

# State of Maine

## Comprehensive Annual Financial Report For the Fiscal Year Ended June 30, 2017



Prepared by  
Office of the State Controller



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**COMPREHENSIVE ANNUAL  
FINANCIAL REPORT**

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**STATE OF MAINE**



**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**PAUL R. LEPAGE**  
*Governor*

**ALEC PORTEOUS**  
**COMMISSIONER**  
*Department of Administrative & Financial Services*

**DOUGLAS E. COTNOIR, CPA, CIA**  
*State Controller*

*Prepared by the Office of the State Controller*

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

or e-mail us at:  
**[financialreporting@maine.gov](mailto:financialreporting@maine.gov)**

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

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

**STATE OF MAINE**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended June 30, 2017

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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, MAINE 04333-0014

SERVING THE PUBLIC AND DELIVERING ESSENTIAL SERVICES TO STATE GOVERNMENT

ALEC PORTEOUS  
COMMISSIONER

DOUGLAS E. COTNOIR, CPA, CIA  
STATE CONTROLLER

December 15, 2017

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

We are pleased to present the State of Maine's Fiscal Year 2017 Comprehensive Annual Financial Report (CAFR) prepared in accordance with Generally Accepted Accounting Principles (GAAP). The annual CAFR, required by Title 5 MRSA § 1547, is compiled and published by the Office of the State Controller (OSC). The report is the primary means of reporting the State's financial activities. The objective of this report is to provide a clear picture of our government as a single, unified entity, as well as providing traditional fund based financial statements.

## **INTRODUCTION TO THE REPORT**

### **Responsibility**

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

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

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

### **Format of Report**

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

This letter of transmittal is designed to complement MD&A where the financial analysis is now presented. The State's MD&A can be found immediately following the Independent Auditor's Report from the State Auditor. The

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Statistical Section contains selected trend information, and statistical data on financial, economic and demographic measures.

### **Internal Control Structure**

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

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

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

### **Independent Auditors**

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

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

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

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

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

## **PROFILE OF THE GOVERNMENT**

The State of Maine was the twenty-third state admitted to the Union on March 15, 1820 under the Missouri Compromise. By this time the population of Maine had reached nearly 300,000. The newly admitted state had nine counties and 236 towns. The city of Portland was the original site of the capital of Maine upon its admission to the Union. The Capital moved to Augusta in 1832 as a more central location from which to govern. The State has an

area of 33,215 square miles and 3,500 miles of continuous coastline. Maine boasts 6,000 lakes and approximately 17 million acres of forest land. Geographically, the State includes 16 counties. The most populous county is Cumberland which includes Maine's largest city, Portland.

### **Reporting Entity**

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

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

### **Budgetary Control**

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

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

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

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

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

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

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

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

Balances in the fund do not lapse; but carry forward each year. The money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. In addition to interest earnings, the fund is capitalized at the close of each fiscal year. In fiscal year 2017, a net \$83.9 million was transferred into the fund, resulting in an ending balance of \$196.3 million.

## **MAJOR INITIATIVES AND FUTURE PROJECTS**

#### **Fiscal Stability**

Governor Paul R. LePage, recognized by the Cato Institute in fiscal year 2014 and again in fiscal year 2016 as one of the nation's top Governors for fiscal management, has led a combination of comprehensive reforms that has reduced the State's out-year structural gap projection from \$1.1 billion reported in 2010 to \$165 million reported in 2016 and increased the reserves in the Maine Budget Stabilization Fund by \$84 million to \$196.2 million or 5.7% of the State's 2017 fiscal year general fund revenue. At the same time, the State's budget provided for the needs of several varying State policy issues including: comprehensive reforms to support the State's efforts toward Maine's opiate crisis; veterans' services expansion; and, wage increases to address recruitment and retention of the State's law enforcement personnel. Favorable fiscal year 2017 financial performance has provided the State with the ability to continue phasing out smaller accruals for tax revenues for budgetary purposes. The State's cash position has continued to show significant improvement and internal borrowing for cash flow purposes was not needed at any time in the 2017 fiscal year. Finally, the Legislature enacted formal provisions, proposed by the Governor, for "stress-testing" state revenue as part of the continuing assessment of Maine's capacity to address both economic and financial uncertainties.

#### **Stress-Testing State Revenues**

Governor LePage's biennial budget submission included a proposal to stress-test General Fund revenues during even-numbered years. The Legislature included this proposal as written in the enacted biennial budget. The law requires the Census Economic Forecasting Commission (CEFC) to provide to the State Budget Officer, the State Economist, and the Associate Commissioner for Tax Policy at least two recession scenarios of varying levels of severity in their baseline forecast report due February 1<sup>st</sup> of each even-numbered year. A formal report to the Governor and the Joint Standing Committee on Appropriations and Financial Affairs of the impact of the alternative

recession scenarios on individual income, and sales and use taxes is due by October 1<sup>st</sup> of each even-numbered year. Additionally, the report must include an analysis of the adequacy of the current level of the Maine Budget Stabilization Fund (BSF), and an estimate of the reserves in the Maine BSF necessary to offset the declines in revenue reported in the scenarios. The report will be issued jointly by the CEFC and the Revenue Forecasting Committee.

### **Tax Reform**

In fiscal year 2017, Governor LePage continued to lead with the goal of tax reduction and reform to ensure that the “State of Maine is competitive, attracting new job creators, retaining existing businesses by lowering taxes, reducing energy costs and providing a welcome atmosphere for businesses and capital investment.” In addition to the historic tax reduction in the 2012-2013 biennium, and the compromise version of the tax reform package of the State’s 2016-2017 biennial budget, presented by the Governor in January of 2015, the State has moved further forward to address additional relief provided through: a repeal of the education 3% income tax surcharge imposed on taxable income in excess of \$200,000; the establishment of a refundable income tax credit for the construction or expansion of major business headquarters in Maine; an expansion of the Opportunity Maine Tax Credit to retain and attract young people to the State of Maine; the refunding of sales tax for fuel used in commercial agriculture and fishing; legislation conforming to federal tax law for 2015 tax returns; and, making the State’s earned income tax credit refundable.

### **Medicaid Reform**

Governor LePage has moved Maine from decades of financial crisis in the State’s Medicaid program to financial stability. To keep the State’s Medicaid program on a sustainable path and protect the safety net, the Administration continues to pursue sensible eligibility changes, expand the use of the Holt-Winters forecast algorithm and improve targeted care management for MaineCare’s high utilizers. With the State’s Medicaid budget under control, the State of Maine again ended the fiscal year without a Medicaid shortfall. With those commitments firmly in place and financial stability established, the State has moved forward to focus on key priorities: expanding availability for services in home or other residential community settings; providing State funds to replace expiring enhanced federal matching funds through the Patient Protection and Affordable Care Act for health homes and increased reimbursement for primary care physician initiatives; and, initiatives addressing rate and payment reforms. Finally, the Department continues critical improvements to transform Riverview Psychiatric Recovery Center into a center of excellence for the treatment of Maine’s most psychiatrically challenged citizens.

### **Education**

The Administration continues to lead innovative education funding initiatives, including the establishment of the Maine National Guard Postsecondary Fund to provide for a 100% tuition waiver at any State institution, the establishment of regional education service agencies with the goal of improving programs and services for students, expanded access to experiential learning through career and technical education in Maine schools, grants that prioritize efficiencies through regional cost sharing, and funding for students to earn post-secondary credit while still in high school to develop technical and life skills for success in college, careers and civic life through the Bridge Year program. In fiscal year 2017, the State contributed slightly more than \$1 billion to the cost of K-12 education, comprised of a General Fund appropriation and a portion of funding received from Casino revenues. The State contributed 50.82% of the total cost of education including teacher retirement, retired teachers’ health insurance and retired teacher’s life insurance.

### **Transportation**

The Maine Department of Transportation (MaineDOT) receives its funding from the State Highway Fund, the TransCap Trust Fund, federal funds, proceeds from authorized bond sales, and other sources. In 2017, MaineDOT

released the Department's \$2.3 billion dollar work plan for all MaineDOT work activities for calendar years 2017 through 2019. The work plan consists of \$1.5 billion in capital work over three years, consisting of \$1.2 billion for highway and bridge projects and \$296 million in multi-modal projects. For calendar year 2017, the plan includes \$80 million for 61 miles of highway construction and rehabilitation, \$91 million for 320 miles of preservation paving, and \$25 million for 600 miles of light capital paving. The work plan focuses on one of the Department's primary goals, maintaining the existing system.

### **Transparency**

Governor LePage believes that State government should be accountable and transparent in its operations. As Governor, he introduced and signed legislation to improve the financial disclosure requirements of legislators and senior executive branch employees. Governor LePage also established Saturday office hours to meet Mainers one on one to discuss their concerns and issues. Additionally, the Governor's office created an interactive website to encourage citizens to share their proposals to save money in State government.

As part of the Governor's continuing promise to provide an accountable and more transparent State Government, his administration maintains the Maine Open Checkbook, a website designed to provide citizens with easy to follow information regarding State government spending. The idea behind Maine Open Checkbook is simple: every Maine citizen has a right to know how their hard-earned tax dollars are spent.

## OTHER INFORMATION

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement of Excellence in Financial Reporting to the State of Maine for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This is the tenth time that Maine has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

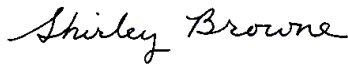
State government continues to have many accomplishments of which it can be proud. Consistent with the vision of Governor LePage to improve and enhance the fiscal administration of governmental operations, the Office of the State Controller continues to improve and refine its skills to meet the challenges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

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

Sincerely,

Handwritten signature of Douglas E. Cotnoir in black ink.

Douglas E. Cotnoir, CPA, CIA  
State Controller

Handwritten signature of Shirley Browne in black ink.

Shirley A. Browne, CIA  
Deputy State Controller

Handwritten signature of Sandra J. Royce in black ink.

Sandra J. Royce, CPA  
Director, Financial Reporting & Analysis



# STATE OF MAINE

## OFFICIALS OF STATE GOVERNMENT

AS OF JUNE 30, 2017

### EXECUTIVE

**Paul R. LePage**, *Governor*

### LEGISLATIVE

**Michael D. Thibodeau**, *President of the Senate*

**Sara Gideon**, *Speaker of the House*

#### Constitutional/Statutory Officers

**Janet T. Mills**, *Attorney General*

**Pola Buckley**, *State Auditor*

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

**Terry Hayes**, *State Treasurer*

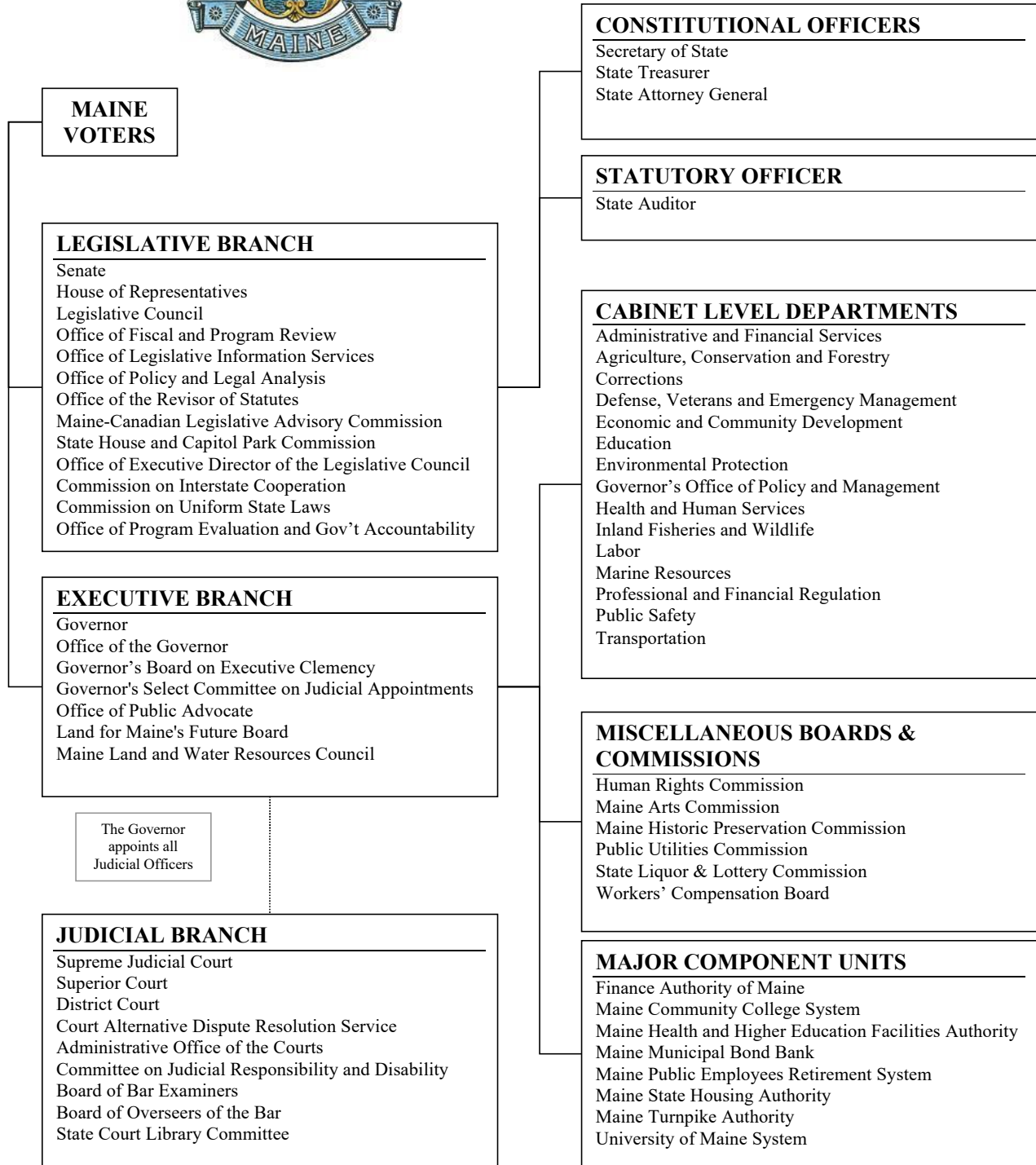
### JUDICIAL

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





# STATE OF MAINE ORGANIZATION CHART AS OF JUNE 30, 2017





Government Finance Officers Association

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

Presented to

**State of Maine**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2016**

Executive Director/CEO

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

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**STATE OF MAINE**  
**OFFICE OF THE STATE AUDITOR**

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AUGUSTA, ME 04333-0066

TEL: (207) 624-6250

**Pola A. Buckley, CPA, CISA**  
State Auditor

**Melissa Perkins, CPA**  
Deputy State Auditor

**INDEPENDENT AUDITOR'S REPORT**

Honorable Michael D. Thibodeau  
President of the Senate

Honorable Sara Gideon  
Speaker of the House of Representatives

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2017, and the related notes to the financial statements. We did not audit the financial statements of the aggregate discretely presented component units. These financial statements collectively comprise the State of Maine's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following component units: Child Development Services, ConnectME Authority, Efficiency Maine Trust, Finance Authority of Maine, Loring Development Authority, Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Port Authority, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Technology Institute, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, Small Enterprise Growth Fund, and the University of Maine System. The financial statements of these named component units comprise 100 percent of the assets, revenue and net position of the aggregate discretely presented component units; 94 percent of assets and 97 percent of fund balance/net position of the aggregate remaining fund information (Maine Public Employees Retirement System and Maine Governmental Facilities Authority); and 3% of the liabilities of the governmental activities (Maine Governmental Facilities Authority). The financial statements of these named component units were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these

component units, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Maine Technology Institute and the Small Enterprise Growth Fund were not audited in accordance with *Government Auditing Standards*.

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

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

### **Opinions**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 5 to 15, and Budgetary Comparison Information, State Retirement Plans, Other Post-employment Benefit Plans, and Information about Infrastructure Assets Reported Using the Modified Approach on pages 114 to 139, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any

assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

The combining and individual non-major fund financial statements on pages 140 to 197 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

**Other Reporting Required by *Government Auditing Standards***

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



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

December 15, 2017

# MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State of Maine's annual financial report presents the State's discussion and analysis of financial performance during the year ended June 30, 2017. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

## FINANCIAL HIGHLIGHTS

### Government-wide:

- The State's net position increased by 7.0 percent from the previous fiscal year. Net position of Governmental Activities increased by \$106.6 million, while net position of Business-Type Activities increased by \$38.0 million. The State's assets and deferred outflows exceeded its liabilities and deferred inflows by \$2.2 billion at the close of fiscal year 2017. Of this amount \$1.9 billion was reported as negative "Unrestricted" net position. A negative balance means that it would be necessary to convert restricted assets (e.g., capital assets) to unrestricted assets if all ongoing obligations were immediately due and payable. Component units reported net position of \$3.1 billion, an increase of \$131.3 million (4.5 percent) from the previous year.

### Fund level:

- At the end of the fiscal year, the State's governmental funds reported combined ending fund balances of \$966.0 million, an increase of \$146.5 million from the previous year. The General Fund's total fund balance was a \$173.4 million, an increase of \$128.1 million from the previous year. The Highway Fund total fund balance was \$23.2 million, a decrease of \$26.8 million from the prior year.
- The proprietary funds reported net position at year-end of \$676.5 million, an increase of \$60.4 million from the previous year. The increase is primarily the result of an increase in the Employment Securities Fund of \$30.8 million, an increase in the Maine Military Authority fund of \$8.2 million and an increase in two Internal Service Funds; Retiree Health Insurance of \$31.7 million and Employee Health Insurance of \$11.7 million. See Note 3, Accounting Changes and Restatements for further discussion.

### Long-term Debt:

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

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

## OVERVIEW OF THE FINANCIAL STATEMENTS

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



## Government-wide Statements

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

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

Both government-wide statements report three activities:

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

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

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

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

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



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

## **Fund Financial Statements**

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

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

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

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

## **Notes to the Financial Statements**

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

## **Required Supplementary Information**

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

## Other Supplementary Information

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

## FINANCIAL ANALYSIS OF THE STATE AS A WHOLE

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

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

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

\* As Restated

The State's fiscal year 2017 revenues totaled \$8.2 billion. (See Table A-2) Taxes and operating grants and contributions accounted for most of the State's revenue by contributing 47.9 percent and 36.1 percent, respectively, of every dollar raised. The remainder came from charges for services and other miscellaneous sources.

The total cost of all programs and services totaled \$8.1 billion for the year 2017. (See Table A-2) These expenses are predominantly (68.9 percent) related to health & human services and education activities. The State's governmental support & operations activities accounted for 4.4 percent of total costs. Total net position increased by \$144.6 million, primarily due to an increase in tax revenue and charges for services.

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

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

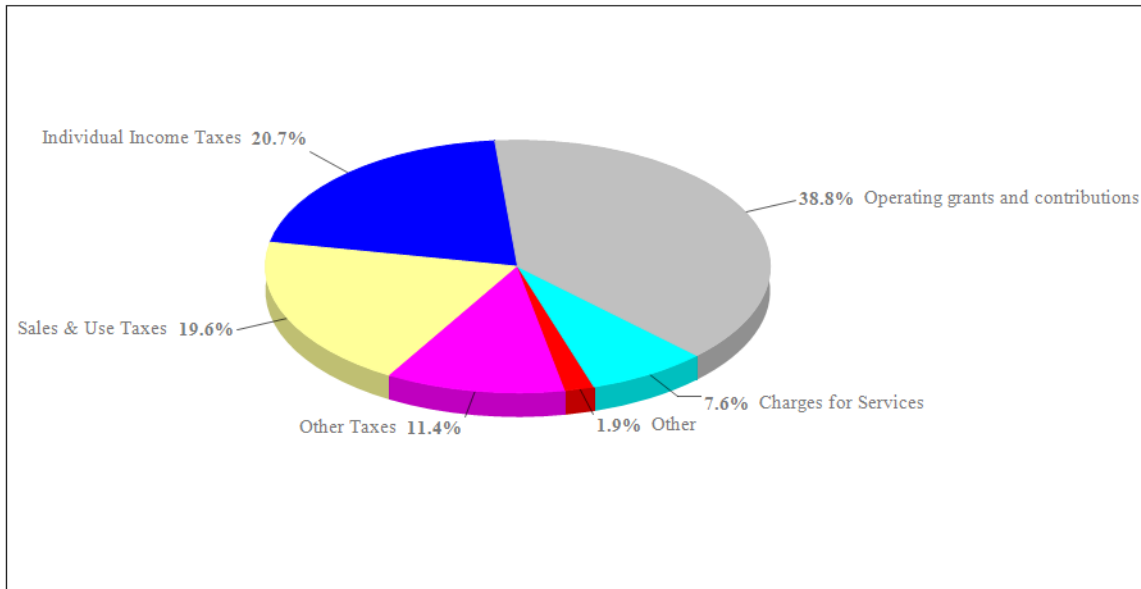
\* As Restated

## Governmental Activities

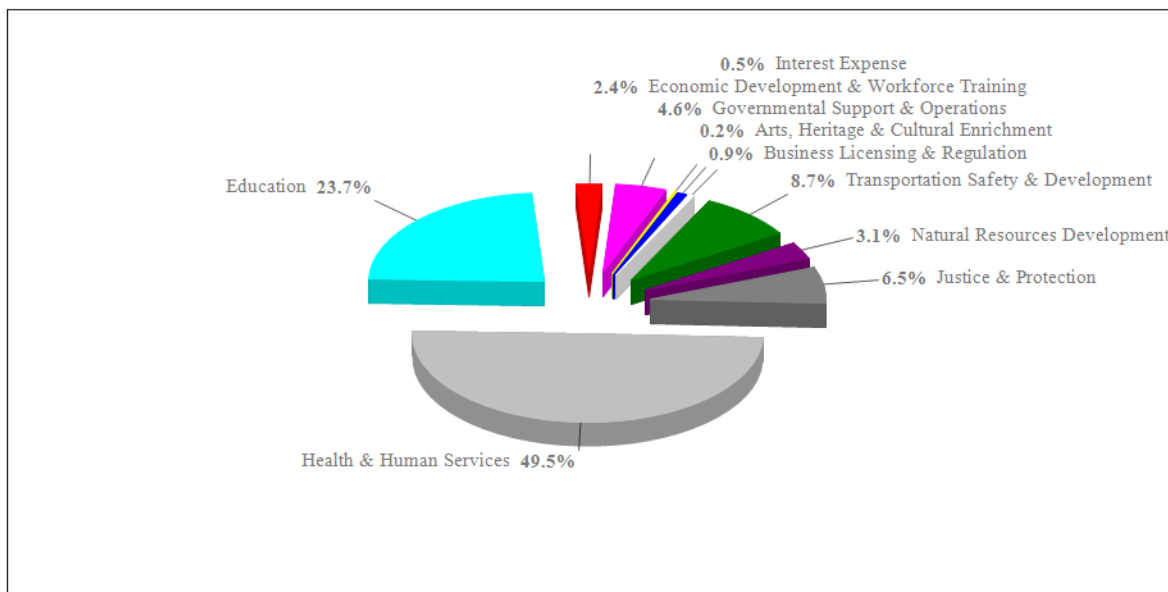
Revenues for the State's Governmental Activities totaled \$7.6 billion while total expenses equaled \$7.6 billion. The increase in net position for Governmental Activities was \$106.6 million in 2017, much of which was the result of current year transfers from the State's Business-Type Activities of \$93.8 million. The State's Business-Type Activities transfers of \$93.8 million (net) to the Governmental Activities, included statutorily required profit transfers, capital contributions, and the pledged profit of the Alcoholic Beverages Fund to finance the payment of the Liquor Revenue Bonds. These transfers are discussed further on page 11.

The users of the State's programs financed \$583.9 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of \$3.0 billion. \$4.1 billion of the State's net costs were financed by taxes and other miscellaneous revenue.

**TABLE A-3: TOTAL SOURCES OF REVENUES FOR GOVERNMENTAL ACTIVITIES FOR FISCAL YEAR 2017**



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



## Business-Type Activities

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

Table A-5 presents the cost of State Business-Type Activities: Employment Security, Alcoholic Beverages, Lottery, Military Equipment Maintenance, Dirigo Health and other. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the State's taxpayers by each of these functions.

**TABLE A-5: NET COST OF BUSINESS-TYPE ACTIVITIES**  
(Expressed in Thousands)

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

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

## FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

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

As of the end of the fiscal year, the State's governmental funds reported combined ending fund balances of \$966.0 million, an increase of \$146.5 million in comparison with the prior year. Of this total, \$31.4 million (3.3 percent) is classified as non-spendable, either due to its form or legal constraints, and \$654.6 million (67.8 percent) is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. Unspent bond proceeds, revenue restricted for transportation, natural resources or other programs are included in restricted fund balance. At the end of fiscal year 2017, the unassigned fund balance of the General Fund was \$59.1 million, an increase of \$94.2 million.

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

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

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

## Budgetary Highlights

For the 2017 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to \$3.51 billion, an increase of about \$91 million from the original legally adopted budget of approximately \$3.42 billion. Actual expenditures on a budgetary basis amounted to approximately \$154.6 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2017, including the budgeted starting balance for Fiscal Year 2017, there were funds remaining of \$53.9 million to distribute in fiscal year 2018. Actual revenues exceeded final budget forecasts by \$120.4 million. At year end, the State transferred \$36.8 million to the Budget Stabilization Fund. Interest earnings along with legislatively and statutorily approved transfers increased the balance in the Fund to \$196.3 million as of June 30, 2017. This item is further explained in Note 2 of Notes to the Financial Statements.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

By the end of fiscal year 2017, the State had roughly \$4.2 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2017, the State acquired or constructed more than \$130.1 million of capital assets. The most significant impact on capital assets during the year resulted from continued construction and rehabilitation of roads and bridges, and major construction and renovation of State-owned facilities. More detailed information about the State's capital assets and significant construction commitments is presented in Notes 8 and 17 to the financial statements.

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

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

### Modified Approach for Infrastructure

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets – highways and bridges. Under this alternative method, referred to as the modified approach, the State expenses certain maintenance and preservation costs and does not report depreciation expense. Utilization of this approach requires the State to: 1) maintain an asset management system that includes an up-to-date inventory of infrastructure assets; 2) perform condition assessments that use a measurement scale and document that the infrastructure assets are being preserved at or

above the condition level established; and 3) estimate the annual amounts that must be expended to preserve and maintain the infrastructure at the condition level established by the State. As long as the State meets these requirements, any additions or improvements to infrastructure are capitalized and all other maintenance and preservation costs are expensed.

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

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

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

### Long-Term Debt

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

At year-end, the State had \$1.8 billion in general obligation and other long-term debt outstanding. More detailed information about the State's long-term liabilities is presented in Note 11 to the financial statements.

**TABLE A-8: OUTSTANDING LONG-TERM DEBT**  
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
<b>General Obligation</b>						
Bonds	\$ 460,240	\$ 442,610	\$ -	\$ -	\$ 460,240	\$ 442,610
Unmatured Premiums	35,892	21,834	-	-	35,892	21,834
Other Long-Term Obligations	1,255,448	1,254,558	3,924	4,994	1,259,372	1,259,552
Total	<u>\$ 1,751,580</u>	<u>\$ 1,719,002</u>	<u>\$ 3,924</u>	<u>\$ 4,994</u>	<u>\$ 1,755,504</u>	<u>\$ 1,723,996</u>

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

### Credit Ratings

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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



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# **BASIC FINANCIAL STATEMENTS**

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

June 30, 2017  
(Expressed in Thousands)

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

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

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

**STATE OF MAINE**  
**STATEMENT OF ACTIVITIES**

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

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

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



**Net (Expenses) Revenues and  
Changes in Net Position**

**Primary Government**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (260,519)	\$ -	\$ (260,519)	\$ -
(8,688)	-	(8,688)	-
7,459	-	7,459	-
(88,940)	-	(88,940)	-
(1,546,041)	-	(1,546,041)	-
(1,417,292)	-	(1,417,292)	-
(353,508)	-	(353,508)	-
(98,290)	-	(98,290)	-
(271,176)	-	(271,176)	-
(38,992)	-	(38,992)	-
<u>(4,075,987)</u>	<u>-</u>	<u>(4,075,987)</u>	<u>-</u>
-	30,846	30,846	-
-	45,992	45,992	-
-	60,232	60,232	-
-	(7,672)	(7,672)	-
-	1,230	1,230	-
-	23	23	-
-	306	306	-
-	<u>130,957</u>	<u>130,957</u>	<u>-</u>
<u>(4,075,987)</u>	<u>130,957</u>	<u>(3,945,030)</u>	<u>-</u>
-	-	-	2,007
-	-	-	(53,071)
-	-	-	(1,821)
-	-	-	10,759
-	-	-	3,971
-	-	-	40,791
-	-	-	(199,156)
-	-	-	(17,508)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (214,028)</u>

**General Revenues:**

Taxes:				
Corporate Taxes	184,599	-	184,599	-
Individual Income Taxes	1,579,511	-	1,579,511	-
Fuel Taxes	253,176	-	253,176	-
Property Taxes	62,979	-	62,979	-
Sales & Use Taxes	1,493,728	-	1,493,728	-
Other Taxes	370,998	-	370,998	-
Unrestricted Investment Earnings	22,003	-	22,003	25,890
Non-Program Specific Grants, Contributions & Appropriations	-	-	-	314,354
Miscellaneous Income	69,515	-	69,515	11,353
Gain (Loss) on Sale of Assets	-	-	-	(6,224)
Tobacco Settlement	52,267	-	52,267	-
Special Items	-	895	895	-
Transfers - Internal Activities	93,845	(93,845)	-	-
Total General Revenues and Transfers	<u>4,182,621</u>	<u>(92,950)</u>	<u>4,089,671</u>	<u>345,373</u>
Change in Net Position	106,634	38,007	144,641	131,345
Net Position - Beginning (as restated)	<u>1,661,945</u>	<u>413,181</u>	<u>2,075,126</u>	<u>2,928,887</u>
Net Position - Ending	<u>\$ 1,768,579</u>	<u>\$ 451,188</u>	<u>\$ 2,219,767</u>	<u>\$ 3,060,232</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 148.

**STATE OF MAINE**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**

June 30, 2017  
(Expressed in Thousands)

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

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

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

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

Total fund balances for governmental funds		\$ 966,015
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	4,400,218	
Accumulated Depreciation	<u>409,217</u>	3,991,001
Pension Assets		3,127
Pension Related Deferred Outflows		820,894
Other post-employment benefit assets are not financial resources.		66
Refunded Bond Deferred Outflows		4,435
Pollution Remediation Receivable		1,141
Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental fund statements. However, these amounts are included in the Statement of Net Position. This net effect of these balances on the statement:		
Bonds Payable	(668,002)	
Interest Payable Related to Long-term Financing	(3,188)	
Certificates of Participation and Other Financing Arrangements	(50,166)	
Capital Leases	(2,118)	
Loans Payable to Component Unit	(428,713)	
Compensated Absences	(43,858)	
Pension Liability	(2,825,232)	
Pension Related Deferred Inflows	(57,703)	
Other Post-employment Benefit Obligation	(376,108)	
Pollution Remediation and Landfill Obligations	<u>(33,578)</u>	(4,488,666)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		240,971
Other Revenue		4,306
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		<u>225,289</u>
Net position of governmental activities		<u><u>\$ 1,768,579</u></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, 2017  
(Expressed in Thousands)

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

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

Net change in fund balances - total governmental funds		\$ 146,499
Amounts reported for governmental activities in the Statement of Net Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Outlay	103,700	
Depreciation Expense	<u>(38,838)</u>	64,862
Pension Assets		(390)
Pension Related Deferred Outflows		522,187
Refunded Bond Deferred Outflows		2,912
Post-employment Asset Funding, Net		(265)
Pollution Remediation Receivable		(486)
The issuance of long-term debt provides current financial resources to governmental funds which increases long-term debt in the Statement of Net Position. Repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but repayment reduces long-term debt in the Statement of Net Position. This is the amount that proceeds exceed repayments:		
Bond Proceeds	(140,990)	
Premium on Bonds Issued	(20,490)	
Proceeds from Other Financing Arrangements	(48,769)	
Loan Proceeds from Component Unit	(50,002)	
Payment to Refund Bond Escrow Agent	26,820	
Repayment of Bond Principal	99,955	
Repayment of Other Financing Debt	37,604	
Repayment of Pledged Revenue Principal	46,488	
Repayment of Capitalized Lease Principal	529	
Accrued Interest	932	
Amortization of Bond Premiums	<u>2,557</u>	(45,366)
Certain expenditures are reported in the funds. However, they either increase or decrease long-term liabilities reported as expenditures on the Statement of Net Position and have been eliminated from the Statement of Position as follows:		
Compensated Absences	(2,910)	
Pension Liability	(686,866)	
Pension Related Deferred Inflows	72,173	
Other Post-employment Benefit Obligation	(1,155)	
Pollution Remediation and Landfill Obligations	<u>4,030</u>	(614,728)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		
		9,006
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is included in governmental activities in the Statement of Activities.		
		<u>22,403</u>
Changes in net position of governmental activities		<u>\$ 106,634</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.

## NON-MAJOR FUNDS

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

Non-major enterprise funds are presented beginning on page 165.

Combining fund statements for the internal service funds, whose combined totals are presented on these statements, begin on page 173.

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

June 30, 2017  
(Expressed in Thousands)

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

119  
\$ 451,188

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

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

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

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

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

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

June 30, 2017  
(Expressed in Thousands)

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

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

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

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

A listing of fiduciary funds and combining fund statements for private-purpose trusts and agency funds begins on page 185.

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

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

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

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

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

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

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

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

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

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

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

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

Non-Major Component Units combining fund statements begin on page 199.

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

June 30, 2017  
(Expressed in Thousands)

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

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

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

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

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

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

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

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



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# NOTES TO THE FINANCIAL STATEMENTS

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**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2017

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

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

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

**A. REPORTING ENTITY**

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

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

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

**Blended Component Units**

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

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

**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2017

**Discrete Component Units**

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

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

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

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

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

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

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

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

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

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

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

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

**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2017

with the retirement system since the legislature has substantive approval over their budget.

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

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

**Related Organizations**

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

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

**Government-Wide Financial Statements**

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

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

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

**Restricted component of net position** consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Constraints placed on restricted components of net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports \$581.5 million of restricted net position, of which \$471.3 million is restricted by enabling legislation.

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

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

**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2017

**Fund Financial Statements**

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

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

**Measurement Focus and Basis of Accounting**

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

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

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

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

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

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

**Financial Statement Presentation**

The State reports the following major governmental funds:

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

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

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

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

The State reports the following major enterprise fund:

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

**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2017

Additionally, the State reports the following fund types:

**Governmental Fund Types:**

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

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

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

**Proprietary Fund Types:**

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

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

**Fiduciary Fund Types:**

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

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

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

**D. FISCAL YEAR-ENDS**

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

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

**Equity in Treasurer's Cash Pool**

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

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

**Cash and Cash Equivalents**

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

**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2017

**Cash with Fiscal Agent**

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

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

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

**Investments Held on Behalf of Others**

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

**Restricted Deposits and Investments**

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

**Inventories**

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

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

**Receivables**

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

**Interfund Transactions and Balances**

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

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

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

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

**Due from/to Other Governments**

Due from/to Other Governments represents amounts receivable from or payable to municipalities or the federal government. Due from Other Governments represents primarily federal grants receivable for Medicaid claims, other health and human services programs, and federal grants receivable for transportation-related expenditures. Due from Other Governments in the component

## STATE OF MAINE NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

units column represents amounts receivable for grants, bond repayment and retirement benefits. Due to Other Governments primarily consist of amounts owed to municipalities for Municipal Revenue Sharing and the federal government for Medicaid cost recoveries from providers.

### **Capital Assets**

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

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

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

### **Deferred Outflows of Resources**

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

### **Accounts Payable**

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers. Incurred but not paid (IBNP) Medicaid claims settlements are actuarially estimated. The IBNP estimate recorded at June 30, 2017 is \$198.3 million.

### **Tax Refunds Payable**

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

### **Claims Payable**

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

### **Compensated Employee Absences**

In the government-wide statements and proprietary fund financial statements, compensated absences are recorded as a long-term liability as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments to terminated employees as of June 30, 2017 but paid after the fiscal year end are also reported in the funds. Approximately 50% of the governmental fund compensated absences are liquidated by the general fund. In the discretely presented component units, employees' accumulated compensated absences are recorded as an expense and liability as the benefits accrue.

### **Net Pension Liability**

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

**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2017

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

**Deferred Inflows of Resources**

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

**Loans Payable to Component Units**

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

**Long-Term Obligations**

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

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

**Net Position/Fund Balances**

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

**Fund Balance Restrictions**

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

The State reported the following fund balance restrictions:

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

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

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

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

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



**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2017

**F. REVENUES AND EXPENDITURES/EXPENSES**

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

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

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

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

**NOTE 2 - BUDGETING AND BUDGETARY CONTROL, AND LEGAL COMPLIANCE**

**Appropriation Limits**

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

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

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

**Budget Stabilization Fund**

The Maine Budget Stabilization Fund, a fund designation established under Title 5 MRSA C. 142, is included in the \$59.1 million unassigned General Fund fund balance. Amounts in the stabilization fund may be expended only to offset a General Fund revenue shortfall. The Governor may also allocate funds for payment of death benefits for law enforcement officers, firefighters and emergency medical services personnel.

Balances in the fund do not lapse, but carry forward each year. Money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. The State Controller is required to transfer to the fund 80 percent of the amount available from the unappropriated surplus after all required deductions of appropriations, budgeted financial commitments and adjustments at the close of each fiscal year when the fund is not at its statutory cap. In accordance with the statute, the State Controller made the required transfer for fiscal year 2017. The State Controller transferred \$35.0 million from the General Fund unappropriated surplus in accordance with Public Law 2017, Chapter 2, Part D, Section D-1. Per Public Law 2015, Chapter 481, Part A, \$10.0 million was transferred to the Budget Stabilization Fund.

**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2017

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

**Budget Stabilization Fund Activity**  
(Expressed in Thousands)

Balance, beginning of year	\$ 112,352
Increase in fund balance	83,938
Balance, end of year	<u>\$ 196,290</u>

**Budget and Budgetary Expenditures**

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

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

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

**Governmental Fund Balances - Restricted, Committed and Assigned**

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

**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2017

**Governmental Fund Balances**  
(Expressed in Thousands)

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

**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2017

**Governmental Fund Balances**  
(Expressed in Thousands)

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

**NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS**

**Accounting Changes**

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

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

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

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

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The Statement addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or

**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2017

local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and, (3) has no predominant state or local governmental employer.

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

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

**Restatements - Primary Government**

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

**Restatements - Private Purpose Trusts**

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

**Restatements - Component Units**

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

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

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

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

**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2017

**NOTE 5 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2017

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

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

	<b>Governmental</b>	<b>Business- Type Activities</b>	<b>Private Purpose Trusts</b>	<b>Agency Funds</b>	<b>Total</b>
Equity in Treasurer's Cash Pool	\$ 937,483	\$ 9,986	\$ 534	\$ 29,233	\$ 977,236
Cash and Cash Equivalents	3,627	1,864	1,911	27	7,429
Cash with Fiscal Agent	88,821	-	-	-	88,821
Investments	106,945	-	18,827	-	125,772
Restricted Equity in Treasurer's Cash Pool	87,662	-	-	-	87,662
Restricted Deposits and Investments	4,050	406,028	-	11	410,089
Investments Held on Behalf of Others	-	-	-	59,520	59,520
<b>Total Primary Government</b>	<b>\$ 1,228,588</b>	<b>\$ 417,878</b>	<b>\$ 21,272</b>	<b>\$ 88,791</b>	<b>\$ 1,756,529</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, 2017:

**Maturities in Years**  
(Expressed in Thousands)

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

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

The Primary Government’s total investments by credit quality rating as of June 30, 2017 are presented below:

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

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

*Concentration of Credit Risk* – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. The State limits concentration of credit risk in its trusts by requiring that no single stock represent more than seven percent of the total portfolio. There is no concentration of credit risk policy for the Treasurer’s Cash Pool. At June 30, 2017, there were no investments that exceeded five percent of the Treasurer’s Cash Pool.

*Custodial Credit Risk* - For investments, custodial credit risk is the risk that, in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The State limits its custodial credit risk for the Treasurer’s Cash Pool by maintaining a file of the most recent credit rating analysis reports performed for each approved financial institution. The State also requires that all securities be perfected in the name of the State and held in third party safekeeping by a state approved custodian. Of the cash pool’s \$78.2 million invested in non-negotiable certificates of deposit, certain CD’s exceeded the FDIC insured amounts for the institutions at which they were held. However, certificates of deposits, money market accounts and regular cash deposits are all collateralized at a minimum of 100% with pledged securities or a Federal Home Loan Bank letter of credit. The State does not have a policy regarding custodial credit risk for its trusts. The Percival P. Baxter Trust is held by the counterparty’s trust department, but not in the State’s name.

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

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



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

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

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

*Level 2* - Inputs to the valuation method include:

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

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

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

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

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

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

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

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

Investments classified as level 2 are also priced using selected vendors that price assets on a mark-to-market basis where a market valuation is required. Examples include Commercial Paper, Certificates of Deposit, Discount Notes, Treasury Bills,

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Floating & Variable Rate Notes, all of which have maturities of less than 1 year. Standard methodology for pricing of short term paper with less than 91 days, held by Money Market Funds (MMF) is to use the “amortized cost” basis (by calculating the value based on a straight line amortization of premium/discount to the original cost). Amortized cost valuation is applied on the LoB’s accounting platform as required. Where funds are required to use market value (instead of amortized cost price) or prices required for daily, weekly or monthly “marked to market” (US 2a-7 validation) funds are priced using the following hierarchy:

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

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

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

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

**Fair Value Measurement**  
(Expressed in Thousands)

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

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**

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

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

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types, amounts and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and are monitored by the Chief Investment Officer.

Foreign currency forward contracts are used to hedge against the currency risk in the System's foreign equity and fixed income security portfolios. The System's fixed income managers invest in Collateralized Mortgage Obligations (CMOs) and Asset-Backed Securities to improve the yield or adjust the duration of the fixed income portfolio.

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

Cash collateral is invested in a short-term investment pool. Cash collateral may also be invested separately in "term loans." At June 30, 2017 all of the collateral for securities lending is subject to custodial credit risk. The System believes that there is no credit risk as defined in GASB Statement No. 28 and GASB Statement No. 40. The collateral held and the market value of securities on loan for the System as of June 30, 2017 was \$67.2 million and \$65.7 million, respectively.

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

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

**COMPONENT UNITS**

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

Certain component units also invest in the Treasurer's Cash Pool and comprise approximately 5 percent of pool assets. The component units reported their participation as either Cash and Cash Equivalents or Investments on their financial statements. The State reclassified \$34.5 million of the component units' participation to "Equity in Treasurer's Cash Pool" on the State's financial statements. In addition to the amounts reported, the State Treasurer's Cash Pool includes \$5.9 million, consisting of Finance Authority of Maine component unit fiduciary funds that, because of GASB Statement No. 34 reporting criteria, are not shown in the accompanying financial statements as invested in the Treasurer's Cash Pool.

**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**NOTE 6 - RECEIVABLES**

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

**Primary Government - Receivables**  
(Expressed in Thousands)

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

**Component Units - Receivables**  
(Expressed in Thousands)

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

**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2017

**NOTE 7 - INTERFUND TRANSACTIONS**

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

Balances due within one year are recorded as Due to/Due from Other Funds. The balances of current interfund receivables and payables as of June 30, 2017 were:

**Interfund Receivables**  
(Expressed in Thousands)

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

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

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

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

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

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

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

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

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

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For the Fiscal Year Ended June 30, 2017

**NOTE 8 - CAPITAL ASSETS**

The following schedule details changes in capital assets for the governmental activities and business-type activities of the primary government for the fiscal year ended June 30, 2017:

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

	<b>Beginning Balance</b>	<b>Increases and Other Additions</b>	<b>Decreases and Deletions</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
<b>Capital assets not being depreciated</b>				
Land	\$ 611,830	\$ 17,308	\$ 314	\$ 628,824
Construction in progress	38,188	26,411	17,603	46,996
Infrastructure	<u>2,824,703</u>	<u>44,303</u>	<u>-</u>	<u>2,869,006</u>
Total capital assets not being depreciated	<u>3,474,721</u>	<u>88,022</u>	<u>17,917</u>	<u>3,544,826</u>
<b>Capital assets being depreciated</b>				
Buildings	772,193	10,961	1,392	781,762
Equipment	293,396	32,795	28,076	298,115
Improvements other than buildings	96,251	12,925	11	109,165
Software	<u>73,059</u>	<u>2,914</u>	<u>-</u>	<u>75,973</u>
Total capital assets being depreciated	<u>1,234,899</u>	<u>59,595</u>	<u>29,479</u>	<u>1,265,015</u>
<b>Less accumulated depreciation for</b>				
Buildings	310,654	22,319	1,424	331,549
Equipment	181,227	31,070	14,754	197,543
Improvements other than buildings	50,160	4,815	-	54,975
Software	<u>38,049</u>	<u>8,032</u>	<u>-</u>	<u>46,081</u>
Total accumulated depreciation	<u>580,090</u>	<u>66,236</u>	<u>16,178</u>	<u>630,148</u>
Total capital assets being depreciated, net	<u>654,809</u>	<u>(6,641)</u>	<u>13,301</u>	<u>634,867</u>
Governmental Activities Capital Assets, net	<u>\$ 4,129,530</u>	<u>\$ 81,381</u>	<u>\$ 31,218</u>	<u>\$ 4,179,693</u>
	<b>Beginning Balance</b>	<b>Net Additions</b>	<b>Net Deletions</b>	<b>Ending Balance</b>
<b>Business-Type Activities:</b>				
<b>Capital assets not being depreciated</b>				
Land	\$ 2,387	\$ 2	\$ -	\$ 2,389
Construction in progress	<u>391</u>	<u>-</u>	<u>391</u>	<u>-</u>
Total capital assets not being depreciated	<u>2,778</u>	<u>2</u>	<u>391</u>	<u>2,389</u>
<b>Capital assets being depreciated</b>				
Buildings	4,655	-	-	4,655
Equipment	32,571	124	37	32,658
Improvements other than buildings	<u>42,757</u>	<u>-</u>	<u>-</u>	<u>42,757</u>
Total capital assets being depreciated	<u>79,983</u>	<u>124</u>	<u>37</u>	<u>80,070</u>
<b>Less accumulated depreciation for</b>				
Buildings	2,635	137	-	2,772
Equipment	13,040	1,338	26	14,352
Improvements other than buildings	<u>28,428</u>	<u>1,505</u>	<u>-</u>	<u>29,933</u>
Total accumulated depreciation	<u>44,103</u>	<u>2,980</u>	<u>26</u>	<u>47,057</u>
Total capital assets being depreciated, net	<u>35,880</u>	<u>(2,856)</u>	<u>11</u>	<u>33,013</u>
Business-Type Capital Assets, net	<u>\$ 38,658</u>	<u>\$ (2,854)</u>	<u>\$ 402</u>	<u>\$ 35,402</u>

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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)

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

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

**OVERVIEW OF THE SYSTEM**

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

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

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

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



## **STATE OF MAINE**

### **NOTES TO THE FINANCIAL STATEMENTS**

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

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

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

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

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **PENSIONS**

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

#### **EMPLOYER ALLOCATIONS FOR COST-SHARING DEFINED BENEFIT RETIREMENT PROGRAMS**

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

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

#### **MEMBERSHIP**

State employees and teachers are covered under the Maine Public Employees Retirement System's State Employee and Teacher Retirement Program (SETP). State employees and public school teachers are required by law to become members of SETP when

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hired. Membership is optional for elected, appointed officials and substitute teachers. SETP also covers eligible employees of three discretely presented State component units: Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, and the Northern New England Passenger Rail Authority. At June 30, 2017 there were 236 employers, including the State of Maine, participating in the plan.

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

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

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

**Employees of single employer covered by benefit terms**

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

**STATE EMPLOYEES AND TEACHERS PENSION PLAN BENEFITS**

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

**PARTICIPATING LOCAL DISTRICTS PLAN BENEFITS**

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

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**CONTRIBUTION INFORMATION**

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

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

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

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

**CONTRIBUTION RATES - DEFINED BENEFIT PENSION PLANS**

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

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

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Contribution rates<sup>1</sup> in effect for the fiscal years ended June 30, 2017 and June 30, 2016 are as follows:

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

<sup>1</sup> Employer and non-employer contribution rates include normal cost and the UAAL required payment, expressed as a percentage of payroll.

<sup>2</sup> Employer and employee contribution rates vary depending on specific terms of plan benefits for certain classes of employees.

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

(Expressed in Thousands)

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

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**NET PENSION LIABILITY - SINGLE EMPLOYER**

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

(Expressed in Thousands)

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

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

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

(Expressed in Thousands)

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

<sup>1</sup> Percentage of State Employees in the SETP

<sup>2</sup> Percentage of employer and non-employer contributors to the SETP - Teachers

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

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

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

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

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

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

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

**All Plans**

Valuation dates	June 30, 2016 Actuarially determined contribution rates are calculated based on a 2014 actuarial valuation developed as a roll-forward of the 2013 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2014 using assets as of June 30, 2014.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Cost-of-Living	2.20% Benefit changes. By law, the COLA is based on the Consumer Price Index for Urban Consumers (CPI-U) as of June 30th applied to the statutory COLA base. If the percentage is negative, then no adjustment is made in that year. In subsequent years the adjustment that would have been made will be adjusted downward to the extent necessary to recoup the full actuarial value of not having made the previous year's negative adjustment. This process of adjustment may occur over a multi-year period if needed to recoup the full actuarial value of the negative CPI-U. Cost-of-living adjustments are effective September 1. Retirees are eligible to receive a cost-of-living adjustment after being retired for at least 12 months, except that retirees with less than 10 years of service on July 1, 1993 who retire prior to normal retirement age are not eligible to receive a cost-of-living adjustment until 12 months after reaching normal retirement age. The maximum annual limit is 3% of up to the first \$20,000 of annual benefit, indexed. This is a permanent increase in retiree's benefit. The \$20,000 COLA base is indexed each year going forward by the same percentage as the COLA that is paid.
Investment rate of return used for contributions in 2014	7.125%
Investment rate of return	6.875%
Inflation rate	2.75%
Salary increases	2.75% plus merit component based on employee's years of service
Mortality	For active members and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used.
Most recent review of plan experience:	2015

**Plan specific**

	<u>SETP</u>	<u>Judicial</u>	<u>Legislative</u>
Amortization method	Level Percent of payroll, closed 18-year amortization of the 2014 UAL.	Level percent of payroll, open 10-year amortization of 2014 UAL.	Level percent of payroll, open 10-year amortization of the 2014 UAL.
Retirement age	Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.	100% retirement assumed to occur at age 60 for members with at least 10 years of creditable service on July 1, 1993. For members with less than 5 years of creditable service on July 1, 2001, 50% are assumed to retire each year after reaching age 65.	100% retirement assumed to occur at 60 for members with at least 10 years of creditable service on July 1, 1993. For members with less than 5 years of creditable service on July 1, 2001, 50% are assumed to retire each year after reaching age 65.
<b>Changes since last valuation - All Plans</b>			
Former investment rate of return	7.125%		
Former salary increases	3.5% plus merit component		
Former cost-of-living increases	2.55%		
Former mortality table	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA. For teachers, the same table uses a 2-year set back.		



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**ANNUAL PENSION COST AND NET PENSION LIABILITY**

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

(Expressed in Thousands)

	SETP State of Maine		Combined Totals for 3 Non-Major Discrete Component Units		Total State of Maine Employees SETP		SETP Teachers		Legislative		Judicial	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience demographic and economic changes of assumptions	\$ 19,062	\$ 1,222	\$ 1,109	\$ 629	\$ 20,171	\$ 1,851	\$ 32,459	\$ 3,170	\$ -	\$ 123	\$ -	\$ 873
Net difference between projected and actual earnings on pension plan investments	62,052	-	3,612	-	65,664	-	43,105	-	73	-	1,245	-
Changes in proportion and differences between State contributions and proportionate share of contributions State and component unit contributions subsequent to the measurement date	153,725	-	8,949	-	162,674	-	316,337	-	537	-	2,788	-
	12,233	9,744	113	12,179	12,346	21,923	97	474	6	-	-	-
	140,153	-	7,734	-	147,887	-	116,080	-	-	-	1,143	-
<b>Total</b>	<b>\$ 387,225</b>	<b>\$ 10,966</b>	<b>\$ 21,517</b>	<b>\$ 12,808</b>	<b>\$ 408,742</b>	<b>\$ 23,774</b>	<b>\$ 464,973</b>	<b>\$ 46,749</b>	<b>\$ 543</b>	<b>\$ 196</b>	<b>\$ 5,176</b>	<b>\$ 873</b>
<b>For the Year Ended</b>												
2018	55,156	-	(3,167)	-	51,989	-	32,431	-	(126)	-	735	-
2019	65,964	-	(2,531)	-	63,433	-	35,669	-	71	-	363	-
2020	74,239	-	4,321	-	78,560	-	150,948	-	256	-	1,326	-
2021	40,747	-	2,372	-	43,119	-	83,096	-	140	-	736	-
2022	-	-	-	-	-	-	-	-	-	-	-	-

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

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

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

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

(Expressed in Thousands)

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

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

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

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

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

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

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**COMPONENT UNIT PARTICIPANTS**

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

**NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS**

**POST-RETIREMENT HEALTHCARE PLANS**

The State sponsors and contributes to three defined benefit healthcare plans: a sole employer plan for its employees, and multiple-employer cost sharing plans for Teachers and, separately, county and municipal law enforcement officers and firefighters (First Responders). Each plan provides medical benefits to eligible retired employees and beneficiaries. Statute prescribes what portion of health insurance costs are funded by the State. The State also sponsors and administers a fourth agent multiple-employer plan, Ancillary Group Plan, which covers 2 non-major discretely presented component units. Under the Ancillary Group Plan, employers fund their own benefits.

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

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

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

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

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

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is waived at that time, the retiree is ineligible to participate at a later date.

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

**PLAN MEMBERSHIP**

Membership in the four healthcare plans is as follows:

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

**STATE EMPLOYEES PLAN FUNDING POLICY**

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

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

**TEACHERS PLAN AND FIRST RESPONDERS PLAN FUNDING**

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

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

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

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**ANCILLARY GROUP PLAN**

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

**ANNUAL OPEB COST**

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

(Expressed in Thousands)

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

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

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

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

**FUNDED STATUS AND FUNDING PROGRESS**

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

(Expressed in Millions)

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

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

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

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**NOTES TO THE FINANCIAL STATEMENTS**

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**ACTUARIAL METHODS AND ASSUMPTIONS**

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

	<b>State Employees</b>	<b>Teachers</b>	<b>First Responders</b>
Valuation date	June 30, 2017	June 30, 2017	June 30, 2016
Date the valuation was issued	October 2017	October 2017	October 2017
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percent closed	Level percent closed	Level percent closed
Remaining amortization period - UAAL	20	20	21
Plan changes	30-year fixed	30-year fixed	rolling 15-year period
Actuarial (gains) / losses	10-year fixed	15-year fixed	rolling 15-year period
Asset valuation method	investment gains and losses spread over a 5 - year period no less than 80% nor more than 120% of market value	n/a	n/a
<b>Actuarial assumptions:</b>			
Investment rate of return	4.00%	4.00%	4.00%
	7.25% ultimate	7.25% ultimate	
Projected salary increases	3.25%	3.25%	3.5% - 9.5%
Inflation rate	3.00%	3.00%	3.00%
Healthcare inflation rate	initial - actual premiums	initial - actual premiums	7.5% at 2016 for Portland; ultimate CPI plus 3%
	ultimate 5.00% <sup>1</sup>	ultimate 5.00% <sup>1</sup>	7.5% for non-Portland; ultimate 5.00% at 2026
Most recent review of plan experience	2016	2016	
Mortality Table	RP-2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used.	RP-2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used.	RP2000 Tables projected forward to 2015 using Scale AA

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**CONTRIBUTIONS AND RESERVES**

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

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**INVESTMENTS**

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

**POST RETIREMENT GROUP LIFE INSURANCE BENEFIT PLAN**

The Maine Public Employees Retirement System (the System) is a component unit of the State of Maine. For financial reporting purposes, the System administers two multiple-employer cost-sharing, defined benefit Group Life Insurance Plans (GLIP) administered by a third party insurance company in accordance with Title 5 MRSA C. 423 and 425. Members include employees of the State, public school employees (defined by Maine law as teachers), members of the Judiciary and the Legislature, which are eligible for membership in the System. The State of Maine is also a non-employer contributing entity in that the State pays contributions for retired public school teachers in the plan. Group life insurance benefits are also provided to employees of approximately 130 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine that elect to participate under provisions of the relevant statutes. The System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for the plan. The June 30, 2017 report may be obtained from the Maine Public Employees Retirement System, PO Box 349, Augusta, ME 04332-0349.

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

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

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

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

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

**BASIS OF ACCOUNTING**

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



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

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

**INVESTMENTS**

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

**FUNDING POLICY**

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

**ANNUAL OPEB COST**

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

(Expressed in Thousands)

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

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**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2017

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

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

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

**FUNDED STATUS AND FUNDING PROGRESS**

The funded status of the plans as of June 30, 2017 was as follows:

(Expressed in Thousands)

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

\* Restated

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

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**ACTUARIAL METHODS AND ASSUMPTIONS**

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

Significant methods and assumptions were as follows:

Valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Asset valuation method	market
Actuarial assumptions:	
Investment rate of return	6.875%
Projected salary increases - State employees	2.75% - 8.75%
Projected salary increases - Teachers	2.75% - 14.5%
Inflation rate	2.75%
Cost of living increases in life benefits	N/A
Participation percent for future retirees	100.00%
Form of benefit payment	lump sum

**Plan Information**

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

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

(Expressed in Millions)

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

Significant actuarial assumptions for the June 30, 2017 State Employee Healthcare OPEB Plan included using a 6.93 percent discount rate for 2017/2018, and a 7.25 percent rate thereafter. The expected long-term rate of return is 7.25 percent since the trust is projected to have sufficient assets to pay all benefits under the State's current contribution policy. The individual entry age normal method is used to determine liabilities. General inflation of 3.00 percent was used along with an aggregate payroll increase

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of 3.25 percent. Merit payroll increases, mortality, termination, disability and retirement assumptions relied on the System's June 30, 2012 through June 30, 2015's experience study. The mortality improvement scale MP-2015 was modified to converge to an ultimate rate of 0.85 percent for ages 20 to 85 grading down to 0.00 percent for ages 111 to 120 with convergence to the ultimate rate in 2020.

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

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

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

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

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

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plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

(Expressed in Millions)

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

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

(Expressed in Millions)

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
State Employee Healthcare Plan	\$ 801	\$ 928	\$ 1,080

**NOTE 11 - LONG-TERM OBLIGATIONS**

**PRIMARY GOVERNMENT**

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

**GENERAL OBLIGATIONS BONDS**

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

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For the Fiscal Year Ended June 30, 2017

Changes in general obligation bonds of the primary government during fiscal year 2017 were:

**Primary Government - Changes in General Obligation Bonds**

(Expressed in Thousands)

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

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

**Future Debt Service on General Obligation Bonds**

(Expressed in Thousands)

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

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

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

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

**AUTHORIZED UNISSUED BONDS**

Any bonds not issued within five years of the date of ratification may not be issued after that date. Within two years after expiration of the five-year period, the Legislature may extend, by a majority vote, the five-year period for an additional five years or may deauthorize the bonds. If the Legislature fails to take action within those two years, the bond issue shall be considered to be deauthorized and no further bonds may be issued. At June 30, 2017, general obligation bonds authorized and unissued totaled \$85.2 million.

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

The State included \$171.9 million in other financing arrangements to reflect revenue bonds issued by the Maine Governmental Facilities Authority (MGFA), a blended component unit. Payment of the bonds is subject to, and dependent upon, biennial appropriations being made by the State Legislature. Debt issued by MGFA is not debt of the State or any political subdivision within the State. The State is not obligated for such debt, nor is the full faith and credit of the State pledged for such debt. MGFA may not issue securities in excess of \$616.1 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

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

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

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

**CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS**

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

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

**SHORT-TERM OBLIGATIONS**

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



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**OTHER LONG-TERM OBLIGATIONS**

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

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

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

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

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

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

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

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**LOANS PAYABLE TO COMPONENT UNIT**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**OBLIGATIONS UNDER CAPITAL LEASES**

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

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

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

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

At June 30, 2017 capital assets include capitalized buildings of \$78.9 million in Governmental Activities, net of related accumulated depreciation of \$48.1 million.

**OBLIGATIONS UNDER OPERATING LEASES**

The State is obligated under certain leases, accounted for as operating leases, in the proprietary funds. Operating leases do not give rise to property rights or lease obligations, and therefore assets and liabilities related to the lease agreements are not recorded in the State's financial statements. Rental expense incurred under operating leases totaled \$2.7 million during the year.

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

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

<b>Fiscal Year</b>	<b>Capital Leases</b>	<b>Operating Leases</b>
2018	\$ 5,582	\$ 2,171
2019	4,687	2,040
2020	4,188	1,858
2021	3,585	1,651
2022	2,676	1,282
2023-2027	9,101	3,086
2028-2032	4,641	717
2033-2037	1,852	541
2038-2042	1,636	617
2043-2047	884	706
2048-2052	-	511
2053-2057	-	231
Total Minimum Payments	<u>38,832</u>	<u>\$ 15,411</u>
Less: Amount Representing Interest	<u>4,556</u>	
Present Value of Future Minimum Payments	<u>\$ 34,276</u>	

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

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

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**CLAIMS PAYABLE**

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

**COMPENSATED ABSENCES**

In the government-wide statements and proprietary fund financial statements, compensated absences are reported as long-term liabilities as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments made to terminated employees as of June 30, 2017 but paid after the fiscal year end is also reported in the funds.

**COMPONENT UNITS**

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

**Component Unit Bonds Outstanding**  
(Expressed in Thousands)

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

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

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

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

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

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

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

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

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

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

**NOTE 12 - SELF - INSURANCE**

**A. RISK MANAGEMENT**

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

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

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

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

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

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

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

<sup>2</sup> Excess insurance is only for out of state travel.

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

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

All risk-financing liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities represent the estimated cost of claims as of March 31, 2017. This cost of claims includes case reserves, the development of known claims, and the direct administrative expenses for settling specific claims.

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

At March 31, 2017 and 2016 the present value of claims payable for the State's self-insurance plan was estimated at \$8.2 million and \$8.0 million, respectively. The actuary calculated this based on the State's rate on investments.

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

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

As of June 30, 2017, fund assets of \$25.3 million exceeded fund liabilities of \$9.2 million by \$16.1 million. The portion of this amount that may be reserved for catastrophic losses has not been determined.

**STATE OF MAINE**  
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**B. UNEMPLOYMENT INSURANCE**

The State is self-insured for unemployment compensation. As a direct reimbursement employer, the State recognizes all costs for unemployment compensation as claims are paid. These costs totaled \$791 thousand for the fiscal year ended June 30, 2017.

**C. WORKERS' COMPENSATION**

Workers' Compensation is accounted for in an Internal Service Fund. Interfund premiums are treated as quasi-external transactions. Each State agency is charged a premium based on the number of employees to be covered plus an added amount to reduce the unfunded liability. The Legislature, Legislative Council, and Law Library employees are self-insured for workers' compensation purposes. The State assumes the full risk of all claims filed for workers' compensation.

Claims liabilities are actuarially determined based on estimates of the ultimate cost of claims, including future claim adjustment expenses that have been incurred but not reported and claims reported but not settled. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other economic and social factors.

The balance of claims liabilities as of June 30, 2017:

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

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

Based on the actuarial calculation as of June 30, 2017, the State is liable for unfunded claims, and incurred but not reported claims, of approximately \$60.9 million. The discounted amount is \$49.4 million and was calculated based on a 3.0 percent interest rate on investments.

**D. EMPLOYEE HEALTH INSURANCE**

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

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

There are two primary health plans available. A Point-of-Service plan is available to all active employees and retirees not eligible for Medicare. A Medicare Advantage plan is available to Medicare eligible retirees. Total enrollment averaged approximately 36,300 covered individuals. This total includes 28,025 active employees and dependents and 8,275 Medicare retirees and dependents.

Claims expenses are recorded when premiums are paid to the claims servicing contractor. At the end of the period, the total of these premium payments are compared with the actual claims paid and claims expense is adjusted for any overage or shortage with an offsetting receivable or liability recorded. For the period ending June 30, 2017 the State recorded a receivable of \$8.6 million for an overpayment of health care premiums.



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Expenses and liabilities for incurred but not reported claims, based on an actuarial analysis of claim lag pattern, have been recorded as liabilities in the amount of \$19.7 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2017 follows:

(Expressed in Thousands)

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

The table above reflects actual activity of the employee health and retiree health insurance programs. In accordance with GASB Statement No. 45, certain costs reported above were reclassified for financial statement purposes. Retiree healthcare costs of \$53.1 million were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, \$16.0 million of active employee healthcare costs were reclassified from the internal service fund to the OPEB Trust Fund to reflect age-adjusted claims.

**NOTE 13 - JOINT VENTURES**

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

**TRI-STATE LOTTO COMMISSION**

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

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

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

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

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The Tri-State Lotto Commission financial report for fiscal year 2017, which may be obtained from the Bureau of Alcoholic Beverages and Lottery Operations, 8 State House Station, Augusta, ME 04333-0008, includes the following selected financial information:

**Tri-State Lotto Commission**  
(Expressed in Thousands)

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

**Multi-State Lottery Association**

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

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

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The Multi-State Lottery Association's financial report for fiscal year 2017 which may be obtained from the Bureau of Alcoholic Beverages and Lottery Operations, 8 State House Station, Augusta, ME 04333-0008, includes the following selected information:

**Multi State Lottery Association**  
(Expressed in Thousands)

Cash and Cash Equivalents	\$ 398,234
Investments in US Government Securities	65,782
US Government Securities Held for Prize Annuities	69,049
Due from Party Lotteries	22,807
Patent, net of accumulated amortization	4,807
Other Assets	<u>690</u>
Total Assets	<u><u>\$ 561,369</u></u>
Amount Held for Future Prizes	\$ 480,917
Grand Prize Annuities Payable	69,640
Other Liabilities	<u>5,668</u>
	556,225
Net Position, Unrestricted	<u>5,144</u>
Total Liabilities and Net Position	<u><u>\$ 561,369</u></u>
Total Revenue	\$ 4,345
Total Expenses	<u>6,143</u>
Excess of Revenues over Expenses	(1,798)
Net Position, beginning	<u>6,942</u>
Net Position, ending	<u><u>\$ 5,144</u></u>

**NOTE 14 - RELATED PARTY TRANSACTIONS**

**PRIMARY GOVERNMENT**

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

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

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

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

**COMPONENT UNITS**

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

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total \$28.7 million at June 30, 2017, as a liability in Amounts Held Under State Revolving Loan Programs in their fiduciary financial statements. The state reports the asset as a receivable in the Special Revenue Fund. During fiscal year 2017, the State expended \$3.0 million to FAME for State revolving loan funds. The State also transferred \$1.0 million from its Loan Insurance Reserves to FAME.

Title 20-A MRSA Chapter 419-A established the Maine State Grant Program as a fund under the jurisdiction of the Finance Authority of Maine. All grant revenues under this fund must be distributed by FAME to students who meet the eligibility requirements for a grant under this chapter. FAME paid approximately \$9.3 million in grants to the University of Maine System (UMS) on behalf of eligible students. The UMS reflected these as grant revenues from the State.

The Maine Turnpike Authority (MTA) pays the State for services rendered by the Maine State Police (MSP). MSP has a separate troop responsible for patrolling the Maine Turnpike. MTA pays all costs associated with that troop. For fiscal year 2017, the amount billed totaled \$5.8 million.

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**NOTE 15 - DEFERRED OUTFLOWS AND DEFERRED INFLOWS**

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

(Expressed in Thousands)

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

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

**Governmental Funds**  
(Expressed in Thousands)

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

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**NOTE 16 - TAX ABATEMENTS**

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

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

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

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

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**NOTE 17 - COMMITMENTS AND CONTINGENCIES**

**PRIMARY GOVERNMENT**

**LITIGATION**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**ENCUMBRANCES**

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

**FEDERAL GRANTS**

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

**POLLUTION REMEDIATION**

The Department of Environmental Protection (DEP) and Department of Transportation (DOT) have pollution remediation obligations as defined by Governmental Accounting Standards Board (GASB) Statement No. 49. The State's total amount of pollution remediation obligation as of June 30, 2017 is \$22.1 million. Superfund sites account for approximately \$8.0 million. Superfund is the federal government program to clean up hazardous waste sites.

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

*Eastland Woolen Mill* – The State recorded a liability for pollution remediation activities of approximately \$530 thousand. Currently the State shares the costs with Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in September of 2018, the State will assume 100 percent of the operation and maintenance and long-term monitoring costs.

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

*Callahan Mine* – The State recorded a liability for pollution remediation activities of approximately \$6.2 million. Currently the State shares the costs with EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA. The State will assume 100 percent of the cost for the operation and maintenance of the site.



## STATE OF MAINE NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

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

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

### **MUNICIPAL SOLID WASTE LANDFILLS**

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

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

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

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

### **SAND AND SALT STORAGE PROGRAM**

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

### **POLLUTION ABATEMENT PROGRAM**

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

**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2017

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

**GROUND WATER OIL CLEAN-UP FUND**

The Maine Ground and Surface Waters Clean-up and Response Fund is established in Title 38 MRSA § 551. Fund activities include, but are not limited to, providing insurance to public and private entities for cleanup of oil spills. The program is funded by a per barrel assessment on petroleum products imported into the State. Coverage is up to \$750 thousand per occurrence for aboveground storage tanks and 1 million per occurrence for underground storage tanks. Third party injury coverage may not exceed \$200 thousand per claimant.

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

**CONSTRUCTION COMMITMENTS**

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

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

**TOBACCO SETTLEMENTS**

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

The NPM Adjustment may be claimed each year and has been claimed for each completed calendar year since 2003. Frequently PMs claim entitlement to the NPM Adjustment and either withhold the amount from their annual payments, or place the amount in what is known as a 'disputed payment account'. Each year beginning in 2003 Maine's annual payments have been lower than

## STATE OF MAINE NOTES TO THE FINANCIAL STATEMENTS

For the Fiscal Year Ended June 30, 2017

calculated because many of the PMs have claimed entitlement to the NPM Adjustment and either withheld money or routed it to the disputed payments account. For the year 2003, the Adjustment claimed by the PMs, and calculated as set forth in the MSA, was approximately 18 percent of the total amount paid by the PM's and distributed among the Settling States. However, the total amount related to the NPM Adjustment to which the PMs are entitled is dependent on the number of non-diligent states.

In addition, in the MSA, the PMs agreed to pay \$8.6 billion in Strategic Contribution Payments (SCP) to certain states and jurisdictions as compensation for their contribution to the overall settlement. Maine's share of this total amount is approximately \$114 million. Maine received this amount in ten annual SCP payments which began in 2008 and ended in 2017. In April 2017, Maine received a total of \$51.2 million including both the annual payment amount and the strategic contribution amount.

### **ESCHEAT PROPERTY**

The State Abandoned Property Statute requires the deposit of certain defined and unclaimed assets into a state-managed Abandoned Property Fund (Private Purpose Trust Fund). The State Statute provides that whenever the cash balance of the fund exceeds \$500 thousand at fiscal year-end, the excess must be remitted to the General Fund where it is reported as operating transfers from other funds. At June 30, 2017, the Fund included \$3.7 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2017 of approximately \$231.4 million represent a contingent liability to the State since claims for refund may be filed by the owners of such property.

A liability representing the probable amount of escheat property that will be reclaimed and paid to claimants and other third parties is reported in the Fund. To the extent that the assets in the Fund are less than the claimant liability, a receivable (due from other funds) is reported in that Fund and an equal liability (due to other funds) is reported in the General Fund. At June 30, 2017, the amount reported in the Fund for claimant liability is \$40.9 million. The General Fund shows a \$35.7 million payable to the Escheat Fund.

### **CONSTITUTIONAL OBLIGATIONS**

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

Article 9, § 14-A, C, and D of the Maine State Constitution provides that the State may insure the payment of mortgage loans for industrial, manufacturing, fishing, agricultural and recreational enterprises; mortgage loans for the acquisition, construction, repair and remodeling of houses owned or to be owned by members of two tribes on several Indian reservations; and mortgage loans to resident Maine veterans of the Armed Forces of the United States, including loans to a business organization owned in whole or in part by resident Maine veterans. The aggregate of these obligations, at any one time, may not exceed \$90 million, \$1 million, and \$4 million, respectively. At June 30, 2017, loans outstanding pursuant to these authorizations are \$82.9 million, less than \$1 million, and \$2.6 million, respectively. The State has not paid, nor does it expect to pay, any amounts as a result of these authorizations as of June 30, 2017.

Article 8, § 2, of the Maine State Constitution provides that the State may secure funds, through the issuance of bonds authorized by the Governor, for loans to Maine students attending institutions of higher education. The amount of bonds issued and outstanding shall not at any one time exceed \$4 million in the aggregate. At June 30, 2017, no bonds were outstanding. The State has not paid, nor does it expect to pay, any amount as a result of this authorization as of June 30, 2017.

### **MORAL OBLIGATIONS**

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

**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2017

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

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

The following summarizes information regarding outstanding moral obligations:

**Moral Obligation Bonds**  
(Expressed in Thousands)

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

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

<sup>1</sup> NIL indicates a "no limit" obligation.

**COMPONENT UNITS**

**CONSTRUCTION CONTRACTS**

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

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

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

**MORTGAGE COMMITMENTS**

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

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2016, single-family loans being processed by lenders totaled \$36.7 million.

**INSURED LOAN COMMITMENTS**

The Finance Authority of Maine (FAME) insures loans made by financial institutions to qualifying businesses under various insurance programs. FAME is contingently liable for the insured portion of payments due on these loans. At June 30, 2017, FAME had insurance outstanding for commercial loans under the Loan Insurance Program totaling approximately \$115.0 million.

**STATE OF MAINE**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the Fiscal Year Ended June 30, 2017

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

**FEDERAL STUDENT LOAN RESERVE FUND**

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

**NOTE 18 - SUBSEQUENT EVENTS**

**PRIMARY GOVERNMENT**

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

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

**COMPONENT UNITS**

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

**NOTE 19 - SPECIAL ITEMS**

**Change in Accounting Estimate**

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



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**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

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

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

	General Fund				Highway Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>Revenues</b>								
Taxes	\$ 3,220,149	\$ 3,284,501	\$ 3,329,007	\$ 44,506	\$ 224,110	\$ 224,111	\$ 228,295	\$ 4,184
Assessments and Other	101,871	98,706	105,704	6,998	90,986	93,136	96,484	3,348
Federal Grants	1,895	1,785	1,771	(14)	-	-	-	-
Service Charges	40,723	42,213	43,630	1,417	6,489	6,485	5,852	(633)
Income from Investments	1,744	3,128	4,726	1,598	468	364	348	(16)
Miscellaneous Revenue	4,923	6,472	72,354	65,882	3,474	3,195	3,691	496
Total Revenues	<u>3,371,305</u>	<u>3,436,805</u>	<u>3,557,192</u>	<u>120,387</u>	<u>325,527</u>	<u>327,291</u>	<u>334,670</u>	<u>7,379</u>
<b>Expenditures</b>								
Governmental Support & Operations	293,179	314,319	289,019	25,300	38,320	38,732	2,283	36,449
Economic Development & Workforce Training	45,502	45,044	42,242	2,802	-	-	-	-
Education	1,455,897	1,493,535	1,472,157	21,378	-	-	-	-
Health and Human Services	1,191,055	1,211,081	1,129,349	81,732	-	-	-	-
Business Licensing & Regulation	-	-	-	-	-	-	-	-
Natural Resources Development & Protection	77,052	82,846	75,152	7,694	39	39	39	-
Justice and Protection	350,796	357,974	342,659	15,315	28,293	28,733	27,885	848
Arts, Heritage & Cultural Enrichment	8,435	8,380	7,977	403	-	-	-	-
Transportation Safety & Development	-	-	-	-	254,027	319,153	313,740	5,413
Total Expenditures	<u>3,421,916</u>	<u>3,513,179</u>	<u>3,358,555</u>	<u>154,624</u>	<u>320,679</u>	<u>386,657</u>	<u>343,947</u>	<u>42,710</u>
Revenues Over (Under) Expenditures	<u>(50,611)</u>	<u>(76,374)</u>	<u>198,637</u>	<u>275,011</u>	<u>4,848</u>	<u>(59,366)</u>	<u>(9,277)</u>	<u>50,089</u>
<b>Other Financing Sources (Uses)</b>								
Operating Transfers Net	(29,773)	(38,698)	(80,123)	(41,425)	-	162	(5,592)	(5,754)
Proceeds from Pledged Future Revenues	-	-	-	-	-	-	-	-
Net Other Financing Sources (Uses)	<u>(29,773)</u>	<u>(38,698)</u>	<u>(80,123)</u>	<u>(41,425)</u>	<u>-</u>	<u>162</u>	<u>(5,592)</u>	<u>(5,754)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (80,384)</u>	<u>\$ (115,072)</u>	<u>\$ 118,514</u>	<u>\$ 233,586</u>	<u>\$ 4,848</u>	<u>\$ (59,204)</u>	<u>\$ (14,869)</u>	<u>\$ 44,335</u>
Fund balances, beginning of year			387,849				72,433	
Fund balances, end of year			<u>\$ 506,363</u>				<u>\$ 57,564</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
\$ -	\$ -	\$ -	\$ -	\$ 294,296	\$ 293,615	\$ 296,327	\$ 2,712
-	-	-	-	174,625	175,394	161,451	(13,943)
3,009,574	3,217,683	2,667,187	(550,496)	12,931	13,232	9,154	(4,078)
487	487	376	(111)	234,272	199,543	274,305	74,762
-	-	11	11	890	891	829	(62)
-	1,306	6,157	4,851	188,251	242,525	167,260	(75,265)
<u>3,010,061</u>	<u>3,219,476</u>	<u>2,673,731</u>	<u>(545,745)</u>	<u>905,265</u>	<u>925,200</u>	<u>909,326</u>	<u>(15,874)</u>
5,734	7,408	2,820	4,588	140,162	150,941	141,447	9,494
118,646	119,607	80,699	38,908	51,080	60,556	44,781	15,775
301,161	301,494	213,183	88,311	44,838	45,153	36,583	8,570
2,342,009	2,424,181	2,056,201	367,980	492,115	495,178	431,650	63,528
117	117	62	55	81,838	86,242	62,456	23,786
60,293	62,549	40,066	22,483	125,180	149,866	103,125	46,741
128,759	165,668	56,642	109,026	48,191	56,096	45,049	11,047
3,678	3,973	3,146	827	1,934	1,968	877	1,091
<u>195,281</u>	<u>260,211</u>	<u>224,349</u>	<u>35,862</u>	<u>86,856</u>	<u>154,559</u>	<u>121,569</u>	<u>32,990</u>
<u>3,155,678</u>	<u>3,345,208</u>	<u>2,677,168</u>	<u>668,040</u>	<u>1,072,194</u>	<u>1,200,559</u>	<u>987,537</u>	<u>213,022</u>
<u>(145,617)</u>	<u>(125,732)</u>	<u>(3,437)</u>	<u>122,295</u>	<u>(166,929)</u>	<u>(275,359)</u>	<u>(78,211)</u>	<u>197,148</u>
13,169	11,715	(1,922)	(13,637)	92,771	103,329	87,184	(16,145)
-	-	-	-	67,511	85,511	62,550	(22,961)
<u>13,169</u>	<u>11,715</u>	<u>(1,922)</u>	<u>(13,637)</u>	<u>160,282</u>	<u>188,840</u>	<u>149,734</u>	<u>(39,106)</u>
<u>\$ (132,448)</u>	<u>\$ (114,017)</u>	<u>\$ (5,359)</u>	<u>\$ 108,658</u>	<u>\$ (6,647)</u>	<u>\$ (86,519)</u>	<u>\$ 71,523</u>	<u>\$ 158,042</u>
		16,670				351,354	
		<u>\$ 11,311</u>				<u>\$ 422,877</u>	

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

Fiscal Year Ended June 30, 2017  
(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	\$ 506,363	\$ 57,564	\$ 11,311	\$ 422,877
<b>Basis Differences</b>				
Revenue Accruals/Adjustments:				
Taxes Receivable	230,038	2,307	-	12,427
Intergovernmental Receivables	-	6	203,809	-
Other Receivables	54,205	2,622	72,546	64,132
Inventories	2,809	-	459	-
Due from Component	37	-	-	54,433
Due from Other Funds	30,952	7,063	2,370	92,038
Other Assets	1,514	15	71	7
Unearned Revenues	-	(4,696)	(459)	-
Deferred Inflows - Taxes and Assessment Revenues	(211,492)	(751)	(29)	(28,699)
Deferred Inflows - Unearned Revenue from Enterprise Fund	-	-	-	-
Total Revenue Accruals/Adjustments	<u>108,063</u>	<u>6,566</u>	<u>278,767</u>	<u>194,338</u>
Expenditure Accruals/Adjustments:				
Accounts Payable	(151,826)	(27,475)	(252,005)	(29,311)
Due to Component Units	-	-	-	(1,769)
Bonds Issued	-	-	-	-
Accrued Liabilities	(23,024)	(9,194)	(6,638)	(9,577)
Taxes Payable	(204,932)	-	-	-
Intergovernmental Payables	(1,643)	-	-	(1,778)
Due to Other Funds	(59,577)	(4,306)	(7,714)	(20,647)
Total Expenditure Accruals/Adjustments	<u>(441,002)</u>	<u>(40,975)</u>	<u>(266,357)</u>	<u>(63,082)</u>
Fund Balances - GAAP Basis	<u>\$ 173,424</u>	<u>\$ 23,155</u>	<u>\$ 23,721</u>	<u>\$ 554,133</u>

**STATE OF MAINE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY REPORTING**

Fiscal Year Ended June 30, 2017

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**Statutory/Budgetary Presentation**

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

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

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

Detailed budgetary control is maintained at the program and line category level at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers. Except in specific instances, only the Legislature may transfer appropriations between departments. Increases in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget or separate pieces of legislation. For the year ended June 30, 2017, the legislature increased appropriations to the General Fund by \$35.5 million.

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

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

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

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

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

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

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

**STATE OF MAINE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY REPORTING**

Fiscal Year Ended June 30, 2017

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

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

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

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

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

June 30, 2017  
(Expressed in Thousands)

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

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

June 30, 2017  
(Expressed in Thousands)

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



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

Last Four Fiscal Years  
(Expressed in Thousands)

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

Notes to Schedule

Key Methods and Assumptions Used to Determine Contribution Rates

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

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

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

Last Four Fiscal Years  
(Expressed in Thousands)

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

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

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

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

Last Three Fiscal Years  
(Expressed in Thousands)

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

Notes to Schedule:

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

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

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

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

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

Last Four Fiscal Years  
(Expressed in Thousands)

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

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

June 30, 2017  
(Expressed in Thousands)

Notes to Schedule:

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

Valuation date	June 30, 2013  June 30, 2017 actuarially determined contribution rates are calculated based on a 2014 actuarial valuation developed as a roll-forward of the 2013 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2014 using assets as of June 30, 2014.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level Percentage of payroll, closed 18-year amortization of the UAL prior to 2012 and individual, closed, level percent of payroll, 10-year amortization of UAL arising each year beginning in 2012.
Discount rate	
Amortization growth rate	3.50%
Price inflation	3.50%
Salary increases	3.50% plus merit component based on employee's years of service.
Retirement age	Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA for State Employee Program; the Teacher program used the same table with a 2-year set back.

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

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

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

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

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

Last Three Fiscal Years  
(Expressed in Thousands)

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

Notes to Schedule:

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

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

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

Last Four Fiscal Years  
(Expressed in Thousands)

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

Notes to Schedule:

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

Valuation date	June 30, 2013
	June 30, 2017 actuarially determined contribution rates are calculated based on a 2014 actuarial valuation developed as a roll-forward of the 2013 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2014 using assets as of June 30, 2014.
Actuarial cost method	Entry age normal
Asset valuation method	3-Year smoothed market
Amortization method	Level Percentage of payroll, closed 18-year amortization of the UAL prior to 2012 and individual, closed. level percent of payroll, 10-year amortization of UAL arising each year beginning in 2012.
Discount rate	7.125%
Amortization growth rate	3.50%
Price inflation	3.50%
Salary increases	3.50% plus merit component based on employee's years of service.
Retirement age	Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute.
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA for State Employee Program; the Teacher program used the same table with a 2-year set back.

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

Last Four Fiscal Years  
(Expressed in Thousands)

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

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

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

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



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

(Expressed in Millions)

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

(Expressed in Thousands)

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

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

June 30, 2017  
(Expressed in Thousands)

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

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

June 30, 2017  
(Expressed in Thousands)

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

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

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

June 30, 2017  
(Expressed in Thousands)

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

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

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

June 30, 2017  
(Expressed in Thousands)

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

Notes to Schedule:

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

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

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

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

Last One Fiscal Year

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	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	12.88 %

Notes to Schedule:

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

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

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

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

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

**HIGHWAYS**

**Measurement Scale for Highways**

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

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

**STATE OF MAINE**  
**INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTING USING THE MODIFIED APPROACH**

**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.

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

**Assessed Conditions**

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

<b>Adequacy Rating</b>	<b>Total</b>
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.

<b>Fiscal Year</b>	<b>Highways</b>	<b>Bridges</b>
2017	\$ 72.3	\$ 74.0
2016	75.3	76.0
2015	\$ 75.5	\$ 78.0



**STATE OF MAINE**  
**INFORMATION ABOUT INFRASTRUCTURE ASSETS REPORTING USING THE MODIFIED APPROACH**

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

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

<b>Actual Preservation Costs</b>					
<b>(Expressed in millions)</b>					
	<u>2017</u>	<u>2016</u>	<u>2015 (1)</u>	<u>2014</u>	<u>2012</u>
Highways	\$ 123.3	\$ 110.7	\$ 110.2	\$ 163.0	\$ 90.5
Bridges	18.8	4.9	5.5	71.0	14.7
Total	<u>\$ 142.1</u>	<u>\$ 115.6</u>	<u>\$ 115.7</u>	<u>\$ 234.0</u>	<u>\$ 105.2</u>

<b>Estimated Preservation Costs</b>					
<b>(Expressed in millions)</b>					
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2012</u>
Highways	\$ 142.2	\$ 113.4	\$ 71.9	\$ 24.7	\$ 84.1
Bridges	23.7	8.8	3.9	3.1	13.7
Total	<u>\$ 165.9</u>	<u>\$ 122.2</u>	<u>\$ 75.8</u>	<u>\$ 27.8</u>	<u>\$ 97.8</u>

Note 1: As restated.

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

**Transportation Bonds**

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



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**COMBINING AND  
INDIVIDUAL FUND FINANCIAL  
STATEMENTS AND SCHEDULES**

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**STATE OF MAINE  
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES  
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**STATE OF MAINE**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS - BY FUND TYPE**

June 30, 2017  
(Expressed in Thousands)

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Other Governmental Funds</u>
<b>Assets</b>				
Equity in Treasurer's Cash Pool	\$ 78	\$ -	\$ -	\$ 78
Investments	79,180	-	27,765	106,945
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	-	87,662	-	87,662
Total Assets	<u>\$ 79,258</u>	<u>\$ 87,662</u>	<u>\$ 27,765</u>	<u>\$ 194,685</u>
<b>Liabilities and Funds Balances</b>				
Accounts Payable	\$ -	\$ 648	\$ -	\$ 648
Due to Other Funds	-	9	-	9
Due to Component Units	-	2,443	-	2,443
Unearned Revenue	-	3	-	3
Total Liabilities	-	3,103	-	3,103
<b>Fund Balances</b>				
Non-Spendable Legal or Contractual	-	-	27,765	27,765
Restricted	79,258	84,559	-	163,817
Total Fund Balances	<u>79,258</u>	<u>84,559</u>	<u>27,765</u>	<u>191,582</u>
Total Liabilities and Fund Balances	<u>\$ 79,258</u>	<u>\$ 87,662</u>	<u>\$ 27,765</u>	<u>\$ 194,685</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, 2017  
(Expressed in Thousands)

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Other Governmental Funds</u>
<b>Revenues</b>				
Investment Income	\$ 10,057	\$ -	\$ 3,368	\$ 13,425
Miscellaneous Revenues	-	150	-	150
<b>Total Revenues</b>	<u>10,057</u>	<u>150</u>	<u>3,368</u>	<u>13,575</u>
Governmental Support & Operations	246	(7)	-	239
Economic Development & Workforce Training	-	9,825	-	9,825
Education	-	6,555	-	6,555
Natural Resources Development & Protection	-	1,534	-	1,534
Justice & Protection	-	1,341	-	1,341
Arts, Heritage & Cultural Enrichment	-	64	-	64
Transportation Safety & Development	-	1,035	-	1,035
Debt Service:				
Capital Outlay	-	93,341	-	93,341
<b>Total Expenditures</b>	<u>246</u>	<u>113,688</u>	<u>-</u>	<u>113,934</u>
Revenue over (under) Expenditures	<u>9,811</u>	<u>(113,538)</u>	<u>3,368</u>	<u>(100,359)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer from Other Funds	1,407	-	-	1,407
Transfer to Other Funds	(3,561)	-	(5)	(3,566)
Bonds Issued	-	98,060	-	98,060
Premiums on Bond Issuance	-	16,615	-	16,615
<b>Net Other Financing Sources (Uses)</b>	<u>(2,154)</u>	<u>114,675</u>	<u>(5)</u>	<u>112,516</u>
<b>Net Change in Fund Balances</b>	<u>7,657</u>	<u>1,137</u>	<u>3,363</u>	<u>12,157</u>
Fund Balances at Beginning of Year	<u>71,601</u>	<u>83,422</u>	<u>24,402</u>	<u>179,425</u>
Fund Balances, End of Year	<u>\$ 79,258</u>	<u>\$ 84,559</u>	<u>\$ 27,765</u>	<u>\$ 191,582</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.

## 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, 2017  
(Expressed in Thousands)

	<u>Baxter Park</u>	<u>Revenue on Permanent Funds</u>	<u>Total Special Revenue Funds</u>
<b>Assets</b>			
Equity in Treasurer's Cash Pool	\$ -	\$ 78	\$ 78
Investments	<u>79,167</u>	<u>13</u>	<u>79,180</u>
Total Assets	<u>\$ 79,167</u>	<u>\$ 91</u>	<u>\$ 79,258</u>
<b>Liabilities and Fund Balances</b>			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Restricted	<u>79,167</u>	<u>91</u>	<u>79,258</u>
Total Fund Balances	<u>79,167</u>	<u>91</u>	<u>79,258</u>
Total Liabilities and Fund Balances	<u>\$ 79,167</u>	<u>\$ 91</u>	<u>\$ 79,258</u>

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

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

	<u>Baxter Park</u>	<u>Revenue on Permanent Funds</u>	<u>Total Special Revenue Funds</u>
<b>Revenues</b>			
Investment Income	\$ 9,724	\$ 333	\$ 10,057
Total Revenues	<u>9,724</u>	<u>333</u>	<u>10,057</u>
<b>Expenditures</b>			
Current:			
General Government	-	246	246
Debt Service:			
Total Expenditures	<u>-</u>	<u>246</u>	<u>246</u>
Revenue over (under) Expenditures	<u>9,724</u>	<u>87</u>	<u>9,811</u>
<b>Other Financing Sources (Uses)</b>			
Transfer from Other Funds	-	1,407	1,407
Transfer to Other Funds	<u>(2,010)</u>	<u>(1,551)</u>	<u>(3,561)</u>
Net Other Financing Sources (Uses)	<u>(2,010)</u>	<u>(144)</u>	<u>(2,154)</u>
Net Change in Fund Balances	<u>7,714</u>	<u>(57)</u>	<u>7,657</u>
Fund Balances at Beginning of Year	<u>71,453</u>	<u>148</u>	<u>71,601</u>
Fund Balances at End of Year	<u>\$ 79,167</u>	<u>\$ 91</u>	<u>\$ 79,258</u>

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

June 30, 2017  
(Expressed in Thousands)

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	<u>Baxter Trust</u>	<u>Other Trust</u>	<u>Total Permanent Funds</u>
<b>Assets</b>			
Investments	\$ 7,713	\$ 20,052	\$ 27,765
Total Assets	<u>\$ 7,713</u>	<u>\$ 20,052</u>	<u>\$ 27,765</u>
<b>Fund Balances</b>			
Non-Spendable Legal or Contractual	<u>\$ 7,713</u>	<u>\$ 20,052</u>	<u>\$ 27,765</u>

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

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

	<u>Baxter Trust</u>	<u>Other Trust</u>	<u>Total Permanent Funds</u>
<b>Revenues</b>			
Investment Income (Loss)	\$ 808	\$ 2,560	\$ 3,368
Total Revenues	<u>808</u>	<u>2,560</u>	<u>3,368</u>
<b>Expenditures</b>			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Revenue over (under) Expenditures	<u>808</u>	<u>2,560</u>	<u>3,368</u>
<b>Transfer to Other Funds</b>			
Net Other Financing Sources (Uses)	<u>-</u>	<u>(5)</u>	<u>(5)</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	<u>808</u>	<u>2,555</u>	<u>3,363</u>
Fund Balances at Beginning of Year	<u>6,905</u>	<u>17,497</u>	<u>24,402</u>
Fund Balances at End of Year	<u>\$ 7,713</u>	<u>\$ 20,052</u>	<u>\$ 27,765</u>

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

Fiscal Year Ended June 30, 2017  
(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	\$ 19,861	\$ 16,252	\$ 3,609
Financial Services	129,587	125,869	3,718
Human Resources	2,151	2,126	25
Financial and Personnel Services	319	316	3
Liquor and Lottery	1,649	1,249	400
Purchasing	1,026	999	27
Bureau of Information Services	17,339	10,704	6,635
State Employee Health Commission	797	713	84
	<u>172,729</u>	<u>158,228</u>	<u>14,501</u>
<b>Department of Agriculture, Conservation and Forestry</b>	<u>32,004</u>	<u>30,444</u>	<u>1,560</u>
<b>Attorney General</b>	<u>20,084</u>	<u>19,244</u>	<u>840</u>
<b>Department of Audit</b>	<u>1,579</u>	<u>1,485</u>	<u>94</u>
<b>Department of Corrections</b>			
Corrections	88,981	82,069	6,912
Maine State Prison	36,658	35,829	829
Maine Correctional Center	26,783	26,561	222
Downeast Correctional Facility	5,074	4,931	143
Charleston Correctional Facility	16,714	16,446	268
Long Creek Youth Development Center	16,372	15,817	555
	<u>190,582</u>	<u>181,653</u>	<u>8,929</u>
<b>Department of Economic and Community Development</b>	<u>12,557</u>	<u>10,842</u>	<u>1,715</u>
<b>Department of Environmental Protection</b>	<u>7,667</u>	<u>7,458</u>	<u>209</u>
<b>Department of Human Services</b>			
Human Services	866,532	812,852	53,680
Behavioral and Developmental Services	285,606	266,408	19,198
Riverview Psychiatric Center	25,581	23,639	1,942
Dorothea Dix Psychiatric Center	10,419	9,354	1,065
Office of Substance Abuse	21,139	15,742	5,397
	<u>1,209,277</u>	<u>1,127,995</u>	<u>81,282</u>
<b>Department of Labor</b>			
Labor	11,423	10,389	1,034
Labor Relations Board	484	432	52
	<u>11,907</u>	<u>10,821</u>	<u>1,086</u>
<b>Defense, Veterans and Emergency Management</b>	<u>9,581</u>	<u>7,978</u>	<u>1,603</u>
<b>Department of Education</b>			
Education	1,201,514	1,181,103	20,411
Education - Unorganized Territory	12,417	11,461	956
	<u>1,213,931</u>	<u>1,192,564</u>	<u>21,367</u>
<b>General Government</b>			
Office of the Governor	4,565	4,204	361
Ombudsman Program	130	82	48
	<u>4,695</u>	<u>4,286</u>	<u>409</u>
<b>Department of Inland Fisheries and Wildlife</b>	<u>32,833</u>	<u>27,132</u>	<u>5,701</u>
<b>Judicial Department</b>	<u>72,516</u>	<u>70,872</u>	<u>1,644</u>

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Legislative Department</b>			
Legislative	26,572	24,441	2,131
Law and Legislative Reference Library	1,500	1,474	26
Statehouse Preservation and Maintenance	1,246	1,129	117
Program Evaluation and Government Accountability	1,209	1,074	135
	<u>30,527</u>	<u>28,118</u>	<u>2,409</u>
<b>Department of Marine Resources</b>	<u>10,249</u>	<u>10,050</u>	<u>199</u>
<b>Department of Public Safety</b>	<u>47,664</u>	<u>45,465</u>	<u>2,199</u>
<b>Secretary of State</b>			
Secretary of State	4,257	3,947	310
Archives Services	1,297	1,191	106
	<u>5,554</u>	<u>5,138</u>	<u>416</u>
<b>Treasurer of State</b>	<u>84,324</u>	<u>76,861</u>	<u>7,463</u>
<b>Other Agencies</b>			
Maine Maritime Academy	8,883	8,883	-
University of Maine	208,599	208,599	-
Board of Education	163	152	11
Maine Fire Protection Service Commission	2	2	-
Com. On Governmental Ethics and Election Practices	152	147	5
Finance Authority of Maine	17,692	17,692	-
Saco River Corridor Commission	47	47	-
Human Rights Commission	718	717	1
Maine Indian Tribal State Council	112	112	-
Board of Property Tax Review	87	83	4
Museum	1,713	1,539	174
Maine Municipal Bond Bank	69	69	-
Maine State Cultural Affairs Council	57	31	26
Maine Historic Preservation Commission	504	503	1
Library	3,537	3,442	95
Maine State Retirement System	14,493	14,493	-
Arts and Humanities Administration	970	863	107
Dirigo Health	1,614	1,165	449
Commission on Indigent Legal Services	16,327	16,227	100
Maine Humanities Council	53	53	-
Centers for Innovation	118	118	-
NE International Water Pollution Control Commission	8	8	-
Downeast Institute Appl Marine	13	13	-
St. Croix International Waterway	25	-	25
Disability Rights Center	126	126	-
Maine Historical Society	45	45	-
Maine Hospice Counsel	64	64	-
Maine Development Foundation	58	58	-
Maine Public Broadcasting Corporation	1,500	1,500	-
Maine State Housing Authority	2,550	2,550	-
Maine Potato Board	161	161	-
Pine Tree Legal	500	500	-
Maine Community College System	61,959	61,959	-
	<u>342,919</u>	<u>341,921</u>	<u>998</u>
<b>Grand Total</b>	<u>\$ 3,513,179</u>	<u>\$ 3,358,555</u>	<u>\$ 154,624</u>





**BUDGETARY COMPARISON SCHEDULE  
HIGHWAY FUND EXPENDITURES BY AGENCY**

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Actual Budget</u>
<b>Department of Administrative and Financial Services</b>			
Administrative Services	\$ 1,610	\$ 1,598	\$ 12
Financial Services	694	685	9
	<u>2,304</u>	<u>2,283</u>	<u>21</u>
<b>Department of Environmental Protection</b>	<u>39</u>	<u>39</u>	<u>-</u>
<b>Legislative Department</b>			
Legislative	<u>8</u>	<u>-</u>	<u>8</u>
<b>Department of Transportation</b>			
Transportation	318,549	278,122	40,427
Rail/Van Pool	604	604	-
	<u>319,153</u>	<u>278,726</u>	<u>40,427</u>
<b>Department of Public Safety</b>	<u>28,733</u>	<u>27,885</u>	<u>848</u>
<b>Secretary of State</b>			
Motor Vehicles	<u>36,420</u>	<u>35,014</u>	<u>1,406</u>
<b>Grand Total</b>	<u>\$ 386,657</u>	<u>\$ 343,947</u>	<u>\$ 42,710</u>

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

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

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b>Department of Administrative and Financial Services</b>			
Bureau of Information Services	\$ 1,989	\$ 1,399	\$ 590
Financial Services	5	-	5
Financial and Personnel Services	569	270	299
State Employee Health Commission	8	-	8
	<u>2,571</u>	<u>1,669</u>	<u>902</u>
<b>Department of Agriculture, Conservation and Forestry</b>	<u>25,448</u>	<u>15,822</u>	<u>9,626</u>
<b>Attorney General</b>	<u>2,449</u>	<u>1,440</u>	<u>1,009</u>
<b>Department of Corrections</b>			
Corrections	4,353	1,485	2,868
Maine State Prison	1	-	1
Maine Correctional Center	104	16	88
Downeast Correctional Facility	1	-	1
Charleston Correctional Facility	237	-	237
Long Creek Youth Development Center	401	275	126
	<u>5,097</u>	<u>1,776</u>	<u>3,321</u>
<b>Department of Economic and Community Development</b>	<u>28,568</u>	<u>11,034</u>	<u>17,534</u>
<b>Department of Environmental Protection</b>	<u>18,573</u>	<u>9,648</u>	<u>8,925</u>
<b>Department of Human Services</b>			
Human Services	2,396,708	2,038,876	357,832
Behavioral and Developmental Services	16,688	9,403	7,285
Office of Substance Abuse	10,562	7,702	2,860
	<u>2,423,958</u>	<u>2,055,981</u>	<u>367,977</u>
<b>Department of Labor</b>	<u>91,039</u>	<u>69,665</u>	<u>21,374</u>
<b>Department of Transportation</b>			
Transportation	237,875	220,597	17,278
Air Transportation	1,886	547	1,339
Ferry Service/Ports and Marine	350	150	200
Rail/ Van Pool	20,100	3,055	17,045
	<u>260,211</u>	<u>224,349</u>	<u>35,862</u>
<b>Defense, Veterans and Emergency Management</b>	<u>134,758</u>	<u>40,900</u>	<u>93,858</u>
<b>Department of Education</b>			
Education	301,092	212,842	88,250
Education - Unorganized Territory	401	341	60
	<u>301,493</u>	<u>213,183</u>	<u>88,310</u>
<b>General Government</b>			
Office of the Governor	2,426	375	2,051
Ombudsman Program	64	40	24
	<u>2,490</u>	<u>415</u>	<u>2,075</u>
<b>Department of Inland Fisheries and Wildlife</b>	<u>18,645</u>	<u>11,826</u>	<u>6,819</u>

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>Judicial Department</b>	3,617	2,167	1,450
<b>Department of Marine Resources</b>	4,601	2,771	1,830
<b>Department of Professional and Financial Regulation</b>			
Professional and Financial Regulation	57	16	41
Board of Nursing	10	-	10
<b>Department of Public Safety</b>	14,449	9,970	4,479
<b>Public Utilities Commission</b>	50	46	4
<b>Secretary of State</b>			
Secretary of State	1,538	446	1,092
Motor Vehicles	485	-	485
Archives Services	28	15	13
	2,051	461	1,590
<b>Treasurer of State</b>	296	275	21
<b>Other Agencies</b>			
Maine Health Data Organization	225	219	6
Human Rights Commission	579	390	189
Museum	138	33	105
Maine Historic Preservation Commission	1,120	887	233
Library	1,603	1,480	123
Arts and Humanities Administration	1,112	745	367
	4,777	3,754	1,023
<b>Grand Total</b>	<b>\$ 3,345,208</b>	<b>\$ 2,677,168</b>	<b>\$ 668,040</b>

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

Fiscal Year Ended June 30, 2017  
(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	\$ 5,424	\$ 2,052	\$ 3,372
Bureau of Information Services	623	222	401
Financial Services	30,555	28,583	1,972
Human Resources	5	-	5
Financial and Personnel Services	30	6	24
Liquor and Lottery	19	6	13
State Employee Health Commission	75	-	75
Purchasing	4	-	4
	<u>36,735</u>	<u>30,869</u>	<u>5,866</u>
<b>Department of Agriculture, Conservation and Forestry</b>	<u>77,057</u>	<u>55,102</u>	<u>21,955</u>
<b>Attorney General</b>	<u>16,744</u>	<u>14,351</u>	<u>2,393</u>
<b>Department of Audit</b>	<u>2,422</u>	<u>1,895</u>	<u>527</u>
<b>Department of Corrections</b>			
Corrections	1,965	713	1,252
Maine State Prison	93	64	29
Maine Correctional Center	291	88	203
Downeast Correctional Facility	33	14	19
Charleston Correctional Facility	137	54	83
Long Creek Youth Development Center	39	3	36
	<u>2,558</u>	<u>936</u>	<u>1,622</u>
<b>Department of Economic and Community Development</b>	<u>19,771</u>	<u>14,296</u>	<u>5,475</u>
<b>Department of Environmental Protection</b>			
Department of Environmental Protection	<u>50,429</u>	<u>32,115</u>	<u>18,314</u>
<b>Department of Human Services</b>			
Human Services	424,926	372,571	52,355
Behavioral and Developmental Services	29,233	25,858	3,375
Riverview Psychiatric Center	19,682	14,998	4,684
Dorothea Dix Psychiatric Center	14,698	13,272	1,426
Office of Substance Abuse	4,521	3,516	1,005
	<u>493,060</u>	<u>430,215</u>	<u>62,845</u>
<b>Department of Labor</b>			
Labor	12,987	6,203	6,784
Labor Relations Board	121	61	60
	<u>13,108</u>	<u>6,264</u>	<u>6,844</u>
<b>Department of Transportation</b>			
Transportation	147,627	118,721	28,906
Air Transportation	2,084	750	1,334
Ferry Service/Ports & Maine	587	211	376
Rail/Van Pool	4,261	1,887	2,374
	<u>154,559</u>	<u>121,569</u>	<u>32,990</u>
<b>Defense, Veterans and Emergency Management</b>	<u>2,937</u>	<u>1,483</u>	<u>1,454</u>
<b>Department of Education</b>			
Education	37,166	28,864	8,302
Education - Unorganized Territory	8	-	8
	<u>37,174</u>	<u>28,864</u>	<u>8,310</u>
<b>General Government</b>			
Office of the Governor	414	249	165
Public Advocate	1,907	1,784	123
	<u>2,321</u>	<u>2,033</u>	<u>288</u>

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
<b>Department of Inland Fisheries and Wildlife</b>	9,152	5,129	4,023
<b>Judicial Department</b>	7,100	4,961	2,139
<b>Legislative Department</b>			
Legislative	13	5	8
<b>Department of Marine Resources</b>	9,144	6,733	2,411
<b>Department of Professional and Financial Regulation</b>			
Professional and Financial Regulation	28,876	22,797	6,079
Board of Dental Examiners	540	455	85
Board of Nursing	1,165	986	179
Board of Optometry	75	74	1
Board of Osteopathic Examination and Registration	227	218	9
Board of Professional Engineers	291	244	47
Board of Registration in Medicine	1,688	1,381	307
	32,862	26,155	6,707
<b>Department of Public Safety</b>	25,923	22,577	3,346
<b>Public Utilities Commission</b>	37,148	20,557	16,591
<b>Secretary of State</b>			
Secretary of State	394	215	179
Motor Vehicles	1,464	1,354	110
Archives Services	65	20	45
	1,923	1,589	334
<b>Treasurer of State</b>	66,518	65,229	1,289
<b>Other Agencies</b>			
Maine Maritime	138	133	5
University of Maine	4,062	3,961	101
Worker's Compensation Board	11,509	11,183	326
Maine Health Data Organization	2,067	1,432	635
Maine Charter School	356	304	52
Baxter State Park Authority	4,021	3,983	38
Com. On Governmental Ethics and Election Practices	2,540	1,666	874
Finance Authority of Maine	8,348	6,359	1,989
Saco River Corridor Commission	63	63	-
Human Rights Commission	41	22	19
Board of Property Tax Review	3	-	3
Museum	402	217	185
Maine Municipal Bond Bank	40,375	39,947	428
Maine State Cultural Affairs Council	65	-	65
Maine Historic Preservation Commission	628	323	305
Library	767	299	468
Lobster Promotion Council	2,686	2,209	477
Arts and Humanities Administration	107	39	68
Maine Efficiency Trust	2,816	2,776	40
State Board of Corrections	1	-	1
Commission on Indigent Legal Services	793	717	76
Maine Children's Trust Incorporated	48	3	45
Maine State Housing Authority	12,962	12,961	1
Harness Racing Promotion Board	189	53	136
Maine Potato Board	1,586	732	854
Maine Community College System	3,422	3,322	100
Wild Blueberry Commission of Maine	1,906	1,906	-
	101,901	94,610	7,291
<b>Grand Total</b>	\$ 1,200,559	\$ 987,537	\$ 213,022



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# NON-MAJOR ENTERPRISE FUNDS

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

Alcoholic Beverages Fund - This fund was established to license and regulate the sale of alcoholic beverages. During fiscal year 2014, the State entered into a ten-year contract with a vendor to manage and operate wholesale liquor distribution as the State's agent.

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

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.

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

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

June 30, 2017  
(Expressed in Thousands)

	<u>Lottery</u>	<u>Alcoholic Beverages</u>	<u>Maine Military Authority</u>	<u>Ferry Service</u>
<b>Assets</b>				
Current assets:				
Equity in Treasurer's Cash Pool	\$ -	\$ 3,896	\$ -	\$ 1,200
Cash & Short-Term Investments	750	-	-	3
Inventories	-	-	2,091	175
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	27,695	5,405	1,628	96
Due from Other Funds	1,334	-	-	4
Other Assets	228	-	784	-
Total Current assets	<u>30,007</u>	<u>9,301</u>	<u>4,503</u>	<u>1,478</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	1,898	-	584
Capital Assets - Net of Depreciation	-	-	3,591	31,666
Total Noncurrent Assets	<u>-</u>	<u>1,898</u>	<u>3,591</u>	<u>32,250</u>
Total Assets	<u>30,007</u>	<u>11,199</u>	<u>8,094</u>	<u>33,728</u>
<b>Deferred Outflows of Resources</b>	<u>\$ 600</u>	<u>\$ 55</u>	<u>\$ 2,876</u>	<u>\$ 2,178</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	\$ 1,085	\$ 8,434	\$ 588	\$ 149
Accrued Payroll	59	9	175	364
Due to Other Funds	5,684	1	5,308	110
Current Portion of Long-Term Obligations:				
Compensated Absences	14	1	4	46
Unearned Revenue	122	-	1,162	-
Other Accrued Liabilities	18,185	-	-	-
Total Current Liabilities	<u>25,149</u>	<u>8,445</u>	<u>7,237</u>	<u>669</u>
Long-Term Liabilities:				
Compensated Absences	103	6	32	339
Other Post-Employment Benefit Obligation	236	17	1,179	891
Net Pension Liability	2,026	131	11,858	7,072
Total Long-Term Liabilities:	<u>2,365</u>	<u>154</u>	<u>13,069</u>	<u>8,302</u>
Total Liabilities	<u>27,514</u>	<u>8,599</u>	<u>20,306</u>	<u>8,971</u>
<b>Deferred Inflows of Resources</b>	<u>\$ 17</u>	<u>\$ 1</u>	<u>\$ 103</u>	<u>\$ 61</u>
<b>Net Position</b>				
Net Investment in Capital Assets	-	-	3,591	31,666
Unrestricted	3,076	2,654	(13,030)	(4,792)
Total Net Position	<u>\$ 3,076</u>	<u>\$ 2,654</u>	<u>\$ (9,439)</u>	<u>\$ 26,874</u>



<u>Prison Industries</u>	<u>Dirigo Health</u>	<u>Consolidated Emergency Communications</u>	<u>Total Other Enterprise Funds</u>
\$ 324	\$ 32	\$ 1,263	\$ 6,715
3	-	-	756
2,428	-	-	4,694
72	15	1	34,912
9	-	1	1,348
-	-	-	1,012
<u>2,836</u>	<u>47</u>	<u>1,265</u>	<u>49,437</u>
158	15	616	3,271
145	-	-	35,402
<u>303</u>	<u>15</u>	<u>616</u>	<u>38,673</u>
<u>3,139</u>	<u>62</u>	<u>1,881</u>	<u>88,110</u>
<u>\$ 118</u>	<u>\$ -</u>	<u>\$ 1,965</u>	<u>\$ 7,792</u>
\$ 59	\$ -	\$ 2	\$ 10,317
18	-	219	844
10	2	61	11,176
2	-	24	91
-	-	-	1,284
1	-	-	18,186
<u>90</u>	<u>2</u>	<u>306</u>	<u>41,898</u>
12	-	172	664
33	-	813	3,169
356	-	6,541	27,984
<u>401</u>	<u>-</u>	<u>7,526</u>	<u>31,817</u>
<u>491</u>	<u>2</u>	<u>7,832</u>	<u>73,715</u>
<u>\$ 3</u>	<u>\$ -</u>	<u>\$ 57</u>	<u>\$ 242</u>
145	-	-	35,402
<u>2,618</u>	<u>60</u>	<u>(4,043)</u>	<u>(13,457)</u>
<u>\$ 2,763</u>	<u>\$ 60</u>	<u>\$ (4,043)</u>	<u>\$ 21,945</u>

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

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

	<u>Lottery</u>	<u>Alcoholic Beverages</u>	<u>Maine Military Authority</u>	<u>Ferry Service</u>
<b>Operating Revenues</b>				
Charges for Services	\$ 274,865	\$ 177,184	\$ 5,088	\$ 4,974
Miscellaneous Revenues	5	-	-	-
Total Operating Revenues	<u>274,870</u>	<u>177,184</u>	<u>5,088</u>	<u>4,974</u>
<b>Operating Expenses</b>				
General Operations	214,670	131,192	3,385	10,236
Depreciation	-	-	473	2,492
Total Operating Expenses	<u>214,670</u>	<u>131,192</u>	<u>3,858</u>	<u>12,728</u>
Operating Income (Loss)	<u>60,200</u>	<u>45,992</u>	<u>1,230</u>	<u>(7,754)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Other Nonoperating Revenues (Expenses) - net	32	-	-	(375)
Total Nonoperating Revenues (Expenses)	<u>32</u>	<u>-</u>	<u>-</u>	<u>(375)</u>
Income (Loss) Before Capital Contributions, Transfers and Special Items	<u>60,232</u>	<u>45,992</u>	<u>1,230</u>	<u>(8,129)</u>
<b>Capital Contributions, Transfers and Special Items</b>				
Capital Contributions from (to) Other Funds	-	-	-	-
Transfer from Other Funds	-	-	7,000	5,185
Transfer to Other Funds	(58,661)	(47,307)	-	-
Special Items	-	-	-	-
Total Capital Contributions, Transfers In (Out) and Special Items	<u>(58,661)</u>	<u>(47,307)</u>	<u>7,000</u>	<u>5,185</u>
Change in Net Position	1,571	(1,315)	8,230	(2,944)
Net Position - Beginning of Year	1,505	3,969	(17,669)	29,818
Net Position - End of Year	<u>\$ 3,076</u>	<u>\$ 2,654</u>	<u>\$ (9,439)</u>	<u>\$ 26,874</u>

<u>Prison Industries</u>	<u>Dirigo Health</u>	<u>Consolidated Emergency Communications</u>	<u>Total Other Enterprise Funds</u>
\$ 2,137	\$ 91	\$ 6,406	\$ 470,745
-	-	-	5
<u>2,137</u>	<u>91</u>	<u>6,406</u>	<u>470,750</u>
1,739	68	6,489	367,779
14	-	-	2,979
<u>1,753</u>	<u>68</u>	<u>6,489</u>	<u>370,758</u>
<u>384</u>	<u>23</u>	<u>(83)</u>	<u>99,992</u>
5	-	-	(338)
<u>5</u>	<u>-</u>	<u>-</u>	<u>(338)</u>
<u>389</u>	<u>23</u>	<u>(83)</u>	<u>99,654</u>
2	-	-	2
-	-	-	12,185
-	-	-	(105,968)
<u>-</u>	<u>895</u>	<u>-</u>	<u>895</u>
<u>2</u>	<u>895</u>	<u>-</u>	<u>(92,886)</u>
391	918	(83)	6,768
<u>2,372</u>	<u>(858)</u>	<u>(3,960)</u>	<u>15,177</u>
<u>\$ 2,763</u>	<u>\$ 60</u>	<u>\$ (4,043)</u>	<u>\$ 21,945</u>

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

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

	<u>Lottery</u>	<u>Alcoholic Beverages</u>	<u>Maine Military Authority</u>	<u>Ferry Service</u>
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 270,774	\$ 175,891	\$ 3,964	\$ 4,964
Cash Received from Interfund Services	4,554	31	171	12
Payments to Prize Winners	(178,402)	-	-	-
Payments to Suppliers	(36,711)	(128,822)	(2,581)	(3,712)
Payments to Employees	(1,586)	(260)	(4,684)	(6,279)
Payments for Interfund Goods and Services	-	(2,987)	(3,870)	(549)
Net Cash Provided (Used) by Operating Activities	<u>58,629</u>	<u>43,853</u>	<u>(7,000)</u>	<u>(5,564)</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from Other Funds	-	-	7,000	5,185
Transfers to Other Funds	(58,661)	(47,307)	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(58,661)</u>	<u>(47,307)</u>	<u>7,000</u>	<u>5,185</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>				
Investment Income	32	-	-	16
Net Cash Provided (Used) by Investing Activities	<u>32</u>	<u>-</u>	<u>-</u>	<u>16</u>
Net Increase (Decrease) in Cash/Cash Equivalents	-	(3,454)	-	(363)
Cash/Cash Equivalents - Beginning of Period	750	9,248	-	2,150
Cash/Cash Equivalents - End of Period	<u>\$ 750</u>	<u>\$ 5,794</u>	<u>\$ -</u>	<u>\$ 1,787</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	\$ 60,200	\$ 45,992	\$ 1,230	\$ (7,754)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	-	-	473	2,492
Decrease (Increase) in Assets & Liabilities				
Accounts Receivable	(3,974)	(1,262)	(881)	4
Interfund Balances	5,053	(2,816)	(3,087)	(2)
Inventories	-	-	131	(18)
Other Assets	(122)	-	(72)	-
Deferred Outflows	(345)	(20)	(1,818)	(1,255)
Increase (Decrease) in Liabilities				
Accounts Payable	(374)	1,864	(2,304)	(594)
Accrued Payroll Expense	4	1	(26)	2
Compensated Absences	3	1	(385)	20
Deferred Inflows	(79)	(1)	(646)	(258)
Net Pension Liability	464	90	(270)	1,882
Other Accruals	(2,201)	4	655	(83)
Total Adjustments	(1,571)	(2,139)	(8,230)	2,190
Net Cash Provided (Used) by Operating Activities:	<u>\$ 58,629</u>	<u>\$ 43,853</u>	<u>\$ (7,000)</u>	<u>\$ (5,564)</u>
<b>Non Cash Investing, Capital and Financing Activities</b>				
Contributed Capital Assets	-	-	-	-
Special Item	-	-	-	-

<u>Prison Industries</u>	<u>Dirigo Health</u>	<u>Consolidated Emergency Communications</u>	<u>Total Other Enterprise Funds</u>
\$ 1,376	\$ 3	\$ 913	\$ 457,885
768	73	5,512	11,121
-	-	-	(178,402)
(1,004)	-	(411)	(173,241)
(269)	(68)	(5,419)	(18,565)
<u>(800)</u>	<u>(4)</u>	<u>(555)</u>	<u>(8,765)</u>
<u>71</u>	<u>4</u>	<u>40</u>	<u>90,033</u>
-	-	-	12,185
-	-	-	<u>(105,968)</u>
-	-	-	<u>(93,783)</u>
<u>(112)</u>	<u>-</u>	<u>-</u>	<u>(112)</u>
<u>(112)</u>	<u>-</u>	<u>-</u>	<u>(112)</u>
<u>5</u>	<u>-</u>	<u>-</u>	<u>53</u>
<u>5</u>	<u>-</u>	<u>-</u>	<u>53</u>
(36)	4	40	(3,809)
<u>521</u>	<u>43</u>	<u>1,839</u>	<u>14,551</u>
<u>\$ 485</u>	<u>\$ 47</u>	<u>\$ 1,879</u>	<u>\$ 10,742</u>
<u>\$ 384</u>	<u>\$ 23</u>	<u>\$ (83)</u>	<u>\$ 99,992</u>
14	-	-	2,979
10	(15)	-	(6,118)
-	(4)	5	(851)
(425)	-	-	(312)
-	-	-	(194)
<u>(63)</u>	<u>15</u>	<u>(1,122)</u>	<u>(4,608)</u>
10	-	(44)	(1,442)
2	-	39	22
14	-	12	(335)
(11)	(48)	(249)	(1,292)
136	33	1,575	3,910
-	-	(93)	(1,718)
<u>(313)</u>	<u>(19)</u>	<u>123</u>	<u>(9,959)</u>
<u>\$ 71</u>	<u>\$ 4</u>	<u>\$ 40</u>	<u>\$ 90,033</u>
2	-	-	2
-	895	-	895



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# INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Industrial Drive Facility Fund – This fund accounts for the managing and operation of the facility at 66 Industrial Drive in Augusta. The facility will consolidate agencies performing similar work in an effort to promote resource sharing.

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

June 30, 2017  
(Expressed in Thousands)

	<u>Motor Transport Services</u>	<u>Postal, Printing &amp; Supply</u>	<u>Information Services</u>	<u>Risk Management</u>
<b>Assets</b>				
Current Assets:				
Equity in Treasurer's Cash Pool	\$ 715	\$ -	\$ 4,432	\$ 16,164
Cash & Short-Term Investments	-	1	-	-
Cash with Fiscal Agent	101	-	-	-
Restricted Assets:				
Restricted Deposits & Investments	-	-	-	-
Inventories	3,898	345	2	-
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	9	46	323	20
Due from Other Funds	213	1,644	5,733	207
Other Assets	-	-	5,650	913
Total Current Assets	<u>4,936</u>	<u>2,036</u>	<u>16,140</u>	<u>17,304</u>
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	348	-	2,159	7,875
Capital Assets - Net of Depreciation	<u>50,330</u>	<u>395</u>	<u>10,412</u>	<u>-</u>
Total Noncurrent Assets	<u>50,678</u>	<u>395</u>	<u>12,571</u>	<u>7,875</u>
Total Assets	<u>55,614</u>	<u>2,431</u>	<u>28,711</u>	<u>25,179</u>
<b>Deferred Outflows of Resources</b>	<u>\$ 3,479</u>	<u>\$ 717</u>	<u>\$ 15,814</u>	<u>\$ 170</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	358	47	1,440	-
Accrued Payroll	557	66	1,570	17
Due to Other Funds	186	4,989	971	70
Due to Component Units	-	-	-	-
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	8	77	-	-
Obligations under Capital Leases	-	-	-	-
Claims Payable	-	-	-	-
Compensated Absences	46	10	257	4
Unearned Revenue	-	-	-	242
Other Accrued Liabilities	-	246	-	-
Accrued Interest Payable	-	-	-	-
Total Current Liabilities	<u>1,155</u>	<u>5,435</u>	<u>4,238</u>	<u>333</u>
Long-Term Liabilities:				
Working Capital Advances Payable	-	111	-	-
Unearned Revenue	-	-	-	-
Certificates of Participation & Other Financing Arrangements	-	184	-	-
Obligations under Capital Leases	-	-	-	-
Claims Payable	-	-	-	8,196
Compensated Absences	338	75	1,881	27
Other Post-Employment Benefit Obligation	1,432	296	6,441	62
Net Pension Liability	<u>11,777</u>	<u>2,434</u>	<u>52,191</u>	<u>567</u>
Total Long-Term Liabilities	<u>13,547</u>	<u>3,100</u>	<u>60,513</u>	<u>8,852</u>
Total Liabilities	<u>14,702</u>	<u>8,535</u>	<u>64,751</u>	<u>9,185</u>
<b>Deferred Inflows of Resources</b>	<u>\$ 102</u>	<u>\$ 21</u>	<u>\$ 451</u>	<u>\$ 5</u>
<b>Net Position</b>				
Net Investment in Capital Assets	50,423	134	10,412	-
Restricted for:				
Other Purposes	-	-	-	-
Unrestricted	<u>(6,134)</u>	<u>(5,542)</u>	<u>(31,089)</u>	<u>16,159</u>
Total Net Position	<u>\$ 44,289</u>	<u>\$ (5,408)</u>	<u>\$ (20,677)</u>	<u>\$ 16,159</u>



(Continued)

<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 Systems</u>
\$ 14,451	\$ -	\$ 6	\$ 30	\$ 83,488	\$ 16,175	\$ 335
-	1	-	-	-	-	-
-	2,548	-	-	-	-	-
-	-	-	-	-	-	-
-	43	-	-	-	-	-
-	31	1	-	2,097	7,775	-
1,365	1,544	145	-	3,187	7,354	-
513	-	-	-	6,254	18,711	-
<u>16,329</u>	<u>4,167</u>	<u>152</u>	<u>30</u>	<u>95,026</u>	<u>50,015</u>	<u>335</u>
7,040	-	3	14	40,676	7,880	163
-	19,315	28,644	-	-	-	43,326
<u>7,040</u>	<u>19,315</u>	<u>28,647</u>	<u>14</u>	<u>40,676</u>	<u>7,880</u>	<u>43,489</u>
<u>23,369</u>	<u>23,482</u>	<u>28,799</u>	<u>44</u>	<u>135,702</u>	<u>57,895</u>	<u>43,824</u>
\$ <u>552</u>	\$ <u>381</u>	\$ <u>115</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>410</u>	\$ <u>-</u>
550	5	38	-	2,372	20	-
79	39	6	-	-	36	-
53	305	6	10	-	25	-
-	-	-	-	8,792	-	-
-	5,179	-	-	-	-	4,176
-	-	5,053	-	-	-	-
8,023	-	-	-	4,919	14,755	-
6	7	3	-	-	4	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	48	-	-	-	-	-
<u>8,711</u>	<u>5,583</u>	<u>5,106</u>	<u>10</u>	<u>16,083</u>	<u>14,840</u>	<u>4,176</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6,863	-	-	-	-	7,884
-	-	27,105	-	-	-	-
41,396	-	-	-	-	-	-
43	54	25	-	-	29	-
192	153	42	-	-	138	-
1,823	1,241	385	-	-	1,380	-
<u>43,454</u>	<u>8,311</u>	<u>27,557</u>	<u>-</u>	<u>-</u>	<u>1,547</u>	<u>7,884</u>
<u>52,165</u>	<u>13,894</u>	<u>32,663</u>	<u>10</u>	<u>16,083</u>	<u>16,387</u>	<u>12,060</u>
\$ <u>16</u>	\$ <u>11</u>	\$ <u>3</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>12</u>	\$ <u>-</u>
-	9,821	(3,514)	-	-	-	31,266
-	-	-	-	-	-	498
(28,260)	137	(238)	34	119,619	41,906	-
<u>\$ (28,260)</u>	<u>\$ 9,958</u>	<u>\$ (3,752)</u>	<u>\$ 34</u>	<u>\$ 119,619</u>	<u>\$ 41,906</u>	<u>\$ 31,764</u>

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

June 30, 2017  
(Expressed in Thousands)

	<u>Financial &amp; Personnel Services</u>	<u>Transportation Facilities</u>	<u>Governmental Facilities Authority</u>	<u>Industrial Drive Facility</u>	<u>Total Internal Service Funds</u>
<b>Assets</b>					
Current Assets:					
Equity in Treasurer's Cash Pool	\$ 1,286	\$ 307	\$ -	\$ 62	\$ 137,451
Cash & Short-Term Investments	-	-	-	-	2
Cash with Fiscal Agent	-	-	-	-	2,649
Restricted Assets:					
Restricted Deposits & Investments	-	-	4,050	-	4,050
Inventories	-	-	-	-	4,288
Receivables, Net of Allowance for Uncollectibles:					
Other Receivable	-	-	-	-	10,302
Due from Other Funds	90	-	-	-	21,482
Other Assets	1	-	-	-	32,042
Total Current Assets	<u>1,377</u>	<u>307</u>	<u>4,050</u>	<u>62</u>	<u>212,266</u>
Noncurrent Assets:					
Equity in Treasurer's Cash Pool	626	149	-	-	66,933
Capital Assets - Net of Depreciation	<u>6</u>	<u>23,492</u>	<u>-</u>	<u>12,772</u>	<u>188,692</u>
Total Noncurrent Assets	<u>632</u>	<u>23,641</u>	<u>-</u>	<u>12,772</u>	<u>255,625</u>
Total Assets	<u>2,009</u>	<u>23,948</u>	<u>4,050</u>	<u>12,834</u>	<u>467,891</u>
<b>Deferred Outflows of Resources</b>	<u>\$ 7,593</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,231</u>
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable	33	45	11	13	4,932
Accrued Payroll	752	-	-	-	3,122
Due to Other Funds	250	8	-	-	6,873
Due to Component Units	-	-	-	-	8,792
Current Portion of Long-Term Obligations:					
Certificates of Participation and Other Financing Arrangements	-	-	-	-	9,440
Obligations under Capital Leases	-	-	-	-	5,053
Claims Payable	-	-	-	-	27,697
Compensated Absences	106	-	-	-	443
Unearned Revenue	-	-	156	-	398
Other Accrued Liabilities	-	-	-	-	246
Accrued Interest Payable	-	-	27	-	75
Total Current Liabilities	<u>1,141</u>	<u>53</u>	<u>194</u>	<u>13</u>	<u>67,071</u>
Long-Term Liabilities:					
Working Capital Advances Payable	-	-	-	-	111
Unearned Revenue	-	-	221	-	221
Certificates of Participation & Other Financing Arrangements	-	-	-	-	14,931
Obligations under Capital Leases	-	-	-	-	27,105
Claims Payable	-	-	-	-	49,592
Compensated Absences	776	-	-	-	3,248
Other Post-Employment Benefit Obligation	2,772	-	-	-	11,528
Net Pension Liability	<u>25,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,068</u>
Total Long-Term Liabilities	<u>28,818</u>	<u>-</u>	<u>221</u>	<u>-</u>	<u>203,804</u>
Total Liabilities	<u>29,959</u>	<u>53</u>	<u>415</u>	<u>13</u>	<u>270,875</u>
<b>Deferred Inflows of Resources</b>	<u>\$ 218</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 839</u>
<b>Net Position</b>					
Net Investment in Capital Assets	6	23,492	-	12,772	134,812
Restricted for:					
Other Purposes	-	-	7	-	505
Unrestricted	<u>(20,581)</u>	<u>403</u>	<u>3,628</u>	<u>49</u>	<u>90,091</u>
Total Net Position	<u>\$ (20,575)</u>	<u>\$ 23,895</u>	<u>\$ 3,635</u>	<u>\$ 12,821</u>	<u>\$ 225,408</u>



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

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

	<u>Motor Transport Services</u>	<u>Postal, Printing &amp; Supply</u>	<u>Information Services</u>	<u>Risk Management</u>
<b>Operating Revenues</b>				
Charges for Services	\$ 33,864	\$ 29,224	\$ 86,504	\$ 4,742
Miscellaneous Revenues	-	-	81	-
Total Operating Revenues	<u>33,864</u>	<u>29,224</u>	<u>86,585</u>	<u>4,742</u>
<b>Operating Expenses</b>				
General Operations	26,942	30,262	90,753	3,422
Depreciation	7,786	11	2,371	-
Claims/Fees Expense	-	-	-	2,723
Other Operating Expenses	-	-	-	-
Total Operating Expenses	<u>34,728</u>	<u>30,273</u>	<u>93,124</u>	<u>6,145</u>
Operating Income (Loss)	<u>(864)</u>	<u>(1,049)</u>	<u>(6,539)</u>	<u>(1,403)</u>
<b>Nonoperating Revenues (Expenses)</b>				
Investment Revenue (Expenses) - net	6	(40)	62	223
Interest Expense	-	-	-	-
Other Nonoperating Revenue (Expenses) - net	<u>(10,246)</u>	<u>-</u>	<u>(17)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses) - net	<u>(10,240)</u>	<u>(40)</u>	<u>45</u>	<u>223</u>
Income (Loss) Before Capital Contributions, Transfers and Special Items	<u>(11,104)</u>	<u>(1,089)</u>	<u>(6,494)</u>	<u>(1,180)</u>
<b>Capital Contributions, Transfers and Special Items</b>				
Capital Contributions from (to) Other Funds	-	-	-	-
Transfer to Other Funds	-	-	-	-
Transfer from Other Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Capital Contributions, Transfers In (Out) and Special Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Position	(11,104)	(1,089)	(6,494)	(1,180)
Net Position - Beginning of Year (As Restated)	<u>55,393</u>	<u>(4,319)</u>	<u>(14,183)</u>	<u>17,339</u>
Net Position - End of Year	<u>\$ 44,289</u>	<u>\$ (5,408)</u>	<u>\$ (20,677)</u>	<u>\$ 16,159</u>

(Continued)

<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 Systems</u>
\$ 14,393	\$ 11,815	\$ 23,327	\$ 255	\$ 52,981	\$ 156,050	\$ 154
31	1	1	-	3	1	-
<u>14,424</u>	<u>11,816</u>	<u>23,328</u>	<u>255</u>	<u>52,984</u>	<u>156,051</u>	<u>154</u>
3,721	7,053	9,341	135	26,119	144,676	52
-	3,589	3,799	-	-	-	9,006
10,931	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>14,652</u>	<u>10,642</u>	<u>13,140</u>	<u>135</u>	<u>26,119</u>	<u>144,676</u>	<u>9,058</u>
<u>(228)</u>	<u>1,174</u>	<u>10,188</u>	<u>120</u>	<u>26,865</u>	<u>11,375</u>	<u>(8,904)</u>
190	5	11	-	855	306	-
-	(141)	(10,188)	-	-	-	-
-	(97)	-	-	-	-	-
<u>190</u>	<u>(233)</u>	<u>(10,177)</u>	<u>-</u>	<u>855</u>	<u>306</u>	<u>-</u>
<u>(38)</u>	<u>941</u>	<u>11</u>	<u>120</u>	<u>27,720</u>	<u>11,681</u>	<u>(8,904)</u>
-	-	-	-	-	-	-
-	-	-	(100)	-	-	-
-	-	-	-	4,000	-	6,400
-	-	-	(100)	4,000	-	6,400
(38)	941	11	20	31,720	11,681	(2,504)
(28,222)	9,017	(3,763)	14	87,899	30,225	34,268
<u>\$ (28,260)</u>	<u>\$ 9,958</u>	<u>\$ (3,752)</u>	<u>\$ 34</u>	<u>\$ 119,619</u>	<u>\$ 41,906</u>	<u>\$ 31,764</u>

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

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

	<b>Financial &amp; Personnel Services</b>	<b>Transportation Facilities</b>	<b>Governmental Facilities Authority</b>	<b>Industrial Drive Facility</b>	<b>Total Internal Service Funds</b>
<b>Operating Revenues</b>					
Charges for Services	\$ 19,890	\$ 1,636	\$ 1,089	\$ 519	\$ 436,443
Miscellaneous Revenues	2	-	-	-	120
Total Operating Revenues	<u>19,892</u>	<u>1,636</u>	<u>1,089</u>	<u>519</u>	<u>436,563</u>
<b>Operating Expenses</b>					
General Operations	20,771	9	260	428	363,944
Depreciation	2	495	-	340	27,399
Claims/Fees Expense	-	-	-	-	13,654
Other Operating Expenses	-	-	549	-	549
Total Operating Expenses	<u>20,773</u>	<u>504</u>	<u>809</u>	<u>768</u>	<u>405,546</u>
Operating Income (Loss)	<u>(881)</u>	<u>1,132</u>	<u>280</u>	<u>(249)</u>	<u>31,017</u>
<b>Nonoperating Revenues (Expenses)</b>					
Investment Revenue (Expenses) - net	-	10	20	-	1,648
Interest Expense	-	-	-	-	(10,329)
Other Nonoperating Revenue (Expenses) - net	-	282	-	-	(10,078)
Total Nonoperating Revenues (Expenses) - net	<u>-</u>	<u>292</u>	<u>20</u>	<u>-</u>	<u>(18,759)</u>
Income (Loss) Before Capital Contributions, Transfers and Special Items	<u>(881)</u>	<u>1,424</u>	<u>300</u>	<u>(249)</u>	<u>12,258</u>
<b>Capital Contributions, Transfers and Special Items</b>					
Capital Contributions from (to) Other Funds	-	302	-	-	302
Transfer to Other Funds	-	-	-	-	(100)
Transfer from Other Funds	-	-	-	-	10,400
Total Capital Contributions, Transfers In (Out) and Special Items	<u>-</u>	<u>302</u>	<u>-</u>	<u>-</u>	<u>10,602</u>
Change in Net Position	(881)	1,726	300	(249)	22,860
Net Position - Beginning of Year (As Restated)	<u>(19,694)</u>	<u>22,169</u>	<u>3,335</u>	<u>13,070</u>	<u>202,548</u>
Net Position - End of Year	<u>\$ (20,575)</u>	<u>\$ 23,895</u>	<u>\$ 3,635</u>	<u>\$ 12,821</u>	<u>\$ 225,408</u>



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

June 30, 2017  
(Expressed in Thousands)

	<b>Motor Transport Services</b>	<b>Postal, Printing &amp; Supply</b>	<b>Information Services</b>	<b>Risk Management</b>
<b>Cash Flows from Operating Activities</b>				
Receipts from Customers and Users	\$ 1,379	\$ 2,767	\$ 1,926	\$ 123
Cash Received from Interfund Services	32,863	26,904	90,190	4,406
Payments to Suppliers	(4,107)	(20,453)	(32,549)	(2,327)
Payments to Employees	(9,612)	(1,952)	(41,926)	(407)
Payments for Interfund Goods and Services	(13,351)	(7,098)	(14,987)	(3,205)
Net Cash Provided (Used) by Operating Activities	<u>7,172</u>	<u>168</u>	<u>2,654</u>	<u>(1,410)</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from Other Funds	-	-	-	-
Transfers to Other Funds	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Payments for Acquisition of Capital Assets	(6,927)	(383)	(4,342)	-
Proceeds from Financing Arrangements	-	-	-	-
Principal and Interest Paid on Financing Arrangements	-	(128)	-	-
Proceeds from Sale of Capital Assets	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(6,927)</u>	<u>(511)</u>	<u>(4,342)</u>	<u>-</u>
<b>Cash Flows from Investing Activities</b>				
Investment Revenue	6	(40)	62	223
Net Cash Provided (Used) by Investing Activities	<u>6</u>	<u>(40)</u>	<u>62</u>	<u>223</u>
Net Increase (Decrease) in Cash/Cash Equivalents	251	(383)	(1,626)	(1,187)
Cash/Cash Equivalents - Beginning of Period	913	384	8,217	25,226
Cash/Cash Equivalents - End of Period	<u>\$ 1,164</u>	<u>\$ 1</u>	<u>\$ 6,591</u>	<u>\$ 24,039</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>				
Operating Income (Loss)	\$ (864)	\$ (1,049)	\$ (6,539)	\$ (1,403)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation Expense	7,786	11	2,371	-
Decrease (Increase) in Assets				
Accounts Receivable	4	(2)	(245)	(7)
Interfund Balances	(225)	1,300	4,777	150
Due from Component Units	-	-	3	-
Inventories	525	(129)	27	-
Other Assets	-	105	656	(421)
Deferred Outflows	(2,063)	(427)	(9,014)	(104)
Increase (Decrease) in Liabilities				
Accounts Payable	(23)	(40)	82	(11)
Accrued Payroll Expense	48	(6)	132	6
Due to Other Governments	-	-	-	-
Compensated Absences	7	4	(172)	10
Deferred Inflows	(460)	(93)	(1,947)	(22)
Net Pension Liability	2,633	580	13,212	129
Other Accruals	(196)	(86)	(689)	263
Total Adjustments	8,036	1,217	9,193	(7)
Net Cash Provided (Used) by Operating Activities:	<u>\$ 7,172</u>	<u>\$ 168</u>	<u>\$ 2,654</u>	<u>\$ (1,410)</u>
<b>Non Cash Investing, Capital and Financing Activities</b>				
Property Leased, Accrued or Acquired	-	-	-	-
Contributed Capital Assets	-	-	-	-



(Continued)

<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 Systems</u>
\$ 128	\$ 327	\$ 148	\$ 101	\$ 38,160	\$ 22,757	\$ 154
13,643	11,525	23,584	154	11,237	123,069	-
(11,462)	(2,783)	(8,866)	-	(26,530)	(150,253)	(52)
(1,292)	(1,064)	(277)	-	-	(906)	-
(810)	(3,552)	(412)	(140)	(3,997)	(249)	-
<u>207</u>	<u>4,453</u>	<u>14,177</u>	<u>115</u>	<u>18,870</u>	<u>(5,582)</u>	<u>102</u>
-	-	-	-	4,000	-	6,400
-	-	-	(100)	-	-	-
-	-	-	(100)	4,000	-	6,400
-	(5,904)	(2,117)	-	-	-	(1,244)
-	5,500	-	-	-	-	-
-	(5,305)	(12,062)	-	-	-	(6,401)
-	-	-	-	-	-	-
-	(5,709)	(14,179)	-	-	-	(7,645)
190	5	11	-	855	306	-
190	5	11	-	855	306	-
397	(1,251)	9	15	23,725	(5,276)	(1,143)
21,094	3,800	-	29	100,439	29,331	1,641
-	-	-	-	-	-	-
<u>\$ 21,491</u>	<u>\$ 2,549</u>	<u>\$ 9</u>	<u>\$ 44</u>	<u>\$ 124,164</u>	<u>\$ 24,055</u>	<u>\$ 498</u>
<u>\$ (228)</u>	<u>\$ 1,174</u>	<u>\$ 10,188</u>	<u>\$ 120</u>	<u>\$ 26,865</u>	<u>\$ 11,375</u>	<u>\$ (8,904)</u>
-	3,589	3,799	-	-	-	9,006
-	2	(1)	-	(2,047)	(6,296)	-
(628)	(328)	184	(5)	(485)	(761)	-
-	-	-	-	-	-	-
-	2	-	-	-	-	-
(26)	-	-	-	(1,060)	(3,174)	-
(319)	(228)	(65)	-	-	(234)	-
(314)	(4)	(12)	-	(3,779)	(4,167)	-
40	3	(4)	-	-	2	-
-	-	-	-	260	-	-
12	-	4	-	-	8	-
(64)	(47)	(15)	-	-	(47)	-
521	309	104	-	-	378	-
1,213	(19)	(5)	-	(884)	(2,666)	-
435	3,279	3,989	(5)	(7,995)	(16,957)	9,006
<u>\$ 207</u>	<u>\$ 4,453</u>	<u>\$ 14,177</u>	<u>\$ 115</u>	<u>\$ 18,870</u>	<u>\$ (5,582)</u>	<u>\$ 102</u>
-	-	2,278	-	-	-	-
-	-	-	-	-	-	-

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

June 30, 2017  
(Expressed in Thousands)

	<b>Industrial Drive Facility</b>	<b>Financial &amp; Personnel Services</b>	<b>Transportation Facilities</b>	<b>Governmental Facilities Authority</b>	<b>Total</b>
<b>Cash Flows from Operating Activities</b>					
Receipts from Customers and Users	\$ -	\$ 295	\$ 96	\$ 1,096	\$ 69,457
Cash Received from Interfund Services	519	19,531	1,550	-	359,175
Payments to Suppliers	(359)	(55)	(1)	(984)	(260,781)
Payments to Employees	-	(18,791)	-	-	(76,227)
Payments for Interfund Goods and Services	(74)	(1,311)	-	-	(49,186)
Net Cash Provided (Used) by Operating Activities	<u>86</u>	<u>(331)</u>	<u>1,645</u>	<u>112</u>	<u>42,438</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Transfers from Other Funds	-	-	-	-	10,400
Transfers to Other Funds	-	-	-	-	(100)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,300</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Payments for Acquisition of Capital Assets	(24)	-	(1,817)	-	(22,758)
Proceeds from Financing Arrangements	-	-	-	-	5,500
Principal and Interest Paid on Financing Arrangements	-	-	-	-	(23,896)
Proceeds from Sale of Capital Assets	-	-	282	-	282
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(24)</u>	<u>-</u>	<u>(1,535)</u>	<u>-</u>	<u>(40,872)</u>
<b>Cash Flows from Investing Activities</b>					
Investment Revenue	-	-	10	20	1,648
Net Cash Provided (Used) by Investing Activities	<u>-</u>	<u>-</u>	<u>10</u>	<u>20</u>	<u>1,648</u>
Net Increase (Decrease) in Cash/Cash Equivalents	62	(331)	120	132	13,514
Cash/Cash Equivalents - Beginning of Period	-	2,243	336	3,918	197,571
Cash/Cash Equivalents - End of Period	<u>\$ 62</u>	<u>\$ 1,912</u>	<u>\$ 456</u>	<u>\$ 4,050</u>	<u>\$ 211,085</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>					
Operating Income (Loss)	\$ (249)	\$ (881)	\$ 1,132	\$ 280	\$ 31,017
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Depreciation Expense	340	2	495	-	27,399
Decrease (Increase) in Assets					
Accounts Receivable	-	-	10	7	(8,575)
Interfund Balances	(7)	(108)	8	-	3,872
Due from Component Units	-	2	-	-	5
Inventories	-	-	-	-	425
Other Assets	-	(1)	-	-	(3,921)
Deferred Outflows	-	(4,417)	-	-	(16,871)
Increase (Decrease) in Liabilities					
Accounts Payable	2	6	-	3	(8,257)
Accrued Payroll Expense	-	118	-	-	339
Due to Other Governments	-	-	-	-	260
Compensated Absences	-	34	-	-	(93)
Deferred Inflows	-	(956)	-	-	(3,651)
Net Pension Liability	-	6,183	-	-	24,049
Other Accruals	-	(313)	-	(178)	(3,560)
Total Adjustments	<u>335</u>	<u>550</u>	<u>513</u>	<u>(168)</u>	<u>11,421</u>
Net Cash Provided (Used) by Operating Activities:	<u>\$ 86</u>	<u>\$ (331)</u>	<u>\$ 1,645</u>	<u>\$ 112</u>	<u>\$ 42,438</u>
<b>Non Cash Investing, Capital and Financing Activities</b>					
Property Leased, Accrued or Acquired	-	-	-	-	2,278
Contributed Capital Assets	-	-	302	-	302

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# FIDUCIARY FUNDS

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## Pension (and Other Employee Benefits) Trusts

This fund accounts for all of the trust activity occurring in the employees defined benefit pension plan, healthcare and group life insurance other postemployment benefit trusts and defined contribution plans.

## Private Purpose Trust Funds

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

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

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

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

Maine Universal Service Fund – This fund provides universal land-line service to the poor and to otherwise underserved rural areas.

Maine Education Access Fund – This fund provides schools and qualified libraries with resources to provide computer-based and network services.

## Agency Funds

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

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

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

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

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

June 30, 2017  
(Expressed in Thousands)

	<b>State/Teacher Defined Benefit Pension Plan</b>	<b>Judicial Defined Benefit Pension Plan</b>	<b>Legislative Defined Benefit Pension Plan</b>	<b>PLD Consolidated Pension Plan</b>
<b>Assets</b>				
Cash & Short-Term Investments	\$ 18,654	\$ 325	\$ 54	\$ 4,237
Receivables, Net of Allowance for Uncollectibles:				
Interest and Dividends	2,233	14	2	534
Due from Brokers for Securities Sold	281	2	-	67
Other Receivable	20,870	-	1	8,573
Due from Primary Government	13,991	-	-	-
Investments at Fair Value:				
Equity Securities	2,243,271	13,738	2,450	536,908
Common/Collective Trusts	8,609,314	52,724	9,405	2,060,568
Securities Lending Collateral	15,637	96	17	3,743
Capital Assets - Net of Depreciation	5,979	37	7	1,431
Total Assets	<u>10,930,230</u>	<u>66,936</u>	<u>11,936</u>	<u>2,616,061</u>
<b>Liabilities</b>				
Accounts Payable	6,118	37	7	1,464
Obligations Under Securities Lending	15,637	96	17	3,743
Other Accrued Liabilities	15,170	93	16	3,630
Total Liabilities	<u>36,925</u>	<u>226</u>	<u>40</u>	<u>8,837</u>
<b>Net Position</b>				
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	<u>10,893,305</u>	<u>66,710</u>	<u>11,896</u>	<u>2,607,224</u>
Total Net Position	<u>\$ 10,893,305</u>	<u>\$ 66,710</u>	<u>\$ 11,896</u>	<u>\$ 2,607,224</u>

<b>PLD Agent Pension Plan</b>	<b>Healthcare OPEB</b>	<b>MainePERS OPEB Trust</b>	<b>Group Life Insurance OPEB</b>	<b>Group Life Insurance Retired SETP</b>	<b>Group Life Insurance Retired PLD</b>	<b>Defined Contribution Plans</b>	<b>Total Pension (and Other Employee Benefit) Trusts</b>
\$ 97	\$ -	\$ -	\$ 153	\$ 1,271	\$ 263	\$ 11	\$ 25,065
7	-	-	-	-	-	-	2,790
1	-	-	-	-	-	-	351
77	-	-	788	-	-	54	30,363
-	4,000	-	-	-	35	-	18,026
7,360	-	-	-	-	-	-	2,803,727
28,246	229,618	12,540	8,314	87,071	15,116	34,140	11,147,056
51	-	-	-	-	-	-	19,544
20	-	-	-	-	-	-	7,474
<u>35,859</u>	<u>233,618</u>	<u>12,540</u>	<u>9,255</u>	<u>88,342</u>	<u>15,414</u>	<u>34,205</u>	<u>14,054,396</u>
20	-	-	1	11	2	-	7,660
51	-	-	-	-	-	-	19,544
50	23	577	958	1,448	329	6	22,300
<u>121</u>	<u>23</u>	<u>577</u>	<u>959</u>	<u>1,459</u>	<u>331</u>	<u>6</u>	<u>49,504</u>
<u>35,738</u>	<u>233,595</u>	<u>11,963</u>	<u>8,296</u>	<u>86,883</u>	<u>15,083</u>	<u>34,199</u>	<u>14,004,892</u>
<u>\$ 35,738</u>	<u>\$ 233,595</u>	<u>\$ 11,963</u>	<u>\$ 8,296</u>	<u>\$ 86,883</u>	<u>\$ 15,083</u>	<u>\$ 34,199</u>	<u>\$ 14,004,892</u>

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

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

	<b>State/Teacher Defined Benefit Pension Plan</b>	<b>Judicial Defined Benefit Pension Plan</b>	<b>Legislative Defined Benefit Pension Plan</b>	<b>PLD Consolidated Pension Plan</b>
Additions:				
Contributions:				
Members	\$ 139,464	\$ 584	\$ 202	\$ 46,081
State & Local Agencies	210,723	1,144	-	51,511
Other Contributing Entity	116,415	-	-	-
Investment Income (Loss):				
Net Increase (Decrease) in the Fair Value of Investments	1,270,143	7,886	1,381	303,076
Interest & Dividends	59,958	367	66	14,350
Securities Lending Income	454	3	-	109
Less Investment Expense:				
Investment Activity Expense	74,950	459	81	17,859
Securities Lending Expense	(438)	(3)	-	(105)
Net Investment Income (Loss)	<u>1,256,043</u>	<u>7,800</u>	<u>1,366</u>	<u>299,781</u>
Total Additions	<u>1,722,645</u>	<u>9,528</u>	<u>1,568</u>	<u>397,373</u>
Deductions:				
Benefits Paid to Participants or Beneficiaries	762,450	3,652	399	140,413
Refunds & Withdrawals	18,020	-	70	5,936
Administrative Expenses	9,216	56	10	2,209
Claims Processing Expense	-	-	-	-
Total Deductions	<u>789,686</u>	<u>3,708</u>	<u>479</u>	<u>148,558</u>
Net Increase (Decrease)	<u>932,959</u>	<u>5,820</u>	<u>1,089</u>	<u>248,815</u>
Net Position:				
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:				
Beginning of Year	<u>9,960,346</u>	<u>60,890</u>	<u>10,807</u>	<u>2,358,409</u>
End of Year	<u>\$ 10,893,305</u>	<u>\$ 66,710</u>	<u>\$ 11,896</u>	<u>\$ 2,607,224</u>

<u>PLD Agent Pension Plan</u>	<u>Healthcare OPEB</u>	<u>MainePERS OPEB Trust</u>	<u>Group Life Insurance OPEB</u>	<u>Group Life Insurance Retired SETP</u>	<u>Group Life Insurance Retired PLD</u>	<u>Defined Contribution Plans</u>	<u>Total Pension (and Other Employee Benefit) Trusts</u>
\$ 77	\$ -	\$ -	\$ 4,464	\$ -	\$ -	\$ 3,219	\$ 194,091
631	73,118	6	1,066	3,650	1,037	747	343,633
-	-	-	-	3,271	-	-	119,686
4,210	26,578	1,597	954	9,945	1,750	3,495	1,631,015
197	-	-	-	-	-	-	74,938
1	-	-	-	-	-	-	567
249	65	8	6	59	10	48	93,794
(1)	-	-	-	-	-	-	(547)
<u>4,160</u>	<u>26,513</u>	<u>1,589</u>	<u>948</u>	<u>9,886</u>	<u>1,740</u>	<u>3,447</u>	<u>1,613,273</u>
<u>4,868</u>	<u>99,631</u>	<u>1,595</u>	<u>6,478</u>	<u>16,807</u>	<u>2,777</u>	<u>7,413</u>	<u>2,270,683</u>
2,777	69,118	273	4,149	6,004	1,395	-	990,630
-	-	-	-	-	-	2,072	26,098
4	6	-	56	581	104	186	12,428
-	-	-	73	755	135	98	1,061
<u>2,781</u>	<u>69,124</u>	<u>273</u>	<u>4,278</u>	<u>7,340</u>	<u>1,634</u>	<u>2,356</u>	<u>1,030,217</u>
<u>2,087</u>	<u>30,507</u>	<u>1,322</u>	<u>2,200</u>	<u>9,467</u>	<u>1,143</u>	<u>5,057</u>	<u>1,240,466</u>
<u>33,651</u>	<u>203,088</u>	<u>10,641</u>	<u>6,096</u>	<u>77,416</u>	<u>13,940</u>	<u>29,142</u>	<u>12,764,426</u>
<u>\$ 35,738</u>	<u>\$ 233,595</u>	<u>\$ 11,963</u>	<u>\$ 8,296</u>	<u>\$ 86,883</u>	<u>\$ 15,083</u>	<u>\$ 34,199</u>	<u>\$ 14,004,892</u>

**STATE OF MAINE**  
**COMBINING STATEMENT OF FIDUCIARY NET POSITION**  
**PRIVATE PURPOSE TRUSTS**

June 30, 2017  
(Expressed in Thousands)

	<b>Abandoned Property</b>	<b>Revenue on Private Purpose Trusts</b>	<b>Land Reserve</b>	<b>Permanent School</b>
<b>Assets</b>				
Equity in Treasurer's Cash Pool	\$ 500	\$ 34	\$ -	\$ -
Cash & Short-Term Investments	-	-	-	-
Investments at Fair Value:				
Investments - Other	-	6	14,954	3,867
Other Receivable	-	-	-	-
Due from Other Funds	35,663	-	-	-
Other Assets	3,722	-	-	-
Total Assets	<u>39,885</u>	<u>40</u>	<u>14,954</u>	<u>3,867</u>
<b>Liabilities</b>				
Accounts Payable	23	-	-	-
Due to Other Funds	2	-	-	-
Total Liabilities	<u>25</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Position</b>				
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	<u>39,860</u>	<u>40</u>	<u>14,954</u>	<u>3,867</u>
Total Net Position	<u>\$ 39,860</u>	<u>\$ 40</u>	<u>\$ 14,954</u>	<u>\$ 3,867</u>



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<b>Maine Universal Service Trust</b>	<b>Maine Telecommunications Education Access Trust</b>	<b>Total Private Purpose Trusts</b>
\$ -	\$ -	\$ 534
1,657	254	1,911
-	-	18,827
245	400	645
-	-	35,663
-	-	3,722
<u>1,902</u>	<u>654</u>	<u>61,302</u>
294	619	936
-	-	2
<u>294</u>	<u>619</u>	<u>938</u>
1,608	35	60,364
<u>\$ 1,608</u>	<u>\$ 35</u>	<u>\$ 60,364</u>

**STATE OF MAINE**  
**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**PRIVATE PURPOSE TRUSTS**

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

	<u>Abandoned Property</u>	<u>Revenue on Private Purpose Trusts</u>	<u>Land Reserve</u>	<u>Permanent School</u>
<b>Additions:</b>				
Investment Income (Loss):				
Net Increase (Decrease) in the Fair Value of Investments	\$ -	\$ -	\$ 1,567	\$ 405
Interest & Dividends	40	143	-	-
Net Investment Income (Loss)	40	143	1,567	405
Miscellaneous Revenues	6,781	-	-	-
Transfer from Other Funds	-	603	-	-
Total Additions	<u>6,821</u>	<u>746</u>	<u>1,567</u>	<u>405</u>
<b>Deductions:</b>				
Benefits Paid to Participants or Beneficiaries	-	106	-	-
Administrative Expenses	180	-	-	-
Transfer to Other Funds	4,363	665	-	-
Total Deductions	<u>4,543</u>	<u>771</u>	<u>-</u>	<u>-</u>
Net Increase (Decrease)	2,278	(25)	1,567	405
Net Position:				
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:				
Beginning of Year (as restated)	<u>37,582</u>	<u>65</u>	<u>13,387</u>	<u>3,462</u>
End of Year	<u>\$ 39,860</u>	<u>\$ 40</u>	<u>\$ 14,954</u>	<u>\$ 3,867</u>

	<b>Maine Universal Service Trust</b>	<b>Maine Telecommunications Education Access Trust</b>	<b>Total Private Purpose Trusts</b>
<b>Additions:</b>			
Investment Income (Loss):			
Net Increase (Decrease) in the Fair Value of Investments	\$ -	\$ -	\$ 1,972
Interest & Dividends	1	-	184
Net Investment Income (Loss)	1	-	2,156
Miscellaneous Revenues	9,775	3,506	20,062
Transfer from Other Funds	-	-	603
Total Additions	<u>9,776</u>	<u>3,506</u>	<u>22,821</u>
<b>Deductions:</b>			
Benefits Paid to Participants or Beneficiaries	10,338	4,646	15,090
Administrative Expenses	1	22	203
Transfer to Other Funds	-	-	5,028
Total Deductions	<u>10,339</u>	<u>4,668</u>	<u>20,321</u>
Net Increase (Decrease)	(563)	(1,162)	2,500
Net Position:			
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:			
Beginning of Year (as restated)	<u>2,171</u>	<u>1,197</u>	<u>57,864</u>
End of Year	<u>\$ 1,608</u>	<u>\$ 35</u>	<u>\$ 60,364</u>



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

June 30, 2017  
(Expressed in Thousands)

	<b>Payroll Withholding</b>	<b>Private Trusts</b>	<b>Other Agency</b>	<b>Treasurer's Agency</b>	<b>Total Agency Funds</b>
<b>Assets</b>					
Equity in Treasurer's Cash Pool	\$ -	\$ 21,640	\$ 7,593	\$ -	\$ 29,233
Cash & Short-Term Investments	-	27	-	-	27
Restricted Deposits & Investments	-	-	11	-	11
Investments Held on Behalf of Others	-	59,520	-	-	59,520
Other Assets	4,553	113	-	-	4,666
Total Assets	<u>\$ 4,553</u>	<u>\$ 81,300</u>	<u>\$ 7,604</u>	<u>\$ -</u>	<u>\$ 93,457</u>
<b>Liabilities</b>					
Accounts Payable	\$ 1	\$ -	\$ 1	\$ -	\$ 2
Agency Liabilities	-	79,024	7,586	-	86,610
Due to Other Funds	4,499	-	17	-	4,516
Other Accrued Liabilities	53	2,276	-	-	2,329
Total Liabilities	<u>\$ 4,553</u>	<u>\$ 81,300</u>	<u>\$ 7,604</u>	<u>\$ -</u>	<u>\$ 93,457</u>

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

June 30, 2017  
(Expressed in Thousands)

	Balance, Beginning of Year			Balance, End of Year June 30, 2017
	July 1, 2016	Additions	Deductions	
<b>Payroll Withholding</b>				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ -	\$ 302,823	\$ 302,823	\$ -
Other Assets	131	4,423	1	4,553
Total Assets	<u>\$ 131</u>	<u>\$ 307,246</u>	<u>\$ 302,824</u>	<u>\$ 4,553</u>
Liabilities				
Accounts Payable & Other Accrued Liabilities	\$ 48	\$ 755,354	\$ 755,348	\$ 54
Due to Other Funds	83	4,416	-	4,499
Total Liabilities	<u>\$ 131</u>	<u>\$ 759,770</u>	<u>\$ 755,348</u>	<u>\$ 4,553</u>
<b>Private Trusts</b>				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 9,121	\$ 24,840	\$ 12,294	\$ 21,667
Investments Held on Behalf of Others	54,422	6,855	1,757	59,520
Other Assets	1,970	17	1,874	113
Total Assets	<u>\$ 65,513</u>	<u>\$ 31,712</u>	<u>\$ 15,925</u>	<u>\$ 81,300</u>
Liabilities				
Accounts Payable & Other Accrued Liabilities	\$ 1,200	\$ 7,357	\$ 6,281	\$ 2,276
Agency Liabilities	64,313	18,871	4,160	79,024
Total Liabilities	<u>\$ 65,513</u>	<u>\$ 26,228</u>	<u>\$ 10,441</u>	<u>\$ 81,300</u>
<b>Other Agency</b>				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 8,515	\$ 10,556	\$ 11,467	\$ 7,604
Total Assets	<u>\$ 8,515</u>	<u>\$ 10,556</u>	<u>\$ 11,467</u>	<u>\$ 7,604</u>
Liabilities				
Accounts Payable & Other Accrued Liabilities	\$ 1	\$ 9,584	\$ 9,584	\$ 1
Agency Liabilities	8,503	13,512	14,429	7,586
Due to Other Funds	11	12	6	17
Total Liabilities	<u>\$ 8,515</u>	<u>\$ 23,108</u>	<u>\$ 24,019</u>	<u>\$ 7,604</u>
<b>Treasurer's Agency</b>				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ -	\$ 284,421	\$ 284,421	\$ -
Total Assets	<u>\$ -</u>	<u>\$ 284,421</u>	<u>\$ 284,421</u>	<u>\$ -</u>
Liabilities				
Agency Liabilities	-	314,701	314,701	-
Total Liabilities	<u>\$ -</u>	<u>\$ 314,701</u>	<u>\$ 314,701</u>	<u>\$ -</u>

	<b>Balance, Beginning of Year</b>			<b>Balance, End of Year</b>
	<b>July 1, 2016</b>	<b>Additions</b>	<b>Deductions</b>	<b>June 30, 2017</b>
<b>Total All Agency Funds</b>				
Assets				
Cash, Short-term Investments & Equity in Treasurer's Cash Pool	\$ 17,636	\$ 622,640	\$ 611,005	\$ 29,271
Investments Held on Behalf of Others	54,422	6,855	1,757	59,520
Other Assets	2,101	4,440	1,875	4,666
Total assets	<u>\$ 74,159</u>	<u>\$ 633,935</u>	<u>\$ 614,637</u>	<u>\$ 93,457</u>
Liabilities				
Accounts Payable & Other Accrued Liabilities	\$ 1,249	\$ 772,295	\$ 771,213	\$ 2,331
Agency Liabilities	72,816	347,084	333,290	86,610
Due to Other Funds	94	4,428	6	4,516
Total liabilities	<u>\$ 74,159</u>	<u>\$ 1,123,807</u>	<u>\$ 1,104,509</u>	<u>\$ 93,457</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.

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

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

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

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

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

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

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

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

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

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

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

June 30, 2017  
(Expressed in Thousands)

	Child Development Services	ConnectME Authority	Efficiency Maine Trust	Loring Development Authority	Maine Educational Center for the Deaf & Hard of Hearing
<b>Assets:</b>					
Current Assets:					
Equity in Treasurer's Cash Pool	\$ -	\$ -	\$ -	\$ -	\$ -
Cash & Short-Term Investments	635	-	32,420	701	462
Investments	-	-	-	-	-
Restricted Assets:					
Restricted Deposits & Investments	-	-	2,718	-	-
Inventories	-	-	-	-	-
Receivables, Net of Allowance for Uncollectibles:					
Loans Receivable	-	-	-	302	-
Other Receivable	23	715	1,004	474	55
Due from Other Governments	-	21	-	-	-
Due from Primary Government	666	-	-	663	4,546
Other Assets	111	-	78	10	-
Total Current Assets:	<u>1,435</u>	<u>736</u>	<u>36,220</u>	<u>2,150</u>	<u>5,063</u>
Noncurrent Assets:					
Equity in Treasurer's Cash Pool	-	-	-	-	-
Restricted Assets	-	1,103	-	-	-
Investments	-	-	-	-	1,022
Receivables, Net of Current Portion:					
Loans & Notes Receivable	-	-	14,858	1,260	-
Other Receivables	-	-	-	-	-
Due from Primary Government	-	-	-	-	-
Capital Assets - Net of Depreciation	1,266	-	31	56,728	663
Other Non-Current Assets	-	-	-	-	-
Total Noncurrent Assets:	<u>1,266</u>	<u>1,103</u>	<u>14,889</u>	<u>57,988</u>	<u>1,685</u>
Total Assets:	<u>2,701</u>	<u>1,839</u>	<u>51,109</u>	<u>60,138</u>	<u>6,748</u>
<b>Deferred Outflows of Resources</b>					
	-	-	-	-	2,449
<b>Liabilities</b>					
Current Liabilities:					
Accounts Payable	3,905	161	3,241	116	449
Accrued Payroll	1,159	-	-	-	431
Compensated Absences	561	-	-	28	68
Due to Other Governments	-	-	-	-	-
Due to Primary Government	-	-	37	-	-
Bonds & Notes Payable	-	-	-	1,829	-
Obligations under Capital Leases	17	-	-	-	-
Unearned Revenue	4	-	184	-	-
Other Accrued Liabilities	-	-	130	70	-
Total Current Liabilities:	<u>5,646</u>	<u>161</u>	<u>3,592</u>	<u>2,043</u>	<u>948</u>
Long-Term Liabilities:					
Due to Other Governments	-	-	-	-	-
Bonds & Notes Payable	-	-	-	1,471	-
Obligations under Capital Leases	10	-	-	-	-
Net Pension Liability	-	-	-	-	6,214
Other Post-Employment Benefit Obligation	-	-	-	-	3,028
Other Noncurrent Liabilities	-	-	-	-	-
Total Long-Term Liabilities:	<u>10</u>	<u>-</u>	<u>-</u>	<u>1,471</u>	<u>9,242</u>
Total Liabilities	<u>5,656</u>	<u>161</u>	<u>3,592</u>	<u>3,514</u>	<u>10,190</u>
<b>Deferred Inflows of Resources</b>					
	-	407	-	1,114	609
<b>Net Position</b>					
Net Investment in Capital Assets	1,239	-	31	54,893	663
Restricted	-	1,271	47,486	-	705
Unrestricted	(4,194)	-	-	617	(2,970)
Total Net Position	<u>\$ (2,955)</u>	<u>\$ 1,271</u>	<u>\$ 47,517</u>	<u>\$ 55,510</u>	<u>\$ (1,602)</u>

<u>Maine Maritime Academy</u>	<u>Maine Port Authority</u>	<u>Midcoast Regional Redevelopment Authority</u>	<u>Maine Technology Institute</u>	<u>Northern New England Passenger Rail Authority</u>	<u>Small Enterprise Growth Fund</u>	<u>Total Non-Major Component Units</u>
\$ 9	\$ -	\$ -	\$ -	\$ -	\$ 3,708	\$ 3,717
10,093	2,114	4,734	25,562	2,452	153	79,326
8,990	-	-	-	-	-	8,990
-	-	-	-	-	-	2,718
709	-	-	-	-	-	709
520	-	617	220	-	-	1,659
857	173	1,080	4	156	9	4,550
-	-	312	-	4,430	-	4,763
-	-	381	-	-	-	6,256
92	-	17	67	950	5	1,330
<u>21,270</u>	<u>2,287</u>	<u>7,141</u>	<u>25,853</u>	<u>7,988</u>	<u>3,875</u>	<u>114,018</u>
5	-	-	-	-	1,807	1,812
20,474	-	15	-	1,249	-	22,841
13,056	-	-	911	-	4,525	19,514
2,608	-	-	1,123	-	609	20,458
567	-	-	-	-	12	579
-	-	-	-	246	-	246
25,285	16,882	128,813	143	15,388	-	245,199
722	-	94	-	-	-	816
<u>62,717</u>	<u>16,882</u>	<u>128,922</u>	<u>2,177</u>	<u>16,883</u>	<u>6,953</u>	<u>311,465</u>
<u>83,987</u>	<u>19,169</u>	<u>136,063</u>	<u>28,030</u>	<u>24,871</u>	<u>10,828</u>	<u>425,483</u>
<u>5,115</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>369</u>	<u>-</u>	<u>7,933</u>
3,948	59	1,046	191	4,991	-	18,107
-	-	-	-	-	-	1,590
-	-	79	-	41	-	777
-	-	360	-	-	-	360
-	128	1,078	-	-	-	1,243
61	-	255	-	-	-	2,145
-	-	-	4	-	-	21
664	-	305	26,726	-	-	27,883
344	-	192	-	-	52	788
<u>5,017</u>	<u>187</u>	<u>3,315</u>	<u>26,921</u>	<u>5,032</u>	<u>52</u>	<u>52,914</u>
1,710	-	-	-	-	-	1,710
104	-	14,265	-	-	-	15,840
-	-	-	8	-	-	18
8,131	-	-	-	924	-	15,269
-	-	-	-	-	-	3,028
-	-	-	-	230	-	230
<u>9,945</u>	<u>-</u>	<u>14,265</u>	<u>8</u>	<u>1,154</u>	<u>-</u>	<u>36,095</u>
<u>14,962</u>	<u>187</u>	<u>17,580</u>	<u>26,929</u>	<u>6,186</u>	<u>52</u>	<u>89,009</u>
<u>2,039</u>	<u>5</u>	<u>-</u>	<u>-</u>	<u>111</u>	<u>-</u>	<u>4,285</u>
25,126	16,882	114,331	143	15,321	-	228,629
29,678	855	-	-	1,402	-	81,397
17,297	1,240	4,152	958	2,220	10,776	30,096
<u>\$ 72,101</u>	<u>\$ 18,977</u>	<u>\$ 118,483</u>	<u>\$ 1,101</u>	<u>\$ 18,943</u>	<u>\$ 10,776</u>	<u>\$ 340,122</u>

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

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

	<u>Child Development Services</u>	<u>ConnectME Authority</u>	<u>Efficiency Maine Trust</u>	<u>Loring Development Authority</u>	<u>Maine Educational Center for the Deaf &amp; Hard of Hearing</u>
<b>General Operations</b>	\$ 38,591	\$ 1,700	\$ 44,852	\$ 4,129	\$ 8,226
<b>Program Revenues</b>					
Charges for Services	412	-	-	1,257	445
Program Investment Income	7	-	-	-	-
Operating Grants & Contributions	35,395	1,362	51,068	-	27
Capital Grants & Contributions	-	-	-	754	-
Net Revenue (Expense)	<u>(2,777)</u>	<u>(338)</u>	<u>6,216</u>	<u>(2,118)</u>	<u>(7,754)</u>
<b>General Revenues</b>					
Unrestricted Investment Earnings	-	1	-	5	117
Non-program Specific Grants, Contributions & Appropriations	-	-	-	1,777	8,225
Miscellaneous Revenues	-	-	-	55	-
Gain (Loss) on Assets Held for Sale	-	-	-	(5,228)	-
Total General Revenues	<u>-</u>	<u>1</u>	<u>-</u>	<u>(3,391)</u>	<u>8,342</u>
Change in Net Position	(2,777)	(337)	6,216	(5,509)	588
Net Position - Beginning of Year (as restated)	(178)	1,608	41,301	61,019	(2,190)
Net Position - End of Year	<u>\$ (2,955)</u>	<u>\$ 1,271</u>	<u>\$ 47,517</u>	<u>\$ 55,510</u>	<u>\$ (1,602)</u>

<b>Maine Maritime Academy</b>	<b>Maine Port Authority</b>	<b>Midcoast Regional Redevelopment Authority</b>	<b>Maine Technology Institute</b>	<b>Northern New England Passenger Rail Authority</b>	<b>Small Enterprise Growth Fund</b>	<b>Total Non-Major Component Units</b>
\$ 41,388	\$ 2,849	\$ 11,870	\$ 10,877	\$ 42,745	\$ 617	\$ 207,844
25,830	2,101	5,425	237	9,835	-	45,542
-	-	-	-	-	3,296	3,303
2,928	255	430	10,227	12,931	1,010	115,633
723	-	4,232	-	20,149	-	25,858
<u>(11,907)</u>	<u>(493)</u>	<u>(1,783)</u>	<u>(413)</u>	<u>170</u>	<u>3,689</u>	<u>(17,508)</u>
4,108	16	-	476	4	11	4,738
12,922	-	-	-	-	-	22,924
801	17	758	11	318	-	1,960
-	-	63	-	-	-	(5,165)
<u>17,831</u>	<u>33</u>	<u>821</u>	<u>487</u>	<u>322</u>	<u>11</u>	<u>24,457</u>
5,924	(460)	(962)	74	492	3,700	6,949
66,177	19,437	119,445	1,027	18,451	7,076	333,173
<u>\$ 72,101</u>	<u>\$ 18,977</u>	<u>\$ 118,483</u>	<u>\$ 1,101</u>	<u>\$ 18,943</u>	<u>\$ 10,776</u>	<u>\$ 340,122</u>



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# STATISTICAL SECTION

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**STATE OF MAINE  
STATISTICAL SECTION NARRATIVE AND  
TABLE OF CONTENTS**

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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.

**Financial Trends**

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**STATE OF MAINE**  
**NET POSITION BY ACTIVITIES**

Last Ten Fiscal Years  
(Expressed in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Primary Government</b>				
<b>Governmental Activities</b>				
Net Investment in Capital Assets	\$ 3,501,237	\$ 3,435,465	\$ 3,362,340	\$ 3,326,722 <sup>1</sup>
Restricted	152,365	132,972	215,520 <sup>2</sup>	168,085
Unrestricted	<u>(1,885,023)</u>	<u>(1,906,492)</u> <sup>3</sup>	<u>(2,232,749)</u> <sup>2</sup>	<u>(2,616,106)</u>
Total Governmental Activities Net Position	<u>\$ 1,768,579</u>	<u>\$ 1,661,945</u>	<u>\$ 1,345,111</u>	<u>\$ 878,701</u>
<b>Business-Type Activities</b>				
Net Investment in Capital Assets	\$ 35,402	\$ 38,658	\$ 42,658	\$ 44,462
Restricted	429,124	398,342	366,766	331,799
Unrestricted	<u>(13,338)</u>	<u>(23,819)</u>	<u>(35,942)</u>	<u>(25,148)</u>
Total Business-Type Activities Net Position	<u>\$ 451,188</u>	<u>\$ 413,181</u>	<u>\$ 373,482</u>	<u>\$ 351,113</u>
<b>Total Primary Government</b>				
Net Investment in Capital Assets	\$ 3,536,639	\$ 3,474,123	\$ 3,404,998	\$ 3,371,184 <sup>1</sup>
Restricted	581,489	531,314	582,286	499,884
Unrestricted	<u>(1,898,361)</u>	<u>(1,930,311)</u> <sup>3</sup>	<u>(2,268,691)</u>	<u>(2,641,254)</u>
Total Primary Government Activities Net Position	<u>\$ 2,219,767</u>	<u>\$ 2,075,126</u>	<u>\$ 1,718,593</u>	<u>\$ 1,229,814</u>

<sup>1</sup> The methodology of calculating infrastructure capital assets changed in 2014.

<sup>2</sup> Implementation of Statement No. GASB 68 and 71

<sup>3</sup> As restated.

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

**SCHEDULE 1**

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 3,262,047	\$ 4,408,377	\$ 4,165,760	\$ 3,945,510	\$ 3,767,895	\$ 3,632,073
403,837	398,122	376,044	383,576	162,240	200,888
<u>(464,311)</u>	<u>(514,820)</u>	<u>(324,465)</u>	<u>(346,646)</u>	<u>(150,054)</u>	<u>(98,830)</u>
<u>\$ 3,201,573</u>	<u>\$ 4,291,679</u>	<u>\$ 4,217,339</u>	<u>\$ 3,982,440</u>	<u>\$ 3,780,081</u>	<u>\$ 3,734,131</u>
\$ 55,340	\$ 152,763	\$ 146,357	\$ 97,635	\$ 96,667	\$ 95,905
321,112	295,632	300,287	320,648	383,970	493,733
<u>2,860</u>	<u>675</u>	<u>(6,623)</u>	<u>(35,010)</u>	<u>(67,030)</u>	<u>(89,400)</u>
<u>\$ 379,312</u>	<u>\$ 449,070</u>	<u>\$ 440,021</u>	<u>\$ 383,273</u>	<u>\$ 413,607</u>	<u>\$ 500,238</u>
\$ 3,317,387	\$ 4,561,140	\$ 4,312,117	\$ 4,043,145	\$ 3,864,562	\$ 3,727,978
724,949	693,754	676,331	704,224	546,210	694,621
<u>(461,451)</u>	<u>(514,145)</u>	<u>(331,088)</u>	<u>(381,656)</u>	<u>(217,084)</u>	<u>(188,230)</u>
<u>\$ 3,580,885</u>	<u>\$ 4,740,749</u>	<u>\$ 4,657,360</u>	<u>\$ 4,365,713</u>	<u>\$ 4,193,688</u>	<u>\$ 4,234,369</u>

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

Last Ten Fiscal Years  
(Expressed in Thousands)

	2017	2016	2015	2014
<b>Expenses</b>				
Governmental Activities				
Governmental Support & Operations	\$ 354,421	\$ 477,351	\$ 357,029	\$ 377,269
Arts, Heritage & Cultural Enrichment	12,813	10,815	11,457	11,401
Business Licensing & Regulation	66,006	51,207	67,348	73,016
Economic Development & Workforce Training	180,006	169,201	169,192	175,338
Education	1,804,804	1,614,477	1,543,947	1,676,908
Health & Human Services	3,774,348	3,587,573	3,595,418	3,669,552
Justice & Protection	493,427	412,088	412,718	410,641
Natural Resources Development & Protection	236,928	207,610	205,334	208,970
Transportation, Safety & Development	664,921	590,437	553,321	524,024
Interest Expense	38,992	44,822	50,639	47,271
Total Governmental Activities	<u>7,626,666</u>	<u>7,165,581</u>	<u>6,966,403</u>	<u>7,174,390</u>
Business-Type Activities				
Employment Security	96,075	110,912	129,697	159,058
Alcoholic Beverages	131,192	120,373	111,265	19
Lottery	214,670	217,556	200,457	180,087
Transportation	-	-	-	-
Ferry Services	12,271	12,782	12,338	11,849
Military Equipment Maintenance	3,858	11,610	9,342	11,466
Dirigo Health	68	12	1,137	26,863
Other	8,242	7,178	7,696	7,540
Total Business-Type Activities	<u>466,376</u>	<u>480,423</u>	<u>471,932</u>	<u>396,882</u>
Total Primary Government Expenses	<u>\$ 8,093,042</u>	<u>\$ 7,646,004</u>	<u>\$ 7,438,335</u>	<u>\$ 7,571,272</u>
<b>Program Revenues</b>				
Governmental Activities				
Charges for Services				
Governmental Support & Operations	\$ 90,906	\$ 91,136	\$ 99,959	\$ 96,712
Arts, Heritage & Cultural Enrichment	845	890	955	1,315
Business Licensing & Regulation	73,430	74,634	69,790	74,799
Economic Development & Workforce Training	8,658	10,934	7,863	7,410
Education	37,278	38,691	37,016	37,467
Health & Human Services	14,687	17,553	15,988	11,953
Justice & Protection	86,744	87,183	80,028	82,347
Natural Resources Development & Protection	93,304	92,054	95,922	88,035
Transportation, Safety & Development	178,018	159,659	131,936	128,635
Operating Grants and Contributions	2,966,809	2,875,849	2,817,929	2,831,956
Total Governmental Activities Program Revenues	<u>3,550,679</u>	<u>3,448,583</u>	<u>3,357,386</u>	<u>3,360,629</u>
Business-Type Activities				
Employment Security	118,207	137,593	157,623	163,352
Alcoholic Beverages	177,184	166,752	157,369	12,539
Lottery	274,902	278,454	254,883	232,420
Transportation	-	-	-	-
Ferry Services	4,599	4,138	4,831	4,912
Military Equipment Maintenance	5,088	6,139	5,315	10,102
Dirigo Health	91	491	4	25,802
Other	8,548	8,151	7,520	8,020
Operating Grants and Contributions	8,714	7,948	7,383	7,036
Total Business-Type Activities Program Revenues	<u>\$ 597,333</u>	<u>\$ 609,666</u>	<u>\$ 594,928</u>	<u>\$ 464,183</u>
<b>Net (expense)/revenue</b>				
Governmental Activities	(4,075,987)	(3,716,998)	(3,609,017)	(3,813,761)
Business-Type Activities	130,957	129,243	122,996	67,301
Total Primary Government Net (Expense)/Revenue	<u>\$ (3,945,030)</u>	<u>\$ (3,587,755)</u>	<u>\$ (3,486,021)</u>	<u>\$ (3,746,460)</u>

## SCHEDULE 2

	2013	2012	2011	2010	2009	2008
\$	428,001	\$ 456,622	\$ 448,917	\$ 445,972	\$ 451,246	\$ 506,726
	10,538	11,507	11,807	11,761	13,430	12,406
	63,406	68,697	69,288	74,243	66,155	63,417
	240,485	302,614	374,473	400,166	229,838	149,970
	1,581,556	1,610,095	1,706,305	1,752,041	1,689,036	1,669,353
	3,657,573	3,750,402	3,522,341	3,511,572	3,428,680	3,290,482
	401,656	401,740	415,450	412,263	419,027	407,879
	201,979	208,463	204,379	196,780	224,609	186,214
	384,852	376,689	371,374	327,536	334,236	363,977
	46,541	45,551	43,202	48,594	40,148	35,524
	<u>7,016,587</u>	<u>7,232,380</u>	<u>7,167,536</u>	<u>7,180,928</u>	<u>6,896,405</u>	<u>6,685,948</u>
	169,334	187,703	203,693	235,301	225,181	122,518
	-	-	-	1	-	-
	176,094	176,837	167,956	166,721	163,030	178,419
	-	9,310	11,082	8,173	8,473	7,432
	12,030	11,458	12,711	10,817	10,210	9,292
	36,971	35,058	44,765	45,004	71,380	80,306
	56,229	56,702	47,980	50,952	58,861	76,860
	7,183	7,662	7,597	9,749	8,877	8,598
	<u>457,841</u>	<u>484,730</u>	<u>495,784</u>	<u>526,718</u>	<u>546,012</u>	<u>483,425</u>
\$	<u>7,474,428</u>	<u>7,717,110</u>	<u>7,663,320</u>	<u>7,707,646</u>	<u>7,442,417</u>	<u>7,169,373</u>
\$	89,374	\$ 80,534	\$ 105,851	\$ 106,164	\$ 82,738	\$ 86,178
	869	1,006	749	1,075	1,172	1,303
	69,196	75,633	57,772	71,592	56,042	69,845
	7,910	7,175	5,972	6,846	4,531	2,361
	26,098	6,897	4,470	7,487	2,053	3,653
	18,801	20,018	18,252	11,844	12,573	11,694
	83,173	86,583	83,093	88,166	90,497	89,580
	93,531	93,991	102,084	95,318	91,562	92,737
	119,087	116,995	110,401	103,759	111,429	102,729
	3,047,714	3,160,241	3,355,823	3,525,858	3,081,827	2,559,533
	<u>3,555,753</u>	<u>3,649,073</u>	<u>3,844,467</u>	<u>4,018,109</u>	<u>3,534,424</u>	<u>3,019,613</u>
	188,833	176,645	173,416	127,438	97,362	106,536
	12,533	12,532	12,533	12,528	12,530	12,527
	229,565	231,015	218,081	219,966	213,073	228,980
	-	4,692	4,182	1,929	3,961	2,089
	4,584	4,695	4,649	4,951	4,347	4,116
	35,814	35,104	42,473	49,487	75,784	77,229
	65,454	70,296	71,396	65,609	68,704	54,507
	7,143	5,945	8,619	7,126	7,150	7,213
	7,032	7,823	11,253	44,629	20,170	22,950
\$	<u>550,958</u>	<u>548,747</u>	<u>546,602</u>	<u>533,663</u>	<u>503,081</u>	<u>516,147</u>
	(3,460,834)	(3,583,307)	(3,323,069)	(3,162,819)	(3,361,981)	(3,666,335)
	93,117	64,017	50,818	6,945	(42,931)	32,722
\$	<u>(3,367,717)</u>	<u>(3,519,290)</u>	<u>(3,272,251)</u>	<u>(3,155,874)</u>	<u>(3,404,912)</u>	<u>(3,633,613)</u>

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

Last Ten Fiscal Years  
(Expressed in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental Activities				
Taxes				
Corporate <sup>1</sup>	\$ 184,599	\$ 108,395	\$ 196,586	\$ 194,770
Individual Income	1,579,511	1,534,620	1,553,043	1,399,238
Fuel	253,176	245,299	247,900	237,439
Property	62,979	58,450	54,276	51,684
Sales & Use	1,493,728	1,437,916	1,351,498	1,257,376
Other <sup>1</sup>	370,998	382,191	390,185	383,026
Unrestricted Investment Earnings	22,003	7,335	7,826	19,950
Miscellaneous Income	69,515	85,948	96,578	118,043
Loss on Assets Held for Sale	-	-	-	(53)
Tobacco Settlement	52,267	52,083	48,059	57,749
Special Items	-	-	28,849	48,861
Transfers - Internal Activities	93,845	100,879	100,627	193,192
<b>Total Governmental Activities</b>	<u>4,182,621</u>	<u>4,013,116</u>	<u>4,075,427</u>	<u>3,961,275</u>
Business-Type Activities				
Miscellaneous Income	-	-	-	-
Special Items	895	11,335	-	(48,861)
Transfers - Internal Activities	(93,845)	(100,879)	(100,627)	(193,192)
<b>Total Business-Type Activities</b>	<u>(92,950)</u>	<u>(89,544)</u>	<u>(100,627)</u>	<u>(242,053)</u>
<b>Total Primary Government</b>	<u>4,089,671</u>	<u>3,923,572</u>	<u>3,974,800</u>	<u>3,719,222</u>
<b>Change in Net Position</b>				
Governmental Activities	106,634	296,118	466,410	147,514
Business-Type Activities	38,007	39,699	22,369	(174,752)
<b>Total Primary Government</b>	<u>\$ 144,641</u>	<u>\$ 335,817</u>	<u>\$ 488,779</u>	<u>\$ (27,238)</u>

<sup>1</sup> Realignment of corporate and other taxes occurred in 2014

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

**SCHEDULE 2 (CONTINUED)**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$	294,333	\$ 334,818	\$ 310,693	\$ 282,998	\$ 266,551	\$ 291,463
	1,508,024	1,459,039	1,455,959	1,297,568	1,374,681	1,552,412
	235,112	245,815	241,710	240,734	223,953	228,438
	49,444	45,902	45,882	46,627	39,120	43,672
	1,140,645	1,113,952	1,097,900	1,066,957	1,090,578	1,142,485
	313,154	273,062	283,715	258,775	250,297	254,297
	10,288	2,543	17,051	12,378	6,417	5,857
	100,329	76,360	107,017	92,536	91,528	120,109
	-	-	-	-	(57)	(1,016)
	50,723	51,188	48,554	51,601	61,388	64,399
	92,401	-	(36,931)	(11,728)	-	(100,000)
	54,916	54,968	(13,016)	37,279	43,700	38,470
	<u>3,849,369</u>	<u>3,657,647</u>	<u>3,558,534</u>	<u>3,375,725</u>	<u>3,448,156</u>	<u>3,640,586</u>
	-	-	-	-	-	2
	(108,288)	-	(7,086)	-	-	-
	<u>(54,916)</u>	<u>(54,968)</u>	<u>13,016</u>	<u>(37,279)</u>	<u>(43,700)</u>	<u>(38,470)</u>
	<u>(163,204)</u>	<u>(54,968)</u>	<u>5,930</u>	<u>(37,279)</u>	<u>(43,700)</u>	<u>(38,468)</u>
	<u>3,686,165</u>	<u>3,602,679</u>	<u>3,564,464</u>	<u>3,338,446</u>	<u>3,404,456</u>	<u>3,602,118</u>
	388,535	74,340	235,465	212,906	86,175	(25,749)
	<u>(70,087)</u>	<u>9,049</u>	<u>56,748</u>	<u>(30,334)</u>	<u>(86,631)</u>	<u>(5,746)</u>
\$	<u>318,448</u>	<u>\$ 83,389</u>	<u>\$ 292,213</u>	<u>\$ 182,572</u>	<u>\$ (456)</u>	<u>\$ (31,495)</u>

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

Last Ten Fiscal Years  
(Expressed in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
General Fund				
Nonspendable:				
Permanent Fund Principal	\$ -	\$ -	\$ -	\$ -
Inventories and Prepaid Items	3,059	2,665	4,154	3,807
Restricted	14,133	12,865	2,425	2,064
Committed	10,064	64,959	-	-
Assigned	87,085	-	-	-
Unassigned	59,083	(35,155)	(80,378)	(221,307)
Total General Fund	<u>\$ 173,424</u>	<u>\$ 45,334</u>	<u>\$ (73,799)</u>	<u>\$ (215,436)</u>
All Other Governmental Funds:				
Nonspendable:				
Permanent Fund Principal	\$ 27,765	\$ 24,402	\$ 23,162	\$ 21,895
Inventories and Prepaid Items	622	698	932	1,340
Restricted	640,464	621,981	627,003	548,591
Committed	76,629	65,957	51,951	48,381
Assigned	47,111	61,144	10,737	15,987
Unassigned (deficit)	-	-	-	-
Total All Other Governmental Funds:	<u>\$ 792,591</u>	<u>\$ 774,182</u>	<u>\$ 713,785</u>	<u>\$ 636,194</u>
Total Governmental Fund Balances	<u>\$ 966,015</u>	<u>\$ 819,516</u>	<u>\$ 639,986</u>	<u>\$ 420,758</u>
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-
Total General Fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
All Other Governmental Funds				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special Revenue Funds	-	-	-	-
Total All Other Governmental Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SOURCE: State of Maine Comprehensive Annual Financial Reporting System.

Modified accrual basis of accounting

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



**SCHEDULE 3**

<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
3,341	2,965	3,846	-	-	-
3,534	2,989	3,344	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>(151,250)</u>	<u>(355,889)</u>	<u>(243,559)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (144,375)</u>	<u>\$ (349,935)</u>	<u>\$ (236,369)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 17,794	\$ 16,328	\$ 14,961	\$ -	\$ -	\$ -
1,556	1,563	1,578	-	-	-
502,108	527,811	493,094	-	-	-
-	38,436	38,444	-	-	-
-	12,489	17,149	-	-	-
<u>(132,447)</u>	<u>(2,300)</u>	<u>(4,374)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 389,011</u>	<u>\$ 594,327</u>	<u>\$ 560,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 244,636</u>	<u>\$ 244,392</u>	<u>\$ 324,483</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 102,770	\$ 116,986	\$ 165,402
-	-	-	<u>(411,018)</u>	<u>(390,379)</u>	<u>(403,874)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (308,248)</u>	<u>\$ (273,393)</u>	<u>\$ (238,472)</u>
\$ -	\$ -	\$ -	\$ 547,669	\$ 442,613	\$ 458,238
-	-	-	67,964	32,736	(31,858)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 615,633</u>	<u>\$ 475,349</u>	<u>\$ 426,380</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 307,385</u>	<u>\$ 201,956</u>	<u>\$ 187,908</u>

**STATE OF MAINE**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

Last Ten Fiscal Years  
(Expressed in Thousands)

	2017	2016	2015	2014
<b>Revenues:</b>				
Taxes	\$ 3,936,667	\$ 3,813,782	\$ 3,756,622	\$ 3,530,357
Assessments and Other Revenue	364,131	363,183	353,148	350,758
Federal Grants and Reimbursements	2,966,679	2,876,044	2,816,224	2,830,083
Service Charges	211,292	196,785	173,050	164,461
Investment Income (Loss)	20,356	6,458	7,205	17,767
Miscellaneous Revenue	124,553	133,200	142,375	154,219
Total Revenues	<u>7,623,678</u>	<u>7,389,452</u>	<u>7,248,624</u>	<u>7,047,645</u>
<b>Expenditures</b>				
Current:				
Governmental Support & Operations	381,537	340,047	332,237	332,180
Economic Development & Workforce Training	177,669	175,527	169,949	173,868
Education	1,785,928	1,688,041	1,668,409	1,701,248
Health and Human Services	3,779,950	3,647,770	3,638,366	3,681,004
Business Licensing & Regulation	62,709	56,775	70,277	72,020
Natural Resources Development & Protection	227,362	233,834	209,293	195,526
Justice and Protection	472,369	451,792	444,889	417,896
Arts, Heritage & Cultural Enrichment	12,048	11,747	11,891	11,154
Transportation Safety & Development	615,838	602,723	540,218	536,995
Debt Service:				
Principal Payments	144,040	143,165	144,230	125,325
Interest Payments	43,912	42,165	42,617	34,820
Capital Outlays	93,341	58,185	66,903	35,227
Total Expenditures	<u>7,796,703</u>	<u>7,451,771</u>	<u>7,339,279</u>	<u>7,317,263</u>
Revenue over (under) Expenditures	<u>(173,025)</u>	<u>(62,319)</u>	<u>(90,655)</u>	<u>(269,618)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer from Other Funds	325,299	321,363	442,207	426,724
Transfer to Other Funds	(237,327)	(225,927)	(340,283)	(379,767)
COPS and Other	48,895	13,259	11,216	77,821
Proceeds from Component Unit Loan Payable	50,002	-	50,000	183,482
Bonds Issued	116,040	118,895	105,455	123,000
Refunding Bonds Issued	24,950	41,115	-	-
Premium on Bonds Issued	20,490	16,663	11,288	14,175
Bonds Defeased	-	-	-	(4,500)
Payments to Refunded Bond Escrow Agent	(28,825)	(43,519)	-	-
Net Other Financing Sources (Uses)	<u>319,524</u>	<u>241,849</u>	<u>279,883</u>	<u>440,935</u>
<b>Special Items:</b>				
Transfer of STAR Fund	-	-	-	-
Return of Excess Equity from Retiree Health Insurance Fund	-	-	-	-
Other	-	-	30,000	59
Net Special Items	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>59</u>
Net change in fund balances	<u>\$ 146,499</u>	<u>\$ 179,530</u>	<u>\$ 219,228</u>	<u>\$ 171,376</u>
Debt Service as a Percentage of Non-Capital Expenditures	2.44 %	2.51 %	2.58 %	2.21 %

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

**SCHEDULE 4**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$	3,558,881	\$ 3,469,925	\$ 3,398,030	\$ 3,215,299	\$ 3,240,269	\$ 3,510,637
	351,510	331,862	314,447	334,656	322,239	320,363
	3,048,069	3,162,059	3,366,618	3,535,224	3,092,757	2,569,632
	141,358	147,379	155,491	159,854	148,904	145,091
	9,921	1,299	16,250	11,273	(264)	2,356
	130,615	127,327	132,411	144,509	138,740	134,110
	<u>7,240,354</u>	<u>7,239,851</u>	<u>7,383,247</u>	<u>7,400,815</u>	<u>6,942,645</u>	<u>6,682,189</u>
	402,006	408,730	400,580	410,269	433,723	469,060
	241,126	301,827	375,234	401,839	229,090	152,403
	1,590,595	1,616,987	1,717,991	1,776,207	1,702,917	1,681,096
	3,676,832	3,771,099	3,571,466	3,608,645	3,448,401	3,356,683
	62,883	65,876	67,700	73,807	65,235	65,470
	208,453	204,353	211,168	224,598	222,947	195,330
	392,352	383,123	398,911	415,689	445,389	415,645
	10,298	10,981	11,544	11,613	13,208	12,717
	584,201	566,540	657,528	568,639	557,684	550,819
	143,229	134,886	121,995	120,087	85,759	81,015
	38,791	40,133	38,131	39,332	23,271	19,575
	7,753	25,729	-	-	-	-
	<u>7,358,519</u>	<u>7,530,264</u>	<u>7,572,248</u>	<u>7,650,725</u>	<u>7,227,624</u>	<u>6,999,813</u>
	<u>(118,165)</u>	<u>(290,413)</u>	<u>(189,001)</u>	<u>(249,910)</u>	<u>(284,979)</u>	<u>(317,624)</u>
	472,313	426,135	395,679	352,719	315,508	312,154
	(399,791)	(365,936)	(332,250)	(309,596)	(254,300)	(225,695)
	6,371	2,625	5,244	40,520	4,474	50,542
	-	58,726	51,710	142,857	100,000	-
	30,290	82,265	108,135	70,110	133,345	104,075
	-	-	-	-	-	-
	2,210	6,507	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	<u>111,393</u>	<u>210,322</u>	<u>228,518</u>	<u>296,610</u>	<u>299,027</u>	<u>241,076</u>
	7,016	-	-	-	-	-
	-	-	(22,520)	63,115	-	-
	-	-	-	-	-	-
	<u>7,016</u>	<u>-</u>	<u>(22,520)</u>	<u>63,115</u>	<u>-</u>	<u>-</u>
\$	<u>244</u>	<u>(80,091)</u>	<u>16,997</u>	<u>109,815</u>	<u>14,048</u>	<u>(76,548)</u>
	2.56 %	2.40 %	2.19 %	2.17 %	1.56 %	1.47 %

**STATE OF MAINE**  
**CHANGES IN FUND BALANCES**  
**GENERAL FUND**

Last Ten Fiscal Years  
(Expressed in Thousands)

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>				
Taxes	\$ 3,411,497	\$ 3,305,720	\$ 3,237,598	\$ 3,027,088
Assessments and Other Revenue	106,085	105,216	104,795	97,622
Federal Grants and Reimbursements	1,771	1,952	2,064	1,988
Service Charges	45,229	38,984	46,466	50,580
Investment Income (Loss)	5,424	2,439	1,170	716
Miscellaneous Revenue	12,547	14,360	11,736	23,706
Total Revenues	<u>3,582,553</u>	<u>3,468,671</u>	<u>3,403,829</u>	<u>3,201,700</u>
<b>Expenditures</b>				
Current:				
Governmental Support & Operations	260,661	230,692	218,279	219,125
Economic Development & Workforce Training	42,379	39,885	31,501	32,635
Education	1,503,763	1,422,871	1,401,594	1,404,149
Health and Human Services	1,126,330	1,107,675	1,119,182	1,159,000
Business Licensing & Regulation	-	-	-	3,797
Natural Resources Development & Protection	75,445	73,225	68,870	66,684
Justice and Protection	336,267	320,810	302,133	283,477
Arts, Heritage & Cultural Enrichment	7,852	7,623	7,358	7,459
Transportation Safety & Development	-	-	-	-
Debt Service:				
Principal Payments	78,940	80,405	84,875	85,735
Interest Payments	22,547	20,309	19,167	18,163
Total expenditures	<u>3,454,184</u>	<u>3,303,495</u>	<u>3,252,959</u>	<u>3,280,224</u>
Revenue over (under) Expenditures	<u>128,369</u>	<u>165,176</u>	<u>150,870</u>	<u>(78,524)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer from Other Funds	117,307	91,809	171,771	169,095
Transfer to Other Funds	(148,822)	(146,996)	(183,793)	(206,907)
Other	31,236	9,144	2,789	45,275
Total other financing sources (uses)	<u>(279)</u>	<u>(46,043)</u>	<u>(9,233)</u>	<u>7,463</u>
<b>Special Items:</b>				
Return of Excess Equity from Retiree Health Insurance Fund	-	-	-	-
Net Special Items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 128,090</u>	<u>\$ 119,133</u>	<u>\$ 141,637</u>	<u>\$ (71,061)</u>
Debt Service as a Percentage of Non-Capital Expenditures	3.03 %	3.13 %	3.29 %	3.23 %

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

**SCHEDULE 5**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$	3,077,321	\$ 2,990,353	\$ 2,926,972	\$ 2,756,435	\$ 2,808,997	\$ 3,079,706
	106,086	103,292	107,878	117,119	120,682	116,742
	1,726	3,377	11,832	11,047	14,844	11,041
	46,281	49,008	46,206	50,852	44,211	47,262
	356	1,413	(54)	567	8,425	2,562
	10,467	17,047	15,805	12,284	9,892	7,872
	<u>3,242,237</u>	<u>3,164,490</u>	<u>3,108,639</u>	<u>2,948,304</u>	<u>3,007,051</u>	<u>3,265,185</u>
	265,160	255,191	238,729	257,093	273,595	280,871
	31,922	33,561	34,504	35,646	35,751	39,360
	1,332,688	1,335,736	1,389,383	1,419,891	1,451,223	1,478,192
	907,141	1,126,805	933,047	758,808	786,512	1,063,499
	992	-	-	22	6	-
	64,184	65,332	64,972	67,324	67,669	72,709
	258,969	253,226	264,792	270,581	270,594	267,117
	6,932	7,117	7,081	7,311	8,096	8,632
	-	-	7,000	-	1	-
	103,840	98,340	89,835	92,035	65,685	66,250
	20,657	21,714	21,425	24,103	15,179	16,058
	<u>2,992,485</u>	<u>3,197,022</u>	<u>3,050,768</u>	<u>2,932,814</u>	<u>2,974,311</u>	<u>3,292,688</u>
	<u>249,752</u>	<u>(32,532)</u>	<u>57,871</u>	<u>15,490</u>	<u>32,740</u>	<u>(27,503)</u>
	181,932	134,722	179,795	106,694	87,178	101,092
	(230,298)	(216,827)	(167,274)	(205,768)	(155,566)	(152,813)
	4,174	1,071	1,487	382	727	5,531
	<u>(44,192)</u>	<u>(81,034)</u>	<u>14,008</u>	<u>(98,692)</u>	<u>(67,661)</u>	<u>(46,190)</u>
	-	-	-	48,347	-	-
	-	-	-	-	-	-
	-	-	-	48,347	-	-
\$	<u>205,560</u>	<u>\$ (113,566)</u>	<u>\$ 71,879</u>	<u>\$ (34,855)</u>	<u>\$ (34,921)</u>	<u>\$ (73,693)</u>
	4.54 %	4.07 %	3.99 %	4.39 %	2.97 %	2.64 %

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

Last Ten Calendar Years  
(Expressed in Thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Individual Income Tax Liability	\$ 1,371,026	\$ 1,492,954	\$ 1,393,286	\$ 1,311,617
Personal Income	58,655,433	56,893,803	54,860,182	52,724,616
Average Effective Tax Rate	<u>2.3 %</u>	<u>2.6 %</u>	<u>2.5 %</u>	<u>2.5 %</u>
Income Bracket	<u>\$0 - \$21,049</u>	<u>\$0 - \$5,199</u>	<u>\$0 - \$5,199</u>	<u>\$0 - \$5,199</u>
Tax Rate	<u>5.8%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Income Bracket	<u>\$21,050 - \$37,499</u>	<u>\$5,200 - \$20,899</u>	<u>\$5,200 - \$20,899</u>	<u>\$5,200 - \$20,899</u>
Tax Rate	<u>6.75%</u>	<u>6.5%</u>	<u>6.5%</u>	<u>6.5%</u>
Income Bracket				
Tax Rate				
Income Bracket	<u>\$37,500 +</u>	<u>\$20,900+</u>	<u>\$20,900+</u>	<u>\$20,900+</u>
Tax Rate	<u>7.15%</u>	<u>7.95%</u>	<u>7.95%</u>	<u>7.95%</u>

Individual income tax brackets are indexed for inflation beginning in tax year 2003. Inflation adjustments were suspended for tax years 2014 and 2015.

<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 6**

<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
\$ 1,433,654	\$ 1,343,096	\$ 1,310,748	\$ 1,231,328	\$ 1,327,007	\$ 1,441,838
52,877,607	51,714,022	49,827,077	49,130,870	49,226,384	47,187,502
2.7 %	2.6 %	2.6 %	2.5 %	2.7 %	3.1 %
\$0 - \$5,099	\$0 - \$4,999	\$0 - \$4,949	\$0 - \$5,049	\$0 - \$4,849	\$0 - \$4,549
2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
\$5,100 - \$10,149	\$5,000 - \$9,949	\$4,950 - \$9,849	\$5,050 - \$10,049	\$4,850 - \$9,699	\$4,750 - \$9,450
4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
\$10,150 - \$20,349	\$9,950 - \$19,949	\$9,850 - \$19,749	\$10,050 - \$20,149	\$9,700 - \$19,449	\$9,450 - \$18,950
7.0%	7.0%	7.0%	7.0%	7.0%	7.0%
\$20,350+	\$19,950+	\$19,750+	\$20,150+	\$19,450+	\$18,950+
8.5%	8.5%	8.5%	8.5%	8.5%	8.5%





**SCHEDULE 7**

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

(Tax Liability Expressed in Millions)

Income Level	2016 Tax Year			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$0 and below	20,025	2.9 %	\$ (4.75)	(0.3)%
\$1 - \$10,000	98,541	14.2 %	(11.88)	(0.9)%
\$10,001 - \$20,000	101,776	14.6 %	(11.24)	(0.8)%
\$20,001 - \$30,000	95,666	13.7 %	18.47	1.3 %
\$30,001 - \$50,000	133,666	19.2 %	106.70	7.8 %
\$50,001 - \$75,000	93,886	13.5 %	172.71	12.6 %
\$75,001 - \$100,000	55,493	8.0 %	169.80	12.4 %
\$100,001 - \$200,000	69,466	10.0 %	396.72	28.9 %
\$200,001 and higher	27,548	4.0 %	534.50	39.0 %
Total	696,067	100.0 %	\$ 1,371.03	100.0 %

(Tax Liability Expressed in Millions)

Income Level	2007 Tax Year			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
\$0 and below	9,543	1.4 %	\$ 0.26	- %
\$1 - \$10,000	112,098	16.9 %	0.92	0.1 %
\$10,001 - \$20,000	106,969	16.1 %	13.45	0.9 %
\$20,001 - \$30,000	97,475	14.7 %	47.54	3.3 %
\$30,001 - \$50,000	128,668	19.4 %	156.95	10.9 %
\$50,001 - \$75,000	93,036	14.0 %	226.68	15.7 %
\$75,001 - \$100,000	49,826	7.5 %	199.61	13.8 %
\$100,001 - \$200,000	46,974	7.1 %	320.85	22.3 %
\$200,001 and higher	19,518	2.9 %	475.58	33.0 %
Total	664,107	100.0 %	\$ 1,441.84	100.0 %

SOURCE: Maine Revenue Services.

**STATE OF MAINE**  
**TAXABLE SALES AND SALES TAX RATES**

Last Ten Calendar Years  
(Expressed in Thousands)

	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Business Operating	\$ 2,278,205	\$ 2,274,758	\$ 2,205,300	\$ 2,144,569
Building Supply	2,527,689	2,389,625	2,275,309	2,184,879
Food Store	2,244,009	1,791,703	1,724,835	1,654,251
General Merchandise	3,428,111	3,210,403	3,153,868	3,107,412
Other Retail	2,503,954	2,308,153	2,216,658	2,169,047
Auto/Transportation	4,728,135	4,552,275	4,211,761	3,947,689
Restaurant/Lodging	3,617,473	3,367,607	3,185,843	3,040,446
<b>Total</b>	<b>\$ 21,327,576</b>	<b>\$ 19,894,524</b>	<b>\$ 18,973,574</b>	<b>\$ 18,248,293</b>

Sales and Use Tax Rates:

General Sales & Use	5.5 %	5.5 %	5.0 %	5.0 %
Lodging	9.0 %	8.0 %	7.0 %	7.0 %
Prepared Food	8.0 %	8.0 %	7.0 %	7.0 %
Short-term Auto Rental	10.0 %	10.0 %	10.0 %	10.0 %

Effective October 1, 2013: (1) general sales and use tax increased to 5.5% (2) 7% rate on meals and lodging increases to 8%.

**Tax rates.** The current general sales tax rate of 5.5% remains in place, as does the current 8% rate on lodging, meals and liquor and the 10% rate on short-term automobile rentals. The tax rate on lodging increases from 8% to 9% on January 1, 2016. 36 M.R.S.A. §§ 1811; LD 1019, PL 2015, c. 267, Pt. OOOO, § 5.

SOURCE: Maine Revenue Services.

**SCHEDULE 8**

	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
\$	2,071,027	\$ 2,013,955	\$ 1,918,061	\$ 1,847,283	\$ 2,213,683	\$ 2,194,081
	2,062,162	2,080,002	1,952,148	1,935,346	2,310,659	2,421,975
	1,624,714	1,575,567	1,549,563	1,524,577	1,488,989	1,451,665
	3,086,232	3,027,034	3,035,792	2,961,966	3,074,233	3,140,754
	2,105,616	2,094,362	2,018,804	1,956,601	1,994,361	1,943,510
	3,665,555	3,482,008	3,301,937	3,238,984	3,468,340	3,689,403
	2,927,667	2,762,278	2,673,050	2,549,563	2,603,360	2,575,752
<b>\$</b>	<b>17,542,973</b>	<b>\$ 17,035,206</b>	<b>\$ 16,449,355</b>	<b>\$ 16,014,320</b>	<b>\$ 17,153,625</b>	<b>\$ 17,417,140</b>

5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %
7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %
7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %
10.0 %	10.0 %	10.0 %	10.0 %	10.0 %	10.0 %



STATE OF MAINE  
CALCULATION OF LEGAL DEBT MARGIN

For the Ten Years Ended June 30, 2017

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

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

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

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

(Expressed in Thousands)

<u>Fiscal Year</u>	<u>Temporary Loans Outstanding During the Year*</u>	<u>Total Governmental Funds Revenue</u>	<u>% of Total Governmental Funds Revenue</u>	<u>10% of Total Governmental Funds Revenue Limit Amount</u>	<u>Total Valuation</u>	<u>% of Total Valuation</u>	<u>1% of Total Valuation Limit Amount</u>
2017	\$ 36,600	\$ 7,497,108	0.49 %	\$ 749,711	\$ 165,485,750	0.02 %	\$ 1,654,858
2016	\$ 37,185	\$ 7,287,606	0.51 %	\$ 728,761	\$ 162,950,100	0.02 %	\$ 1,629,501
2015	\$ 38,150	\$ 7,103,637	0.54 %	\$ 710,364	\$ 159,770,050	0.02 %	\$ 1,597,701
2014	\$ 65,000	\$ 7,315,155	0.89 %	\$ 731,516	\$ 158,661,600	0.04 %	\$ 1,586,616
2013	\$ -	\$ 6,959,426	0.00 %	\$ 695,943	\$ 160,011,900	0.00 %	\$ 1,600,119
2012	\$ -	\$ 6,947,865	0.00 %	\$ 694,787	\$ 163,424,200	0.00 %	\$ 1,634,242
2011	\$ 68,455	\$ 7,190,530	0.95 %	\$ 719,053	\$ 166,990,700	0.04 %	\$ 1,669,907
2010	\$ 41,245	\$ 7,083,733	0.58 %	\$ 708,373	\$ 170,336,350	0.02 %	\$ 1,703,364
2009	\$ 112,110	\$ 6,827,987	1.64 %	\$ 682,799	\$ 168,006,150	0.07 %	\$ 1,680,062
2008	\$ 88,820	\$ 6,406,302	1.39 %	\$ 640,630	\$ 162,744,550	0.05 %	\$ 1,627,446

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Governmental Activities Debt</b>				
General Obligation Bonds	\$ 496,132	\$ 464,444	\$ 430,947	\$ 399,190
MGFA Revenue Bonds	171,870	172,373	170,870	187,175
COPS and Other Financing Arrangements	74,537	69,565	88,696	106,810
Obligations Under Capital Leases	34,276	36,679	40,533	35,215
Loans Payable to Component Unit <sup>1</sup>	428,713	425,199	477,188	472,976
Total Governmental Activities Debt	<u>1,205,528</u>	<u>1,168,260</u>	<u>1,208,234</u>	<u>1,201,366</u>
<b>Total Business-Type Activities Debt</b>	-	-	-	-
<b>Total Primary Government Debt</b>	<u>\$ 1,205,528</u>	<u>\$ 1,168,260</u>	<u>\$ 1,208,234</u>	<u>\$ 1,201,366</u>
<b>Debt Ratios</b>				
Ratio of Total Debt to Personal Income <sup>2</sup>	2.0 %	2.0 %	2.2 %	2.2 %
Per capita <sup>3</sup>	\$ 904	\$ 879	\$ 908	\$ 904
<b>Net General Obligation Bonded Debt</b>				
Gross Bonded Debt	\$ 668,002	\$ 636,817	\$ 601,817	\$ 586,365
Less: Debt Service Funds	-	-	-	-
Net Bonded Debt	<u>\$ 668,002</u>	<u>\$ 636,817</u>	<u>\$ 601,817</u>	<u>\$ 586,365</u>
Ratio of Net Bonded Debt to Estimated Property Value <sup>4</sup>	0.4 %	0.4 %	0.4 %	0.4 %
Per Capita <sup>3</sup>	\$ 501	\$ 479	\$ 452	\$ 441

<sup>1</sup> Federal and other revenue streams associated with qualified transportation projects are pledged as security for GARVEE and TransCap bonds. These pledged future revenues offset the unspent proceeds of the bond received by a component unit. Profit from the Alcoholic Beverages Enterprise Fund are pledged as security for the Liquor bonds. See Schedule 11.

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

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

<sup>4</sup> Estimated property value can be found on Schedule 9

**SCHEDULE 10**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$	369,725	\$ 472,055	\$ 520,230	\$ 500,100	\$ 529,990	\$ 475,835
	199,910	187,865	172,150	189,080	192,935	208,560
	47,938	52,097	71,830	76,291	50,079	66,493
	34,741	29,778	33,690	33,329	37,634	37,522
	304,045	328,131	290,919	258,394	131,769	38,338
	<u>956,359</u>	<u>1,069,926</u>	<u>1,088,819</u>	<u>1,057,194</u>	<u>942,407</u>	<u>826,748</u>
	-	-	-	-	-	-
\$	<u>956,359</u>	<u>1,069,926</u>	<u>1,088,819</u>	<u>1,057,194</u>	<u>942,407</u>	<u>826,748</u>
	1.8 %	2.0 %	2.1 %	2.1 %	1.9 %	1.7 %
\$	720	\$ 805	\$ 819	\$ 796	\$ 709	\$ 621
\$	569,635	\$ 659,920	\$ 692,380	\$ 689,180	\$ 722,925	\$ 684,395
	-	-	-	-	-	-
\$	<u>569,635</u>	<u>659,920</u>	<u>692,380</u>	<u>689,180</u>	<u>722,925</u>	<u>684,395</u>
	0.4 %	0.4 %	0.4 %	0.4 %	0.4 %	0.4 %
\$	429	\$ 497	\$ 521	\$ 519	\$ 544	\$ 514

**STATE OF MAINE**  
**PLEGDED FUTURE REVENUE COVERAGE**

Last Ten Fiscal Years  
(Expressed in Thousands)

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Grant Anticipation Revenue Vehicle (GARVEE) Bonds<sup>1</sup></b>				
Federal Aid Revenues	\$ 217,501	\$ 216,915	\$ 195,830	\$ 210,870
Annual Debt Service	\$ 15,942	\$ 20,143	\$ 16,416	\$ 15,951
Debt Service Coverage	7.33 %	9.29 %	8.38 %	7.56 %

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

**Transportation Infrastructure Revenue (TRANSCAP) Bonds<sup>2</sup>**

Pledged Revenue Stream	\$ 40,388	\$ 39,634	\$ 38,866	\$ 38,340
Annual Debt Service	\$ 20,072	\$ 19,789	\$ 20,273	\$ 20,268
Debt Service Coverage	49.70 %	49.93 %	52.16 %	52.86 %

SOURCE: Department of Transportation.

The State has committed the profit of the Alcoholic Beverages Enterprise Fund as pledged revenue until such time as the bond liability is paid in full, pursuant to 28-A MRSA § 90. In FY 2014 only interest payments were due.

**Liquor Revenue Bonds<sup>3</sup>**

Pledged Revenue Stream	\$ 47,307	\$ 44,400	\$ 44,094	-
Annual Debt Service	\$ 26,801	\$ 26,812	\$ 26,823	5,306
Debt Service Coverage	56.65 %	60.39 %	60.83 %	- %

<sup>1</sup> Based on Federal Fiscal Year End

<sup>2</sup> Based on State Fiscal Year End

<sup>3</sup> The profit from the Alcoholic Beverages Enterprise Fund began being deposited 7/1/15.



**SCHEDULE 11**

	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
\$	223,076	\$ 206,952	\$ 186,326	\$ 150,868	\$ 147,530	\$ 146,454
\$	15,921	\$ 15,100	\$ 11,191	\$ 10,650	\$ 6,384	\$ 5,521
	7.14 %	7.30 %	6.01 %	7.06 %	4.33 %	3.77 %
\$	40,154	\$ 38,171	\$ 38,136	\$ 38,124	\$ 5,000	-
\$	20,268	\$ 17,467	\$ 16,951	\$ 7,567	\$ 658	-
	50.48 %	45.76 %	44.45 %	19.85 %	13.16 %	- %

**STATE OF MAINE**  
**DEMOGRAPHIC INFORMATION**

Last Ten Fiscal Years

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Maine</b>				
Population (in thousands) <sup>1</sup>	1,333	1,329	1,331	1,330
Total Personal Income (in millions) <sup>1</sup>	59,396	57,990	54,926	55,958
Per Capita Personal Income <sup>2</sup>	44,558	43,638	41,273	42,074
Unemployment Rate <sup>3</sup>	3.5 %	3.7 %	4.7 %	5.5 %
<b>United States</b>				
Population (in thousands) <sup>1</sup>	325,059	322,704	320,064	318,857
Total Personal Income (in millions) <sup>1</sup>	16,353,217	15,725,128	14,991,944	14,708,582
Per Capita Personal Income <sup>2</sup>	50,308	48,729	46,840	46,129
Unemployment Rate <sup>3</sup>	4.4 %	4.9 %	5.3 %	6.1 %

<sup>1</sup> FY17, FY16 and FY15's source is the preliminary average of the last 4 quarters reported in the Quarterly Personal Income Summary last updated September 2017, February 2016 or September 2015, respectively. FY13 - FY10 source is SA1 Personal Income Summary: Personal Income, Population, Per Capita Personal Income use state population estimates released in December, 2013, while 2014 estimates reflect the December 2014 release.

<sup>2</sup> Calculation total personal income/population

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

**SCHEDULE 12**

<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
1,328	1,329	1,328	1,328	1,330	1,331
54,359	52,958	51,524	49,395	48,939	48,771
40,933	39,848	38,798	37,195	36,796	36,642
6.8 %	7.5 %	7.8 %	8.0 %	8.6 %	5.0 %
316,129	313,875	311,583	309,326	306,772	304,094
14,151,427	13,873,161	13,189,935	12,417,659	12,073,738	12,429,284
44,765	44,200	42,332	40,144	39,357	40,873
7.6 %	8.2 %	8.9 %	9.5 %	9.2 %	5.5 %



STATE OF MAINE

SCHEDULE 13

PRINCIPAL EMPLOYERS - TOP 10  
NOT SEASONALLY ADJUSTED  
Current Year and Ten Years Ago

Employer	2017					2008				
	Range of Employees		Rank	Percentage of Total State Employment		Average Number of Employees	Rank	Percentage of Total Employment		
Maine State Government	13,501	-	14,500	1	2.3	%	15,500	1	2.4	%
MaineHealth	9,001	-	9,500	2	1.5	%	-	-	-	%
Hannaford Brothers Co.	8,001	-	8,500	3	1.4	%	8,500	2	1.3	%
Department of Defense	7,501	-	8,000	4	1.3	%	6,500	4	1.0	%
Wal Mart/Sam's Club	6,501	-	7,000	5	1.1	%	7,500	3	1.1	%
Bath Iron Works Corporation	5,501	-	6,000	6	0.9	%	5,500	6	0.8	%
L L Bean, Inc	4,001	-	4,500	7	0.7	%	5,500	7	0.8	%
Eastern Maine Medical Center	4,001	-	4,500	8	0.7	%	3,250	9	0.5	%
MaineGeneral Medical Center	3,001	-	3,500	9	0.5	%	-	-	-	%
US Post Office	3,001	-	3,500	10	0.5	%	4,250	8	0.6	%
Maine Medical Center	-	-	-	-	-	%	5,500	5	0.8	%
University of Maine at Orono	-	-	-	-	-	%	3,250	10	0.5	%
Total	64,010		69,500		10.9	%	65,250		9.8	%

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

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

**STATE OF MAINE**  
**SCHEDULE OF STATE GOVERNMENT FULL TIME**  
**EQUIVALENT EMPLOYEES BY POLICY AREA**

Last Ten Fiscal Years

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Arts, Heritage & Cultural Enrichment	91.6	91.6	89.1	89.6
Business Licensing & Regulation	394.5	394.5	389.0	389.0
Economic Development & Workforce Training	585.0	584.0	581.5	557.5
Education	191.3	191.3	193.5	192.5
Governmental Support & Operations	2,102.9	2,099.9	2,100.1	2,106.1
Health and Human Services	3,440.9	3,440.9	3,494.2	3,475.4
Justice and Protection	2,999.8	2,999.8	2,962.8	2,959.3
Natural Resources Development & Protection	1,421.8	1,421.3	1,447.8	1,448.8
Transportation Safety & Development	2,047.3	2,047.3	2,046.9	2,045.8
Total Full Time Equivalents	<u>13,275.1</u>	<u>13,270.6</u>	<u>13,304.9</u>	<u>13,264.0</u>

SOURCE: Maine Bureau of Budget - the information in this schedule is based on budgeted numbers and actual numbers differ.

**SCHEDULE 14**

<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
89.6	90.3	92.1	94.1	95.9	105.4
395.0	395.6	406.0	413.0	411.5	420.0
558.5	555.0	593.6	594.6	604.6	614.6
190.6	185.6	194.3	195.3	201.6	207.9
2,128.4	2,162.4	2,214.3	2,217.8	2,239.5	2,246.0
3,468.4	3,477.4	3,645.1	3,718.1	3,691.6	3,777.4
2,960.3	2,969.8	2,986.6	2,988.6	2,986.1	2,990.6
1,461.0	1,446.4	1,481.8	1,490.9	1,498.4	1,530.0
2,072.4	2,072.4	2,123.2	2,123.2	2,277.5	2,277.5
<b>13,324.2</b>	<b>13,354.9</b>	<b>13,737.0</b>	<b>13,835.6</b>	<b>14,006.7</b>	<b>14,169.4</b>

**STATE OF MAINE**  
**OPERATING INDICATORS AND CAPITAL INFORMATION**

Fiscal Year Ended June 30

Operating Indicators by Function:	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Education</b>				
Students enrolled in the free/reduced lunch program <sup>4</sup>	85,080	86,746	85,794	86,500
<b>Economic Development &amp; Workforce Training</b>				
Unemployed persons	24,648	26,220	32,809	39,300
<b>Governmental Support &amp; Operations</b>				
Return on investments	0.85 %	0.52 %	0.33 %	0.28 %
Lottery tickets sales, in millions	266	272	253	230
<b>Health and Human Services</b>				
Percentage of population enrolled in MaineCare <sup>1</sup>	20 %	21 %	22 %	24 %
Number of TANF cases <sup>2</sup>	4,630	5,401	5,401	7,617
Number of members served by Dirigo Health	-	-	-	40,565
<b>Justice and Protection</b>				
Average Number of Adult Inmates	2,310	2,189	2,091	2,089
Average Number of Juvenile Inmates	88	95	157	144
Number of guard troops	3,088	3,145	3,285	3,236
Number of cases tried in the court system	192,527	204,330	216,460	229,365
<b>Natural Resources and Development</b>				
Number of park passes purchased <sup>3</sup>	19,722	16,881	16,734	14,039
Number of visitors to State parks	2,876,190	2,626,416	2,539,754	2,553,638
Number of hunting and fishing licenses sold <sup>3</sup>	564,863	557,123	545,359	529,615
<b>Transportation Safety &amp; Development</b>				
Number of construction projects	323	197	121	227

<sup>1</sup> Based on the average enrollees over the fiscal year.

<sup>2</sup> Based on the average number of cases over the fiscal year.

<sup>3</sup> As of December.

<sup>4</sup> As of October of the school year.



**SCHEDULE 15**

<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
85,731	84,717	83,625	82,372	75,358	73,130
48,500	52,900	52,500	54,200	59,100	36,400
0.29 % 228	0.35 % 228	0.24 % 216	0.59 % 217	1.52 % 211	4.19 % 229
26 % 9,342 40,388	26 % 13,260 38,070	26 % 14,151 35,105	27 % 13,686 31,323	26 % 12,849 29,936	25 % 12,479 28,745
2,016 155 3,169 237,596	2,043 170 3,124 242,710	2,124 186 3,065 260,171	2,167 195 3,070 285,567	2,177 184 3,199 292,295	2,038 199 3,277 282,980
12,498 2,519,849 516,442	12,117 2,648,484 497,712	11,288 2,528,900 503,487	11,443 2,443,640 503,425	10,073 2,243,606 499,821	10,963 1,930,186 500,367
218	194	238	173	124	116

**STATE OF MAINE**  
**CAPITAL ASSETS BY FUNCTION**

Fiscal Years Ended June 30

Capital Assets by Function:	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Governmental Support & Operations				
Vehicles controlled by Central Fleet Management	2,208	2,158	2,096	2,114
Health and Human Services				
Number of regional offices	16	16	16	16
Justice and Protection				
Number of correctional facilities	7	8	8	8
Number of armories and AFR's	14	18	21	21
Number of State police barracks	8	8	8	8
Number of vehicles in Public Safety	614	541	575	487
Natural Resources and Development				
Total acreage of State parks	85,680	85,680	85,680	98,831
Number of State park buildings	585	562	563	569
Transportation Safety & Development				
Number of DOT vehicles and equipment	1,233	1,229	1,226	1,219
Number of regional DOT active buildings	570	555	575	568

**SCHEDULE 16**

<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
2,116	2,037	1,922	1,977	1,596	1,665
16	17	18	18	18	18
8	9	9	9	9	9
21	18	16	16	16	16
8	8	8	8	8	8
420	439	504	515	605	654
98,832	97,948	97,942	97,387	97,300	100,540
567	556	553	552	533	530
1,188	1,457	1,193	1,308	1,268	1,446
564	564	577	587	586	574

