140
Long Creek Youth Development Center	496	157	339
	<u>8,361</u>	<u>3,337</u>	<u>5,024</u>
<b>Department of Conservation</b>	<u>14,041</u>	<u>10,324</u>	<u>3,717</u>
<b>Department of Economic and Community Development</b>	<u>42,094</u>	<u>23,249</u>	<u>18,845</u>
<b>Department of Environmental Protection</b>	<u>16,494</u>	<u>10,391</u>	<u>6,103</u>
<b>Department of Human Services</b>			
Human Services	1,923,559	1,585,198	338,361
Behavioral and Developmental Services	17,289	10,328	6,961
Dorothea Dix Psychiatric Center	40	-	40
Office of Substance Abuse	20,062	12,334	7,728
	<u>1,960,950</u>	<u>1,607,860</u>	<u>353,090</u>
<b>Department of Labor</b>	<u>109,288</u>	<u>65,338</u>	<u>43,950</u>
<b>Department of Transportation</b>			
Transportation	196,172	168,029	28,143
Air Transportation	2,806	1,319	1,487
Ferry Service/Ports and Marine	157	82	75
Rail/Van Pool	819	23	796
	<u>199,954</u>	<u>169,453</u>	<u>30,501</u>
<b>Defense, Veterans and Emergency Management</b>	<u>94,021</u>	<u>71,030</u>	<u>22,991</u>
<b>Department of Education</b>			
Education	214,013	184,597	29,416
Education - Unorganized Territory	538	395	143
	<u>214,551</u>	<u>184,992</u>	<u>29,559</u>
<b>General Government</b>			
Office of the Governor	1,609	1,012	597
State Planning	6,726	4,223	2,503
Ombudsman Program	57	57	-
	<u>8,392</u>	<u>5,292</u>	<u>3,100</u>
<b>Department of Inland Fisheries and Wildlife</b>	<u>9,762</u>	<u>6,069</u>	<u>3,693</u>
<b>Judicial Department</b>	<u>3,742</u>	<u>3,009</u>	<u>733</u>
<b>Department of Marine Resources</b>	<u>7,571</u>	<u>5,251</u>	<u>2,320</u>
<b>Department of Professional and Financial Regulation</b>			
Professional and Financial Regulation	57	12	45
<b>Department of Public Safety</b>	<u>10,494</u>	<u>7,280</u>	<u>3,214</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Public Utilities Commission</b>	\$ 1,624	\$ 529	\$ 1,095
<b>Secretary of State</b>			
Secretary of State	10,346	3,483	6,863
Motor Vehicles	485	4	481
Archives Services	71	58	13
	<u>10,902</u>	<u>3,545</u>	<u>7,357</u>
<b>Treasurer of State</b>	<u>57</u>	<u>2</u>	<u>55</u>
<b>Other Agencies</b>			
Arts and Humanities Administration	842	730	112
Atlantic Salmon Commission	1,646	1,447	199
Human Rights Commission	458	343	115
Library	1,512	1,396	116
Maine Historic Preservation Commission	727	572	155
Museum	333	96	237
University of Maine	608	-	608
	<u>6,126</u>	<u>4,584</u>	<u>1,542</u>
<b>Grand Total</b>	<u>\$ 2,731,434</u>	<u>\$ 2,189,941</u>	<u>\$ 541,493</u>

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

Fiscal Year Ended June 30, 2007  
(Expressed in Thousands)

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Department of Administrative and Financial Services</b>			
Administrative Services	\$ 9,019	\$ 1,572	\$ 7,447
Financial Services	16,803	13,878	2,925
Human Resources	537	318	219
Financial and Personnel Services	106	9	97
State Employee Health Commission	1,200	115	1,085
	<u>27,665</u>	<u>15,892</u>	<u>11,773</u>
<b>Department of Agriculture</b>	<u>38,846</u>	<u>28,794</u>	<u>10,052</u>
<b>Attorney General</b>	<u>9,364</u>	<u>7,432</u>	<u>1,932</u>
<b>Department of Audit</b>	<u>1,630</u>	<u>1,397</u>	<u>233</u>
<b>Department of Corrections</b>			
Corrections	2,158	734	1,424
Maine State Prison	327	160	167
Maine Correctional Center	877	460	417
Downeast Correctional Facility	176	60	116
Charleston Correctional Facility	470	221	249
Long Creek Youth Development Center	39	2	37
	<u>4,047</u>	<u>1,637</u>	<u>2,410</u>
<b>Department of Conservation</b>	<u>23,949</u>	<u>15,469</u>	<u>8,480</u>
<b>Department of Economic and Community Development</b>	<u>11,555</u>	<u>9,150</u>	<u>2,405</u>
<b>Department of Environmental Protection</b>			
Environmental Protection	51,736	34,900	16,836
A.C.E. Service Center	-	-	-
	<u>51,736</u>	<u>34,900</u>	<u>16,836</u>
<b>Department of Human Services</b>			
Human Services	402,644	296,288	106,356
Behavioral and Developmental Services	31,198	25,143	6,055
Riverview Psychiatric Center	21,720	20,265	1,455
Dorothea Dix Psychiatric Center	17,977	15,457	2,520
Office of Substance Abuse	7,297	6,346	951
Freeport Towne Square	116	104	12
	<u>480,952</u>	<u>363,603</u>	<u>117,349</u>
<b>Department of Labor</b>			
Labor	6,647	3,910	2,737
Labor Relations Board	100	63	37
	<u>6,747</u>	<u>3,973</u>	<u>2,774</u>
<b>Department of Transportation</b>			
Transportation	15,956	12,358	3,598
Air Transportation	218	20	198
Rail/Van Pool	780	740	40
	<u>16,954</u>	<u>13,118</u>	<u>3,836</u>
<b>Defense, Veterans and Emergency Management</b>	<u>2,297</u>	<u>1,408</u>	<u>889</u>
<b>Department of Education</b>			
Education	6,712	4,363	2,349
Education - Unorganized Territory	8	-	8
	<u>6,720</u>	<u>4,363</u>	<u>2,357</u>
<b>General Government</b>			
Office of the Governor	208	124	84
State Planning	3,033	1,449	1,584
Public Advocate	2,065	1,686	379
	<u>5,306</u>	<u>3,259</u>	<u>2,047</u>
<b>Department of Inland Fisheries and Wildlife</b>	<u>7,595</u>	<u>3,737</u>	<u>3,858</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Judicial Department</b>	\$ 4,118	\$ 3,263	\$ 855
<b>Legislative Department</b>			
Legislative	43	17	26
<b>Department of Marine Resources</b>	6,683	4,361	2,322
<b>Department of Professional and Financial Regulation</b>			
Professional and Financial Regulation	25,693	19,899	5,794
Board of Dental Examiners	366	346	20
Board of Nursing	821	658	163
Board of Optometry	63	52	11
Board of Osteopathic Examination and Registration	201	141	60
Board of Professional Engineers	257	217	40
Board of Registration in Medicine	1,422	1,277	145
	<u>28,823</u>	<u>22,590</u>	<u>6,233</u>
<b>Department of Public Safety</b>	16,110	13,214	2,896
<b>Public Utilities Commission</b>	36,340	26,570	9,770
<b>Secretary of State</b>			
Secretary of State	739	685	54
Motor Vehicles	1,576	1,280	296
Archives Services	83	44	39
	<u>2,398</u>	<u>2,009</u>	<u>389</u>
<b>Treasurer of State</b>	123,407	121,237	2,170
<b>Other Agencies</b>			
Arts and Humanities Administration	105	67	38
Atlantic Salmon Commission	253	123	130
Baxter Compensation Authority	75	14	61
Baxter State Park Authority	3,190	2,995	195
Board of Water System Operators	96	32	64
Com. On Governmental Ethics and Election Practices	7,787	2,795	4,992
Dirigo Health	-	-	-
Finance Authority of Maine	495	495	-
Harness Racing Promotion Board	189	129	60
Human Rights Commission	6	1	5
Library	547	383	164
Lobster Promotion Council	480	362	118
Maine Community College System	1,529	1,359	170
Maine Consumer Choice Health Plan	1	-	1
Maine Health Data Organization	1,683	1,266	417
Maine Historic Preservation Commission	660	368	292
Maine Potato Board	1,418	683	735
Maine State Cultural Affairs Council	67	13	54
Maine State Housing Authority	9,011	9,011	-
Mine Children's Trust Incorporated	105	39	66
Museum	281	165	116
Saco River Corridor Commission	38	29	9
University of Maine	2,042	2,007	35
Worker's Compensation Board	9,573	8,970	603
Wild Blueberry Commission of Maine	1,595	1,240	355
	<u>41,226</u>	<u>32,546</u>	<u>8,680</u>
<b>Grand Total</b>	<u>\$ 954,511</u>	<u>\$ 733,939</u>	<u>\$ 220,573</u>



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# STATISTICAL SECTION

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## STATISTICAL SECTION NARRATIVE AND TABLE OF CONTENTS

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

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#### FINANCIAL TRENDS

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

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**SCHEDULE 1**

**STATE OF MAINE  
NET ASSETS BY ACTIVITIES**

Last Six Fiscal Years  
(Expressed in Thousands)

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

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

**SCHEDULE 2**

**STATE OF MAINE  
CHANGES IN NET ASSETS**

Last Six Fiscal Years  
(Expressed in Thousands)

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>General Revenues and Other Changes in Net Assets:</b>						
Governmental Activities:						
Taxes:						
Corporate	\$ 292,255	\$ 305,872	\$ 244,842	\$ 216,366	\$ 182,554	\$ 158,493
Individual Income	1,478,542	1,403,790	1,296,606	1,149,109	1,095,143	1,043,312
Fuel	181,459	177,904	176,020	166,174	161,534	149,193
Property	48,339	53,272	50,962	28,412	38,179	35,546
Sales & Use	1,191,982	1,156,201	1,049,890	1,086,049	1,012,552	976,618
Other	255,550	263,506	223,326	117,168	90,769	63,111
Unrestricted Investment Earnings	39,599	28,881	20,650	17,049	8,521	8,944
Miscellaneous Income	123,036	104,272	92,851	124,043	119,825	81,981
Loss on Assets Held for Sale	(445)	(217)	(112)	(3,035)	-	-
Tobacco Settlement	48,978	41,573	50,006	49,018	43,587	112,125
Special Items	-	(31,212)	30,881	75,000	-	-
Transfers - Internal Activities	40,979	51,708	50,211	68,132	56,790	69,636
Total Governmental Activities	<u>3,700,274</u>	<u>3,555,550</u>	<u>3,286,133</u>	<u>3,093,485</u>	<u>2,809,454</u>	<u>2,698,959</u>
Business-Type Activities:						
Miscellaneous Income	2	448	-	-	-	-
Loss on Assets Held for Sale	-	-	-	-	-	1,093
Special Items	-	31,787	(50,000)	(85,703)	-	-
Transfers - Internal Activities	(40,979)	(51,708)	(50,211)	(68,132)	(56,790)	(69,636)
Total Business-Type Activities	<u>(40,977)</u>	<u>(19,473)</u>	<u>(100,211)</u>	<u>(153,835)</u>	<u>(56,790)</u>	<u>(68,543)</u>
Total Primary Government	<u>3,659,297</u>	<u>3,536,077</u>	<u>3,185,922</u>	<u>2,939,650</u>	<u>2,752,664</u>	<u>2,630,416</u>
<b>Change in Net Assets</b>						
Governmental Activities	325,594	244,960	203,668	383,720	44,173	(35,030)
Business-Type Activities	24,220	43,710	(45,894)	(94,390)	8,342	44,320
Total Change in Net Assets - Primary Government	<u>\$ 349,814</u>	<u>\$ 288,670</u>	<u>\$ 157,774</u>	<u>\$ 289,330</u>	<u>\$ 52,515</u>	<u>\$ 9,290</u>

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

**SCHEDULE 3**

**STATE OF MAINE  
FUND BALANCES, GOVERNMENTAL FUNDS**

Last Six Fiscal Years  
(Expressed in Thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
General Fund						
Reserved	\$ 127,136	\$ 177,796	\$ 192,684	\$ 122,440	\$ 60,946	\$ 156,495
Unreserved	<u>(283,485)</u>	<u>(355,427)</u>	<u>(146,328)</u>	<u>(124,706)</u>	<u>(81,361)</u>	<u>(136,169)</u>
Total General Fund	<u>\$ (156,349)</u>	<u>\$ (177,631)</u>	<u>\$ 46,356</u>	<u>\$ (2,266)</u>	<u>\$ (20,415)</u>	<u>\$ 20,326</u>
All Other Governmental Funds						
Reserved	\$ 424,965	\$ 460,257	\$ 521,984	\$ 487,506	\$ 449,667	\$ 553,836
Unreserved	<u>4,270</u>	<u>(67,148)</u>	<u>(30,605)</u>	<u>(38,886)</u>	<u>(80,578)</u>	<u>(64,812)</u>
Total All Other Governmental Funds	<u>\$ 429,235</u>	<u>\$ 393,109</u>	<u>\$ 491,379</u>	<u>\$ 448,620</u>	<u>\$ 369,089</u>	<u>\$ 489,024</u>
Total Governmental Fund Balances	<u>\$ 272,886</u>	<u>\$ 215,478</u>	<u>\$ 537,735</u>	<u>\$ 446,354</u>	<u>\$ 348,674</u>	<u>\$ 509,350</u>

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

**STATE OF MAINE**  
**REVENUES, EXPENDITURES**  
**AND OTHER FINANCING SOURCES (USES)**  
**GOVERNMENTAL FUNDS**

Last Six Fiscal Years  
(Expressed in Thousands)

	2007	2006	2005	2004	2003	2002
<b>Revenues:</b>						
Taxes	\$ 3,430,669	\$ 3,344,803	\$ 3,035,988	\$ 2,764,684	\$ 2,585,456	\$ 2,417,458
Assessments and Other Revenue	289,301	290,455	256,690	260,225	212,339	212,777
Federal Grants and Reimbursements	2,386,317	2,625,354	2,500,523	2,461,204	2,169,919	1,837,347
Service Charges	123,249	135,815	119,996	131,871	128,148	141,584
Investment Income	26,740	24,140	16,740	15,247	6,396	6,422
Miscellaneous Revenue	161,676	115,800	130,609	148,537	165,242	91,321
<b>Total Revenues</b>	<b>6,417,952</b>	<b>6,536,367</b>	<b>6,060,546</b>	<b>5,781,768</b>	<b>5,267,500</b>	<b>4,706,909</b>
<b>Expenditures</b>						
Current:						
Governmental Support & Operations	444,366	529,462	461,645	474,173	383,432	481,855
Economic Development & Workforce Training	162,003	162,326	173,919	194,379	207,732	133,320
Education	1,637,848	1,510,662	1,425,244	1,367,414	1,327,936	1,325,259
Health and Human Services	3,066,272	3,364,164	3,097,852	2,830,069	2,597,851	2,443,949
Labor	-	-	-	-	-	92,191
Business Licensing & Regulation	61,540	56,064	50,883	47,702	35,282	-
Natural Resources Development & Protection	204,204	191,612	184,171	200,428	175,348	136,601
Justice and Protection	372,674	362,394	346,849	303,659	323,326	109,022
Arts, Heritage & Cultural Enrichment	13,215	12,655	13,471	12,715	13,074	-
Transportation Safety & Development	462,023	574,314	469,978	458,679	456,482	393,985
Debt Service:						
Principal Payments	83,680	75,090	66,790	72,325	85,165	87,605
Interest Payments	20,334	18,998	15,972	15,480	16,957	20,779
<b>Total Expenditures</b>	<b>6,528,159</b>	<b>6,857,741</b>	<b>6,306,774</b>	<b>5,977,023</b>	<b>5,622,585</b>	<b>5,224,566</b>
Revenue over (under) Expenditures	(110,207)	(321,374)	(246,228)	(195,255)	(355,085)	(517,657)
Other Financing Sources (Uses):						
Transfer from Other Funds	352,896	282,739	342,965	434,934	376,005	291,483
Transfer to Other Funds	(279,691)	(235,505)	(288,865)	(349,799)	(323,827)	(213,817)
Other	35,543	10,727	6,061	11,246	10,546	-
Proceeds from Pledged Future Revenues	-	22,111	49,423	-	-	-
Bonds Issued	60,975	52,390	140,025	133,815	103,580	32,610
<b>Net Other Finance Sources (Uses)</b>	<b>169,723</b>	<b>132,462</b>	<b>249,609</b>	<b>230,196</b>	<b>166,304</b>	<b>110,276</b>
Special Items:						
Return of Excess Equity from Retiree Health Insurance Fund	-	-	105,711	-	-	-
Refund to Federal Government Resulting from Excess Equity Distribution	-	-	(19,119)	-	-	-
Purchase of Landfill	-	-	-	(26,000)	-	-
Sale of Landfill Capacity	-	-	-	26,000	-	-
Proceeds from Sale of Liquor Operating Rights	-	-	50,000	75,000	-	-
<b>Net Special Items</b>	<b>-</b>	<b>-</b>	<b>136,592</b>	<b>75,000</b>	<b>-</b>	<b>-</b>
Revenues and Other Sources over (under) Expenditures and Other Uses	<b>\$ 59,516</b>	<b>\$ (188,912)</b>	<b>\$ 139,973</b>	<b>\$ 109,941</b>	<b>\$ (188,781)</b>	<b>\$ (407,381)</b>

Debt Service as a Percentage of NonCapital Expenditures	1.64%	1.42%	1.37%	1.55%	1.91%	2.18%
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**SOURCE:** State of Maine Comprehensive Annual Financial Reporting System. Modified accrual basis of accounting.

**SCHEDULE 5**

**STATE OF MAINE  
REVENUES, EXPENDITURES AND OTHER  
FINANCING SOURCES (USES)  
GENERAL FUND**

Last Six Fiscal Years  
(Expressed in Thousands)

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Revenues:</b>						
Taxes	\$ 3,003,382	\$ 2,926,835	\$ 2,653,628	\$ 2,453,800	\$ 2,307,439	\$ 2,173,345
Assessments and Other Revenue	109,336	105,371	88,514	81,852	62,010	61,685
Federal Grants and Reimbursements	16,762	17,334	28,894	25,230	25,580	21,578
Service Charges	36,717	41,395	38,351	44,049	35,356	41,111
Investment Income	9,653	12,299	6,877	5,837	2,346	3,830
Miscellaneous Revenue	25,099	14,993	12,437	45,008	5,660	457
<b>Total Revenues</b>	<u>3,200,949</u>	<u>3,118,227</u>	<u>2,828,701</u>	<u>2,655,776</u>	<u>2,438,391</u>	<u>2,302,006</u>
<b>Expenditures</b>						
Current:						
Governmental Support & Operations	262,721	327,529	270,370	263,839	172,344	277,640
Economic Development & Workforce Training	40,280	45,324	42,278	47,095	54,292	61,348
Education	1,438,605	1,283,214	1,201,008	1,144,907	1,143,982	1,157,639
Health and Human Services	972,875	1,097,456	957,371	777,074	813,105	927,868
Labor	-	-	-	-	-	14,729
Business Licensing & Regulation	-	-	3	-	37	-
Natural Resources Development & Protection	70,373	70,878	67,310	66,692	67,315	51,439
Justice and Protection	245,592	227,588	220,141	203,360	202,653	24,941
Arts, Heritage & Cultural Enrichment	8,958	8,504	8,521	8,352	9,017	-
Transportation Safety & Development	-	178	831	3,338	1,603	9,308
Debt Service:						
Principal Payments	69,350	57,985	53,510	56,310	63,950	64,305
Interest Payments	17,369	15,263	12,541	12,458	12,953	15,479
<b>Total Expenditures</b>	<u>3,126,123</u>	<u>3,133,919</u>	<u>2,833,884</u>	<u>2,583,425</u>	<u>2,541,251</u>	<u>2,604,696</u>
Revenue over (under) Expenditures	<u>74,826</u>	<u>(15,692)</u>	<u>(5,183)</u>	<u>72,351</u>	<u>(102,860)</u>	<u>(302,690)</u>
Other Financing Sources (Uses):						
Transfer from Other Funds	115,292	90,912	101,813	127,525	197,119	128,126
Transfer to Other Funds	(190,074)	(164,923)	(168,173)	(238,637)	(135,000)	(124,836)
Other	23,346	666	-	-	-	-
Bonds Issued	-	-	1,681	2,335	-	-
<b>Net Other Finance Sources (Uses)</b>	<u>(51,436)</u>	<u>(73,345)</u>	<u>(64,679)</u>	<u>(108,777)</u>	<u>62,119</u>	<u>3,290</u>
Special Items:						
Return of Excess Equity from Retiree Health Insurance Fund	-	-	68,484	-	-	-
Purchase of Landfill	-	-	-	(26,000)	-	-
Sale of Landfill Capacity	-	-	-	26,000	-	-
Proceeds from Sale of Liquor Operating Rights	-	-	50,000	75,000	-	-
<b>Net Special Items</b>	<u>-</u>	<u>-</u>	<u>118,484</u>	<u>75,000</u>	<u>-</u>	<u>-</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	<u>\$ 23,390</u>	<u>\$ (89,037)</u>	<u>\$ 48,622</u>	<u>\$ 38,574</u>	<u>\$ (40,741)</u>	<u>\$ (299,400)</u>

Debt Service as a Percentage of NonCapital Expenditures	3.0%	2.6%	2.6%	3.0%	3.4%	3.4%
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**SOURCE:** State of Maine Comprehensive Annual Financial Reporting System. Modified accrual basis of accounting.

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

Last Six Calendar Years  
(Expressed in Millions)

	2006	2005	2004	2003	2002	2001
Individual Income Tax Liability	\$ 1,386,010	\$ 1,286,375	\$ 1,200,138	\$ 1,079,587	\$ 1,020,675	\$ 1,016,073
Personal Income	\$ 42,199,321	\$ 41,300,331	\$ 39,510,398	\$ 37,281,183	\$ 35,998,489	\$ 35,107,104
Average Effective Tax Rate	3.3%	3.1%	3.0%	2.9%	2.8%	2.9%

	2006	2005	2004	2003	2002	2001
Income Bracket	\$0 - \$4,549	\$0 - \$4,449	\$0 - \$4,349	\$0 - \$4,249	\$0 - \$4,199	\$0 - \$4,149
Tax Rate	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Income Bracket	\$4,550 - \$9,099	\$4,450 - \$8,849	\$4,350 - \$8,649	\$4,250 - \$8,449	\$4,200 - \$8,349	\$4,150 - \$8,249
Tax Rate	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Income Bracket	\$9,100 - \$18,249	\$8,850 - \$17,699	\$8,650 - \$17,349	\$8,450 - \$16,949	\$8,350 - \$16,699	\$8,250 - \$16,499
Tax Rate	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
Income Bracket	\$18,250+	\$17,700+	\$17,350+	\$16,950+	\$16,700+	\$16,500+
Tax Rate	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%

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

<sup>1</sup> Amounts shown are for single and married filing separate returns.

For joint filers, approx. double the income amounts, for head of household filers multiply the brackets by approx 1.5.

**SOURCE:** Maine Revenue Services



## SCHEDULE 7

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

(Tax Liability Expressed in Millions)

2006 Tax Year				
Income Level	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$0 and below	7,297	1.2%	\$ 0.06	0.0%
\$1 - \$ 10,000	105,837	16.9%	0.91	0.1%
\$10,001 - \$ 20,000	105,633	16.9%	14.22	1.2%
\$20,001 - \$ 30,000	95,430	15.3%	48.24	3.9%
\$30,001 - \$ 50,000	123,868	19.8%	154.05	12.5%
\$50,001 - \$ 75,000	88,477	14.1%	218.97	17.8%
\$75,001 - \$100,000	45,206	7.2%	184.07	15.0%
\$100,001 - \$200,000	39,840	6.4%	273.92	22.3%
\$200,001 and higher	13,758	2.2%	334.19	27.2%
Total	625,346	100.0%	\$ 1,228.61	100.0%

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

2000 Tax Year				
Income Level	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$0 and below	5,186	0.8%	\$ 0.01	0.0%
\$1 - \$ 10,000	122,157	19.5%	1.38	0.1%
\$10,001 - \$ 20,000	121,639	19.4%	19.22	1.8%
\$20,001 - \$ 30,000	100,323	16.0%	55.57	5.1%
\$30,001 - \$ 50,000	124,257	19.8%	154.93	14.2%
\$50,001 - \$ 75,000	81,593	13.0%	202.87	18.6%
\$75,001 - \$100,000	33,419	5.3%	135.26	12.4%
\$100,001 - \$200,000	26,288	4.2%	180.25	16.5%
\$200,001 and higher	11,884	1.9%	340.49	31.2%
Total	626,746	100.0%	\$ 1,089.97	100.0%

**SOURCE:** Maine Revenue Services

**SCHEDULE 8**

**STATE OF MAINE  
SALES AND USE TAX RATES AND REVENUES BY SOURCE**

Last Six Calendar Years

	2006	2005	2004	2003	2002	2001
Business Operating	\$ 2,099,287	\$ 1,974,352	\$ 1,875,710	\$ 1,714,115	\$ 1,611,253	\$ 1,731,182
Building Supply	2,526,623	2,464,352	2,344,687	2,013,655	1,846,797	1,738,224
Food Store	1,404,216	1,343,160	1,278,427	1,253,829	1,215,792	1,182,825
General Merchandise	3,097,387	2,986,708	3,001,887	2,897,803	2,795,288	2,668,766
Other Retail	1,936,040	1,824,692	1,708,180	1,587,861	1,497,463	1,458,366
Auto/Transportation	3,613,741	3,695,730	3,744,219	3,698,571	3,519,874	3,446,679
Restaurant/Lodging	2,451,376	2,319,463	2,238,980	2,146,647	2,093,837	2,010,496
<b>Total</b>	<b>\$ 17,128,670</b>	<b>\$ 16,608,457</b>	<b>\$ 16,192,090</b>	<b>\$ 15,312,481</b>	<b>\$ 14,580,304</b>	<b>\$ 14,236,538</b>

Sales and Use Tax Rates:

						1/1/01 repeal snack tax;
General Sales & Use	5%	5%	5%	5%	5%	7/1/00 - 5%
Lodging & Prepared Food	7%	7%	7%	7%	7%	7%
Short-term Auto Rental	10%	10%	10%	10%	10%	10%

**SOURCE:** Maine Revenue Services

## SCHEDULE 9

### STATE OF MAINE CALCULATION OF LEGAL DEBT MARGIN FOR THE TEN YEARS ENDED JUNE 30, 2007

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

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

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

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

(Dollar Amounts Expressed in Thousands)

Year	Temporary Loans Outstanding During the Year*	Total Governmental Funds Revenue	% of Total Governmental Funds Revenue	10% of Total Governmental Funds Revenue Limit Amount	Total Valuation	% of Total Valuation	1% of Total Valuation Limit Amount
2007	\$55,840	\$6,906,395	0.81%	\$690,640	\$148,946,200	.04%	\$1,489,462
2006	\$169,852	\$6,366,819	2.67%	\$636,682	\$133,628,600	.13%	\$1,336,286
2005	\$332,850	\$6,114,226	5.44%	\$611,423	\$118,038,020	.28%	\$1,180,380
2004	\$405,275	\$5,902,866	6.87%	\$590,287	\$104,219,950	.39%	\$1,042,200
2003	\$347,080	\$5,114,543	6.79%	\$511,454	\$94,034,050	.37%	\$940,341
2002	\$27,610	\$4,808,789	.57%	\$480,879	\$84,874,550	.03%	\$848,746
2001	\$5,000	\$4,608,742	.11%	\$460,874	\$78,389,400	.01%	\$783,894
2000	\$9,694	\$4,604,954	.21%	\$460,495	\$74,260,000	.02%	\$742,600
1999	\$33,695	\$4,257,340	.79%	\$425,734	\$71,779,350	.05%	\$717,794
1998	\$33,500	\$4,168,141	.80%	\$416,814	\$69,691,900	.05%	\$696,919

**STATE OF MAINE  
RATIOS OF OUTSTANDING DEBT BY TYPE**

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Governmental Activities Debt</b>						
General Obligation Bonds	\$ 448,760	\$ 467,550	\$ 487,095	\$ 416,360	\$ 358,410	\$ 346,495
MGFA Revenue Bonds	182,605	186,215	189,570	197,950	196,383	191,646
COPS and Other Financing Arrangements	79,886	36,581	36,865	45,346	48,658	22,626
Obligations Under Capital Leases	41,751	40,091	39,905	40,137	34,916	34,105
Pledged Future Revenues <sup>1</sup>	42,353	46,268	49,423	-	-	-
Total Governmental Activities Debt	<u>795,355</u>	<u>776,705</u>	<u>802,858</u>	<u>699,793</u>	<u>638,367</u>	<u>594,872</u>
<b>Business-Type Activities Debt</b>						
	-	-	-	-	-	-
<b>Total Primary Government Debt</b>	<u>\$ 795,355</u>	<u>\$ 776,705</u>	<u>\$ 802,858</u>	<u>\$ 699,793</u>	<u>\$ 638,367</u>	<u>\$ 594,872</u>
<b>Debt Ratios</b>						
Ratio of Total Debt to Personal Income <sup>2</sup> Per Capita <sup>3</sup>	\$ 1.8%	\$ 1.8%	\$ 1.9%	\$ 1.8%	\$ 1.7%	\$ 1.7%
	\$ 592	\$ 582	\$ 606	\$ 532	\$ 489	\$ 459
<b>Net General Obligation Bonded Debt</b>						
Gross Bonded Debt	\$ 631,365	\$ 653,765	\$ 676,665	\$ 614,310	\$ 554,793	\$ 538,141
Less: Debt Service Funds	5,824	5,824	11,657	12,002	12,343	12,681
Net Bonded Debt	<u>\$ 625,541</u>	<u>\$ 647,941</u>	<u>\$ 665,008</u>	<u>\$ 602,308</u>	<u>\$ 542,450</u>	<u>\$ 525,460</u>
Ratio of Net Bonded Debt to Estimated Property Value Per Capita <sup>3</sup>	\$ 0.5%	\$ 0.6%	\$ 0.7%	\$ 0.7%	\$ 0.7%	\$ 0.7%
	\$ 465	\$ 486	\$ 502	\$ 458	\$ 415	\$ 406

<sup>1</sup> Federal revenues associated with constructing certain highway projects are pledged as "Loans Receivable from Primary Government".

These Pledged Future Revenues offset the unspent proceeds of the GARVEE bonds received by a component unit.

<sup>2</sup> Personal income data can be found in Schedule 12.

<sup>3</sup> Population data can be found in Schedule 12.

**STATE OF MAINE  
PLEDGED FUTURE REVENUE COVERAGE**

Last Six Fiscal Years

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Grant Anticipation Revenue Vehicle (GARVEE) Bonds						
Federal Aid Revenues	\$ 168,499,410	\$ 167,405,491	\$ 174,988,696	N/A	\$ N/A	\$ N/A
Annual Debt Service	\$ 5,578,914	\$ 4,866,781	\$ 366,480	N/A	\$ N/A	\$ N/A
Debt Service Coverage	3.31%	2.91%	0.21%	N/A	N/A	N/A

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

**SOURCE:** Department of Transportation.

**STATE OF MAINE  
DEMOGRAPHIC INFORMATION**

Last Six Fiscal Years

	2007	2006	2005	2004	2003	2002
Maine:						
Population (in thousands) <sup>1</sup>	1,344	1,334	1,322	1,315	1,308	1,297
Total Personal Income (in thousands) <sup>2</sup>	44,240	42,819	41,300	39,510	37,281	35,998
Per Capita Personal Income <sup>1</sup>	32,917	32,098	31,252	30,046	28,497	27,756
Unemployment Rate <sup>3</sup>	4.2%	4.4%	4.6%	4.3%	4.9%	4.2%
United States:						
Population (in thousands) <sup>4</sup>	302,633	299,103	296,410	293,657	290,850	287,985
Total Personal Income (in thousands) <sup>1</sup>	11,595,412	10,882,821	10,251,639	9,705,504	9,157,257	8,872,871
Per Capita Personal Income <sup>1</sup>	38,315	36,385	34,586	33,050	31,484	30,810
Unemployment Rate <sup>3</sup>	4.5%	4.6%	5%	5.6%	6.3%	5.8%

<sup>1</sup> Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce through 2005. Maine State Planning Office Projection for 2006 and 2007.

<sup>2</sup> Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce.

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

<sup>4</sup> Regional Economic Information System, Bureau of Economic Analysis, U.S. Department of Commerce through 2005. U.S. Census Bureau for 2006 and 2007.

**SCHEDULE 13**

**STATE OF MAINE  
PRIVATE EMPLOYERS - TOP 25  
NOT SEASONALLY ADJUSTED  
RANKED BY NUMBER OF EMPLOYEES IN MAINE**

Last Six Fiscal Years

Company	Ranking					
	2007	2006	2005	2004	2003	2002
Hannaford Brothers Company.....	1	1	1	1	1	1
Wal Mart Associates, Inc.....	2	2	2	2	3	3
Maine Medical Center.....	3	4	4	4	5	5
Bath Iron Works Corporation.....	4	5	3	3	2	2
L.L. Bean, Inc.....	5	3	5	5	4	4
Eastern Maine Medical Center.....	6	7	7	9	10	9
Shaw's Supermarkets.....	7	6	6	7	8	8
UNUM PROVIDENT Corp.....	8	8	8	8	7	7
Banknorth N.A.....	9	9	10	10	12	12
MaineGeneral Medical Center - Augusta.....	10	10	11	11	13	11
Verso Paper <sup>1</sup> .....	11	N/A	N/A	N/A	N/A	N/A
Central Maine Medical Center.....	12	14	14	14	21	22
Bank of America <sup>2</sup> .....	13	N/A	N/A	N/A	N/A	N/A
Pratt & Whitney Aircraft Group.....	14	15	15	15	16	13
Home Depot USA, Inc.....	15	13	13	13	19	24
Mercy Hospital.....	16	16	16	16	N/A	21
S. D. Warren.....	17	17	17	23	22	17
Rite Aid of Maine, Inc.....	18	18	18	17	23	20
Eldercare Resources Corp.....	19	N/A	N/A	N/A	N/A	N/A
Jackson Laboratory.....	20	19	19	20	24	25
Central Maine Power Co.....	21	21	20	22	20	16
Verizon New England, Inc.....	22	20	21	21	17	15
Aroostook Medical Center.....	23	22	25	N/A	N/A	N/A
Bowdoin College.....	24	25	N/A	N/A	N/A	N/A
Rumford Paper Company.....	25	24	N/A	N/A	N/A	N/A
MBNA Marketing Systems, Inc <sup>2</sup> .....	N/A	11	9	6	6	6
International Paper Co <sup>1</sup> .....	N/A	12	12	12	11	10
Anthem Health Systems.....	N/A	23	22	18	18	14
Irving Oil Corporation.....	N/A	N/A	23	19	N/A	N/A
Mead Oxford Corp.....	N/A	N/A	24	24	N/A	23
Attendant Services, Inc.....	N/A	N/A	N/A	25	N/A	N/A
University of Maine at Orono.....	N/A	N/A	N/A	N/A	9	N/A
University of Southern Maine.....	N/A	N/A	N/A	N/A	14	N/A
Maine Community College Systems.....	N/A	N/A	N/A	N/A	15	N/A
Cianbro Corporation.....	N/A	N/A	N/A	N/A	25	N/A
Great Northern Paper, Inc.....	N/A	N/A	N/A	N/A	N/A	18
Fairchild Semiconductor Corporation.....	N/A	N/A	N/A	N/A	N/A	19

<sup>1</sup> Verso Paper, purchased International Paper Co. mills in Bucksport and Jay

<sup>2</sup> Bank of America purchased MBNA Marketing Systems, Inc.

The total employment for the top 25 employers on the list is 66,337. This represents 11.05% of the statewide employment, or 13.24% of the total private employment for 2nd quarter, 2007.

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

**STATE OF MAINE**  
**SCHEDULE OF STATE GOVERNMENT FULL TIME EQUIVALENT EMPLOYEES**  
**BY POLICY AREA**

Last Six Fiscal Years

	2007	2006	2005	2004	2003	2002
Arts, Heritage & Cultural Enrichment	107.4	107.4	109.5	109.5	*	*
Business Licensing & Regulation	413.2	413.2	417.2	417.2	*	*
Economic Development & Workforce Training	624.1	624.1	892.5	892.5	834.6	819.7
Education	209.6	209.6	215.0	215.0	343.7	442.8
Governmental Support & Operations	2,247.5	2,222.5	1,696.3	1,754.3	2,531.9	2,497.9
Health and Human Services	3,738.9	3,767.4	4,025.5	4,047.5	5,483.2	5,412.2
Justice and Protection	2,937.6	2,909.6	2,969.7	2,971.2	840.5	1,022.5
Labor	*	*	*	*	851.0	851.0
Natural Resources Development & Protection	1,523.2	1,522.3	1,615.3	1,620.8	1,294.4	1,287.7
Transportation Safety & Development	2,300.7	2,301.7	2,390.5	2,390.5	2,390.5	2,390.5
<b>Total Full Time Equivalents</b>	<b>14,102.2</b>	<b>14,077.8</b>	<b>14,331.5</b>	<b>14,418.5</b>	<b>14,569.8</b>	<b>14,724.3</b>

\*Note: Statutory agency realignment among policy areas occurred in 2003.

**SOURCE:** Maine Bureau of Budget.



**SCHEDULE 15****STATE OF MAINE  
OPERATING INDICATORS AND CAPITAL INFORMATION**

Fiscal Years Ended June 30

Operating Indicators by Function:	2007	2006
Business Licensing & Regulation		
Number of licenses issued	57,268	124,543
Education		
Students enrolled in the free/reduced lunch program	71,536	69,125
Economic Development & Workforce Training		
Unemployed persons	30,700	32,100
Governmental Support & Operations		
Return on investments	5.25%	4.10%
Number of lottery tickets sold, in millions	234	229
Health and Human Services		
Percentage of population enrolled in MaineCare <sup>1</sup>	26%	26%
Number of TANF cases <sup>2</sup>	12,631	12,821
Number of members served by Dirigo Health	24,110	18,067
Justice and Protection		
Average Number of Adult Inmates	2,060	2,078
Average Number of Juvenile Inmates	203	275
Number of guard troops	3,168	3,131
Number of cases tried in the court system	278,088	281,006
Natural Resources and Development		
Number of park passes purchased	10,092	9,016
Number of visitors to State parks	2,063,356	2,083,310
Number of hunting and fishing licenses sold <sup>3</sup>	462,680	350,547
Transportation Safety & Development		
Number of construction projects	271	195

<sup>1</sup> Based on the average enrollees over the fiscal year.<sup>2</sup> Based on the average number of cases over the fiscal year.<sup>3</sup> Calendar year based.

**SCHEDULE 16**

**STATE OF MAINE  
CAPITAL ASSETS BY FUNCTION**

Capital Assets by Function:	<u>2007</u>	<u>2006</u> <sup>1</sup>
Governmental Support & Operations		
Vehicles in the motor pool	1,738	1,675
Health and Human Services		
Number of regional offices	16	16
Justice and Protection		
Number of correctional facilities	8	8
Number of armories	17	17
Number of State police barracks	8	8
Number of patrol cars	541	521
Number of courts	46	56
Natural Resources and Development		
Total acreage of State parks	100,092	99,935
Number of State park buildings	526	519
Number of warden's vehicles and marine patrol watercraft	682	664
Transportation Safety & Development		
Number of DOT vehicles and equipment	1,625	1,163
Number of regional DOT active buildings	312	647

1

Per GASB 44 "If a government did not previously prepare one or more of these schedules it may implement them prospectively and it is not required to retroactively report years prior to the implementation date of this statement.