STATE OF MAINE

SINGLE AUDIT REPORT

OMB Circular A-133

Fiscal Year Ending June 30, 2015

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

STATE OF MAINE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2015

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Due to a change in Federal requirements, in order to read audit findings by Federal program, or by State Agency and Federal Compliance Area, or by Finding Type, you must first turn to Page E-16.

Letter of Transmittal

Senator Michael D. Thibodeau
President of the Senate

Representative Mark W. Eves
Speaker of the House of Representatives

The Honorable Paul R. LePage
Governor of Maine

I am pleased to submit the Single Audit of the State of Maine for the fiscal year ended June 30, 2015. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States; the requirements of the Single Audit Act Amendments of 1996; and the Office of Management and Budget Circular A-133, *Audits of States*, *Local Governments*, *and Non-Profit Organizations*. Our audit complies with 5 MRSA §243 and is also a prerequisite for the receipt of federal financial assistance. During fiscal year 2015, $2.9 billion in federal financial assistance was received by the State of Maine.

This document contains the following reports and schedules:

- Independent Auditor's Report
- Basic Financial Statements, Management's Discussion and Analysis, Notes to Financial Statements, and Required Supplementary Information
- Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements performed in accordance with *Government Auditing Standards*
- Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133
- Schedule of Expenditures of Federal Awards

- Schedule of Findings and Questioned Costs
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- Summary Schedule of Prior Audit Findings

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

Please contact me if you have questions or comments about the 2015 Single Audit of the State of Maine.

Respectfully submitted,

Pola Buckley

Pola A. Buckley
State Auditor

March 31, 2016

STATE OF MAINE
EXECUTIVE SUMMARY
FOR THE YEAR ENDED JUNE 30, 2015


DIRIGO
MAINE

STATE OF MAINE
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2015

EXECUTIVE SUMMARY

The Office of the State Auditor (OSA) performs the Single Audit of the State of Maine, an annual financial and compliance audit, to meet Federal and State requirements. OSA's audit for fiscal year 2015 includes twenty-three major Federal programs that represents 82% of the $2.9 billion in Federal expenditures for the 2015 fiscal year. This Single Audit Report actually consists of various audit reports and the related financial statements and Federal audit findings and recommendations.

Independent Auditor's Report

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

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

We reported on internal control over financial reporting and did not identify any deficiencies in internal control that we considered to be a material weakness. A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees to prevent, or detect and correct financial statement misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies such that there is a reasonable possibility that a material misstatement of the State's financial statements would not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified three significant deficiencies that are identified in this report as 2015-001, 2015-002, and 2015-003.

As part of obtaining reasonable assurance regarding whether the State's financial statements were not materially misstated, OSA performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements. The results of our tests disclosed no instances of noncompliance that were required to be reported under *Government Auditing Standards*.

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by OMB Circular A-133

Compliance with program requirements

We qualified our opinion on compliance with program requirements for the Unemployment Insurance program because of material noncompliance. The remaining twenty-two federal programs complied in all material respects with program requirements.

Internal control over compliance

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

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

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

Schedule of Findings and Questioned Costs

The Schedule of Findings and Questioned Costs includes managements' responses and plans for corrective action for addressing the audit findings. Our Single Audit Report also identified a total of $13 thousand of *known questioned costs* and three other instances for which the *known questioned costs* could not be determined. *Questioned costs* are amounts of federal financial assistance that we believe were not spent in accordance with program requirements. The federal government may or may not disallow these costs and could result in reimbursements from the State to the federal government.

STATE OF MAINE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2015

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DEPUTY STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

To the Honorable Michael D. Thibodeau, President of the Senate, and
The Honorable Mark W. Eves, Speaker of the House of Representatives

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2015, 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's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following component units: Child Development Services, Connect ME Authority, Efficiency Maine Trust, Finance Authority of Maine, Loring Development Authority, Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, Maine Educational Loan Authority, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Port Authority, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Technology Institute, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, Small Enterprise Growth Fund, and the University of Maine System. These financial statements represent 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 4% of the liabilities of the governmental activities (Maine Governmental Facilities Authority). These statements 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 entities, 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 Educational Loan Authority, the Maine Port Authority, 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, 2015, 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.

Emphasis of a Matter

Change in Accounting Principle

The State of Maine's basic financial statements for the year ended June 30, 2015, adopted the provisions of the Governmental Accounting Standards Board's (GASB) Statement No. 68, *Accounting and Financial Reporting for Pension - an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. The State of Maine implemented the requirements of GASB Statements No. 68 and 71 in accordance with their required effective date. See Notes 3 and 9 in the accompanying financial statements for the impact of the standards' implementation. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages B-7 through B-18, and Budgetary Comparison Information, State Retirement Plans, Other Post-employment Benefit Plans, and Information about Infrastructure Assets Reported Using the Modified Approach on pages B-108 through B-129, 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 statements, and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations,* and is also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards 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*, we have also issued our report dated December 31, 2015 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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Maine's internal control over financial reporting and compliance.

Pola Buckley

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

Mary Gingrow-Shaw

Mary Gingrow-Shaw, CPA
Deputy State Auditor
Office of the State Auditor

December 31, 2015

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, 2015. 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 39.7 percent from the previous fiscal year. Net position of Governmental Activities increased by $466.4 million, while net position of Business-Type Activities increased by $22.4 million. The State's assets and deferred outflows exceeded its liabilities and deferred inflows by $1.7 billion at the close of fiscal year 2015. Component units reported net position of $2.9 billion, an increase of $58.7 million (2.1 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 $640.0 million, an increase of $219.2 million from the previous year. The General Fund's total fund balance was a negative $73.8 million, an improvement of $141.6 million from the previous year. The Highway Fund total fund balance was $40.0 million, an improvement of $2.3 million from the prior year.

- The proprietary funds reported net position at year end of $548.2 million, an increase of $70.3 million from the previous year, as restated. This increase is primarily the result of an increase in the Alcoholic Beverages Fund balance of $183.4 million due to the restatement of the Liquor Operations Revenue Bond and an offset due to recording a pension liability of approximately $107 million.

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 $113.8 million in bonds and made principal payments of $82.1 million.

Additional information regarding the government-wide, fund level, and long-term debt activities can be found beginning on page B-11.

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 12 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 39.7 percent to $1.7 billion at June 30, 2015, as detailed in Tables A-1 and A-2. The increase is primarily due to the restatement of 2014 for net pension liability.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	**2014 ***	**2015**	**2014 ***	**2015**	**2014**
Current and other noncurrent assets	$ 1,965,233	$ 1,674,658	$ 403,707	$ 372,222	$ 2,368,940	$ 2,046,880
Capital assets	4,083,965	4,003,858	42,658	44,462	4,126,623	4,048,320
Total Assets	**6,049,198**	**5,678,516**	**446,365**	**416,684**	**6,495,563**	**6,095,200**
Deferred Outflows of Resources	**369,143**	**251,323**	**3,258**	**4,295**	**372,401**	**255,618**
Current liabilities	1,043,654	1,032,173	29,862	23,577	1,073,516	1,055,750
Long-term liabilities	3,339,673	4,018,965	40,431	46,289	3,380,104	4,065,254
Total Liabilities	**4,383,327**	**5,051,138**	**70,293**	**69,866**	**4,453,620**	**5,121,004**
Deferred Inflows of Resources	**689,903**	**-**	**5,848**	**-**	**695,751**	**-**
Net position (deficit):						
Net investment in capital assets	3,362,340	3,326,722	42,658	44,462	3,404,998	3,371,184
Restricted	215,520	168,085	366,766	331,799	582,286	499,884
Unrestricted (deficit)	(2,232,749)	(2,616,106)	(35,942)	(25,148)	(2,268,691)	(2,641,254)
Total Net Position	**$ 1,345,111**	**$ 878,701**	**$ 373,482**	**$ 351,113**	**$ 1,718,593**	**$ 1,229,814**

* As restated

Changes in Net Position

The State's fiscal year 2015 revenues totaled $7.9 billion. (See Table A-2) Taxes and operating grants and contributions accounted for most of the State's revenue by contributing 48.0 percent and 35.8 percent, respectively, of every dollar raised. The remainder came from charges for services and other miscellaneous sources.

The total cost of all programs and services totaled $7.4 billion for the year 2015. (See Table A-2) These expenses are predominantly (69.1 percent) related to health & human services and education activities. The State's governmental support & operations activities accounted for 4.8 percent of total costs. Total net position increased by $488.8 million, primarily due to an increase in tax revenue and charges for service.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	2014*	2015	2014*	2015	2014
Revenues						
Program Revenues:						
Charges for Services	$ 539,457	$ 528,673	$ 587,545	$ 457,147	$ 1,127,002	$ 985,820
Operating Grants/Contributions	2,817,929	2,831,956	7,383	7,036	2,825,312	2,838,992
Capital Grants/Contributions	-	-	-	-	-	-
General Revenues:						
Taxes	3,793,488	3,523,533	-	-	3,793,488	3,523,533
Other	152,463	195,689	-	-	152,463	195,689
Total Revenues	7,303,337	7,079,851	594,928	464,183	7,898,265	7,544,034
Expenses						
Governmental Activities:						
Governmental Support	357,029	377,269			357,029	377,269
Education	1,543,947	1,676,908			1,543,947	1,676,908
Health & Human Services	3,595,418	3,669,552			3,595,418	3,669,552
Justice & Protection	412,718	410,641			412,718	410,641
Transportation Safety	553,321	524,024			553,321	524,024
Other	453,331	468,725			453,331	468,725
Interest	50,639	47,271			50,639	47,271
Business-Type Activities:						
Employment Security			129,697	159,058	129,697	159,058
Lottery			200,457	180,087	200,457	180,087
Military Equip. Maint.			9,342	11,466	9,342	11,466
Dirigo Health			1,137	26,863	1,137	26,863
Other			131,299	19,408	131,299	19,408
Total Expenses	6,966,403	7,174,390	471,932	396,882	7,438,335	7,571,272
Excess (Deficiency) before Special Items and Transfers	336,934	(94,539)	122,996	67,301	459,930	(27,238)
Special Items	28,849	9,710 *	-	(9,710)	28,849	-
Transfers	100,627	48,861	(100,627)	(48,861)	-	-
Increase (Decrease) in Net Position	466,410	(35,968)	22,369	8,730	488,779	(27,238)
Net Position, beginning of year (As Restated)	878,701	914,669	351,113	342,383	1,229,814	1,257,052
Ending Net Position	$ 1,345,111	$ 878,701	$ 373,482	$ 351,113	$ 1,718,593	$1,229,814

*As Restated

Governmental Activities

Revenues for the State's Governmental Activities totaled $7.3 billion while total expenses equaled $7.0 billion. The increase in net position for Governmental Activities was $466.4 million in 2015, much of which was the result of an increase in individual income tax and sales and use tax revenue of $247.9 million, a decrease in expenses of approximately $208.0 million and an increase in Transfers of $51.8 million. Net expenses supported by tax revenue decreased by approximately $208.0 million, primarily in the Health and Human Services and Education areas. Additionally, the State's Business-Type Activities transferred $100.6 million (net) to the Governmental Activities, which included statutorily required profit transfers, capital contributions, and the pledged profit of the Alcoholic Beverages Fund to finance the payment of the Liquor Operations Revenue Bonds. These transfers are discussed futher on page B-14.

The users of the State's programs financed $539.5 million of the cost. The federal and State governments subsidized certain programs with grants and contributions of $2.8 billion. $3.9 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 2015

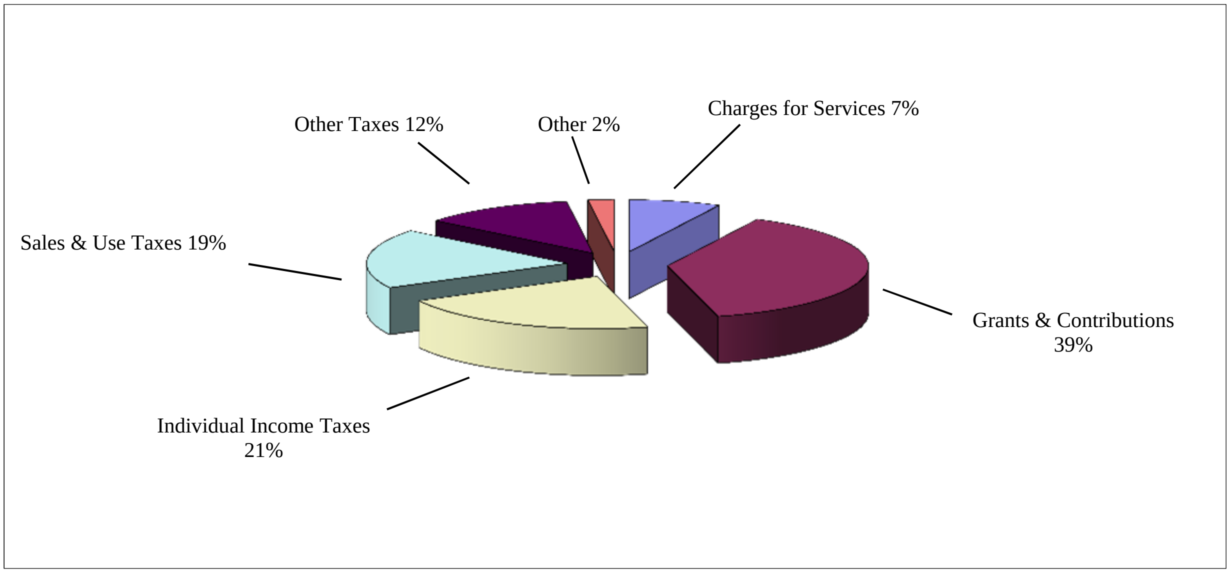
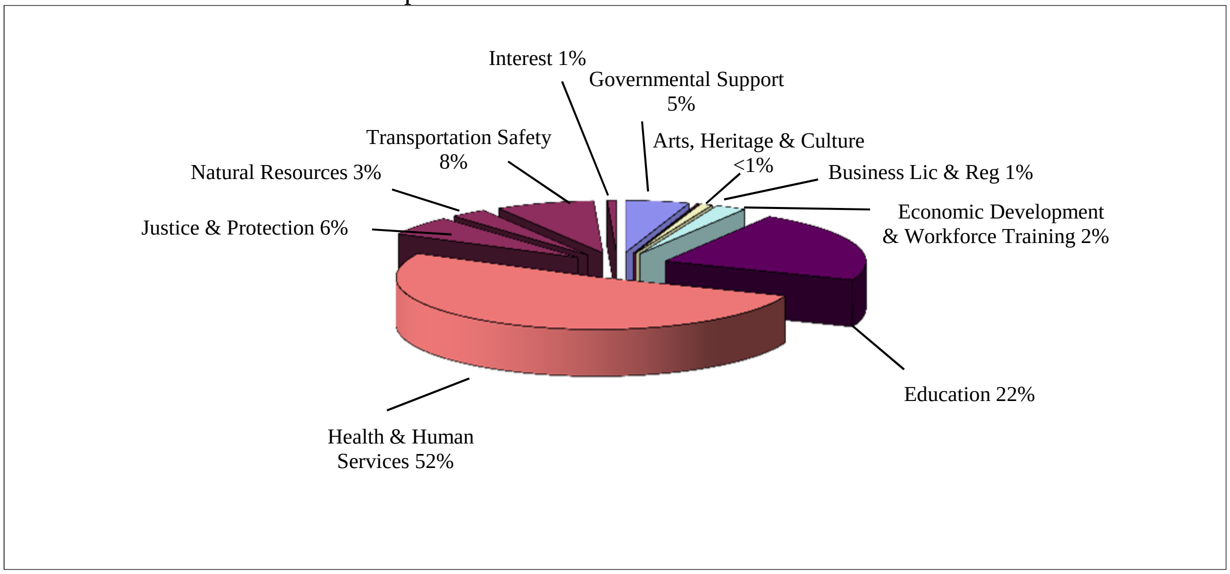


Table A-4: Total Expenses for Governmental Activities for Fiscal Year 2015



Business-Type Activities

Revenues for the State's Business-Type Activities totaled $594.9 million while expenses totaled $471.9 million. The increase in net position for Business-Type Activities was $22.4 million in 2015, due primarily to an increase in lottery revenue.

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

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

Category	Total Cost 2015	Total Cost 2014	Net (Cost) Revenue 2015	Net (Cost) Revenue 2014
Employment Security	$ 129,697	$ 159,058	$ 35,309	$ 11,330
Alcoholic Beverages	111,265	19	46,104	12,520
Lottery	200,457	180,087	54,426	52,333
Military Equip. Maint.	9,342	11,466	(4,027)	(1,364)
Dirigo Health	1,137	26,863	(1,133)	(1,061)
Other	20,034	19,389	(7,683)	(6,457)
Total	$ 471,932	$ 396,882	$ 122,996	$ 67,301

The cost of all Business-Type Activities this year was $471.9 million. The users of the State's programs financed most of the cost. The State's net revenue from Business-Type Activities was $123.0 million, with Alcoholic Beverages and Lottery making up $46.1 and $54.4 million of the total. The State's Business-Type Activities transferred $100.6 million (net) to the Governmental Activities, which included statutorily required profit transfers and the pledged profit of the Alcoholic Beverages Fund to finance the payment of the Liquor Operations Revenue Bonds. Additionally, the Governmental Activities contributed $1.7 million to purchase capital assets that are recorded in the Business-Type activities.

FINANCIAL ANALYSIS OF THE STATE'S FUNDS

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

Fund	2015	2014	Change
General	$ (73,799)	$ (215,436)	$ 141,637
Highway	40,049	37,790	2,259
Federal	23,254	9,291	13,963
Other Special Revenue	488,803	421,028 *	67,775
Other Governmental	161,679	168,085 *	(6,406)
Total	$ 639,986	$ 420,758	$ 219,228

* As Restated

As of the end of the current fiscal year, the State's governmental funds reported combined ending fund balances of $640.0 million, an increase of $219.2 million in comparison with the prior year. Of this total amount, $28.2 million (4.4 percent) is classified as non-spendable, either due to its form or legal constraints, and $629.4 million (98.4 percent) is restricted for specific programs by external constraints, constitutional provisions, or contractual obligations. Unspent bond proceeds, revenue restricted for transportation, natural resources or other programs are included in restricted fund balance. At the end of the current fiscal year, the unassigned fund balance of the General Fund was a deficit of $80.4 million, an improvement of $140.9 million.

General Fund revenues and other sources surpassed General Fund expenditures and other uses resulting in an increase in the fund balance by $141.6 million. Revenues and other sources of the General Fund increased by approximately $162.3 million (4.8 percent) which is mainly attributed to an increase in individual income tax and sales and use tax revenue of $241.0 million and a decrease in other sources of $39.8 million. General Fund expenditures and other financing uses decreased by $50.4 million (1.4 percent). This is due, primarily, to a decrease in expense for health and human services of $39.8 million.

The fund balance of the Highway Fund increased $2.3 million from fiscal year 2014, due mainly to the increase in the Highway Fund's tax revenue receipts of $10.2 million.

Budgetary Highlights

For the 2015 fiscal year, the final legally adopted budgeted expenditures for the General Fund amounted to $3.3 billion, an increase of about $62.1 million from the original legally adopted budget of approximately $3.2 billion. Actual expenditures on a budgetary basis amounted to approximately $96.7 million less than those authorized in the final budget. After deducting the encumbered obligations and other commitments that will come due in fiscal year 2015, including the budgeted starting balance for Fiscal Year 2015, there were funds remaining of $33.5 million to distribute in Fiscal Year 2015. Actual revenues exceeded final budget forecasts by $38.5 million. In addition, the year-end cascade transferred $23.9 million to the Budget Stabilization Fund. Interest earnings along with the legislatively and statutorily approved transfers increased the balance in the Fund to $111.1 million as of June 30, 2015. 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 2015, the State had roughly $4.1 billion in a broad range of capital assets, including land, infrastructure, improvements, buildings, equipment, vehicles and intangibles. During fiscal year 2015, the State acquired or constructed more than $164.0 million of capital assets. The most significant impact on capital assets during the year resulted from continued construction and rehabilitation of roads and bridges, and major construction and renovation of State-owned facilities. More detailed information about the State's capital assets and significant construction commitments is presented in Notes 8 and 15 to the financial statements.

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

	Governmental Activities 2015	Governmental Activities 2014		Business-type Activities 2015	Business-type Activities 2014	Total Primary Government 2015	Total Primary Government 2014
Land	$ 591,764	$ 575,382		$ 2,387	$ 2,255	$ 594,151	$ 577,637
Buildings	692,889	666,425		4,655	4,395	697,544	670,820
Equipment	272,774	266,906	*	32,572	32,268	305,346	299,174
Improvements	80,725	71,780	*	41,124	41,124	121,849	112,904
Software	74,621	74,621	*	-	-	74,621	74,621
Infrastructure	2,788,032	2,761,257		-	-	2,788,032	2,761,257
Construction in Progress	130,856	109,989		2,838	1,869	133,694	111,858
Total Capital Assets	4,631,661	4,526,360		83,576	81,911	4,715,237	4,608,271
Accumulated Depreciation	547,696	522,501	*	40,918	37,449	588,614	559,950
Capital Assets, net	$ 4,083,965	$ 4,003,859		$ 42,658	$ 44,462	$ 4,126,623	$ 4,048,321

* As restated

Modified Approach for Infrastructure

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

Highways and bridges are included in the State's infrastructure. There are 8,828 highway miles or 17,953 lane miles within the State. Bridges have a deck area of 11.7 million square feet among 2,957 total bridges. The State has established a policy to maintain its highways at an average condition assessment of 60. At June 30, 2015, the actual average condition was 75.5. Its policy for bridges is an average sufficiency rating condition assessment of 60. The actual average condition for bridges was 78 at June 30, 2015. Preservation costs for fiscal year 2015 totaled $115.7 million compared to estimated preservation costs of $75.8 million.

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 697, PL 2011, $15 million in General fund bonds were spent during FY2015. Of the amount authorized by Chapter 429, PL 2013, $50 million in General fund bonds were spent during FY2015.

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 $1.7 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	
	2015	2014	2015	2014	2015	2014
General Obligation						
Bonds	$ 420,800	$ 399,190	$ -	$ -	$ 420,800	$ 399,190
Unmatured Premiums	10,147	-	-	-	10,147	-
Other Long-Term						
Obligations	1,286,841	1,283,216 *	5,685	5,522	1,292,526	1,288,738
Total	$ 1,717,788	$ 1,682,406	$ 5,685	$ 5,522	$ 1,723,473	$ 1,687,928

* As restated

During the year, the State reduced outstanding long-term obligations by $82.1 million for outstanding general obligation bonds and $383.8 million for other long-term debt. Also during fiscal year 2015, the State incurred $501.4 million of additional long-term obligations.

Credit Ratings

The State’s credit was rated during fiscal year 2015 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

The Maine and U.S. economies showed continued signs of gradual improvement since the Consensus Economic Forecasting Commission (CEFC) met in March 2015. Maine’s real GDP increased from 2013-2014, the second year in a row of GDP growth. Personal income in Maine grew 2.7 percent from 2014 to 2015, while wage and salary income, which is the largest component of total personal income, grew 1.8 percent over the same period. The Consumer Price Index was unchanged in September 2015 from a year ago, driven by declines in energy prices.

The price of crude oil decreased 50.4 percent from the third quarter of 2014 to the third quarter of 2015 to around $51 per barrel. As a result of the continued declines in crude oil prices, heating oil prices declined throughout most of last year’s heating season and have started this year’s heating season considerably lower than the past five years while gasoline prices are also much lower. The number of new automobile titles issued by the Maine Bureau of Motor Vehicles increased 5.9 percent in fiscal year 2015 compared to fiscal year 2014, while the number of used auto titles increased 2 percent. Existing single-family home sales in Maine were up 6.7 percent in August 2015 compared to August 2014 and housing permits for the

October 2014-September 2015 year were 0.7 percent higher than the previous 12-month period. The median home price in the Portland-South Portland-Biddeford Metropolitan Statistical Area (which encompasses all of York, Cumberland, and Sagadahoc counties) increased 5.5 percent year-overyear in the second quarter of 2015. Mortgage delinquency rates in Maine have been declining but at a slower pace than nationally. The foreclosure rate in Maine was 0.52 percent in the second quarter of 2015 and has been above the national rate for eleven of the past twelve quarters.

Overall, the primary source of concern for the Commission continues to be Maine's demographic situation, with an aging population and little to no population growth. Both the low oil prices and revisions to 2014 income data played a role in the revisions made to this forecast.

The forecast for wage and salary employment was left unchanged, although starting from a slightly higher 2014 base level. The employment level is forecasted to reach nearly the 2007 pre-recession peak in 2019. The Consumer Price Index (CPI) was adjusted only for 2015 and 2016; both years were revised downward as a result of the continued low oil prices. Total personal income was revised upward in 2015 and slightly downward in the rest of the forecast years. The forecast for wage and salary income was changed only for 2016, which was revised downward.

General Fund revenue estimates were revised downward by $2.2 million for fiscal year 2016 and upward by $4.9 million for fiscal year 2017, for a net upward adjustment of $2.6 million for the 2016-2017 biennium. For the 2018-2019 biennium, General Fund revenue estimates were revised upward by a total of $59.9 million, including an increase of $24.5 million for FY18 and $35.4 for FY19.

At June 30, 2015, the deficit in the State of Maine's Unassigned Fund Balance Account in the General Fund has decreased to $80.4 million (from a deficit unassigned balance of $215.4 for fiscal year 2014). This decrease is primarily due to an increase in tax revenue as described on page B-15.

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 increase in the demand for appropriations whose balances carry from year to year which results in a lack of funds accruing to the Unassigned Fund Balance of the General Fund. This combined with the lack of significant reserves weakens the General Fund equity position.

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

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

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


DIRIGO
MAINE

STATE OF MAINE
STATEMENT OF NET POSITION

June 30, 2015
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 473,487	$ 12,622	$ 486,109	$ 50,210
Cash and Cash Equivalents	266	2,163	2,429	117,786
Cash with Fiscal Agent	74,091	-	74,091	-
Investments	97,413	-	97,413	599,797
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	57,552	-	57,552	-
Restricted Deposits and Investments	3,499	331,912	335,411	414,859
Inventories	6,343	3,759	10,102	3,143
Receivables, Net of Allowance for Uncollectibles:				
Taxes Receivable	407,312	-	407,312	-
Loans Receivable	4,320	-	4,320	87,615
Notes Receivable	-	-	-	13,421
Other Receivables	244,059	64,499	308,558	62,817
Internal Balances	15,864	(15,864)	-	-
Due from Other Governments	252,605	-	252,605	159,351
Due from Primary Government	-	-	-	22,293
Loans receivable from primary government	-	-	-	49,369
Due from Component Units	53,590	-	53,590	-
Other Current Assets	5,382	316	5,698	57,553
Total Current Assets	1,695,783	399,407	2,095,190	1,638,214
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	161,325	4,300	165,625	17,106
Restricted Assets:				
Restricted Equity in Treasurer's Cash Pool	19,608	-	19,608	-
Restricted Deposits and Investments	-	-	-	326,380
Pension Assets	6,244	-	6,244	-
Investments	-	-	-	504,664
Receivables, Net of Current Portion:				
Taxes Receivable	76,270	-	76,270	-
Loans Receivable	-	-	-	1,960,787
Notes Receivable	-	-	-	67,729
Other Receivables	1,371	-	1,371	5,946
Due from Other Governments	3,976	-	3,976	1,279,453
Loans receivable from primary government	-	-	-	427,819
Due From Primary Government	-	-	-	6,203
Post-Employment Benefit Asset	656	-	656	12,613
Other Noncurrent Assets	-	-	-	17,012
Capital Assets:				
Land, Infrastructure and Other Non-Depreciable Assets	3,510,652	5,225	3,515,877	585,937
Buildings, Equipment and Other Depreciable Assets, Net	573,313	37,433	610,746	1,046,604
Total Noncurrent Assets	4,353,415	46,958	4,400,373	6,258,253
Total Assets	6,049,198	446,365	6,495,563	7,896,467
Deferred Outflows of Resources	$ 369,143	$ 3,258	$ 372,401	$ 83,165

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

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Liabilities				
Current Liabilities:				
Accounts Payable	$ 454,305	$ 9,742	$ 464,047	$ 71,305
Accrued Payroll	52,609	1,070	53,679	3,968
Tax Refunds Payable	206,893	-	206,893	-
Due to Component Units	22,293	-	22,293	-
Due to Primary Government	-	-	-	53,590
Current Portion of Long-Term Obligations:				
Compensated Absences	5,909	126	6,035	2,997
Due to Other Governments	74,952	-	74,952	3,124
Amounts Held under State & Federal Loan Programs	-	-	-	33,205
Claims Payable	30,444	-	30,444	-
Bonds and Notes Payable	77,036	-	77,036	223,611
Revenue Bonds Payable	19,270	-	19,270	41,972
Obligations under Capital Leases	5,631	-	5,631	974
Certificates of Participation and Other Financing Arrangements	35,816	-	35,816	-
Loans Payable to Component Unit	49,369	-	49,369	-
Accrued Interest Payable	4,878	-	4,878	36,446
Unearned Revenue	683	159	842	63,681
Other Current Liabilities	3,566	18,765	22,331	87,238
Total Current Liabilities	1,043,654	29,862	1,073,516	622,111
Long-Term Liabilities:				
Compensated Absences	38,107	928	39,035	-
Due to Component Units	6,203	-	6,203	-
Due to Other Governments	-	-	-	3,828
Amounts Held under State & Federal Loan Programs	-	-	-	39,279
Claims Payable	43,522	-	43,522	-
Bonds and Notes Payable	353,911	-	353,911	3,407,909
Revenue Bonds Payable	151,600	-	151,600	805,853
Obligations under Capital Leases	34,902	-	34,902	7,038
Certificates of Participation and Other Financing Arrangements	52,880	-	52,880	-
Loans Payable to Component Unit	427,819	-	427,819	-
Unearned Revenue	9,221	-	9,221	-
Net Pension Liability	1,829,936	34,872	1,864,808	67,399
Other Post-Employment Benefit Obligation	361,057	4,631	365,688	2,378
Pollution Remediation and Landfill Obligations	30,515	-	30,515	-
Other Noncurrent Liabilities	-	-	-	139,363
Total Long-Term Liabilities	3,339,673	40,431	3,380,104	4,473,047
Total Liabilities	4,383,327	70,293	4,453,620	5,095,158
Deferred Inflows of Resources	$ 689,903	$ 5,848	$ 695,751	$ 26,357
Net Position				
Net Investment in Capital Assets	3,362,340	42,658	3,404,998	1,040,027
Restricted:				
Transportation Purposes	33,693	-	33,693	-
Business Licensing & Regulation	32,721	-	32,721	-
Justice and Protection	5,573	-	5,573	-
Natural Resources	3,955	-	3,955	-
Government Support & Operations	21,120	-	21,120	-
Employment Security	-	366,766	366,766	-
Other Purposes	20,965	-	20,965	1,211,018
Funds Held as Permanent Investments:				
Expendable	74,331	-	74,331	-
Nonexpendable	23,162	-	23,162	235,979
Unrestricted	(2,232,749)	(35,942)	(2,268,691)	371,093
Total Net Position	$ 1,345,111	$ 373,482	$ 1,718,593	$ 2,858,117

STATE OF MAINE
STATEMENT OF ACTIVITIES

Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
Governmental Support & Operations	$ 357,029	$ 99,959	$ 2,618	$ -
Arts, Heritage & Cultural Enrichment	11,457	955	2,955	-
Business Licensing & Regulation	67,348	69,790	59	-
Economic Development & Workforce Training	169,192	7,863	84,034	-
Education	1,543,947	37,016	202,264	-
Health & Human Services	3,595,418	15,988	2,208,511	-
Justice & Protection	412,718	80,028	45,103	-
Natural Resources Development & Protection	205,334	95,922	46,822	-
Transportation Safety & Development	553,321	131,936	225,563	-
Interest Expense	50,639	-	-	-
Total Governmental Activities	6,966,403	539,457	2,817,929	-
Business-Type Activities:				
Employment Security	129,697	157,623	7,383	-
Alcoholic Beverages	111,265	157,369	-	-
Lottery	200,457	254,883	-	-
Ferry Services	12,338	4,831	-	-
Military Equipment Maintenance	9,342	5,315	-	-
Dirigo Health	1,137	4	-	-
Other	7,696	7,520	-	-
Total Business-Type Activities	471,932	587,545	7,383	-
Total Primary Government	$ 7,438,335	$ 1,127,002	$ 2,825,312	$ -
Component Units:				
Finance Authority of Maine	34,507	18,369	20,200	-
Maine Community College System	140,271	17,821	62,375	10,482
Maine Health & Higher Educational Facilities Authority	39,950	36,783	3,801	-
Maine Municipal Bond Bank	71,158	60,109	6,241	23,638
Maine State Housing Authority	220,341	68,817	163,416	-
Maine Turnpike Authority	101,350	123,607	-	-
University of Maine System	685,347	290,295	167,853	4,555
All Other Non-Major Component Units	203,764	50,393	113,868	12,832
Total Component Units	$ 1,496,688	$ 666,194	$ 537,754	$ 51,507

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

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

Net (Expenses) Revenues and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (254,452)	$ -	$ (254,452)	$ -
(7,547)	-	(7,547)	-
2,501	-	2,501	-
(77,295)	-	(77,295)	-
(1,304,667)	-	(1,304,667)	-
(1,370,919)	-	(1,370,919)	-
(287,587)	-	(287,587)	-
(62,590)	-	(62,590)	-
(195,822)	-	(195,822)	-
(50,639)	-	(50,639)	-
(3,609,017)	-	(3,609,017)	-
-	35,309	35,309	-
-	46,104	46,104	-
-	54,426	54,426	-
-	(7,507)	(7,507)	-
-	(4,027)	(4,027)	-
-	(1,133)	(1,133)	-
-	(176)	(176)	-
-	122,996	122,996	-
$ (3,609,017)	$ 122,996	$ (3,486,021)	$ -
-	-	-	4,062
-	-	-	(49,593)
-	-	-	634
-	-	-	18,830
-	-	-	11,892
-	-	-	22,257
-	-	-	(222,644)
-	-	-	(26,671)
$ -	$ -	$ -	$ (241,233)
196,586	-	196,586	-
1,553,043	-	1,553,043	-
247,900	-	247,900	-
54,276	-	54,276	-
1,351,498	-	1,351,498	-
390,185	-	390,185	-
7,826	-	7,826	422
-	-	-	288,625
96,578	-	96,578	10,121
-	-	-	742
48,059	-	48,059	-
28,849	-	28,849	-
100,627	(100,627)	-	-
4,075,427	(100,627)	3,974,800	299,910
466,410	22,369	488,779	58,677
878,701	351,113	1,229,814	2,799,440
$ 1,345,111	$ 373,482	$ 1,718,593	$ 2,858,117

STATE OF MAINE
BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2015
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Treasurer's Cash Pool	$ 53,135	$ 47,428	$ 29,502	$ 328,711	$ 80	$ 458,856
Cash and Short-Term Investments	106	117	-	41	-	264
Cash with Fiscal Agent	496	262	-	66,364	-	67,122
Investments	-	-	-	-	97,413	97,413
Restricted Assets:						
Restricted Equity in Treasurer's Cash Pool	-	-	-	-	77,160	77,160
Inventories	2,353	-	355	-	-	2,708
Receivables, Net of Allowance for Uncollectibles:						
Taxes Receivable	449,630	22,520	-	11,432	-	483,582
Loans Receivable	1	-	-	4,319	-	4,320
Other Receivable	89,152	2,465	66,225	79,845	-	237,687
Due from Other Funds	20,433	12,877	124	18,016	-	51,450
Due from Other Governments	-	-	251,999	-	-	251,999
Due from Component Units	-	-	-	53,483	107	53,590
Other Assets	2,129	-	368	234	-	2,731
Working Capital Advances Receivable	111	-	-	-	-	111
Total Assets	617,546	85,669	348,573	562,445	174,760	1,788,993
Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows	$ 617,546	$ 85,669	$ 348,573	$ 562,445	$ 174,760	$ 1,788,993
Liabilities						
Accounts Payable	$ 151,570	$ 25,902	$ 217,070	$ 22,228	$ 1,424	$ 418,194
Accrued Payroll	22,844	8,289	6,258	10,640	-	48,031
Tax Refunds Payable	206,886	7	-	-	-	206,893
Due to Other Governments	3,792	-	71,063	-	-	74,855
Due to Other Funds	52,746	4,735	19,851	6,956	1,324	85,612
Due to Component Units	1,497	1,192	8,904	2,196	10,330	24,119
Unearned Revenue	-	4,825	355	3,978	3	9,161
Other Accrued Liabilities	1,851	-	1,721	1,686	-	5,258
Total Liabilities	441,186	44,950	325,222	47,684	13,081	872,123
Deferred Inflows of Resources	250,159	670	97	25,958	-	276,884
Fund Balances						
Nonspendable:						
Permanent Fund Principal	-	-	-	-	23,162	23,162
Inventories and Prepaid Items	4,154	-	726	206	-	5,086
Restricted	2,425	40,049	22,528	425,909	138,517	629,428
Committed	-	-	-	51,951	-	51,951
Assigned	-	-	-	10,737	-	10,737
Unassigned	(80,378)	-	-	-	-	(80,378)
Total Fund Balances	(73,799)	40,049	23,254	488,803	161,679	639,986
Total Liabilities, Deferred Inflows and Fund Balances	$ 617,546	$ 85,669	$ 348,573	$ 562,445	$ 174,760	$ 1,788,993

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

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

June 30, 2015
Expressed in Thousands

Total fund balances for governmental funds		$ 639,986
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.	4,229,956	
Less: Accumulated depreciation	348,238	
		3,881,718
Pension assets		6,244
Pension related deferred outflows		356,968
Other post-employment benefit assets are not financial resources		656
Pollution remediation receivable		1,486
Long-term liabilities are not due and payable in the current period. Therefore, long-term liabilities are not reported in the governmental fund statements. However, these amounts are included in the Statement of Net Position. This is the net effect of these balances on the statement:		
Bonds payable	(601,817)	
Interest payable related to long-term financing	(3,075)	
Certificates of participation and other financing arrangements	(50,895)	
Capital leases	(3,176)	
Loans payable to component unit	(477,188)	
Compensated absences	(40,286)	
Net pension liability	(1,758,472)	
Pension related deferred inflows	(671,411)	
Other post-employment benefit obligation	(361,057)	
Pollution remediation and landfill obligations	(30,515)	
		(3,997,892)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.		281,254
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.		174,691
Net position of governmental activities		$ 1,345,111

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, 2015
(Expressed in Thousands)

	General	Highway	Federal	Other Special Revenue	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	$ 3,237,598	$ 224,269	$ -	$ 294,755	$ -	$ 3,756,622
Assessments and Other Revenue	104,795	90,733	-	157,620	-	353,148
Federal Grants and Reimbursements	2,064	-	2,805,259	8,901	-	2,816,224
Service Charges	46,466	4,364	379	121,841	-	173,050
Investment Income	1,170	159	7	1,431	4,438	7,205
Miscellaneous Revenue	11,736	617	2	130,020	-	142,375
Total Revenues	3,403,829	320,142	2,805,647	714,568	4,438	7,248,624
Expenditures						
Current:						
Governmental Support & Operations	218,279	3,294	3,288	107,169	207	332,237
Economic Development & Workforce Training	31,501	-	85,334	38,777	14,337	169,949
Education	1,401,594	-	201,779	44,678	20,358	1,668,409
Health and Human Services	1,119,182	-	2,196,179	321,305	1,700	3,638,366
Business Licensing & Regulation	-	-	19	70,258	-	70,277
Natural Resources Development & Protection	68,870	34	45,923	94,058	408	209,293
Justice and Protection	302,133	25,660	47,867	67,243	1,986	444,889
Arts, Heritage & Cultural Enrichment	7,358	-	2,971	1,546	16	11,891
Transportation Safety & Development	-	284,332	178,064	61,627	16,195	540,218
Debt Service:						
Principal Payments	84,875	15,275	12,930	31,150	-	144,230
Interest Payments	19,167	3,643	3,992	15,815	-	42,617
Capital Outlay	-	-	-	-	66,903	66,903
Total Expenditures	3,252,959	332,238	2,778,346	853,626	122,110	7,339,279
Revenue over (under) Expenditures	150,870	(12,096)	27,301	(139,058)	(117,672)	(90,655)
Other Financing Sources (Uses):						
Transfer from Other Funds	171,771	23,870	13,858	231,335	1,373	442,207
Transfer to Other Funds	(183,793)	(10,250)	(27,196)	(115,094)	(3,950)	(340,283)
COP's and Other	2,789	735	-	7,692	-	11,216
Loan Proceeds from Component Units	-	-	-	50,000	-	50,000
Bonds Issued	-	-	-	2,900	102,555	105,455
Premiums on Bond Issuance	-	-	-	-	11,288	11,288
Net Other Finance Sources (Uses)	(9,233)	14,355	(13,338)	176,833	111,266	279,883
Special Item	-	-	-	30,000	-	30,000
Net Change in Fund Balances	141,637	2,259	13,963	67,775	(6,406)	219,228
Fund Balances at Beginning of Year (As Restated)	(215,436)	37,790	9,291	421,028	168,085	420,758
Fund Balances at End of Year	$ (73,799)	$ 40,049	$ 23,254	$ 488,803	$ 161,679	$ 639,986

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

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

June 30, 2015
(Expressed in Thousands)

Net change in fund balances - total governmental funds		$	219,228
Amounts reported for governmental activities in the Statement of Activities are different because:			
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period the amounts are:			
Capital outlay	88,727		
Depreciation expense	(32,295)		56,432
The net effect of various transactions involving capital assets (i.e. sales, trade-ins and contributions) is to increase net position.			(313)
Pension assets			3,437
Pension related deferred outflows			115,190
Post-employment benefit asset funding, net			(654)
Pollution Remediation Receivable			(1,428)
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	(105,455)		
Premium on bonds	(11,288)		
Proceeds from other financing arrangements	(11,207)		
Loan proceeds from component unit	(50,005)		
Repayment of bond principal	100,150		
Repayment of other financing debt	24,343		
Repayment of pledged revenue principal	45,793		
Repayment of capitalized lease principal	529		
Accrued interest	360		
Amortization of bond premiums	1,141		(5,639)
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	(835)		
Net pension liability	693,698		
Pension related deferred inflows	(671,411)		
Other post-employment benefit obligation	(20,859)		
Pollution remediation and landfill obligations	(2,830)		(2,237)
Certain revenues are earned but not available and therefore are not reported in the governmental fund statements.			35,665
Special Item - reduction in capital assets, sale of highway to Maine Turnpike Authority			(1,151)
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.			47,880
Changes in net position of governmental activities		$	466,410

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

STATE OF MAINE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2015
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major	Non-Major		Internal
	Employment Security	Other Enterprise	Total	Service Funds
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ -	$ 12,622	$ 12,622	$ 131,240
Cash and Short-Term Investments	1,407	756	2,163	2
Cash with Fiscal Agent	-	-	-	6,969
Restricted Assets:				
Restricted Deposits and Investments	331,912	-	331,912	3,499
Inventories	-	3,759	3,759	3,635
Receivables, Net of Allowance for Uncollectibles:				
Other Receivable	35,718	28,781	64,499	2,514
Due from Other Funds	106	43	149	33,503
Other Current Assets	-	316	316	2,651
Total Current Assets	369,143	46,277	415,420	184,013
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	-	4,300	4,300	44,716
Capital Assets - Net of Depreciation	-	42,658	42,658	202,247
Total Noncurrent Assets	-	46,958	46,958	246,963
Total Assets	369,143	93,235	462,378	430,976
Deferred Outflows of Resources	$ -	$ 3,258	$ 3,258	$ 12,175
Liabilities				
Current Liabilities:				
Accounts Payable	$ 2,377	$ 7,365	$ 9,742	$ 7,846
Accrued Payroll	-	1,070	1,070	4,578
Due to Other Funds	-	16,341	16,341	7,556
Due to Component Units	-	-	-	4,377
Current Portion of Long-Term Obligations:				
Certificates of Participation and Other Financing Arrangements	-	-	-	11,809
Obligations Under Capital Leases	-	-	-	5,102
Claims Payable	-	-	-	30,444
Compensated Absences	-	126	126	449
Unearned Revenue	-	159	159	328
Accrued Interest Payable	-	-	-	86
Other Accrued Liabilities	-	18,765	18,765	25
Total Current Liabilities	2,377	43,826	46,203	72,600
Long-Term Liabilities:				
Working Capital Advances Payable	-	-	-	111
Unearned Revenue	-	-	-	415
Certificates of Participation and Other Financing Arrangements	-	-	-	25,992
Obligations Under Capital Leases	-	-	-	32,255
Claims Payable	-	-	-	43,522
Compensated Absences	-	928	928	3,281
Net Pension Liability	-	34,872	34,872	71,464
Other Post-Employment Benefit Obligation	-	4,631	4,631	-
Total Long-Term Liabilities	-	40,431	40,431	177,040
Total Liabilities	2,377	84,257	86,634	249,640
Deferred Inflows of Resources	$ -	$ 5,848	$ 5,848	$ 18,492
Net Position				
Net Investment in Capital Assets	-	42,658	42,658	135,615
Restricted for:				
Unemployment Compensation	366,766	-	366,766	-
Other Purposes	-	-	-	672
Unrestricted	-	(36,270)	(36,270)	38,732
Total Net Position	$ 366,766	$ 6,388	$ 373,154	$ 175,019
Amounts reported for business-type activities in the government-wide Statement of Activities are different due to elimination of the State's internal business-types activities			328	
Net Position of Business-Type Activities			$ 373,482	

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

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

Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major	Non-Major		Internal
	Employment Security	Other Enterprise	Total	Service Funds
Operating Revenues				
Charges for Services	$ -	$ 429,902	$ 429,902	$ 432,498
Assessments	157,540	-	157,540	-
Miscellaneous Revenues	83	-	83	4,099
Total Operating Revenues	157,623	429,902	587,525	436,597
Operating Expenses				
General Operations	-	338,998	338,998	351,489
Depreciation	-	3,481	3,481	16,755
Claims/Fees Expense	129,697	-	129,697	14,226
Other Operating Expenses	-	-	-	49
Total Operating Expenses	129,697	342,479	472,176	382,519
Operating Income (Loss)	27,926	87,423	115,349	54,078
Nonoperating Revenues (Expenses)				
Investment Revenue (Expense) - net	7,383	-	7,383	621
Interest Expense	-	-	-	(11,218)
Other Nonoperating Revenues (Expenses) - net	-	20	20	(1,511)
Total Nonoperating Revenues (Expenses)	7,383	20	7,403	(12,108)
Income (Loss) Before Capital Contributions, Transfers and Special Items	35,309	87,443	122,752	41,970
Capital Contributions and Transfers				
Capital Contributions from (to) Other Funds	-	1,666	1,666	370
Transfers from Other Funds	115	4,916	5,031	7,465
Transfers to Other Funds	(457)	(106,867)	(107,324)	(1,681)
Total Capital Contributions and Transfers In (Out)	(342)	(100,285)	(100,627)	6,154
Change in Net Position	34,967	(12,842)	22,125	48,124
Net Position - Beginning of Year (Restated)	331,799	19,230	351,029	126,895
Net Position - End of Year	$ 366,766	$ 6,388		$ 175,019
Amounts reported for business-type activities in the government-wide Statement of Activities are different due to elimination of the State's internal business-types activities			244	
Changes in Business-Type Net Assets			$ 22,369	

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

STATE OF MAINE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

June 30, 2015
(Expressed in Thousands)

	Business-Type Activities Enterprise Funds			Governmental Activities
	Major	Non-Major		Internal
	Employment Security	Other Enterprise	Totals	Service Funds
Cash Flows from Operating Activities				
Receipts from Customers and Users	$ 156,155	$ 428,449	$ 584,604	$ 430,957
Payments of Benefits	(130,250)	-	(130,250)	-
Payments to Prize Winners	-	(166,665)	(166,665)	-
Payments to Suppliers	-	(145,787)	(145,787)	(308,708)
Payments to Employees	-	(17,827)	(17,827)	(70,647)
Net Cash Provided (Used) by Operating Activities	25,905	98,170	124,075	51,602
Cash Flows from Noncapital Financing Activities				
Transfers from Other Funds	115	4,916	5,031	7,465
Transfers to Other Funds	(457)	(101,693)	(102,150)	(1,681)
Net Cash Provided (Used) by Noncapital Financing Activities	(342)	(96,777)	(97,119)	5,784
Cash Flows from Capital and Related Financing Activities				
Payments for Acquisition of Capital Assets	-	(13)	(13)	(33,166)
Proceeds from Financing Arrangements	-	-	-	11,500
Principal and Interest Paid on Financing Arrangements	-	-	-	(31,811)
Proceeds from Sale of Capital Assets	-	1	1	197
Net Cash Provided (Used) by Capital Financing Activities	-	(12)	(12)	(53,280)
Cash Flows from Investing Activities				
Interest Revenue	7,383	21	7,404	621
Net Cash Provided (Used) by Investing Activities	7,383	21	7,404	621
Net Increase (Decrease) in Cash/Cash Equivalents	32,946	1,402	34,348	4,727
Cash/Cash Equivalents - Beginning of Year	300,373	16,276	316,649	181,699
Cash/Cash Equivalents - End of Year	$ 333,319	$ 17,678	$ 350,997	$ 186,426
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating Income (Loss)	$ 27,926	$ 87,423	$ 115,349	$ 54,078
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation Expense	-	3,481	3,481	16,755
Decrease (Increase) in Assets				
Accounts Receivable	(1,384)	(1,453)	(2,837)	4,578
Interfund Balances	(84)	1,869	1,785	(8,000)
Inventories	-	(893)	(893)	(1,323)
Other Assets	-	-	-	(14)
Deferred Outflows	-	1,037	1,037	(2,671)
Increase (Decrease) in Liabilities				
Accounts Payable	435	5,994	6,429	(15,966)
Accrued Payroll Expenses	-	61	61	384
Change in Compensated Absences	-	(4)	(4)	114
Deferred Inflows	-	5,848	5,848	18,492
Net Pension Liability	-	(6,023)	(6,023)	(19,050)
Other Accruals	(988)	830	(158)	4,225
Total Adjustments	(2,021)	10,747	8,726	(2,476)
Net Cash Provided (Used) by Operating Activities	$ 25,905	$ 98,170	$ 124,075	$ 51,602
Non Cash Investing, Capital and Financing Activities				
Property Leased, Accrued or Acquired	-	-	-	10,066
Contributed Capital Assets	-	1,666	1,666	370

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


DIRIGO
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STATE OF MAINE
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2015
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts	Agency Funds
Assets			
Equity in Treasurer's Cash Pool	$ -	$ 535	$ 18,169
Cash and Short-Term Investments	73,030	-	27
Receivables, Net of Allowance for Uncollectibles:			
Interest and Dividends	5,449	-	-
Due from Brokers for Securities Sold	773	-	-
Other	30,294	-	-
Investments at Fair Value:			
Equity Securities	3,092,985	-	-
Common/Collective Trusts	9,937,851	-	-
Other	-	16,782	-
Restricted Deposits and Investments	-	-	167
Securities Lending Collateral	148,125	-	-
Due from Other Funds	-	28,265	-
Investments Held on Behalf of Others	-	-	56,139
Capital Assets - Net of Depreciation	9,133	-	-
Other Assets	-	5,853	5,491
Total Assets	13,297,640	51,435	79,993
Liabilities			
Accounts Payable	47,298	98	1,128
Due to Other Funds	-	9	3,849
Due to Brokers for Securities Purchased	620	-	-
Agency Liabilities	-	-	74,972
Obligations Under Securities Lending	148,125	-	-
Other Accrued Liabilities	26,063	-	44
Total Liabilities	222,106	107	79,993
Net Position			
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes	13,075,534	51,328	-
Total Net Position	$ 13,075,534	$ 51,328	$ -

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, 2015
(Expressed in Thousands)

	Pension (and Other Employee Benefit) Trusts	Private Purpose Trusts
Additions:		
Contributions:		
Members	$ 169,551	$ -
State and Local Agencies	290,509	-
Other Contributing Entity	147,283	-
Investment Income (Loss):		
Net Increase (Decrease) in the Fair Value of Investments	168,510	475
Interest and Dividends	133,172	137
Securities Lending Income	600	-
Less Investment Expense:		
Investment Activity Expense	54,915	-
Securities Lending Expense	(1,561)	-
Net Investment Income (Loss)	248,928	612
Miscellaneous Revenues	-	10,992
Transfers In	-	589
Total Additions	856,271	12,193
Deductions:		
Benefits Paid to Participants or Beneficiaries	913,568	89
Refunds and Withdrawals	70,200	-
Administrative Expenses	12,198	190
Claims Processing Expense	819	-
Transfers Out	-	6,004
Total Deductions	996,785	6,283
Net Increase (Decrease)	(140,514)	5,910
Net Position:		
Held in Trust for Pension, Disability, Death, Group Life Insurance Benefits and Other Purposes:		
Beginning of Year	13,216,048	45,418
End of Year	$ 13,075,534	$ 51,328

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

STATE OF MAINE
STATEMENT OF NET POSITION
COMPONENT UNITS

June 30, 2015
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health and Higher Educational Facilities Authority	Maine Municipal Bond Bank
Assets				
Current Assets:				
Equity in Treasurer's Cash Pool	$ 29,650	$ 6,428	$ 3,790	$ -
Cash and Cash Equivalents	5,100	18,642	3,417	567
Investments	46,209	44,847	37,116	22,030
Restricted Assets:				
Restricted Deposits and Investments	-	-	28,020	230,890
Inventories	-	1,321	-	-
Receivables, Net of Allowance for Uncollectibles:				
Loans Receivable	-	-	40,525	-
Notes Receivable	-	-	-	-
Other Receivables	244	8,342	254	1,246
Due from Other Governments	83	-	-	133,380
Due from Primary Government	-	1,550	-	-
Loans Receivable from Primary Government	-	-	-	49,369
Other Current Assets	1,039	1,904	778	45,161
Total Current Assets	82,325	83,034	113,900	482,643
Noncurrent Assets:				
Equity in Treasurer's Cash Pool	10,102	2,190	1,291	-
Restricted Assets:				
Restricted Deposits and Investments	-	1,645	94,439	168,532
Investments	-	14,037	-	-
Receivables, Net of Current Portion:				
Loans Receivable	-	-	715,927	-
Notes Receivable	23,404	-	-	-
Other Receivables	-	-	-	-
Due from Other Governments	-	-	-	1,279,453
Due from Primary Government	-	-	-	-
Loans Receivable from Primary Government	-	-	-	427,819
Post-Employment Benefit Asset	-	12,613	-	-
Capital Assets - Net of Depreciation	1,460	175,525	-	483
Other Noncurrent Assets	-	-	-	-
Total Noncurrent Assets	34,966	206,010	811,657	1,876,287
Total Assets	117,291	289,044	925,557	2,358,930
Deferred Outflows of Resources	$ -	$ 14,053	$ -	$ 31,169
Liabilities				
Current Liabilities:				
Accounts Payable	$ 3,938	$ 7,343	$ 64	$ 292
Accrued Payroll	-	-	-	-
Compensated Absences	-	2,259	-	-
Due to Other Governments	-	-	257	475
Due to Primary Government	-	-	-	52,577
Amounts Held Under State & Federal Loan Programs	-	-	-	33,205
Bonds and Notes Payable	808	735	41,935	150,801
Obligations Under Capital Leases	-	36	-	-
Accrued Interest Payable	-	-	18,678	12,381
Unearned Revenue	1,164	2,285	1,918	3,929
Other Current Liabilities	31,364	9,339	-	-
Total Current Liabilities	37,274	21,997	62,852	253,660
Long-Term Liabilities:				
Due to Other Governments	-	-	306	461
Amounts Held Under State & Federal Loan Programs	39,279	-	-	-
Bonds and Notes Payable	535	22,151	805,710	1,466,610
Obligations Under Capital Leases	-	2,237	-	-
Net Pension Liability	-	59,711	-	672
Other Post-Employment Benefits Obligation	-	-	-	-
Other Noncurrent Liabilities	-	-	-	-
Total Long-Term Liabilities	39,814	84,099	806,016	1,467,743
Total Liabilities	77,088	106,096	868,868	1,721,403
Deferred Inflows of Resources	$ -	$ 16,122	$ -	$ 325
Net Position				
Net Investment in Capital Assets	1,460	152,011	-	483
Restricted	17,641	37,274	-	596,165
Unrestricted	21,102	(8,406)	56,689	71,723
Total Net Position	$ 40,203	$ 180,879	$ 56,689	$ 668,371

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

Maine State Housing Authority	Maine Turnpike Authority	University of Maine System	Non-Major Component Units	Total
$ -	$ -	$ 8,114	$ 2,228	$ 50,210
1,057	17,681	6,349	64,973	117,786
218,214	-	222,699	8,682	599,797
-	125,027	-	30,922	414,859
-	825	-	997	3,143
30,230	-	-	16,860	87,615
10	-	63	13,348	13,421
15,895	4,372	26,881	5,583	62,817
5,733	-	11,241	8,914	159,351
944	-	6,563	13,236	22,293
-	-	-	-	49,369
-	1,037	5,953	1,681	57,553
272,083	148,942	287,863	167,424	1,638,214
-	-	2,764	759	17,106
-	33,452	12,744	15,568	326,380
113,815	-	353,413	23,399	504,664
1,147,826	-	-	97,034	1,960,787
83	-	41,451	2,791	67,729
1,086	70	3,207	1,583	5,946
-	-	-	-	1,279,453
-	-	6,203	-	6,203
-	-	-	-	427,819
-	-	-	-	12,613
922	514,025	702,936	237,190	1,632,541
5,776	10,095	-	1,141	17,012
1,269,508	557,642	1,122,718	379,465	6,258,253
1,541,591	706,584	1,410,581	546,889	7,896,467
$ 20,616	$ 7,373	$ 7,728	$ 2,226	$ 83,165
$ 12,300	$ 7,330	$ 18,185	$ 21,853	$ 71,305
-	2,503	-	1,465	3,968
-	-	-	738	2,997
314	-	-	2,078	3,124
-	-	-	1,013	53,590
-	-	-	-	33,205
35,015	17,755	10,576	7,958	265,583
-	-	908	30	974
4,865	-	-	522	36,446
279	8,235	11,069	34,802	63,681
-	10,483	33,508	2,544	87,238
52,773	46,306	74,246	73,003	622,111
-	-	-	3,061	3,828
-	-	-	-	39,279
1,186,593	440,642	160,569	130,952	4,213,762
-	-	4,735	66	7,038
-	-	-	7,016	67,399
-	-	-	2,378	2,378
14,435	18,133	106,609	186	139,363
1,201,028	458,775	271,913	143,659	4,473,047
1,253,801	505,081	346,159	216,662	5,095,158
$ 3,476	$ -	$ 1,609	$ 4,825	$ 26,357
922	124,930	540,593	219,628	1,040,027
277,700	72,904	366,252	79,061	1,446,997
26,308	11,042	163,696	28,939	371,093
$ 304,930	$ 208,876	$1,070,541	$ 327,628	$ 2,858,117

STATE OF MAINE
STATEMENT OF ACTIVITIES
COMPONENT UNITS

Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

	Finance Authority of Maine	Maine Community College System	Maine Health and Higher Educational Facilities Authority	Maine Municipal Bond Bank
Expenses	$ 34,507	$ 140,271	$ 39,950	$ 71,158
Program Revenues				
Charges for Services	18,369	17,821	36,783	60,109
Program Investment Income	149	99	-	5,923
Operating Grants and Contributions	20,051	62,276	3,801	318
Capital Grants and Contributions	-	10,482	-	23,638
Net Revenue (Expense)	4,062	(49,593)	634	18,830
General Revenues				
Unrestricted Investment Earnings	335	(425)	76	113
Non-program Specific Grants, Contributions and Appropriations	-	57,831	-	-
Miscellaneous Income	-	1,445	124	1,776
Gain (Loss) on Assets Held for Sale	-	-	-	-
Total General Revenues	335	58,851	200	1,889
Change in Net Position	4,397	9,258	834	20,719
Net Position, Beginning of the Year (as restated)	35,806	171,621	55,855	647,652
Net Position, End of Year	$ 40,203	$ 180,879	$ 56,689	$ 668,371

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

Maine State Housing Authority	Maine Turnpike Authority	University of Maine System	Non-Major Component Units	Total
$ 220,341	$ 101,350	$ 685,347	$ 203,764	$1,496,688
68,817	123,607	290,295	50,393	666,194
16,102	-	1,822	61	24,156
147,314	-	166,031	113,807	513,598
-	-	4,555	12,832	51,507
11,892	22,257	(222,644)	(26,671)	(241,233)
10	252	(499)	560	422
-	-	211,749	19,045	288,625
-	5,402	-	1,374	10,121
-	(32)	(841)	1,615	742
10	5,622	210,409	22,594	299,910
11,902	27,879	(12,235)	(4,077)	58,677
293,028	180,997	1,082,776	331,705	2,799,440
$ 304,930	$ 208,876	$1,070,541	$ 327,628	$2,858,117

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. REPORTING ENTITY

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

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

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

Blended Component Units

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

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

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

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

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

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

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

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

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

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

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

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

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

Maine Public Employees Retirement System administers 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 Governor appoints four of the Board's eight voting trustees. A fifth trustee is either the Treasurer of State or the Deputy Treasurer of State.

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

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

> **Net investment in capital assets** component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
>
> **Restricted component of net position** consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported. Constraints placed on restricted components of net position are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. The government-wide statement of net position reports $582.3 million of restricted net position, of which $42.8 million is restricted by enabling legislation.

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

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

Fund Financial Statements

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

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

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

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

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

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

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

The State reports the following major enterprise fund:

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

Additionally, the State reports the following fund types:

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

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

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

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

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

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

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

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

D. FISCAL YEAR-ENDS

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

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

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

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

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

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

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

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

Investments Held on Behalf of Others
These assets include amounts held by the State in a fiduciary capacity, acting as either a trustee or an agent for individuals, organizations or other funds. Generally, these investments are reported at fair value or at amortized cost which approximates fair value. The State also holds $106 million of Workers' Compensation, $53.7 million of Bureau of Insurance, and $33 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. Three component units have December 31 year ends, therefore the "due to" and "due from" amounts may differ.

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

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

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

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

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 or 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, 2015 is $205 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, 2015 but paid after the fiscal year end is also reported in the funds. In the discretely presented component units, employees' accumulated compensated absences are recorded as an expense and liability as the benefits accrue.

Net Pension Liability
For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System (MPERS) and additions/deductions from MPERS' fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The primary government's proportionate share of pension amounts were further allocated to proprietary funds based on the salaries paid by each proprietary fund. Pension investments are reported at fair value. Note 9 provides further detail on the net pension liability.

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

Loans Payable to Component Unit
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 that are constrained by the State's intent to be used for a specific purpose, but are neither restricted nor committed. Legislative assignments include formal actions passed into law that lapse. Maine statute also set forth powers and duties of management. Assignments also include decisions made by management, including encumbrances. For governmental funds, other than the General Fund, this is the residual amount within the fund that is not restricted or committed.

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

F. REVENUES AND EXPENDITURES/EXPENSES

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

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

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

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

NOTE 2 – BUDGETING AND BUDGETARY CONTROL, AND LEGAL COMPLIANCE

Appropriation Limits

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

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

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

Budget Stabilization Fund

The Maine Budget Stabilization Fund, a fund designation established under Title 5 MRSA C. 142, is included in the negative $80.4 million unassigned General Fund fund balance. Amounts in the stabilization fund may be expended only to offset a General Fund revenue shortfall. The Governor may also allocate funds for payment of death benefits for law enforcement officers, firefighters and emergency medical services personnel.

Balances in the fund do not lapse, but carry forward each year. Money in the fund may be invested with any earnings credited to the fund except when the fund is at its statutory cap. As the fourth priority before any other transfer, the State Controller is required to transfer 80 percent of the unappropriated surplus of the General Fund when the fund is not at its statutory cap. In accordance with the statute, the State Controller made the required transfer for fiscal year 2015. The State Controller transferred $14.4 million from the General Fund reserve account in accordance with Public Law 2013, Chapter 595, Section X-2. Per Public Law 2013, Chapter 368, Section Z-1, $4.0 million was transferred to the Budget Stabilization Fund from the General Fund unappropriated surplus.

The statutory cap for the fund is 12 percent of the total General Fund revenue received in the immediately preceding fiscal year. At the close of the fiscal year, the cap is based on the revenue received in the fiscal year being closed. Based on fiscal year 2015 actual General Fund revenue, the statutory cap at the close of fiscal year 2015 and during fiscal year 2015 was $399.5 million. At the close of fiscal year 2015, the balance of the Maine Budget Stabilization Fund was $111.1 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	$ 68,271
Increase in fund balance	42,812
Balance, end of year	$ 111,083

Budget and Budgetary Expenditures

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

Except in specific instances, only the Legislature may transfer appropriations between departments. Changes in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budgets or separate pieces of legislation. For the year ended June 30, 2015, the Legislature increased appropriations to the General Fund by $45 million.

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

Governmental Fund Balances – Restricted, Committed and Assigned

The State's fund balances represent: (1) restricted purposes, which include balances legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) committed purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; (3) assigned purposes, which includes balances that are constrained by government's intent to be used for specific purposes, but are neither restricted or committed. A summary of the nature and purpose of these fund balance types at June 30, 2015 are detailed on the following page.

Governmental Fund Balances
(Expressed in Thousands)

	NSIF	Restricted	Committed	Assigned
General Fund:				
Public Safety	$ -	$ 496	$ -	$ -
All Other	4,154	1,929	-	-
Total	$ 4,154	$ 2,425	$ -	$ -
Highway Fund:				
Light Highway & Bridge Capital	$ -	$ 23,944	$ -	$ -
All Other	-	16,105	-	-
Total	$ -	$ 40,049	$ -	$ -
Federal Fund:				
HHS Office of Family Independence	$ -	$ 6,319	$ -	$ -
HHS Office of Child and Family Services	-	2,229	-	-
HHS Substance & Mental Health	-	2,203	-	-
Other General Support and Operations	-	1,483	-	-
Other Justice and Protection	-	1,331	-	-
Marine Resources	-	1,258	-	-
Highway and Bridge Construction	-	7,705	-	-
All Other	726	-	-	-
Total	$ 726	$ 22,528	$ -	$ -
Other Special Revenue Fund:				
Agriculture & Conservation	$ -	$ 21,618	$ 5,397	$ 1,393
Bonds for Highway & Bridge Construction	-	118,903	-	-
Liquor Operation Revenue Fund Bonds		7,440	-	-
Environmental Protection	-	20,888	-	-
Fund for a Healthy Maine	-	-	8,448	-
GSO Other	-	71,346	7,849	-
HHS Centers for Disease Control	-	-	7,418	-
HHS MaineCare (Medicaid Program)	-	-	3,441	-
HHS Office of Family Independence	-	-	-	5,876
HHS Other	-	13,485		3,468
Highway & Bridge Construction	-	32,433	-	-
Light Highway & Bridge Capital	-	12,000	-	-
Other Justice and Protection		-	3,470	-
Multimodal Transportation	-	-	11,353	-
Natural Resources Other	-	17,731	-	-
Professional & Financial Regulation	-	52,562	-	-
Public Safety	-	13,074	-	-
Workers Compensation Board	-	15,525	-	-
All Other	206	28,904	4,575	-
Total	$ 206	$ 425,909	$ 51,951	$ 10,737

Other Governmental Funds:	NSIF	Restricted	Permanent
Permanent Funds - Baxter Park	$ -	$ -	$ 6,927
Permanent Funds - All Others	-	-	16,235
Capital Projects - Highway & Bridge Construction	-	25,145	-
Capital Projects - Multimodal Transportation	-	8,548	-
Capital Projects - Higher Education	-	11,083	-
Capital Projects - Public Safety	-	5,573	
Capital Projects - Agriculture & Conservation	-	2,228	-
Capital Projects - Community & Economic Develop	-	9,882	-
Capital Projects - Environmental Protection	-	1,727	-
Special Revenue Funds - Baxter Park	-	74,238	-
Special Revenue Funds - All Other	-	93	-
Total	$ -	$ 138,517	$ 23,162

NOTE 3 - ACCOUNTING CHANGES AND RESTATEMENTS

Accounting Changes
During fiscal year ended June 30, 2015, the State implemented the following accounting standards:

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions; an amendment of GASB Statement No. 27.* This Statement establishes standards for measuring and recognizing liabilities, assets, deferred outflows of resources and deferred inflows of resources, and expense/expenditures for pensions provided to employees of the primary government and its component units. It requires the State to record the State's proportionate share of the net pension liability in the government-wide financial statements and in the proprietary funds and component unit financial statements.

GASB Statement No. 68 was implemented simultaneously with the provisions of GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date; an amendment of GASB* Statement No. 68. This standard allowed governments to record all beginning deferred inflows and deferred outflows associated with the pension. If all beginning balances could not identified practically, governments should only report deferred outflows for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year. The State of Maine implemented the Standard by recognizing only the employer contributions made between the measurement date and before the start of the government's fiscal year.

As a result of implementing these new standards, numerous changes were made to beginning balances as shown in the table below. Also see Note 9 for further information on pension reporting.

(Expressed in millions)

	Governmental Activities			Business-Type Activities
	Governmental Funds	Internal Service	Total	Enterprise Funds
Net Pension Asset - Governmental Funds	$ 2.8	$ -	$ 2.8	$ -
Deferred Outflows - Employer Contributions	241.8	9.5	251.3	4.3
Net Pension Liability	(2,450.2)	(90.5)	(2,540.7)	(40.9)
Net Position	$ (2,205.6)	$ (81.0)	$ (2,286.6)	$ (36.6)

Restatements – Primary Government
Child Development Services (CDS) was previously reported as a blended component unit. After further investigation, the State determined that it did not meet the requirements to be blended. As a result, CDS is now reported as a non-major discrete component unit. Beginning net position for Governmental Activities in the Statement of Net Position decreased $248 thousand and the governmental fund level fund balance decreased $9 thousand.

In 2014 the State of Maine pledged the profits of the Alcoholic Beverage Enterprise fund to secure $220.6 million of bonds issued by the Maine Municipal Bond Bank. As a result the State recorded a Due to Other Special Revenue (OSR) fund from the Alcoholic Beverages fund for $183.5 million (the OSR fund also recorded a Deferred Inflow of Resources of $183.5 million). After further review, the State has determined the Due to/Due from should not have been recorded. Additionally another $4.8 million was determined to have been applicable to the 2014 transaction for the OSR fund. As a result, the beginning Net Position for the Alcoholic Beverages fund and Business Type Activities decrease by $183.5 million and the beginning Net Position for the OSR fund and the Government Activities increased by $4.8 million and $183.5 million, respectively.

Restatements - Component Units
GASB Statements No. 68 and No. 71 were implemented for all component units with June 30 year-ends. Implementation for component units with December 31 year ends occurs in State fiscal year 2016. The cumulative effect of implementing GASB Statements No. 68 and No. 71 reduced beginning net position of discretely presented component units for a total of $78.9 million. The net position reductions result primarily from the change in accounting of deferred bond issuance costs and certain deferred loan costs and fees that are no longer reported as assets. The net position of the Maine Community College System, Maine Municipal Bond Bank, and the University of Maine decreased by: $61.8 million, $.5 million and $7.6 million. Three non-major discretely presented component units reduced their beginning net position as a result of implementing GASB Statements No. 68 and No. 71. Maine Educational Center for the Deaf and Hard of Hearing reduced its beginning net position $4.6 million, Maine Maritime Academy reduced its net position by $3.7 million, and Northern New England Passenger Rail Authority reduced its beginning net position $.7 million.

As a result of the primary government restatement noted above, Child Development Services is reported as a discrete non-major component unit. The beginning net position of discrete component units increased by $248 thousand.

NOTE 4 - DEFICIT FUND BALANCES/NET POSITION

Five internal service funds showed deficits for the fiscal year ended June 30, 2015. The Workers' Compensation Fund reported a deficit of $26.4 million, which reflects accruals for actuarially determined claims payable. The Leased Space Fund had a deficit of $4.2 million because rates charged were insufficient to cover expenses incurred. The Postal, Printing & Supply fund reported a deficit of $4.7 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 $18.9 million and $14.6 million, respectively. The deficit for those funds is the result of the restatement of beginning net position due to the implementation of GASB Statement No. 68.

Four enterprise funds showed deficits for the fiscal year ended June 30, 2015. Lottery, Maine Military Authority, Dirigo Health and Consolidated Emergency Communication Fund reported deficits of $1.8 million, $23.5 million, $337 thousand and $4.3 million, respectively. The deficit for those funds is the result of the restatement of beginning net position due to the implementation of GASB Statement No. 68.

The General Fund shows a deficit fund balance of $73.8 million at June 30, 2015. This deficit is primarily due to the full recognition of the State's share of Medicaid liabilities at fiscal year end. The federal portion of these liabilities is also fully accrued, with an offsetting receivable from the federal government as allowed under Governmental Accounting Standards Board (GASB) Statement No. 33. Per GASB Statement No. 33, revenue associated with government mandated non-exchange transactions should be recognized when applicable eligibility requirements have been met and the resources are available. Medicaid is an entitlement program. Therefore, the funds are available when the payments for these liabilities are processed.

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

The Primary Government's Deposits and Investments excluding component units that are fiduciary in nature at June 30, 2015:

Primary Government Deposits and Investments
(Expressed in Thousands)

	Governmental Activities	Business-Type Activities	Private Purpose Trusts	Agency Funds	Total
Equity in Treasurer's Cash Pool	$ 634,812	$ 16,922	$ 535	$18,169	$ 670,438
Cash and Cash Equivalents	266	2,163	-	27	2,456
Cash with Fiscal Agent	74,091	-	-	-	74,091
Investments	97,413	-	16,782	-	114,195
Restricted Equity in Treasurer's Cash Pool	77,160	-	-	-	77,160
Restricted Deposits and Investments	3,499	331,912	-	167	335,578
Investments Held on Behalf of Others	-	-	-	56,139	56,139
Other Assets	-	-	-	-	-
Total Primary Government	$ 887,241	$ 350,997	$ 17,317	$74,502	$1,330,057

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, 2015:

Maturities in Years
(Expressed in Thousands)

	Less than 1	**1 - 5**	**6 - 10**	**11 - 20**	**More than 20**	**No Maturity**	**Fair Value**
Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	$ 13,141	$ 77,090	$ -	$ -	$ -	$ -	$ 90,231
US Treasury Notes	-	109,435	-	-	-	-	109,435
Repurchase Agreements	-	-	-	-	-	-	-
Corporate Notes and Bonds	-	-	-	-	-	-	-
Commercial Paper	65,504	-	-	-	-	-	65,504
Certificates of Deposit	3,278	1,872	-	-	-	-	5,150
Money Market	-	-	-	-	-	-	-
Cash and Cash Equivalents	1,494	-	-	-	-	463,006	464,500
Unemployment Fund	-	-	-	-	-	331,912	331,912
Deposits with US Treasury	-	-	-	-	-	-	-
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds							
US Instrumentalities	337	2,026	362	3	756	0	3,486
US Treasury Notes	1,462	13,424	3,239	3,518	85	151	21,878
Repurchase Agreements	-	-	-	-	-	-	-
Corporate Notes and Bonds	60	938	692	8,255	397	40,440	50,782
Other Fixed Income							-
Securities	12,948	12	8,199	35	-	17,426	38,620
Commercial Paper	1,681	-	-	-	-	-	1,681
Certificates of Deposit	8,049	154	-	-	-	3,028	11,231
Money Market	-	-	-	-	-	2,552	2,552
Cash and Cash Equivalents	-	-	-	-	-	24,319	24,319
Equities	-	-	-	-	-	31,142	31,142
Other	-	-	-	-	-	3,540	3,540
	$107,955	$204,952	$12,492	$11,811	$ 1,238	$ 917,517	$1,255,966
Other Assets							
Cash with Fiscal Agent							74,091
Total Primary Government							$1,330,057

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, 2015 are presented below:

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

	A1	A	AA	AAA	BB	BBB	Not Rated	Total
Governmental and Business-Type Activities, excluding Non-Major Special Revenue and Permanent Funds								
US Instrumentalities	$ -	$ -	$ 88,226	$ -	$ -	$ -	$ 2,005	$ 90,231
US Treasury Notes	-	-	109,435	-	-	-	-	109,435
Corporate Notes and Bonds	-	-	-	-	-	-	-	-
Commercial Paper	65,504	-	-	-	-	-	-	65,504
Money Market	-	-	-	-	-	-	-	-
Private-Purpose Trusts, Agency Funds, and Non-Major Special Revenue and Permanent Funds								
US Instrumentalities	-	-	2,264	-	-	-	1,222	3,486
US Treasury Notes	-	-	3,674	-	-	-	18,205	21,878
Corporate Notes and Bonds	-	862	384	23	-	583	48,930	50,782
Commercial Paper	1,681	-	-	-	-	-	-	1,681
Money Market	-	-	-	-	-	-	2,552	2,552
Other Fixed Income Securities	-	-	-	-	-	-	3,540	3,540
Total Primary Government	$ 67,185	$ 862	$ 203,984	$ 23	$ -	$ 583	$ 76,453	$ 349,090

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, 2015, 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 $5.9 million invested in non-negotiable certificates of deposit, none exceeded the FDIC insured amounts for the institutions at which they were held. The State does not have a policy regarding custodial credit risk for its trusts. The Percival P. Baxter Trust is held by the counterparty's trust department, but not in the State's name.

The fair value of the trust's investments as of June 30, 2015 was $74.1 million and was comprised of the following (expressed in thousands):

U.S. Instrumentalities	$ 1,122
US Treasury Notes	866
Corporate Notes and Bonds	1,932
Other Fixed Income Securities	12,995
Equities	54,606
Cash and Equivalents	714
Other	1,943
Total	$ 74,178

The State and certain vendors contract with a fiscal intermediary, Clareon, for electronic disbursements from the State to its vendors. During fiscal year 2015 these disbursements, on average, exceeded $155 million per month. The funds in transit are not collateralized and are not held by the State Treasurer. Until the vendor receives payment, the State retains some liability.

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

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

Foreign currency forward contracts are used to hedge against the currency risk in the System's foreign equity and fixed income security portfolios. The System's fixed income managers invest in Collateralized Mortgage Obligations (CMOs) and Asset-Backed Securities to improve the yield or adjust the duration of the fixed income portfolio. At June 30, 2015, the System held no material positions in CMOs or Asset-Backed Securities. The System also invests in swaps. Interest rate swaps are used to adjust interest rate and yield curve exposures and substitute for physical securities.

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

Cash open collateral is invested in a short-term investment pool, the Core Limited Collateral Section. Cash collateral may also be invested separately in "term loans." At June 30, 2015 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, 2015 was $301.5 million and $294.4 million, respectively.

The following table details the System's derivative investments at June 30, 2015:

(Expressed in Thousands)

	2015 Changes in Fair Value	Fair Value at June 30, 2015		June 30, 2015 Notional
		Classification	Amount	Amount
Futures:				
Equity Index Futures Contracts	$ (95)	Investments	$ -	$ -

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 10 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 $67.3 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 $11 million, consisting of Finance Authority of Maine component unit fiduciary funds that, because of GASB Statement No. 34 reporting criteria, are not shown in the accompanying financial statements as invested in the Treasurer's Cash Pool.

NOTE 6 - RECEIVABLES

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

Primary Government – Receivables
(Expressed in Thousands)

	Taxes	Accounts	Loans	Allowance for Uncollectibles	Net Receivables
Governmental Funds:					
General	$ 594,302	$ 160,925	$ 1	$ (216,445)	$ 538,783
Highway	22,693	2,498	-	(206)	24,985
Federal	-	101,571	-	(35,346)	66,225
Other Special Revenue	11,931	94,904	4,370	(15,609)	95,596
Other Governmental Funds	-	-	-	-	-
Total Governmental Funds	628,926	359,898	4,371	(267,606)	725,589
Allowance for Uncollectibles	(145,344)	(122,211)	(51)		
Net Receivables	$ 483,582	$ 237,687	$ 4,320		$ 725,589
Proprietary Funds:					
Employment Security	$ -	$ 60,573	$ -	$ (24,855)	$ 35,718
Nonmajor Enterprise	-	29,454	-	(673)	28,781
Internal Service	-	2,514	-	-	2,514
Total Proprietary Funds	-	92,541	-	(25,528)	67,013
Allowance for Uncollectibles	-	(25,528)	-		
Net Receivables	$ -	$ 67,013	$ -		$ 67,013

Component Units – Receivables
(Expressed in Thousands)

	Accounts	Loans	Notes	Allowance For Uncollectibles	Net Receivables
Finance Authority of Maine	$ 244	$ -	$ 28,901	$ (5,497)	$ 23,648
Maine Community College System	9,403	-	-	(1,061)	8,342
Maine Health and Educational Facilities Authority	370	756,452	-	(116)	756,706
Maine Municipal Bond Bank	1,246	-	-	-	1,246
Maine State Housing Authority	16,981	1,189,476	120	(11,447)	1,195,130
Maine Turnpike Authority	4,442	-	-	-	4,442
University of Maine System	35,375	-	42,939	(6,712)	71,602

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, 2015 were:

Interfund Receivables
(Expressed in Thousands)

	Due to Other Funds				
Due from Other Funds	**General**	**Highway**	**Federal**	**Other Special Revenue**	**Other Governmental**
General	$ -	$ -	$ 1,467	$ -	$ -
Highway	10	2	12,859	1	-
Federal	36	1	82	5	-
Other Special Revenue	9,777	181	401	425	1,324
Other Governmental	-	-	-	-	-
Employment Security	-	-	106	-	-
Non-Major Enterprise	17	22	2	1	-
Internal Service	14,641	4,529	4,934	6,524	-
Fiduciary	28,265	-	-	-	-
Total	$ 52,746	$ 4,735	$ 19,851	$ 6,956	$ 1,324

Due from Other Funds	**Employment Security**	**Non-Major Enterprise**	**Internal Service**	**Fiduciary**	**Total**
General	$ -	$ 10,054	$ 5,075	$ 3,837	$ 20,433
Highway	-	-	5	-	12,877
Federal	-	-	-	-	124
Other Special Revenue	-	5,811	97	-	18,016
Other Governmental	-	-	-	-	-
Employment Security	-	-	-	-	106
Non-Major Enterprise	-	1	-	-	43
Internal Service	-	475	2,379	21	33,503
Fiduciary	-	-	-	-	28,265
Total	$ -	$ 16,341	$ 7,556	$ 3,858	$ 113,367

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

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

During fiscal year 2015, the State of Maine, in accordance with the legislatively authorized budget, recorded the following non-routine, nonrecurring transfers.

The Other Special Revenue Fund and the Dirigo Health Non-Major Enterprise Fund transferred $6.8 and $8.1 million, respectively, to the unappropriated surplus of the General Fund.

Interfund transfers for the year ended June 30, 2015, consisted of the following:

Interfund Transfers
(Expressed in Thousands)

Transferred To	Transferred From: General	Highway	Federal	Other Special Revenue	Other Governmental
General	$ -	$ -	$ 7,475	$ 96,555	$ -
Highway	2,010	-	16,815	5,045	-
Federal	78	-	-	13,494	-
Other Special Revenue	175,671	5,334	2,791	-	1,988
Other Governmental Funds	-	-	-	-	1,373
Employment Security	-	-	115	-	-
Non-Major Enterprise	-	4,916	-	-	-
Internal Service	6,034	-	-	-	-
Fiduciary	-	-	-	-	589
Total	$ 183,793	$ 10,250	$ 27,196	$ 115,094	$ 3,950

Transferred To	Transferred From: Employment Security	Non-Major Enterprise	Internal Service	Fiduciary	Total
General	$ -	$ 62,134	$ 250	$ 5,357	$ 171,771
Highway	-	-	-	-	23,870
Federal	286	-	-	-	13,858
Other Special Revenue	171	44,733	-	647	231,335
Other Governmental Funds	-	-	-	-	1,373
Employment Security	-	-	-	-	115
Non-Major Enterprise	-	-	-	-	4,916
Internal Service	-	-	1,431	-	7,465
Fiduciary	-	-	-	-	589
Total	$ 457	$ 106,867	$ 1,681	$ 6,004	$ 455,292

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, 2015:

Primary Government – Capital Assets
(Expressed in Thousands)

	Beginning Balance		Increases and Other Additions	Decreases and Deletions	Ending Balance
Governmental Activities:					
Capital assets not being depreciated:					
Land	$ 575,382		$ 17,028	$ 646	$ 591,764
Construction in progress	109,989		46,928	26,061	130,856
Infrastructure	2,761,257		27,926	1,151	2,788,032
Total capital assets not being depreciated	3,446,628		91,882	27,858	3,510,652
Capital assets being depreciated:					
Buildings	666,425		37,186	10,722	692,889
Equipment	266,906	*	23,839	17,971	272,774
Improvements other than buildings	71,780	*	8,945	-	80,725
Software	74,621	*	-	-	74,621
Total capital assets being depreciated	1,079,732		69,970	28,693	1,121,009
Less accumulated depreciation for:					
Buildings	277,778	*	19,263	6,999	290,042
Equipment	179,686	*	18,872	16,945	181,613
Improvements other than buildings	43,835	*	2,502	-	46,337
Software	21,202	*	8,502	-	29,704
Total accumulated depreciation	522,501		49,139	23,944	547,696
Total capital assets being depreciated, net	557,231		20,831	4,749	573,313
Governmental Activities Capital Assets, net	$ 4,003,859		$ 112,713	$ 32,607	$ 4,083,965

	Beginning Balance	Net Additions	Net Deletions	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 2,255	$ 132	$ -	$ 2,387
Construction in progress	1,869	1,413	444	2,838
Total capital assets not being depreciated	4,124	1,545	444	5,225
Capital assets being depreciated:				
Buildings	4,395	260	-	4,655
Equipment	32,268	318	14	32,572
Improvements other than buildings	41,124	-	-	41,124
Total capital assets being depreciated	77,787	578	14	78,351
Less accumulated depreciation for:				
Buildings	2,308	193	-	2,501
Equipment	9,986	1,561	12	11,535
Improvements other than buildings	25,155	1,727	-	26,882
Total accumulated depreciation	37,449	3,481	12	40,918
Total capital assets being depreciated, net	40,338	(2,903)	2	37,433
Business-Type Activities Capital Assets, net	$ 44,462	$ (1,358)	$ 446	$ 42,658

* As restated

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

Governmental Activities – Depreciation Expense
(Expressed in Thousands)

	Amount
Governmental Activities:	
Arts, Heritage and Cultural Enrichment	$ 24
Business Licensing and Regulation	389
Economic Development and Workforce Training	1,646
Education	344
Governmental Support and Operations	8,399
Health and Human Services	8,603
Justice and Protection	14,129
Natural Resources Development and Protection	3,345
Transportation Safety and Development	12,171
Total Depreciation Expense – Governmental Activities	$ 49,050

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 approximately 300 local municipalities and other public entities (Participating Local Districts, or PLDs) in Maine, each of which contracts for participation in the System under provisions of the relevant statutes.

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

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

The System administers three defined contribution plans for employees of PLD's that elect to participate. At June 30, 2015, there were 67 employers participating in these plans. The 987 participants individually direct the $27.2 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, 2015 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333 or on-line at www.mainepers.org.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit retirement plans and additions to or deductions from each plans' fiduciary net position have been determined on the same basis as they are reported by the System. The measurement period used is June 30, 2014. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

EMPLOYER ALLOCATIONS FOR COST-SHARING DEFINED BENEFIT RETIREMENT PROGRAMS

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

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

MEMBERSHIP

State employees and teachers are covered under the Maine Public Employees Retirement System's State Employee and Teacher Retirement Program (SETP). State employees and public school teachers are required by law to become members of SETP when hired. Membership is optional for elected, appointed officials and substitute teachers. SETP also covers eligible employees of three non-major 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, 2014 there were 229 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, 2014:

Employees of single employer covered by benefit terms

	Judicial	Legislative
Inactive employees or beneficiaries currently receiving benefits	67	153
Terminated participants:		
Vested	2	122
Inactive employees due refunds	1	94
Active employees	60	181
Total participants	130	550

STATE EMPLOYEES AND TEACHERS PENSION PLAN BENEFITS

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

PARTICIPATING LOCAL DISTRICTS PLAN BENEFITS

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

CONTRIBUTION INFORMATION

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

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

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

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

CONTRIBUTION RATES – DEFINED BENEFIT PENSION PLANS

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

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

Contribution rates[1] in effect for the fiscal years ended June 30, 2015 and June 30, 2014 are as follows:

	June 30, 2015	Measurement Date June 30, 2014
SETP - State Employees		
Employees [2]	7.65 - 8.65%	7.65 - 8.65%
Employer [1]	18.43 - 41.05%	18.14 [3] - 40.43%
SETP - Teachers		
Employees [2]	7.65%	7.65%
Employer [1]	2.65%	2.65%
Non-employer entity [1]	13.03%	13.03%
Judicial Plan		
Employees [2]	7.65%	7.65%
Employer [1]	13.24%	13.25%
Legislative Plan		
Employees [2]	7.65%	7.65%
Employer [1]	0.00%	0.00%
Consolidated Participating Local Entities		
Employees [2]	3.5 - 8.5%	3.0 - 8.0%
Employer [1]	4.0 - 13.4%	3.4 - 12.8%

[1] Employer and non-employer contribution rates include normal cost and the UAAL required payment, expressed as a percentage of payroll.

[2] Employer and employee contribution rates vary depending on specific terms of plan benefits for certain classes of employees.

[3] Restated.

For the year ended June 30, 2015, the contributions recognized as part of pension expense (grant expense for Teacher Members) for each plan were as follows:

(Expressed in Thousands)

State Employee and Teacher Pension Plan:	
State & Component Unit Members	
State Employees	$ 112,386
3 Discrete Non-major Component Units	8,649
Subtotal State & Component Unit Members	121,035
Teacher Members (Non-employer contribution)	$ 174,256

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, 2014, and the total pension liability used to calculate the net pension liability was determined by an August 2015 actuarial valuation as of that date. The changes in net pension liabilities for these plans are as follows:

(Expressed in Thousands)

	Judicial Pension Plan			Legislative Pension Plan		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)	Total Pension Liability (Asset)	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)	(a)	(b)	(a) - (b)
Balances at June 30, 2014	$ 52,375	$ 50,575	$ 1,800	$ 6,873	$ 9,680	$ (2,807)
Changes for the year:						
Schedule of Changes in Net Pension Liability	1,518		1,518	450		450
Interest	3,736		3,736	503		503
Changes in Benefit Terms	17		17	4		4
Differences Between Expected and Actual Experience	(292)		(292)	(93)		(93)
Changes in Benefit Terms	426		426	86		86
Differences between Actual & Expected Economic & Demographic Experience			-			-
Changes of Assumptions	(3,219)	(3,219)	-	(318)	(318)	-
Employer Contributions		932	(932)		4	(4)
Plan Fiduciary Net Position		528	(528)		140	(140)
Net Investment Income		8,416	(8,416)		1,622	(1,622)
Administrative Expense		(42)	42		(8)	8
Net Changes	2,186	6,615	(4,429)	632	1,440	(808)
Balances at June 30, 2015	$ 54,561	$ 57,190	$ (2,629)	$ 7,505	$ 11,120	$ (3,615)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability			104.82%			148.16%
Covered Employee Payroll			$ 6,742			$ 2,535
Net Pension Liability as a Percentage of Covered Employee Payroll			-39.00%			-142.61%

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, 2014, and the total pension liability used to calculate the net pension liability was determined by an August 2015 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 implementation and as of June 30, 2015 is as follows:

(Expressed in Thousands)

Pension Plan		Proportionate Share June 30, 2014	Proportionate Share June 30, 2015	Net Pension Asset June 30, 2015	Net Pension Liability June 30, 2015
SETP - State Employees	1	93.288524%	92.853946%	$ -	$ 837,743
SETP - Teachers	2	94.946756%	95.069591%	-	1,027,065
Total Primary Government				$ -	$ 1,864,808
SETP - 3 Non-major Discrete Component Units	1	6.711476%	7.146054%	$ -	$ 64,470

1 Percentage of State Employees in the SETP

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

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

Proportion	June 30, 2014	June 30, 2015	Change Increase (Decrease)
Governmental Funds	87.71%	89.31%	1.60%
Internal Service Funds	8.44%	8.12%	-0.32%
Enterprise Funds	3.85%	2.57%	-1.28%

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:

(Expressed in Thousands)

Schedule of Changes in Net Pension Liability	**SETP State of Maine**	**Combined Totals for 3 Non-major Discrete Component Units**	**Total State of Maine Employees SETP**	**SETP Teachers**
Total Pension Liability				
Service Cost	$ 65,696	$ 5,056	$ 70,752	$ 115,606
Interest	276,058	21,245	297,303	542,515
Changes in Benefit Terms	2,681	206	2,887	4,057
Differences Between Expected and Actual Experience	(13,098)	(1,008)	(14,106)	(8,103)
Changes of Assumptions	52,043	4,005	56,048	111,602
Differences Between Projected and Actual Investment Earnings	-	-	-	-
Benefit Payments, Including Refunds of Member Contributions	(253,707)	(19,525)	(273,232)	(415,820)
Net Change in Total Pension Liability	129,672	9,980	139,652	349,857
Beginning Total Pension Liability	3,918,304	281,895	4,200,199	7,630,451
Ending Total Pension Liability	4,047,976	291,875	4,339,851	7,980,308
Plan Fiduciary Net Position				
Employer Contributions	112,386	8,649	121,035	36,931
Non-employer Contributions	-	-	-	146,362
Member Contributions	32,026	2,465	34,491	86,542
Net Investment Income	470,874	36,239	507,113	1,010,313
Benefit Payments, Including Refunds of Member Contributions	(253,708)	(19,525)	(273,233)	(415,820)
Administrative Expense	(2,335)	(180)	(2,515)	(4,951)
Net Change in Plan Fiduciary Net Position	359,244	27,647	386,891	859,377
Beginning Plan Fiduciary Net Position	2,845,997	204,750	3,050,747	6,040,601
Ending Plan Fiduciary Net Position	3,205,240	232,398	3,437,638	6,899,978
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	(4,993)	4,993	-	-
Ending Net Pension Liability	$ 837,743	$ 64,470	$ 902,213	$ 1,080,330
Proportion				
June 30, 2014	93.288524%	6.711476%	100%	94.946756%
June 30, 2015	92.853946%	7.146054%	100%	95.069591%
Change - Increase (Decrease)	-0.434578%	0.434578%	0%	0.122835%

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

All Plans

Valuation dates	June 30, 2014

Actuarially determined contribution rates are calculated based on a 2012 actuarial valuation developed as a roll-forward of the 2011 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2012 using actual assets as of June 30, 2012.

Actuarial cost method	Entry age normal
Asset valuation method	3 - Year smoothed market
Cost-of-Living	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. The MainePERS Board of Trustees set the 2014 COLA at 2.1% (the CPI-U at June 30, 2014) at their August meeting. 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 2012	7.25%
Salary increases	3.5% plus merit component based on employee's years of service
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2015 using Scale AA. For teachers, the same table uses a 2-year set back.
Most recent review of plan experience:	2011

Plan specific	**SETP**	**PLD**	**Judicial**	**Legislative**
Amortization method	Level percent of payroll, closed 16-year amortization of the 2012 UAL	Corridor method, amortize liability outside of 90% corrider over an open 15 year period with level percent of payroll. Moving towards full actuarial funding.	Level percent of payroll, open 10-year amortization of the 2012 UAL	Level percent of payroll, open 10-year amortization of the 2012 UAL
Cost of living increases in benefits	2.55%	3.12%	2.55%	2.55%
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.	Normal retirement age for PLD members is age 60 or 65.	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 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.

Changes since the last valuation

Revised 2014 Investment rate of return	7.125%	N/A	7.125%	7.125%

Cost-of-Living - SETP, Judicial and Legislative Plans	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 ajustment 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. The MainePERS Board of Trustees set the 2014 COLA at 2.1% (the CPI-U at June 30, 2014) at their August meeting. 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.

ANNUAL PENSION COST AND NET PENSION LIABILITY

For the year ended June 30, 2015, the State recognized pension expense of $126,287 which includes $55,126 of teacher pensions recorded in grant expense. At June 30, 2015, the State reported $372,401 of deferred outflows of resources and $695,751 of deferred inflows of resources related to its pension plans. Deferred outflows of resources of $265,138 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, 2016. 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 4 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	$ -	$ 8,731	$ -	$ 673	$ -	$ 9,404	$ -	$ 5,135	$ -	$ 46	$ -	$ 146
Changes of assumptions	34,693	-	2,672		37,365	-	70,733	-	43		213	
Net difference between projected and actual earnings on pension plan investments	-	215,661		16,598	-	232,259	-	439,519	-	742	-	3,851
Changes in proportion and differences between State contributions and proportionate share of contributions	281	3,330	3,207	158	3,488	3,488	1,302	18,590	-	-	-	-
State and component unit contributions subsequent to the measurement date	117,137	-	-	-	117,137	-	147,048	-	-	-	951	-
Total	$152,111	$ 227,722	$ 5,879	$17,429	$157,990	$245,151	$219,083	$463,244	$ 43	$ 788	$ 1,164	$3,997
For the Year Ended												
2016	42,530		1,554		44,084		85,725		189		896	
2017	42,530		1,554		44,084		85,725		185		963	
2018	53,844		4,221		58,065		109,880		185		963	
2019	53,844		4,221		58,065		109,879		186		962	
2020	-		-		-		-		-		-	

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%	2.5%
Non-U.S. Equities	20%	5.5%
Private Equity	10%	7.6%
Real Assets:		
Real Estate	10%	3.7%
Infrastructure	10%	4.0%
Hard Assets	5%	4.8%
Fixed Income	25%	0.0%

The discount rate used to measure the collective total pension liability was 7.125 percent for the 2014 actuarial valuation and 7.25 percent for 2013 actuarial valuation for the State Employee and Teacher Plan, and 7.25

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

The following table shows how the collective net pension liability would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rates are 7.125 percent for the State Employee and Teacher, Judicial, and Legislative Plans and 7.25 percent for the PLD Consolidated Plan.

(Expressed in Thousands)

Defined Benefit Plans Administered through MPERS	**1% Decrease (6.125%)**	**Current Discount Rate (7.125%)**	**1% Increase (8.125%)**
State Employee and Teacher Pension Plan:			
State & Component Unit Members			
State Employees	1,294,383	837,740	451,186
Maine Community College System	92,259	59,711	32,159
Maine Educational Center for the Deaf and Hard of Hearing	6,349	4,109	2,213
Northern New England Passenger Rail Authority	1,008	653	351
Subtotal State & Component Unit Members	1,393,999	902,213	485,909
Teacher Members	2,069,278	1,080,330	252,806
Total State Employee and Teacher Pension Plan	3,463,277	1,982,543	738,715
Judicial Pension Plan	2,168	(2,629)	(6,810)
Legislative Pension Plan	(2,812)	(3,615)	(4,289)

	1% Decrease (6.25%)	**Current Discount Rate (7.25%)**	**1% Increase (8.25%)**
Consolidated Participating Local Districts Plan	480,064	153,881	(118,767)

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 2014, this was two years for the Legislative and Judicial Plans, 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 only change in the Legislative, Judicial Plans and State Employee and Teacher Plans changed the discount rate from 7.25 percent to 7.125 percent. The PLD Plan had no changes in assumptions.

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

COMPONENT UNIT PARTICIPANTS

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

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

POST-RETIREMENT HEALTHCARE PLANS

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

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

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

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

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

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

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

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

PLAN MEMBERSHIP

Membership in the four healthcare plans is as follows:

	State Employees	Teachers	First Responders	Ancillary Groups
Actives	12,416	27,733	902	77
Retirees	11,056	9,933	87	38
Total	23,472	37,666	989	115
Number of employers	1	229	63	2
Contributing entities	1	1	1	2

STATE EMPLOYEES PLAN FUNDING POLICY

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

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

TEACHERS PLAN AND FIRST RESPONDERS PLAN FUNDING

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

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

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

ANCILLARY GROUP PLAN

The following plan, administered by the State, is financially independent and is not included in the State Retiree Health Internal Service Fund. This multiple-employer agent postemployment benefit plan covers 38 retirees of two non-major component units: Maine Educational Center for the Deaf and Hard of Hearing and the Northern New England Passenger Rail Authority. All active employees participate in the State Employee Group Health Insurance Plan. All eligible retired employees who elect coverage are included in this plan. The State Employee Health Commission establishes premiums annually.

ANNUAL OPEB COST

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

(Expressed in Thousands)

	State Employees	Teachers	First Responders
Annual required contribution	$ 84,000	$ 46,000	$ 1,976
Interest on net OPEB obligation	8,000	8,000	226
Adjustment to annual required contribution	(17,000)	(16,000)	(420)
Annual OPEB cost	75,000	38,000	1,782
Contributions made	67,000	26,000	756
Increase (decrease) in net healthcare obligation	8,000	12,000	1,026
Net healthcare obligation beginning of year	140,000	199,000	5,662
Net healthcare obligation end of year	$ 148,000	$ 211,000	$ 6,688

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

Analysis of Funding Progress
(Expressed in Thousands)

Plan	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
State Employees	6/30/2015	75,000	89.33%	148,000
	6/30/2014	92,000	68.73%	140,000
	6/30/2013	87,000	78.16%	111,228
Teachers	6/30/2015	38,000	68.42%	211,000
	6/30/2014	38,000	65.67%	199,000
	6/30/2013	37,000	67.57%	185,956
First Responders	6/30/2015	1,782	42.42%	6,688
	6/30/2014	1,611	36.81%	5,662
	6/30/2013	1,563	36.92%	4,644

FUNDED STATUS AND FUNDING PROGRESS
The funded status of the plans as of June 30, 2014 was as follows:

Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
State	June 30, 2014	167	1,224	1,057	13.64%	543	194.66%
Employees	June 30, 2013	150	1,166	1,016	12.86%	518	196.14%
(in millions)	June 30, 2012	136	1,316	1,180	10.33%	502	235.06%
Teachers	June 30, 2014	0	684	684	0.00%	1,106	61.84%
(in millions)	June 30, 2013	0	685	685	0.00%	1,194	57.37%
	June 30, 2012	0	665	665	0.00%	1,156	57.53%
First	June 30, 2014	0	24,055	24,055	0.00%	54,967	43.76%
Responders	June 30, 2013	0	22,369	22,369	0.00%	53,366	41.92%
(in thousands)	June 30, 2012	0	23,442	23,442	0.00%	43,510	53.88%

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

	State Employees	Teachers	First Responders
Valuation date	June 30, 2014	June 30, 2014	June 30, 2014
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	22	22	23
Plan changes	30-year fixed	30-year fixed	rolling 15-year period
Actuarial (gains) /losses	10-year fixed	15-year fixed	rolling 15-year period
Asset valuation method	investment gains and losses spread over a 5 - year period no less than 80% nor more than 120% of market value	n/a	n/a
Actuarial assumptions:			
Investment rate of return	4.00% 7.25% ultimate	4.00% 7.25% ultimate	4.00%
Projected salary increases	3.25%	3.25%	3.5% - 9.5%
Inflation rate	3.00%	3.00%	3.00%
Healthcare inflation rate	initial - actual premiums ultimate 5.00% [1]	initial - actual premiums ultimate 5.00% [2]	7.25% at 2015 ultimate 5.00% at 2024
Former actuarial assumptions:			
Healthcare inflation rate			8.5% in 2011 ultimate 5.00% at 2019

[1] Total premium increases for FY14 and FY15 are limited to no more than 1.5 percentage points per year. The total premium increase for fiscal years ending after 6/30/15 is limited to CPI plus 3%.

[2] The State's total cost for retired teachers' health insurance premiums for FY14 and FY15 is budgeted at the FY11 funding level adjusted for projected membership growth. The increase in the State's total cost for fiscal years ending after June 30, 2015 is limited to CPI plus 3%.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

CONTRIBUTIONS AND RESERVES

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

INVESTMENTS

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

POST RETIREMENT GROUP LIFE INSURANCE BENEFIT PLAN

The Maine Public Employees Retirement System (the System) is a component unit of the State of Maine. For financial reporting purposes, the System administers an agent, multiple-employer, defined benefit Group Life Insurance Plan (GLIP) administered by a third party insurance company in accordance with Title 5 MRSA C. 423 and 425. Members include employees of the State, public school employees (defined by Maine law as teachers), members of the Judiciary and the Legislature, which are eligible for membership in the System. Group life insurance benefits are also provided to employees of approximately 400 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, 2015 report may be obtained from the Maine Public Employees Retirement System, 46 State House Station, Augusta, ME 04333.

The Plan provides Basic group life insurance benefits during retirement to 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 entity.

BASIS OF ACCOUNTING

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

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

INVESTMENTS

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

FUNDING POLICY

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

ANNUAL OPEB COST

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

(Expressed in Thousands)

	State Employees	Teachers
Annual required contribution	$ 4,935	$ 3,660
Interest on net OPEB obligation	$ (95)	$ -
Adjustment to annual required contribution	$ 91	$ -
Annual OPEB cost	$ 4,931	$ 3,660
Contributions made	$ 4,277	$ 3,660
Increase (decrease) in net healthcare obligation	$ 654	$ -
Net (asset) obligation beginning of year	$ (1,310)	$ -
Net (asset) obligation end of year	$ (656)	$ -

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

Analysis of Funding Progress
(Expressed in Thousands)

Plan	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB (Asset)
State Employees	6/30/2015	4,931	86.73%	(656)
	6/30/2014	4,760	88.21%	(1,310)
	6/30/2013	4,562	102.43%	(1,871)
Teachers	6/30/2015	3,660	100.00%	-
	6/30/2014	3,440	100.00%	-
	6/30/2013	3,099	100.00%	-

FUNDED STATUS AND FUNDING PROGRESS

The funded status of the plan as of June 30, 2015 was as follows:

(Expressed in Thousands)

Plan	Actuarial Valuation June 30,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) –	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
State Employees	2015	47,600	115,500	67,900	41.21%	556,900	12.19%
	2014	31,800	87,300	55,500	36.43%	556,900	9.97%
	2013	27,000	83,800	56,800	32.22%	572,800	9.92%

(Expressed in Thousands)

	Actuarial Valuation June 30,	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL) –	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
Teachers	2015	48,000	79,000	31,000	60.76%	666,200	4.65%
	2014	45,100	75,600	30,500	59.66%	666,200	4.58%
	2013	36,000	74,200	38,200	48.52%	652,800	5.85%

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

ACTUARIAL METHODS AND ASSUMPTIONS

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

Significant methods and assumptions were as follows:

Valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percent open
Asset valuation method	market
Actuarial assumptions:	
Investment rate of return	7.125%
Projected salary increases - State employe	3.5% - 10.50%
Projected salary increases - Teachers	3.5% - 13.50%
Inflation rate	3.50%
Cost of living increases in life benefits	N/A
Participation percent for future retirees	100.00%
Form of benefit payment	lump sum
Former actuarial assumptions:	
Investment rate of return	7.25% for PLD plans

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 OBLIGATION BONDS

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

Changes in general obligation bonds of the primary government during fiscal year 2015 were:

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

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
General Obligation Debt:					
General Fund	$ 306,995	$ 102,555	$ 65,670	$ 343,880	$ 60,595
Special Revenue Fund	92,195	-	15,275	76,920	15,300
Unamortized Premiums:					
General Fund	-	11,288	1,141	10,147	1,141
Total	$ 399,190	$ 113,843	$ 82,086	$ 430,947	$ 77,036

Debt service requirements (principal and interest) for all outstanding general obligation bonds of the primary government, from June 30, 2015 until maturity, are summarized in the following table:

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

Fiscal Year	Principal	Interest	Total
2016	$ 75,895	$ 17,235	$ 93,130
2017	70,655	15,013	85,668
2018	64,545	12,311	76,856
2019	54,140	9,553	63,693
2020	40,810	7,084	47,894
2021-2025	114,755	12,644	127,399
Total	$ 420,800	$ 73,840	$ 494,640
Unamortized Premiums	10,147		
Total Principal	$ 430,947		

General fund, special revenue and other general obligation bonds issued and outstanding at June 30, 2015 are as follows:

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

			Fiscal Year Maturities		
	Amounts Issued	Outstading June 20, 2015	First Year	Last Year	Interest Rates
General Fund:					
Series 2005	137,525	-	2006	2015	2.00% - 5.27%
Series 2006	52,390	5,235	2007	2016	4.00% - 5.51%
Series 2007	33,975	6,790	2008	2017	4.00% - 5.50%
Series 2008	46,525	13,950	2009	2018	3.00% - 5.13%
Series 2009	96,035	34,815	2011	2019	2.50% - 5.00%
Series 2010	31,755	5,980	2011	2020	1.41% - 4.00%
Series 2011	86,010	39,750	2012	2021	1.625% - 5.00%
Series 2012	49,265	33,155	2013	2022	1.00% - 5.00%
Series 2014	112,945	101,650	2015	2024	0.20% - 5.00%
Series 2015	102,555	102,555	2016	2025	0.85% - 5.00%
		343,880			
Plus Unamortized Bond Premium		10,147			
Tota General Fund		$ 354,027			
Special Revenue Fund:					
Series 2007	27,000	5,400	2008	2017	4.00% - 5.50%
Series 2008	57,550	17,265	2009	2018	3.00% - 5.13%
Series 2009	37,310	18,515	2011	2019	2.50% - 5.00%
Series 2010	25,080	22,475	2011	2020	1.41% - 4.00%
Series 2011	22,125	13,265	2012	2021	1.625% - 5.00%
Total Special Revenue		$ 76,920			

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, 2015, general obligation bonds authorized and unissued totaled $55.9 million.

REVENUE BONDS OF THE MAINE GOVERNMENTAL FACILITIES AUTHORITY

The State included $170.9 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 $347.8 million outstanding, at any one time, except for the issuance of certain revenue refunding securities.

During the fiscal year ended June 30, 2015, MGFA issued Series 2014B Bonds, which totaled $2.9 million at an interest rate of 2.10 percent. At June 30, 2015, there were no MGFA in-substance defeased bonds outstanding.

CERTIFICATES OF PARTICIPATION AND OTHER FINANCING ARRANGEMENTS

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

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

SHORT-TERM OBLIGATIONS

The State of Maine issued and retired $38.1 million of Bond Anticipation Notes during fiscal year 2015. Short-term obligations are used to meet temporary operating cash flow needs. At June 30, 2015 there were no outstanding Tax Anticipation Notes or Bond Anticipation Notes.

OTHER LONG-TERM OBLIGATIONS

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

Changes in other long-term obligations for governmental and business-type activities for the fiscal year ended June 30, 2015, are summarized as follows:

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

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Governmental Activities:					
MGFA Revenue Bonds	$ 187,175	$ 2,900	$ 19,205	$ 170,870	$ 19,270
COP's and Other Financing	106,810	18,707	36,821	88,696	35,816
Compensated Absences	43,512	6,740	6,236	44,016	5,909
Claims Payable	69,749	180,242	176,025	73,966	30,444
Capital Leases	35,111 *	10,335	4,913	40,533	5,631
Loans Payable to Component Unit	472,976	50,005	45,793	477,188	49,369
Other Post-Employment Benefit Obligation	340,198	113,208	92,349	361,057	-
Pollution Remediation and Landfill	27,685	3,706	876	30,515	-
Total Governmental Activities	$ 1,283,216	$ 385,843	$ 382,218	$ 1,286,841	$ 146,439
Business-Type Activities:					
Compensated Absences	$ 1,058	$ 124	$ 128	$ 1,054	$ 126
Other Post-Employment Benefit Obligation	4,464	1,574	1,407	4,631	-
Total Business-Type Activities	$ 5,522	$ 1,698	$ 1,535	$ 5,685	$ 126

* As restated

Debt service requirements (principal and interest) for COP's and other financing arrangements of the primary government, from June 30, 2015 until maturity, are summarized as follows:

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

	Governmental Funds			Internal Service Funds		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2016	$ 24,008	$ 93	$ 24,101	$ 31,078	$ 7,290	$ 38,368
2017	23,187	51	23,238	29,176	6,308	35,484
2018	3,696	13	3,709	24,624	5,392	30,016
2019	5	-	5	22,809	4,545	27,354
2020	-	-	-	19,018	3,742	22,760
2021 - 2025	-	-	-	39,685	12,776	52,461
2026 - 2030	-	-	-	29,450	5,782	35,232
2031 - 2034	-	-	-	12,830	893	13,723
Total	$ 50,896	$ 157	$ 51,053	$ 208,670	$ 46,729	$ 255,399

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 2015 were:

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

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Loans Payable to Components Unit:					
Federal Funds	$ 83,247	$ 50,005	$ 13,596	$ 119,656	$ 16,603
Special Revenue Fund	389,729	-	32,197	357,532	32,766
Total	$ 472,976	$ 50,005	$ 45,793	$ 477,188	$ 49,369

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

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

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

GARVEE, TransCap and Liquor Operations Revenue bonds issued and outstanding at June 30, 2015 are as follows:

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

	Amounts Issued	Outstanding June 30, 2015	Fiscal Year Maturities First Year	Fiscal Year Maturities Last Year	Interest Rates
Federal Funds:					
Series 2004	$ 48,395	$ 5,325	2005	2015	2.50% - 5.00%
Series 2008	50,000	27,645	2009	2020	3.25% - 4.00%
Series 2010A	25,915	12,375	2011	2017	2.00% - 5.00%
Series 2010B	24,085	24,085	2018	2022	4.52% - 5.32%
Series 2014A	5,195	44,810	2015	2026	2.00% - 5.00%
Total Federal Funds		$ 114,240			
Special Revenue Fund:					
Series 2008	$ 50,000	$ 34,240	2009	2023	3.00% - 5.50%
Series 2009A	105,000	74,240	2010	2023	2.50% - 5.00%
Series 2009B	30,000	25,755	2010	2024	2.00% - 5.00%
Series 2011A	55,000	52,135	2012	2026	2.00% - 5.00%
Series 2013	220,660	201,000	2015	2024	1.07% - 4.35%
Total Special Revenue Funds		$ 387,370			

Total principal and interest requirements over the life of the 2004 GARVEE bonds are $60.2 million, with annual requirements of up to $5.5 million; for the 2008 GARVEE bonds total principal and interest requirements 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. Federal transportation funds received by the State for the federal fiscal year preceding the issuance of the 2004 GARVEE bonds totaled $175 million. Total federal highway transportation funds received in federal fiscal year 2015 were $196 million. Current year payments to MMBB for GARVEE bonds were $16.4 million (8.4 percent of federal highway transportation funds received).

Total principal and interest requirements over the life of the 2008 TransCap Revenue bonds are $71.9 million, with annual requirements up to $4.8 million. Total principal and interest requirements over the life of the 2009A TransCap Revenue bond are $144.3 million, with annual requirements up to $10.2 million; for the 2009B TransCap Revenue bonds total principal and interest requirements are $46.2 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 revenue received for revenue sources used as pledged revenues were $38.4 million in fiscal year 2015.

Total principal and interest requirements over the life of the 2013 Liquor Operation Revenue bond are $273.8 million, with annual requirements up to $26.8 million. Current year payments to MMBB for the Liquor Operation bonds were $23.3 million (which is net of $2.9 million of capitalized interest). Total revenue received for revenue sources used as pledged revenue were $38.9 million in fiscal year 2015.

OBLIGATIONS UNDER CAPITAL LEASES

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

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

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

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

At June 30, 2015 capital assets include capitalized buildings of $78.3 million in Governmental Activities, net of related accumulated depreciation of $41.2 million.

OBLIGATIONS UNDER OPERATING LEASES

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

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

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

Fiscal Year	**Capital Leases**	**Operating Leases**
2016	$ 5,631	$ 2,499
2017	5,273	1,940
2018	5,188	1,681
2019	4,313	1,504
2020	3,820	1,305
2021 - 2025	10,744	2,724
2026 - 2030	5,156	792
2031 - 2035	2,891	547
2036 - 2040	1,636	561
2041 - 2045	1,532	643
2046- 2050	-	725
2051 - 2055	-	299
Total Minimum Payments	46,184	$ 15,220
Less: Amount Representing Interest	5,651	
Present Value of Future Minimum Payments	$ 40,533	

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

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

COMPENSATED ABSENCES
In the government-wide statements and proprietary fund financial statements, compensated absences are reported as long-term liabilities as required by GASB. In the governmental fund financial statements, vested or accumulated leave is reported as an expenditure and fund liability when incurred upon retirement, termination or death. Sick and vacation payments made to terminated employees as of June 30, 2015 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	1.00%	1,343	2015 – 2025
Maine Community College System	2.5 - 5.0%	22,886	2015 - 2037
Maine Health and Higher Educational Facilities Authority	1.25 - 6.0%	847,645	2015 - 2041
Maine Municipal Bond Bank	.5 - 6.12%	1,617,411	2015 - 2044
Maine State Housing Authority	0.11 - 5.55%	1,221,608	2015 – 2044
Maine Turnpike Authority	2.0 - 6.0%	458,397	2015 – 2042
University of Maine System	0.2 - 5.0%	171,145	2015 – 2037

In periods of declining interest rates, MHHEFA has refunded its bond obligations, reducing aggregate debt service. The proceeds of the refunding bonds were principally used to purchase U.S. Government securities that will provide for future payment on the debt. On July 14, 2014, MHHEFA issued $43.2 million in series 2014A reserve resolution bonds with an average interest rate of 4.4 percent, all of which was used to defease $47.6 million of outstanding reserve fund maturities within the 1997B, 1998C, 2003A, 2003D and 2004A bond series. The net proceeds of approximately $48.0 million, 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, 2015 there were approximately $137.1 million of in-substance defeased bonds remaining outstanding with respect to all advance-refunding issues within the reserve fund resolution.

On April 8, 2015, UMS issued $48.5 million of Series A Revenue Bonds to currently refund $14.0 million in 2005 and 2004 Series A Revenue Bonds, to advance refund $24.2 million of 2007 Series A Revenue Bonds, and to provide $12.7 million for new projects. UMS completed the refunding to reduce its total debt service payments over the following 22 years by $4.5 million and to obtain economic gain (difference between the present values of the old and new debt service payments) of $3.4 million. The principal amount of debt refunded through in-substance defeasance was $38.2 million. The amount still outstanding at June 30, 2015 was $24.2 million. Refunding proceeds of $40.2 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 range from fiscal year 2015 through fiscal year 2017. The escrow is invested to yield enough earnings to pay required future payments, which are $26.4 million as of June 30, 2015. The refunding resulted in a deferred amount of refunding of $1.8 million which represents the difference between the reacquisition price and the carrying value of the refunded bonds. Amortization of the deferred amount on refunding is $1.7 million at June 30, 2015. This amount is included in deferred outflows.

On October 23, 2014, MMBB issued $92.3 million in General Tax-Exempt Series 2014C bonds with an average interest rate of 4.93 percent to in-substance defease $95.0 million of various outstanding maturities of the 2004A, 2005C, 2007B, 2007C, 2007D, 2007E and 2008C bonds with an average interest rate of 5.11 percent. The net proceeds of approximately $109.7 million, including a bond premium of approximately $18.0 million and after payment of approximately $0.6 million in underwriting fees, insurance and other costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on the refunded bonds. Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of approximately $11.1 million in the year ended June 30, 2015, the MMBB in effect reduced its aggregate debt service payments by approximately $8.0 million over the next twenty-four years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $6.9 million. As a result of the in-substance defeasance, MMBB will reduce future debt service requirements of borrowers by approximately $7.0 million over a period of fifteen years.

On May 28, 2015, MMBB issued $27.1 million in General Tax-Exempt Series 2015B bonds with an average interest rate of 4.31 percent to in-substance defease $27.6 million of various outstanding maturities of the 2006A, 2006C, 2007B, 2007E and 2008B bonds with an average interest rate of 4.67 percent. The net proceeds of approximately $30.8 million, including a bond premium of approximately $4.0 million and after payment of approximately $0.2 million in underwriting fees, insurance and other costs, were used to purchase U.S. Government securities which will provide for all future debt service payments on the refunded bonds. Although the in-substance defeasance resulted in the recognition of a deferred accounting loss of approximately $2.6 million in the year ended June 30, 2015, the MMBB in effect reduced its aggregate debt service payments by approximately $2.0 million over the next twenty-four years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately $1.5 million. As a result of the in-substance defeasance, MMBB will reduce future debt service requirements of borrowers by approximately $1.5 million over a period of twenty-four years.

In periods of declining interest rates, MMBB has refunded certain of its bond obligations, reducing aggregate debt service. Where allowed, the bank retires outstanding bonds prior to their contractual maturity. In other cases, the proceeds of the refunding bonds were principally used to purchase U.S. Government securities that will provide for future payment on the debt. The U.S. Treasury obligations are deposited with the trustees of the in-substance defeased bonds. At June 30, 2015 the remaining balances of the General Tax-Exempt Fund Group in-substance defeased bonds total approximately $174.3 million.

For the period ended December 31, 2014, MSHA redeemed prior to maturity $259.9 million of its Mortgage Purchase Fund Group bonds from recoveries of principal, 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.

For the year ended December 31, 2014, MTA issued $39.7 million of Series 2014 Revenue Refunding Bonds. The proceeds from the bonds were used to advance refund $43.8 million of principal amounts of the Series 2004 and Series 2007 bonds outstanding which mature between 2015 and 2024. The advance refunding took advantage of a general reduction in interest rates to achieve an overall reduction in future debt service costs. The reacquisition price exceeded the carrying amount of the old debt by $0.4 million. This amount is reported as a deferred outflow of resources and amortized over the life of the old debt. The transaction resulted in a reduction in future debt service payments of $4.6 million and an economic gain of $4.2 million.

For the year ended December 31, 2014, MTA issued $27.6 million of Series 2014 Special Obligation Refunding Bonds to purchase a $30 million section of Interstate 95 from the State of Maine. See Note 14 for further information on this transaction.

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

Component Units Principal Maturities
(Expressed in Thousands)

Fiscal Year Ending	FAME	MMBB	MCCS	MSHA	MTA	UMS	MHHEFA
2016	$ 808	$ 119,767	$ 735	$ 35,015	$ 17,755	$ 8,424	$ 41,935
2017	58	136,469	763	40,455	18,850	8,634	41,970
2018	59	133,560	797	52,000	19,985	9,642	41,970
2019	60	132,990	826	46,905	20,800	9,184	42,445
2020	60	124,490	783	50,805	15,115	9,950	43,160
2021 - 2025	298	546,215	4,529	247,100	90,530	43,094	209,785
2026 - 2030	-	271,741	5,680	271,745	116,015	41,172	193,875
2031 - 2035	-	65,300	6,720	248,240	77,830	26,500	143,030
2036 - 2040	-	9,100	1,467	197,050	39,690	875	86,000
2041 - 2045	-	3,050	-	32,345	12,250	-	3,475
2046 - 2050	-	-	-	-	-	-	-
Net Unamortized Premium or (Deferred Amount)	-	74,729	586	(52)	29,577	13,670	-
Total Principal Payments	$ 1,343	$1,617,411	$ 22,886	$1,221,608	$ 458,397	$ 171,145	$ 847,645

NOTE 12 - SELF-INSURANCE

A. RISK MANAGEMENT

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

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

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

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

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

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

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

All risk-financing liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims liabilities represent the estimated cost of claims as of March 31, 2015. 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, 2015 and 2014, the present value of the claims payable for the State's self-insurance plan was estimated at $4.2 million and $4.3 million, respectively. The actuary calculated this based on the State's rate on investments.

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

	2015	2014
Liability at Beginning of Year	$ 4,294	$ 4,032
Current Year Claims and		
Changes in Estimates	2,007	1,706
Claims Payments	2,073	1,444
Liability at End of Year	$ 4,228	$ 4,294

As of June 30, 2015, fund assets of $25.8 million exceeded fund liabilities of $5 million by $20.8 million. The portion of this amount that may be reserved for catastrophic losses has not been determined.

B. UNEMPLOYMENT INSURANCE

The State is self-insured for unemployment compensation. As a direct reimbursement employer, the State recognizes all costs for unemployment compensation as claims are paid. These costs totaled $1 million for the fiscal year ended June 30, 2015.

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, 2015:

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

	2015	2014
Liability at Beginning of Year	$ 44,749	$ 43,847
Current Year Claims and		
Changes in Estimates	12,091	9,311
Claims Payments	9,795	8,409
Liability at End of Year	$ 47,045	$ 44,749

Based on the actuarial calculation as of June 30, 2015, the State is liable for unfunded claims, and incurred but not reported claims, of approximately $56.8 million. The discounted amount is $47 million and was calculated based on a 3.0 percent interest rate on investments.

D. EMPLOYEE HEALTH INSURANCE

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

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

There are two primary health plans available. 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 37,200 covered individuals. This total includes 29,300 active employees and dependents and 7,900 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, 2015 the State recorded a receivable of $592 thousand for an overpayment of health care premiums.

Expenses and liabilities for incurred but not reported claims, based on an actuarial analysis of claim lag pattern, have been recorded as liabilities in the amount of $22.7 million. Changes in the Employee Health Insurance and Retiree Health Insurance claims liability for the fiscal year ending June 30, 2015 follows:

(Expressed in Thousands)

	Employee Health Fund	Retiree Health Fund
Liability at Beginning of Year	$ 15,530	$ 5,176
Current Year Claims and Changes in Estimates	133,408	32,736
Claims Payments	131,918	32,239
Liability at End of Year	$ 17,020	$ 5,673

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 $48.9 million were reclassified from the internal service fund to the OPEB Trust Fund, a fiduciary fund. Additionally, $14.0 million of active employee healthcare costs was reclassified from the internal service fund to the OPEB Trust Fund to reflect age-adjusted claims.

NOTE 13 – JOINT VENTURES

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

Tri-State Lotto Commission

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

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

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

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

The Tri-State Lotto Commission financial report for fiscal year 2015, 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	$ 12,570
Noncurrent Assets	30,338
Total Assets	$ 42,908
Current Liabilities	$ 10,352
Long-term Liabilities	24,171
Total Liabilities	34,523
Designated Prize Reserves	4,346
Reserve for Unrealized Gains	4,039
Total Net Position	8,385
Total Liabilities and Net Position	$ 42,908
Total Revenue	$ 55,963
Total Expenses	37,425
Allocation to Member States	18,538
Change in Unrealized Gain on Investments Held for Resale	(984)
Change in Net Position	$ (984)

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 37 member State lotteries, including the District of Columbia and the United States Virgin Islands. The MUSL is managed by a board of directors, which is comprised of the lottery directors or their designee from each of the party States, and authorized to initiate, promulgate, administer and carry out one or more lottery product offerings that will enhance the participating parties' lottery revenue.

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

The Multi-State Lottery Association's financial report for fiscal year 2015 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	$ 233,240
Investments in US Government Securities	53,648
US Government Securities Held for Prize Annuities	86,770
Due from Party Lotteries	18,247
Patent, net of accumulated amortization	8,364
Other Assets	813
Total Assets	$ 401,082
Amount Held for Future Prizes	$ 297,607
Grand Prize Annuities Payable	91,579
Other Liabilities	3,436
	392,622
Net Position, Unrestricted	8,460
Total Liabilities and Net Position	$ 401,082
Total Revenue	$ 3,514
Total Expenses	5,257
Excess of revenue over expenses	(1,743)
Net Position, beginning	10,203
Net Position, ending	$ 8,460

NOTE 14 - RELATED PARTY TRANSACTIONS

PRIMARY GOVERNMENT

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

COMPONENT UNITS

The State provided appropriations and grant monies to the following discretely presented component units: University of Maine System, \$223.5 million; Maine Community College System, \$72.0 million; Maine Municipal Bond Bank, \$39.0 million; Finance Authority of Maine, \$19.0 million; and Maine State Housing Authority, \$12.1 million.

FAME administers several revolving loan funds on behalf of the State of Maine. FAME recorded these funds, which total \$29.8 million at June 30, 2015, 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 2015, the State expended \$2.8 million to FAME for State revolving loan funds. During fiscal year 2015, the State expended \$12.0 million in bond proceeds in a voter approved referendum passed in November 2014. Of that, \$4.0 million recapitalized commercial loan insurance reserves and \$8.0 million provided to the Regional Economic Development Loan Program. The State also transferred \$1 million from its Loan Insurance Reserves to FAME.

Title 20-A MRSA Chapter 419-A established the Maine State Grant Program as a fund under the jurisdiction of the Finance Authority of Maine. All grant revenues under this fund must be distributed by FAME to students who meet the eligibility requirements for a grant under this chapter. During fiscal year 2007, the NextGen College Savings grant funds and the Maine State Grant funds were pooled into the new State of Maine Grant. FAME paid approximately \$6.9 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 2015, the amount billed totaled \$6.4 million. The State also received \$30.0 million for the sale of 1.9 miles of Interstate 95, including 7 bridges and 12 highway ramps.

NOTE 15 – DEFERRED OUTFLOWS AND DEFERRED INFLOWS

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

(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Type Activities	Totals	Component Units
Deferred Outflows of Resources:				
Accumulated Decrease in Fair Value of Hedging Derivatives	$ -	$ -	$ -	$ 14,435
Refunding of Debt	-	-	-	50,732
Pension Related	369,143	3,258	372,401	17,998
Total Deferred Outflows of Resouces	$ 369,143	$ 3,258	$ 372,401	$ 83,165
Deferred Inflows of Resources:				
Grant Income	$ -	$ -	$ -	$ 5,671
Loan Origination Fees	-	-	-	59
Pension Related	689,903	5,848	695,751	20,627
Total Deferred Inflows of Resources	$ 689,903	$ 5,848	$ 695,751	$ 26,357

NOTE 16 - 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.

Adle v. State of Maine, Department of Public Safety, Department of Inland Fisheries and Wildlife and unnamed state officials and employees. This lawsuit relates to a standoff involving State Police troopers during which Shad Gerken (who had the knife) was shot and killed. A state investigation into the incident found that the officers involved reasonably believed that unlawful deadly force was imminently threatened against them and other officers. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

City of Portland v. Maine Department of Health and Human Services. (Me. Superior Court). This lawsuit brought by the City of Portland relates to Portland's claim for reimbursement of the expenses of running Portland's homeless shelters. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

Edson v. Maine Department of Health and Human Services, Maine Department of Corrections and a number of state officials and employees. (Me. Superior Ct.). This lawsuit relates to an incident which occurred on December 2, 2013 in which she alleges that she was assaulted and pepper-sprayed with claimed damages in excess of one million dollars. The potential defendants are the Department of Health and Human Services, the Department of Corrections and a number of state officials and employees. 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. (D. Me.). 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 contract. Outside counsel has been authorized to represent the Governor. 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. 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.

In the Matter of Maine Health & Environmental Testing Laboratory; Docket No. RCRA-01-2015-0024 (USDHHS Region I). The complaint was brought recently by the United States Environmental Protection Agency ("EPA") regarding the Resource Conservation and Recovery Act ("RCRA"). This case is about hazardous waste handling at Maine Department of Health and Environmental Testing Laboratory ("HETL") lab. EPA accompanied this complaint with a Compliance Order. The amount currently requested as a fine is $202,571. Under RCRA, penalties that can accumulate by the day for repeated violations (up to $25,000 per day) or for violations of the compliance order (up to $32,000 per day). The likelihood that HETL will have liability in excess of 1 million dollars in fines and penalties is low.

John F Murphy Homes v. State of Maine (Me. Superior Court). The claim is in the amount of $7+ million for payments allegedly due for educational services over the last dozen years. We have filed a motion for summary judgment. The probability that this case will result in future losses to the State in excess of $1 million is undetermined at this time.

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

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

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

ENCUMBRANCES

Encumbrances are reported in the restricted, committed, and assigned fund balances of the governmental funds. General fund, highway fund, federal fund, other special revenue fund and other governmental funds balances are $40.2 million, $4.0 million, $159.3 million, $24.5 million and $0.3 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, 2015 is $23 million. Superfund sites account for approximately $8.8 million. Superfund is the federal government program to clean up hazardous waste sites.

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

Eastland Woolen Mill – The State recorded a liability for pollution remediation activities of approximately $1 million. Currently the State shares the costs with Environmental Protection Agency (EPA) in a cost-sharing ratio of 10 percent State, 90 percent EPA. Beginning in September of 2018, the State will assume 100 percent of the operation and maintenance and long-term monitoring costs.

Eastern Surplus – The State recorded a liability for pollution remediation activities of approximately $1.1 million. Beginning in August of 2012, the State assumed 100 percent of the operation and maintenance and monitoring costs. As of June 30, 2015 the State has received $2 million in recoveries from the Department of Defense. The State expects to recover additional costs of $115 thousand.

Callahan Mine – The State recorded a liability for pollution remediation activities of approximately $6.7 million. Currently the State shares the costs with EPA in a cost-sharing ratio of 10 percent State, 90 percent EPA. The State will assume 100 percent of the cost for the operation and maintenance of the site.

The State recorded a liability for pollution remediation activities of approximately $14.3 million (net of unrealized recoveries of $827 thousand) related to five uncontrolled hazardous substance sites. The State expects to recover $1.4 million in costs. The Uncontrolled Hazardous Substance Sites Program was created in response to the threats and potential threats to human health and the environment posed primarily by abandoned hazardous waste sites. The Uncontrolled Hazardous Substance Sites program is the State's equivalent to the Federal Superfund Program.

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

MUNICIPAL SOLID WASTE LANDFILLS

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

The State will recognize a portion of the estimated total current cost of closure and postclosure care as an expense and a liability on the Statement of Activities and Statement of Net Position, respectively, in each period that the landfill accepts solid waste. The $7.4 million reported as landfill closure and postclosure care liability at June 30, 2015, represents the cumulative amount reported to date based on the use of 94 percent of the estimated capacity of the landfill. The State will recognize the remaining estimated cost of closure and postclosure care of $465 thousand as the remaining estimated capacity is filled. Based on estimated annual disposal volumes of 500 cubic yard to 1,000 cubic yards per year, the estimated remaining landfill life would be 400 to 800 years. Actual costs may be higher due to inflation, changes in technology or changes in applicable laws or regulations.

Cost-Sharing Program – Title 38 M.R.S.A., §1310-F establishes within the Department of Environmental Protection (DEP) a cost-sharing program for the closure and remediation of municipal solid waste landfills that pose a potential hazard and that meet other qualifying criteria. The law provides for reimbursement of 75 percent 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 percent 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 costs and enacted a fee on disposal of certain Construction and Demolition Debris (CDD) effective in 2013, to pay for the ongoing program. In FY2015 the DEP received $891 thousand from the CDD fee, which was close to the $906 thousand received in FY 2014. All of this money 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. 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 FY15, DEP's total outstanding reimbursement obligation to municipalities was $7.8 million. At the end of FY15 the outstanding match obligation was $9.5 million. The growth in outstanding debt during the year, despite the ongoing reimbursements, stemmed primarily from additional landfill closures. 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 $5.9 million. This consists of approximately $2.1 million for State-owned facilities and approximately $3.8 million for the State's share, under a cost sharing arrangement, for municipal facilities.

POLLUTION ABATEMENT PROGRAM

Title 38 MRSA §411, §411-A, and §412 establish within DEP cost-sharing programs for pollution abatement projects. Subject to funding by the Legislature and the approval of the Commissioner, the State may contribute to the planning of municipal pollution abatement facilities; the design, engineering, and construction of private, commercial, and municipal pollution abatement facilities; and make payments to the Maine Municipal Bond Bank to supply the State's share of the revolving loan fund established by Title 30-A §6006-A. During the 2015 fiscal year, $552 thousand of general obligation bond funds and $3.5 million of Liquor Operation Revenue Funds were expended for pollution abatement projects. As of June 30, 2015 amounts encumbered for pollution abatement projects totaled $343 thousand, and general obligation bonds authorized for these projects, but not yet encumbered, totaled $2.74 million. As of June 30, 2015, DEP estimates the total cost (federal, State, and local) of future projects to be $1 billion.

GROUND WATER OIL CLEAN-UP FUND

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

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

CONSTRUCTION COMMITMENTS

A portion of the payment that is made to municipalities for General Purpose Aid to Local Schools is allocated for debt service. Although the outstanding indebtedness for school construction projects is debt of the municipalities, the State subsidizes 47.6 percent of the annual payments. As of June 30, 2015, outstanding commitments by municipalities for school bond issues that are eligible for State subsidy totaled $843.4 million.

At June 30, 2015, the Department of Transportation had contractual commitments of approximately $306.4 million for construction of various highway projects. The State's share of that amount is expected to be approximately $59.63 million. Of these amounts, $5.1 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 (PM's). The MSA is a settlement of lawsuits brought by many States against the four largest tobacco companies alleging multiple counts of misconduct and claiming punitive and compensatory damages, including a claim for all the State's Medicaid costs caused by or related to tobacco use. The MSA includes provisions to annually compensate the State for smoking-related Medicaid costs and to impose marketing and advertising restrictions on PM's to protect public health. In this settlement, the PM's agreed, among other things, to make annual payments to the states and jurisdictions based on their allocable share of the market. In return, the states agreed to relinquish claims to further damages resulting from, among other things, Medicaid costs. Annual payments fluctuate subject to various adjustments and are partially contingent on the passage and enforcement of a State statute imposing economic conditions related to the State's public health claims on the Nonparticipating manufacturers (NPM's) in the form of an annual escrow payment due from each NPM with in-state sales. The NPM Adjustment is set forth in the Master Settlement Agreement (MSA). If the PM's claim an NPM Adjustment for a given year and prove that they lost market share to the NPM's and it is determined that the MSA was a significant factor contributing to that lost market share then an NPM Adjustment 'shall apply' unless a Settling State passed a qualifying statute and 'diligently enforced' that statute. In effect this means that the Allocated Payment to a Settling State that diligently enforced will not be reduced, but a Settling State that did not diligently enforce its qualifying statute will be subject to a reduction in its payment due to the NPM Adjustment. NPM Adjustment Due to the provisions of the MSA, a State that is found not to have diligently enforced its qualifying statute may lose up to its entire annual payment amount due to the NPM Adjustment for a given year.

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

In addition, in the MSA, the PM's agreed to pay $8.6 billion in Strategic Contribution Payments (SCP) to certain states and jurisdictions as compensation for their contribution to the overall settlement. Maine's share of this total amount is approximately $114 million. Maine will receive this amount through ten annual SCP payments starting in 2008. In April 2015, Maine received a total of $49.5 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, 2015, the Fund included $5.9 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1979) to June 30, 2015 of approximately $211.5 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, 2015, the amount reported in the Fund for claimant liability is $34.6 million. The General Fund shows a $28.2 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, 2015, loans outstanding pursuant to these authorizations are $86.5 million, less than $1 million, and less than $1 million, respectively. The State has not paid, nor does it expect to pay, any amounts as a result of these authorizations as of June 30, 2015.

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, 2015, 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, 2015.

MORAL OBLIGATIONS

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

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

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

The following summarizes information regarding outstanding moral obligations:

Moral Obligation Bonds
(Expressed in Thousands)

Issuer	Bonds Outstanding	Required Debt Reserve	Obligation Debt Limit	Legal Citation
Maine Health and Higher Educational Facilities Authority	$ 847,645	$ 78,511	no limit	22 MRSA § 2075
Finance Authority of Maine	42,437	-	$ 642,000	10 MRSA §1032, 1053
	-	-	50,000	20-A MRSA §11449
	-	-	50,000	38 MRSA §2221
Loring Development Authority *	-	-	100,000	5 MRSA §13080-N
Maine Municipal Bond Bank	1,209,225	148,244	no limit	30-A MRSA §6006
Maine Educational Loan Authority *	122,845	12,913	225,000	20-A MRSA §11424
Maine State Housing Authority	1,180,345	96,313	2,150,000	30-A MRSA §4906
Total	$ 3,402,497	$ 335,981		

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

COMPONENT UNITS

CONSTRUCTION CONTRACTS

At June 30, 2015, UMS had outstanding commitments on uncompleted construction contracts that totaled $26.5 million.

At June 30, 2015, MCCS had $9.9 million remaining in construction and renovation contracts.

At December 31, 2014, the Maine Turnpike Authority had $19.1 million remaining in 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, 2014 Maine State Housing Authority (MSHA) had outstanding commitments to originate multi-family loans of approximately $31.4 million.

MSHA, under its single-family program, enters into purchase agreements to lenders to purchase mortgage loans. At December 31, 2014, single-family loans being processed by lenders totaled $17.6 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, 2015, FAME had insurance outstanding for commercial loans under the Loan Insurance Program totaling approximately $111.4 million. At June 30, 2015, FAME was insuring loans with an aggregate outstanding principle balance approximating $4.3 million which were 90 or more days delinquent. The aggregate insured balance of these loans was approximately $2.0 million at June 30, 2015. In addition, FAME has entered into commitments to insure loans at some future date. At June 30, 2015, these commitments under the Loan Insurance Program were approximately $11.9 million.

NOTE 17 - SUBSEQUENT EVENTS

PRIMARY GOVERNMENT

On July 16, 2015, the Maine Governmental Facilities Authority issued $41.1 million of Series 2015A Lease Revenue Refunding Bonds. The bonds bear interest rates from 3.0 percent to 5.0 percent and maturities from 2015 to 2023, all of which will be used to refund $42.5 million of outstanding maturities within the 2004A, 2004C and 2005A bond series. The bonds do not constitute a legal debt or obligation of the State.

On October 22, 2015, the Maine Municipal Bond Bank issued $54.7 million of Series 2015A Transportation Infrastructure Revenue Refunding Bonds on behalf of the Maine Department of Transportation. The bonds bear interest rates from 4.0 percent to 5.0 percent and maturities from 2019 to 2024, all of which will be used to refund $56.8 million of outstanding maturities within the 2008A, 2009A and 2009B bond series. The bonds do not constitute a legal debt or obligation of the State.

On November 19, 2015, the Maine Governmental Facilities Authority issued $21.2 million of Series 2015B Lease Revenue Bonds to fund various State projects. The bonds bear interest rates from 2.0 percent to 5.0 percent and maturities from 2016 to 2025. The bonds do not constitute a legal debt or obligation of the State.

COMPONENT UNITS

Through March 31, 2015, Maine State Housing Authority (MSHA) redeemed at par $66.8 million of bonds in the General Mortgage Purchase Bond Resolution. Through March 31, 2015, MSHA issued, at par $141.0 million of bonds in the General Mortgage Purchase Bond Resolution.

On July 14, 2015, Maine Health and Higher Educational Facilities Authority (MHHEFA) issued $27.4 million in series 2015A reserve resolution bonds with an average interest rate of 4.5 percent, all of which was used to defease $31.2 million of outstanding reserve fund maturities within the 2004B and 2006A bond series. The net proceeds of approximately $31.3 million, 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.

On July 8, 2015, MHHEFA issued $27.8 million in series 2015 general resolution tax-exempt bonds with an average interest rate of 3.85 percent. A portion of the bonds was used to defease $29.2 million of outstanding reserve fund resolution maturities within the 2006B bond series. The net proceeds of approximately $30.6 million, 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 institution.

In 2015, the Maine Turnpike Authority (MTA) has plans to refinance approximately $151.8 million of its existing revenue bonds with $144.9 million of new revenue bonds with the same payment dates. This will reduce the outstanding bonds for MTA by approximately $7.0 million. These new bonds will be issued at significantly lower interest rates. The net present value of the interest rate reduction is approximately $24.6 million. MTA chose to take the interest savings over the life of the bonds, which will reduce interest payments by $33.3 million. The reduction in debt service payments will increase the coverage ratios of MTA and will reduce the amount of the security deposit that MTA is required to maintain in its Debt Service Reserve Fund.

In June 2015, the State of Maine Legislature passed, and the Governor approved, S.P. 544-L.D. 1443, *An Act to Merge the Maine Educational Loan Authority with the Finance Authority of Maine* (the Act). The Act provides that the Finance Authority of Maine (FAME) will become the successor to the Maine Educational Loan Authority (MELA). The effective date of the merger is October 15, 2015. By law, FAME will succeed to MELA under all existing contracts and other agreements, and will thus gain the rights and benefits of, and assume the obligations of MELA under all such agreements. The merger will not otherwise affect the parties' rights and obligations under existing contractual agreements. Pursuant to GASB 69, *Government Combinations and Disposals of Government Operations,* MELA's statement of net position and its revenues, expenses and changes in net position, will be reflected in the Authority's June 30, 2016 financial statements.

NOTE 18 – SPECIAL ITEMS

In 2015, the State Department of Transportation (Maine DOT) entered into an agreement to sell approximately 1.9 miles of Interstate 95 in Kittery, Maine to the Maine Turnpike Authority (Authority). The segment extends from the current southern end of the Turnpike to the abutment of the bridge over the Piscataqua River at the New Hampshire border. The Kittery section of the Interstate was maintained by the Authority under a contract with the MaineDOT which reimbursed the Authority for the costs associated with the upkeep of that section of the Interstate. The sale price for the transferred property was $30 million. This sale is recorded as a Special Item in the Statement of Activities and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances for $28.8 million and $30 million respectively.


DIRIGO
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STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

	General Fund				Highway Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues								
Taxes	$ 3,100,494	$ 3,149,231	$ 3,182,856	$ 33,625	$ 210,688	217,413	$ 220,199	$ 2,786
Assessments and Other	96,546	99,898	104,053	4,155	88,743	89,326	93,187	3,861
Federal Grants	1,645	1,895	2,064	169	-	-	-	-
Service Charges	36,842	46,121	44,456	(1,665)	6,279	6,247	6,374	127
Income from Investments	94	520	857	337	113	155	159	4
Miscellaneous Revenue	4,817	6,272	7,964	1,692	2,754	3,480	3,987	507
Total Revenues	3,240,438	3,303,937	3,342,250	38,313	308,577	316,621	323,906	7,285
Expenditures								
Governmental Support and Operations	268,196	272,098	258,872	13,226	37,396	39,970	35,395	4,575
Economic Development & Workforce Training	32,815	32,959	32,646	313	-	-	-	-
Education	1,414,949	1,420,695	1,398,321	22,374	-	-	-	-
Health and Human Services	1,119,585	1,156,250	1,115,609	40,641	-	-	-	-
Business Licensing & Regulation	10	10	10	-	-	-	-	-
Natural Resources Development & Protection	70,268	70,802	68,765	2,037	33	33	33	-
Justice and Protection	310,807	325,775	307,640	18,135	26,275	26,379	24,311	2,068
Arts, Heritage & Cultural Enrichment	7,301	7,446	7,300	146	-	-	-	-
Transportation Safety & Development	-	-	-	-	242,693	290,859	262,357	28,502
Total Expenditures	3,223,931	3,286,035	3,189,163	96,872	306,397	357,241	322,096	35,145
Revenues Over (Under) Expenditures	16,507	17,902	153,087	135,185	2,180	(40,620)	1,810	42,430
Other Financing Sources (Uses)								
Operating Transfers Net	(5,435)	(17,578)	14,071	31,649	-	-	13,156	13,156
Other Budgeted Resources								
One Day Borrowing from Treasurer's Cash Pool	-	-	(98,500)	(98,500)	-	-	-	-
Proceeds from Pledged Future Revenues								
Net Other Financing Sources (Uses)	(5,435)	(17,578)	(84,429)	(66,851)	-	-	13,156	13,156
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	$ 11,072	$ 324	$ 68,658	$ 68,334	$ 2,180	$ (40,620)	$ 14,966	$ 55,586
Fund Balances at Beginning of Year			246,199				48,233	
Fund Balances at End of Year			$ 314,857				$ 63,199	

Federal Funds				Other Special Revenue Fund			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
$ -	$ -	$ -	$ -	$ 295,733	$ 298,432	$ 294,904	$ (3,528)
4	4	-	(4)	171,722	169,708	158,243	(11,465)
2,960,403	3,200,825	2,493,382	(707,443)	11,568	13,717	8,901	(4,816)
435	435	379	(56)	245,058	265,288	251,571	(13,717)
-	-	7	7	1,188	1,191	382	(809)
11,516	11,424	4,047	(7,377)	271,380	300,194	233,778	(66,416)
2,972,358	3,212,688	2,497,815	(714,873)	996,649	1,048,530	947,779	(100,751)
5,856	6,649	2,247	4,402	135,916	144,896	138,997	5,899
118,488	132,423	84,996	47,427	43,465	52,122	37,217	14,905
282,412	285,842	192,085	93,757	37,441	46,240	36,743	9,497
2,247,252	2,370,833	1,887,589	483,244	464,926	497,263	448,570	48,693
114	152	21	131	79,343	82,024	69,478	12,546
56,842	68,001	41,985	26,016	125,014	142,554	90,448	52,106
130,752	169,802	47,419	122,383	44,515	50,454	41,445	9,009
3,292	4,300	2,928	1,372	1,861	2,383	1,543	840
227,875	254,455	209,205	45,250	174,603	182,964	53,741	129,223
3,072,883	3,292,457	2,468,475	823,982	1,107,084	1,200,900	918,182	282,718
(100,525)	(79,769)	29,340	109,109	(110,435)	(152,370)	29,597	181,967
-	-	(16,814)	(16,814)	(13,754)	(9,989)	(14,128)	(4,139)
-	-	-	-	-	-	98,500	98,500
				125,581	125,581	26,637	(98,944)
-	-	(16,814)	(16,814)	111,827	115,592	111,009	(4,583)
$ (100,525)	$ (79,769)	$ 12,526	$ 92,295	$ 1,392	$ (36,778)	$ 140,606	$ 177,384
		16,707				189,713	
		$ 29,233				$ 330,319	


DIRIGO
MAINE

STATE OF MAINE
BUDGETARY COMPARISON SCHEDULE
BUDGET TO GAAP RECONCILIATION

Fiscal Year Ended June 30, 2015
(Expressed in Thousands)

	General Fund	Highway Fund	Federal Funds	Special Revenue Fund
Fund Balances - Non-GAAP Budgetary Basis	$ 314,857	$ 63,199	$ 29,233	$ 330,319
Basis Differences				
Revenue Accruals/Adjustments:				
Taxes Receivable	254,888	1,270	-	9,832
Intergovernmental Receivables	-	-	251,785	-
Other Receivables	27,967	2,389	65,294	61,501
Inventories	2,344	-	355	-
Due from Component Units	-		-	53,777
Due from Other Funds	13,365	17,103	-	81,386
Other Assets	1,789	1	318	206
Unearned Revenues	-	(4,825)	(355)	21,536
Deferred Inflows - Taxes and Assessment Revenues	(250,159)	(670)	(97)	(25,958)
Total Revenue Accruals/Adjustments	50,194	15,268	317,300	202,280
Expenditure Accruals/Adjustments:				
Accounts Payable	(150,708)	(23,750)	(216,761)	(21,357)
Due to Component Units	(747)	(1,165)	(7,629)	(2,406)
Accrued Liabilities	(22,845)	(8,289)	(7,975)	(10,640)
Taxes Payable	(206,886)	(7)	-	-
Intergovernmental Payables	(3,792)	-	(71,063)	-
Due to Other Funds	(53,872)	(5,207)	(19,851)	(9,393)
Total Expenditure Accruals/Adjustments	(438,850)	(38,418)	(323,279)	(43,796)
Fund Balances - GAAP Basis	$ (73,799)	$ 40,049	$ 23,254	$ 488,803

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY REPORTING

Statutory/Budgetary Presentation

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

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

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

Detailed budgetary control is maintained at the program and line category level at which appropriations and allocations are approved by the Legislature, principally through a quarterly allotment system. The State Budget Officer and the Governor must approve budget revisions during the year, reflecting program changes or intradepartmental administrative transfers. Except in specific instances, only the Legislature may transfer appropriations between departments. Increases in appropriation, allocation, or funding for new programs are presented to the Legislature as a supplemental budget or separate pieces of legislation. For the year ended June 30, 2015, the legislature increased appropriations to the General Fund by $45 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 2014-2015, 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 26, 2013, and includes encumbrances carried forward from the prior year.

Generally accepted accounting principles (GAAP) require that the final legal budget be reflected in the "final budget" column. Therefore updated revenue estimates available for appropriations as of June 30, 2015 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 NET PENSION LIABILITY (ASSET)
SINGLE EMPLOYER PENSION PLANS

June 30, 2015
(Expressed in Thousands)

	Judicial Pension Plan	Legislative Pension Plan
Total Pension Liability (Asset) Balances at June 30, 2014	$ 52,375	$ 6,873
Changes for the Year:		
Schedule of Changes in Net Pension Liability	1,518	450
Interest	3,736	503
Changes in Benefit Terms	17	4
Differences Between Expected and Actual Experience	(292)	(93)
Changes in Benefit Terms	426	86
Changes of Assumptions	(3,219)	(318)
Changes for the Year	2,186	632
Total Pension Liability (Asset) Balances at June 30, 2015	$ 54,561	$ 7,505
Plan Fiduciary Net Position at June 30, 2014	$ 50,575	$ 9,680
Changes for the Year:		
Changes of Assumptions	(3,219)	(318)
Employer Contributions	932	4
Plan Fiduciary Net Position	528	140
Net Investment Income	8,416	1,622
Administrative Expense	(42)	(8)
Changes for the Year	6,615	1,440
Plan Fiduciary Net Position at June 30, 2015	$ 57,190	$ 11,120
Net Pension Liability (Asset) June 30, 2015	$ (2,629)	$ (3,615)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	104.82%	148.16%
Covered-employee Payroll	$ 6,742	$ 2,535
Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll	-39.00%	-142.61%

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.


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MAINE

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

Last Ten Fiscal Years
(Expressed in Thousands)

	2015	2014	2013	2012
Judicial Pension Plan				
Actuarially Determined Contribution	$ 951	$ 932	$ -	$ -
Contributions in Relation to the Contractually Required, Actuarially Determined Employer Contribution	(951)	(932)	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Contributions as a percentage of covered-employee payroll	13.24%	13.83%		
Legislative Pension Plan				
Actuarially Determined Contribution	$ -	$ -	$ -	$ -
Contributions in Relation to the Contractually Required, Actuarially Determined Employer Contribution	-	(4)	-	-
Contribution Deficiency (Excess)	$ -	$ (4)	$ -	$ -
Contributions as a percentage of covered-employee payroll	0.00%	0.15%		

Notes to Schedule:

Valuation date	June 30, 2012

June 30, 2015 actuarially determined contribution rates are calculated based on a 2012 actuarial valuation developed as a roll-forward of the 2011 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2012 using actual assets as of June 30, 2012.

Actuarial cost method	Entry age normal
Asset valuation method	3 - Year smoothed market
Amortization method	Level percent of payroll, open 10-year amortization of the 2012 UAL
Investment rate of return	7.25%
Amortization growth rate	3.50%
Price inflation	3.50%
Salary increases	3.5% plus merit component based on employee's years of service
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
Most recent review of plan experience:	2011

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2015 can be found in the June 30, 2012 actuarial valuation report.

Revised actuarial assumption:

Investment rate of return	7.125%

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. The MainePERS Board of Trustees set the 2014 COLA at 2.1% (the CPI-U at June 30, 2014) at their August meeting. 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.

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.

2011	2010	2009	2008	2007	2006
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
$ -	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
$ -	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**

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

Last Ten Fiscal Years
(Expressed in Thousands)

	2015	2014	2013	2012
State Employees				
Proportion of the Collective Net Pension Liability	92.853946%	N/A	N/A	N/A
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 837,743	$ -	$ -	$ -
Covered-employee Payroll	$ 525,765	N/A	N/A	N/A
Proportionate Share of the Net Pension Liability As a Percentage of Its Covered-Employee Payroll	159.34%	N/A	N/A	N/A
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	79.21%	N/A	N/A	N/A
Maine Community College System				
Proportion of the Collective Net Pension Liability	6.618303%	N/A	N/A	N/A
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 59,710	$ -	$ -	$ -
Covered-employee Payroll	$ 31,679	N/A	N/A	N/A
Proportionate Share of the Net Pension Liability As a Percentage of Its Covered-Employee Payroll	188.48%	N/A	N/A	N/A
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	79.21%	N/A	N/A	N/A
Maine Educational Center for the Deaf and Hard of Hearing				
Proportion of the Collective Net Pension Liability	0.455434%	N/A	N/A	N/A
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 4,108	$ -	$ -	$ -
Covered-employee Payroll	$ 3,359	N/A	N/A	N/A
Proportionate Share of the Net Pension Liability As a Percentage of Its Covered-Employee Payroll	122.30%	N/A	N/A	N/A
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	79.21%	N/A	N/A	N/A
Northern New England Passenger Rail Authority				
Proportion of the Collective Net Pension Liability	0.072317%	N/A	N/A	N/A
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 652	$ -	$ -	$ -
Covered-employee Payroll	$ 417	N/A	N/A	N/A
Proportionate Share of the Net Pension Liability As a Percentage of Its Covered-Employee Payroll	156.35%	N/A	N/A	N/A
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	79.21%	N/A	N/A	N/A
Total SETP - State of Maine Employees				
Proportion of the Collective Net Pension Liability	100.000000%	N/A	N/A	N/A
Proportionate Share (Amount) of the Collective Net Pension Liability	$ 902,213	$ -	$ -	$ -
Covered-employee Payroll	$ 561,220	N/A	N/A	N/A
Proportionate Share of the Net Pension Liability As a Percentage of Its Covered-Employee Payroll	160.76%	N/A	N/A	N/A
Plan Fiduciary Net Position As a Percentage of the Total Pension Liability	79.21%	N/A	N/A	N/A

Notes to Schedule:

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

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.

2011	2010	2009	2008	2007	2006
N/A	N/A	N/A	N/A	N/A	N/A
$ -	$ -	$ -	$ -	$ -	$ -
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
$ -	$ -	$ -	$ -	$ -	$ -
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
$ -	$ -	$ -	$ -	$ -	$ -
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
$ -	$ -	$ -	$ -	$ -	$ -
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
$ -	$ -	$ -	$ -	$ -	$ -
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A

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

Last Ten Fiscal Years
(Expressed in Thousands)

	2015	2014	2013	2012
Non-employer Contributing Entity's Proportion of:				
Percentage of the Collective Net Pension Liability	95.069591%	N/A	N/A	N/A
Amount of the Collective Net Pension Liability	$ 1,027,065	$ -	$ -	$ -
Plan's Fiduciary Net Position As a Percentage of the Total Pension Liability	86.46%			

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.

2011	2010	2009	2008	2007	2006
N/A	N/A	N/A	N/A	N/A	N/A
$ -	$ -	$ -	$ -	$ -	$ -

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 Ten Fiscal Years
(Expressed in Thousands)

	2015	2014	2013	2012
State Employees				
Actuarially Determined Contribution	$ 107,807	$ 117,380	$ -	$ -
Contributions in Relation to the Contractually Required, Actuarially Determined Employer Contribution	(107,807)	(117,380)	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-Employee Payroll	$ 521,846	$ 525,765		
Contributions Recognized by the Pension Plan in Relation to the Contractually Required, Actuarially Determined Employer Contribution as a Percentage of Employer's Covered-Employee Payroll	20.66%	22.33%		
Maine Community College System				
Actuarially Determined Contribution	$ 8,135	$ 3,133	$ -	$ -
Contributions in Relation to the Contractually Required, Actuarially Determined Employer Contribution	(8,135)	(3,133)	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-Employee Payroll	$ 30,257	$ 31,679		
Contributions Recognized by the Pension Plan in Relation to the Contractually Required, Actuarially Determined Employer Contribution as a Percentage of Employer's Covered-Employee Payroll	26.89%	9.89%		
Maine Educational Center for the Deaf and Hard of Hearing				
Actuarially Determined Contribution	$ 554	$ 451	$ -	$ -
Contributions in Relation to the Contractually Required, Actuarially Determined Employer Contribution	(554)	(451)	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-Employee Payroll	$ 3,517	$ 3,359		
Contributions Recognized by the Pension Plan in Relation to the Contractually Required, Actuarially Determined Employer Contribution as a Percentage of Employer's Covered-Employee Payroll	15.75%	13.43%		
Northern New England Passenger Rail Authority				
Actuarially Determined Contribution	$ 81	$ 71	$ -	$ -
Contributions in Relation to the Contractually Required, Actuarially Determined Employer Contribution	(81)	(71)	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-Employee Payroll	$ 430	$ 417		
Contributions Recognized by the Pension Plan in Relation to the Contractually Required, Actuarially Determined Employer Contribution as a Percentage of Employer's Covered-Employee Payroll	18.84%	17.03%		
Total SETP - State of Maine Employees				
Actuarially Determined Contribution	$ 116,577	$ 121,035	$ -	$ -
Contributions in Relation to the Contractually Required, Actuarially Determined Employer Contribution	(116,577)	(121,035)	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-Employee Payroll	$ 556,050	$ 561,220	$ -	$ -
Contributions Recognized by the Pension Plan in Relation to the Contractually Required, Actuarially Determined Employer Contribution as a Percentage of Employer's Covered-Employee Payroll	20.97%	21.57%		

2011	2010	2009	2008	2007	2006
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ -
$ -	$ -	$ -	$ -	$ -	$ -

Required Supplementary Information - State Retirement Plans

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, 2012

June 30, 2015 actuarially determined contribution rates are calculated based on a 2012 actuarial valuation developed as a roll-forward of the 2011 actuarial valuation, adjusted for expected experience and any assumption or methodology changes during fiscal year end 2012 using actual assets as of June 30, 2012.

Actuarial cost method	Entry age normal
Asset valuation method	3 - Year smoothed market
Amortization method	Level percent of payroll, closed 16-year amortization of the 2012 UAL
Investment rate of return	7.25%
Amortization growth rate	3.50%
Price inflation	3.50%
Salary increases	3.5% plus merit component based on employee's years of service
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
Most recent review of plan experience:	2011

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2015 can be found in the June 30, 2012 actuarial valuation report.

Revised actuarial assumption:	
Investment rate of return	7.125%

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. The MainePERS Board of Trustees set the 2014 COLA at 2.1% (the CPI-U at June 30, 2014) at their August meeting. 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.

Required Supplementary Information – Other Post-employment Benefit Plans

Schedules of Funding Progress

Healthcare Plans

Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
	June 30, 2014	167	1,224	1,057	13.64%	543	194.66%
State Employees	June 30, 2013	150	1,166	1,016	12.86%	518	196.14%
(in millions)	June 30, 2012	136	1,316	1,180	10.33%	502	235.06%
Teachers	June 30, 2014	0	684	684	0.00%	1,106	61.84%
(in millions)	June 30, 2013	0	685	685	0.00%	1,194	57.37%
	June 30, 2012	0	665	665	0.00%	1,156	57.53%
	June 30, 2014	0	24,055	24,055	0.00%	54,967	43.76%
First Responders	June 30, 2013	0	22,369	22,369	0.00%	53,366	41.92%
(in thousands)	June 30, 2012	0	23,442	23,442	0.00%	43,510	53.88%

Group Life Insurance Plans

(Expressed in Thousands)

Plan	Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Annual Covered Payroll	(b-a)/c) UAAL (as a percentage of covered payroll)
	June 30, 2015	47,600	115,500	67,900	41.21%	563,500	12.05%
State Employees	June 30, 2014	31,800	87,300	55,500	36.43%	563,500	9.85%
	June 30, 2013	27,000	83,800	56,800	32.22%	572,800	9.92%
	June 30, 2015	48,000	79,000	31,000	60.76%	666,200	4.65%
Teachers	June 30, 2014	45,100	75,600	30,500	59.66%	666,200	4.58%
	June 30, 2013	36,000	74,200	38,200	48.52%	652,800	5.85%

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

Schedule of Employer Contributions

(Expressed in Thousands)

	State Employees		Teachers		First Responders	
Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
Healthcare - 2015	$84,000	79.76%	$46,000	56.52%	$1,976	38.26%
Healthcare - 2014	99,000	63.87%	45,000	55.46%	1,769	33.52%
Healthcare - 2013	94,000	72.34%	44,000	56.82%	1,689	34.16%
Healthcare - 2012	126,000	57.94%	55,000	40.00%	1,350	32.15%
Group Life - 2015	4,935	86.67%	3,660	100.00%	N/A	N/A
Group Life - 2014	4,768	88.07%	3,440	100.00%	N/A	N/A
Group Life - 2013	4,591	101.79%	3,099	100.00%	N/A	N/A
Group Life - 2012	3,250	144.13%	2,959	100.00%	N/A	N/A

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

As allowed by GASB Statement No. 34, the State has adopted an alternative process for recording depreciation expense on selected infrastructure assets. Under this process, the State does not record depreciation expense nor are amounts capitalized in connection with improvements to these assets, unless the improvements expand the capacity or efficiency of an asset. Assets accounted for under the modified approach include 8,827 highway miles or 17,953 lane miles of roads and 2,957 bridges having a total deck area of 11.7 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.

<u>Highways</u>

Measurement Scale for Highways

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

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

Bridges

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

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

Assessed Conditions

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

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

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

Fiscal Year	Highways	Bridges
2015	75.5	78.0
2014	75.5	78.0
2013	76.0	78.0

Comparison of Estimated-to-Actual Preservation Costs

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

Actual Preservation Costs
(Expressed in millions)

	2015	2014	2013	2012	2011
Highways	$ 110.2	$ 163.0 [1]	$ 90.5	$ 91.5	$101.4
Bridges	5.5	71.0 [1]	14.7	13.2	9.3
Total	$ 115.7	$ 234.0	$ 105.2	$ 104.7	$110.7

Estimated Preservation Costs
(Expressed in millions)

	2015	2014	2013	2012	2011
Highways	$ 71.9	$ 24.7	$ 84.1	$ 155.0	$ 86.1
Bridges	3.9	3.1	13.7	30.0	7.9
Total	$ 75.8	$ 27.8	$ 97.8	$ 185.0	$ 94.0

[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 the incorrect process.

Transportation Bonds

Transportation bonds, approved by referendum, are issued to fund improvements to highways and bridges. Of the amount authorized by Chapter 697, PL 2011, $15 million in General fund bonds were spent during FY2015. Of the amount authorized by Chapter 429, PL 2013, $50 million in General fund bonds were spent during FY2015.

STATE OF MAINE
REPORTS ON INTERNAL CONTROL AND COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2015


DIRIGO
MAINE

STATE OF MAINE
OFFICE OF THE STATE AUDITOR

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STATE AUDITOR

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

Honorable Michael D. Thibodeau
President of the Senate

Honorable Mark W. Eves
Speaker of the House of Representatives

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Maine, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State of Maine's basic financial statements, and have issued our report thereon dated December 31, 2015. Our report includes a reference to other auditors who audited the financial statements of the following component units: Child Development Services, ConnectME Authority, Efficiency Maine Trust, Finance Authority of Maine, Loring Development Authority, Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, Maine Educational Loan Authority, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Port Authority, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Technology Institute, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, Small Enterprise Growth Fund, and the University of Maine System, as described in our report on the State of Maine's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Maine Educational Loan Authority, the Maine Port Authority, the Maine Technology Institute and the Small Enterprise Growth Fund were not audited in accordance with *Government Auditing Standards.*

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency (Finding # 2015-001, 2015-002 and 2015-003).

Compliance and Other Matters

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

State of Maine's Response to Findings

The State of Maine's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The State of Maine's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

Pola Buckley

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

Augusta, Maine
December 31, 2015

STATE OF MAINE
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Honorable Michael D. Thibodeau
President of the Senate

Honorable Mark W. Eves
Speaker of the House of Representatives

Report on Compliance for Each Major Federal Program

We have audited the State of Maine's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the State of Maine's major federal programs for the year ended June 30, 2015. The State of Maine's major federal programs are identified in the Summary of Auditor's Results section (E-1) of the accompanying Schedule of Findings and Questioned Costs.

The State of Maine's basic financial statements included the operations of the following component units: Child Development Services, ConnectME Authority, Efficiency Maine Trust, Finance Authority of Maine, Loring Development Authority, Maine Community College System, Maine Educational Center for the Deaf and Hard of Hearing, Maine Educational Loan Authority, Maine Governmental Facilities Authority, Maine Health and Higher Educational Facilities Authority, Maine Maritime Academy, Maine Municipal Bond Bank, Maine Port Authority, Maine Public Employees Retirement System, Maine State Housing Authority, Maine Technology Institute, Maine Turnpike Authority, Midcoast Regional Redevelopment Authority, Northern New England Passenger Rail Authority, Small Enterprise Growth Fund, and the University of Maine System. The Federal awards that these component units received are not included in the Schedule of Expenditure of Federal Awards for the year ended June 30, 2015. Our audit, described below, did not include the operations of these component units because the component units engaged other auditors to perform an audit in accordance with Circular A-133, if required.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State of Maine's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State of Maine's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on the Unemployment Insurance Program

As described in the accompanying schedule of findings and questioned costs, the State of Maine did not comply with requirements regarding Unemployment Insurance (CFDA #17.225) as described in finding number 2015-031 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the State of Maine to comply with the requirements applicable to that program.

Qualified Opinion on the Unemployment Insurance Program

In our opinion, except for the noncompliance described in the preceding Basis for Qualified Opinion paragraph, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Unemployment Insurance Program for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the State of Maine complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2015-009, 2015-012, 2015-013, 2015-025, 2015-030, and 2015-031. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

Management of the State of Maine is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the State of Maine's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Maine's internal control over compliance.

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-031 and 2015-039 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2015-004 through 2015-030, 2015-032 through 2015-038, and 2015-040 to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Pola Buckley

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

Augusta, Maine
March 31, 2016

STATE OF MAINE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015


DIRIGO
MAINE

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Agency CFDA#	Clusters and Program Titles	ARRA	Non-ARRA	CFDA Total	
Department of Agriculture					
10.025	Plant and Animal Disease, Pest Control, and Animal Care		389,889	389,889	
10.156	Federal-State Marketing Improvement Program		754,520	754,520	
10.162	Inspection Grading and Standardization		793,669	793,669	
10.163	Market Protection and Promotion		281,915	281,915	
10.170	Specialty Crop Block Grant Program - Farm Bill		311,794	311,794	
10.475	Cooperative Agreements with States for Intrastate Meat and Poultry Inspection		262,582	262,582	
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children		17,418,403	17,418,403	*
10.558	Child and Adult Care Food Program		9,279,472	9,279,472	*
10.560	State Administrative Expenses for Child Nutrition		1,078,331	1,078,331	
10.572	WIC Farmers' Market Nutrition Program (FMNP)		61,631	61,631	
10.576	Senior Farmers Market Nutrition Program		984,518	984,518	
10.578	WIC Grants To States (WGS)		361,654	361,654	
10.579	Child Nutrition Discretionary Grants Limited Availability		111,011	111,011	
10.580	Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants		23,470	23,470	
10.582	Fresh Fruit and Vegetable Program		1,859,049	1,859,049	
10.652	Forestry Research		660,642	660,642	
10.664	Cooperative Forestry Assistance		2,168,671	2,168,671	
10.675	Urban and Community Forestry Program		281,658	281,658	
10.676	Forest Legacy Program		1,836,512	1,836,512	
10.678	Forest Stewardship Program		155,256	155,256	
10.680	Forest Health Protection		164,338	164,338	
10.902	Soil and Water Conservation		5,389	5,389	
10.914	Wildlife Habitat Incentive Program		951	951	
SNAP Cluster					
10.551	Supplemental Nutrition Assistance Program		292,381,826	292,381,826	*
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		15,694,562	15,694,562	*
SNAP Cluster Total			308,076,389	308,076,389	
Food Distribution Cluster					
10.565	Commodity Supplemental Food Program		213,388	213,388	
10.568	Emergency Food Assistance Program (Administrative Costs)		307,191	307,191	
10.569	Emergency Food Assistance Program (Food Commodities)		2,280,828	2,280,828	
Food Distribution Cluster Total			2,801,407	2,801,407	
Child Nutrition Cluster					
10.555	National School Lunch Program		49,171,629	49,171,629	*
10.559	Summer Food Service Program for Children		1,936,110	1,936,110	*
Child Nutrition Cluster Total			51,107,739	51,107,739	
Department of Agriculture Total			401,230,860	401,230,860	

Federal Agency CFDA#	Clusters and Program Titles	ARRA	Non-ARRA	CFDA Total	
Department of Commerce					
11.407	Interjurisdictional Fisheries Act of 1986		121,808	121,808	
11.417	Sea Grant Support [4]		1,592	1,592	
11.419	Coastal Zone Management Administration Awards		2,423,364	2,423,364	
11.454	Unallied Management Projects		2,106,050	2,106,050	
11.472	Unallied Science Program		1,447,311	1,447,311	*
11.474	Atlantic Coastal Fisheries Cooperative Management Act		439,580	439,580	
11.558	State Broadband Data and Development Grant Program	269,596		269,596	
11.999	Marsh Migration [2]		20,000	20,000	
11.999	EA-133F-12-BA-0049 - Access Point Angler Intercept Survey Data Collection		44,570	44,570	
11.999	EA-133F-14-SE-2751 - Large Pelagics Intercept and Survey		47,121	47,121	
Department of Commerce Total		269,596	6,651,397	6,920,993	

Federal Agency CFDA#	Clusters and Program Titles	ARRA	Non-ARRA	CFDA Total
Department of Defense				
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services		510,889	510,889
12.400	Military Construction, National Guard		262,177	262,177
12.401	National Guard Military Operations and Maintenance (O&M) Projects		22,761,121	22,761,121
12.404	National Guard ChalleNGe Program		3,408	3,408
Department of Defense Total			23,537,595	23,537,595

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Agency CFDA#	Clusters and Program Titles	ARRA	Non-ARRA	CFDA Total	
Department of Housing And Urban Development					
14.171	Manufactured Home Dispute Resolution		13,664	13,664	
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii		15,157,716	15,157,716	*
14.238	Shelter Plus Care		8,174,781	8,174,781	
14.401	Fair Housing Assistance Program State and Local		167,085	167,085	
Department of Housing And Urban Development Total			23,513,245	23,513,245	
Department of the Interior					
15.424	Marine Minerals Activities - Hurricane Sandy		55,529	55,529	
15.608	Fish and Wildlife Management Assistance		71,685	71,685	
15.614	Coastal Wetlands Planning, Protection and Restoration Program		2,451,281	2,451,281	
15.615	Cooperative Endangered Species Conservation Fund		55,585	55,585	
15.616	Clean Vessel Act Program		290,463	290,463	
15.622	Sportfishing and Boating Safety Act		326,563	326,563	
15.623	North American Wetlands Conservation Fund		122,800	122,800	
15.634	State Wildlife Grants		1,110,242	1,110,242	
15.649	Service Training and Technical Assistance (Generic Training)		78,346	78,346	
15.657	Endangered Species Conservation – Recovery Implementation Funds		832	832	
15.663	National Fish and Wildlife Foundation		43,547	43,547	
15.814	National Geological and Geophysical Data Preservation Program		66,582	66,582	
15.904	Historic Preservation Fund Grants-In-Aid		737,792	737,792	
15.916	Outdoor Recreation - Acquisition, Development and Planning		295,508	295,508	
15.931	Conservation Activities by Youth Service Organizations		122,468	122,468	
15.999	01-0000 - Fish and Wildlife Enhancement		2,676	2,676	
15.999	National Park Service, NER-ACAD-Acadia National Park, Federal Contract		5,800	5,800	
Fish and Wildlife Cluster					
15.605	Sport Fish Restoration Program		3,817,950	3,817,950	*
15.611	Wildlife Restoration and Basic Hunter Education		4,698,551	4,698,551	*
Fish and Wildlife Cluster Total			8,516,501	8,516,501	
Department of the Interior Total			14,354,199	14,354,199	
Department of Justice					
16.017	Sexual Assault Services Formula Program		256,254	256,254	
16.523	Juvenile Accountability Block Grants		148,206	148,206	
16.527	Supervised Visitation, Safe Havens for Children		171,177	171,177	
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States		336,298	336,298	
16.543	Missing Children's Assistance [3]		292,741	292,741	
16.550	State Justice Statistics Program for Statistical Analysis Centers		61,756	61,756	
16.554	National Criminal History Improvement Program (NCHIP)		273,507	273,507	
16.575	Crime Victim Assistance		2,376,840	2,376,840	*
16.576	Crime Victim Compensation		161,377	161,377	
16.585	Drug Court Discretionary Grant Program		239,594	239,594	
16.588	Violence Against Women Formula Grants		961,918	961,918	
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program [1]		5,267	5,267	
16.593	Residential Substance Abuse Treatment for State Prisoners		17,271	17,271	
16.606	State Criminal Alien Assistance Program		90,441	90,441	
16.609	Project Safe Neighborhoods		116,806	116,806	
16.710	Public Safety Partnership and Community Policing Grants		68,383	68,383	
16.726	Juvenile Mentoring Program [3]		38,176	38,176	
16.727	Enforcing Underage Drinking Laws Program		256,984	256,984	
16.735	Protecting Inmates and Safeguarding Communities Discretionary Grant Program		78,650	78,650	
16.738	Edward Byrne Memorial Justice Assistance Grant Program		1,164,493	1,164,493	
16.741	DNA Backlog Reduction Program		256,743	256,743	
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program		84,762	84,762	
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program		8,685	8,685	
16.750	Support for Adam Walsh Act Implementation Grant Program		26,647	26,647	
16.754	Harold Rogers Prescription Drug Monitoring Program		45,570	45,570	
16.756	Court Appointed Special Advocates [3]		11,288	11,288	
16.757	Judicial Training on Child Maltreatment for Court Personnel Juvenile Justice Programs		7,431	7,431	
16.922	Equitable Sharing Program		40,703	40,703	
16.999	2014-078 - Domestic Cannabis Eradication		27,170	27,170	
Department of Justice Total			7,625,139	7,625,139	

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Agency CFDA#	Clusters and Program Titles	ARRA	Non-ARRA	CFDA Total	
Department of Labor					
17.002	Labor Force Statistics		1,150,326	1,150,326	
17.005	Compensation and Working Conditions		112,295	112,295	
17.225	Unemployment Insurance		154,084,656	154,084,656	*
17.235	Senior Community Service Employment Program		477,079	477,079	
17.245	Trade Adjustment Assistance		3,529,932	3,529,932	
17.261	WIA Pilots, Demonstrations, and Research Projects		105,995	105,995	
17.267	Incentive Grants - WIA Section 503		59,842	59,842	
17.271	Work Opportunity Tax Credit Program (WOTC)		106,090	106,090	
17.273	Temporary Labor Certification for Foreign Workers		192,802	192,802	
17.277	Workforce Investment Act (WIA) National Emergency Grants		1,123,096	1,123,096	
17.281	Workforce Investment Act (WIA) Dislocated Worker National Reserve Technical Assistance and Training		4,632	4,632	
17.504	Consultation Agreements		634,506	634,506	
17.600	Mine Health and Safety Grants		41,839	41,839	
WIA Cluster					
17.258	WIA Adult Program		2,947,513	2,947,513	*
17.259	WIA Youth Activities		2,755,448	2,755,448	*
17.278	WIA Dislocated Worker Formula Grants		3,372,939	3,372,939	*
WIA Cluster Total			9,075,900	9,075,900	
Employment Service Cluster					
17.207	Employment Service/Wagner-Peyser Funded Activities		4,487,383	4,487,383	
17.801	Disabled Veterans' Outreach Program (DVOP)		577,048	577,048	
17.804	Local Veterans' Employment Representative Program		340,890	340,890	
Employment Service Cluster Total			5,405,321	5,405,321	
Department of Labor Total			176,104,311	176,104,311	
Department of Transportation					
20.106	Airport Improvement Program		537,323	537,323	
20.218	National Motor Carrier Safety		787,923	787,923	
20.232	Commercial Driver's License Program Improvement Grant		238,423	238,423	
20.233	Border Enforcement Grants		444,886	444,886	
20.234	Safety Data Improvement Program		135,663	135,663	
20.237	Commercial Vehicle Information Systems and Networks		311,931	311,931	
20.505	Metropolitan Transportation Planning		115,331	115,331	
20.509	Formula Grants for Rural Areas		7,201,494	7,201,494	
20.520	Paul S. Sarbanes Transit in the Parks		92	92	
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants		22,164	22,164	
20.700	Pipeline Safety Program State Base Grant		329,163	329,163	
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants		158,831	158,831	
20.721	PHMSA Pipeline Safety Program One Call Grant		38,996	38,996	
Transit Services Programs Cluster					
20.513	Enhanced Mobility of Seniors and Individuals with Disabilities		1,302,027	1,302,027	
20.521	New Freedom Program		748,481	748,481	
Transit Services Programs Cluster Total			2,050,508	2,050,508	
Highway Safety Cluster					
20.600	State and Community Highway Safety		2,037,187	2,037,187	*
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I		1,100,698	1,100,698	*
20.602	Occupant Protection Incentive Grants		208,821	208,821	*
20.610	State Traffic Safety Information System Improvement Grants		400,591	400,591	*
20.612	Incentive Grant Program to Increase Motorcyclist Safety		119,086	119,086	*
20.613	Child Safety and Child Booster Seats Incentive Grants		48,515	48,515	*
20.616	National Priority Safety Programs		237,836	237,836	*
Highway Safety Cluster Total			4,152,735	4,152,735	
Highway Planning and Construction Cluster					
20.205	Highway Planning and Construction		208,771,276	208,771,276	
20.219	Recreational Trails Program		792,589	792,589	
Highway Planning and Construction Cluster Total			209,563,866	209,563,866	
Federal Transit Cluster					
20.500	Federal Transit Capital Investment Grants		1,309,776	1,309,776	
20.507	Federal Transit - Formula Grants		677,415	677,415	
Federal Transit Cluster Total			1,987,191	1,987,191	
Department of Transportation Total			228,076,519	228,076,519	

STATE OF MAINE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Agency CFDA#	Clusters and Program Titles	ARRA	Non-ARRA	CFDA Total
Department of the Treasury				
21.000	Treasury Forfeiture Program		366,643	366,643
21.999	ED-8-CO-0037-NAEP Grant		108,256	108,256
Department of the Treasury Total			474,899	474,899
Equal Employment Opportunity Commission				
30.001	Employment Discrimination - Title VII of the Civil Rights Act of 1964		267,778	267,778
Equal Employment Opportunity Commission Total			267,778	267,778
General Services Administration				
39.003	Donation of Federal Surplus Personal Property		933,011	933,011
General Services Administration Total			933,011	933,011
Institute Of Museum And Library Services				
45.310	Grants to States		1,400,642	1,400,642
Institute Of Museum And Library Services Total			1,400,642	1,400,642
National Endowment For The Arts				
45.025	Promotion of the Arts - Partnership Agreements		729,470	729,470
National Endowment For The Arts Total			729,470	729,470
Department of Veterans Affairs				
64.038	Grants for the Rural Veterans Coordination Pilot		255,242	255,242
64.203	State Cemetery Grants		2,302,290	2,302,290
Department of Veterans Affairs Total			2,557,532	2,557,532
Environmental Protection Agency				
66.032	State Indoor Radon Grants		172,579	172,579
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act		260,540	260,540
66.039	National Clean Diesel Emissions Reduction Program		619,671	619,671
66.040	State Clean Diesel Grant Program		219,097	219,097
66.202	Congressionally Mandated Projects		35,208	35,208
66.432	State Public Water System Supervision		957,275	957,275
66.454	Water Quality Management Planning		79,345	79,345
66.461	Regional Wetland Program Development Grants		218,149	218,149
66.472	Beach Monitoring and Notification Program Implementation Grants		256,118	256,118
66.605	Performance Partnership Grants		7,499,853	7,499,853
66.608	Environmental Information Exchange Network Grant Program and Related Assistance		4,313	4,313
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements		139,924	139,924
66.804	Underground Storage Tank Prevention, Detection and Compliance Program		360,427	360,427
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program		476,194	476,194
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements		167,265	167,265
66.817	State and Tribal Response Program Grants		891,036	891,036
66.818	Brownfields Assessment and Cleanup Cooperative Agreements		645,742	645,742
Drinking Water State Revolving Fund Cluster				
66.468	Capitalization Grants for Drinking Water State Revolving Funds		1,474,453	1,474,453
Drinking Water State Revolving Fund Cluster Total			1,474,453	1,474,453
Environmental Protection Agency Total			14,477,189	14,477,189

Federal Agency CFDA#	Clusters and Program Titles	ARRA	Non-ARRA	CFDA Total	
Department of Energy					
81.041	State Energy Program		417,841	417,841	
81.122	Electricity Delivery and Energy Reliability, Research, Development and Analysis	6,713		6,713	
81.138	State Heating Oil and Propane Program		8,170	8,170	
Department of Energy Total		6,713	426,011	432,724	
Department of Education					
84.002	Adult Education - Basic Grants to States		1,806,518	1,806,518	
84.010	Title I Grants to Local Educational Agencies		49,722,625	49,722,625	*
84.011	Migrant Education - State Grant Program		1,336,681	1,336,681	
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth		296,057	296,057	
84.048	Career and Technical Education - Basic Grants to States		5,839,579	5,839,579	
84.126	Rehabilitation Services - Vocational Rehabilitation Grants to States		19,547,764	19,547,764	*
84.161	Rehabilitation Services - Client Assistance Program		132,666	132,666	
84.169	Independent Living - State Grants		391,446	391,446	
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are		217,297	217,297	
84.181	Special Education-Grants for Infants and Families		2,150,226	2,150,226	
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities		228,910	228,910	
84.196	Education for Homeless Children and Youth		158,059	158,059	
84.224	Assistive Technology		459,130	459,130	
84.265	Rehabilitation Training - State Vocational Rehabilitation Unit In-Service Training		43,107	43,107	
84.287	Twenty-First Century Community Learning Centers		5,229,231	5,229,231	
84.323	Special Education - State Personnel Development		559,048	559,048	
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)		63,899	63,899	
84.358	Rural Education		1,598,750	1,598,750	
84.365	English Language Acquisition State Grants		658,791	658,791	
84.366	Mathematics and Science Partnerships		951,423	951,423	
84.367	Improving Teacher Quality State Grants		10,750,772	10,750,772	
84.369	Grants for State Assessments and Related Activities		4,080,811	4,080,811	
84.374	Teacher Incentive Fund		2,986,576	2,986,576	
84.384	Statewide Data Systems, Recovery Act	1,017,930		1,017,930	
84.419	Preschool Development Grants		10,784	10,784	
Special Education Cluster (IDEA)					
84.027	Special Education - Grants to States		49,040,833	49,040,833	
84.173	Special Education - Preschool Grants		713,159	713,159	
Special Education Cluster (IDEA) Total			49,753,991	49,753,991	
School Improvement Grants Cluster					
84.377	School Improvement Grants		1,423,451	1,423,451	
84.388	Office of Elementary and School Improvement Grants, Recovery Act	208,231		208,231	
School Improvement Grants Cluster Total		208,231	1,423,451	1,631,682	
Department of Education Total		1,226,161	160,397,590	161,623,751	
National Archives And Records Administration					
89.005	Cooperative Agreements to Support the Programs of the National Archives and Records Administration		36,146	36,146	
National Archives And Records Administration Total			36,146	36,146	
U.S. Election Assistance Commission					
90.401	Help America Vote Act Requirements Payments		885,692	885,692	
U.S. Election Assistance Commission Total			885,692	885,692	
Department of Health And Human Services					
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation		21,879	21,879	
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals		81,309	81,309	
93.043	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services		98,771	98,771	
93.048	Special Programs for the Aging - Title IV - and Title II - Discretionary Projects		504,224	504,224	
93.051	Alzheimer's Disease Demonstration Grants to States		288,893	288,893	
93.052	National Family Caregiver Support, Title III, Part E		619,549	619,549	
93.070	Environmental Public Health and Emergency Response		1,425,836	1,425,836	
93.071	Medicare Enrollment Assistance Program		135,568	135,568	

Federal Agency CFDA#	Clusters and Program Titles	ARRA	Non-ARRA	CFDA Total	
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements		6,461,908	6,461,908	*
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance		61,855	61,855	
93.082	Sodium Reduction in Communities		116,767	116,767	
93.090	Guardianship Assistance		311,747	311,747	
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program		249,363	249,363	
93.110	Maternal and Child Health Federal Consolidated Programs		83,572	83,572	
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs		82,180	82,180	
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices		182,248	182,248	
93.136	Injury Prevention and Control Research and State and Community Based Programs		252,949	252,949	
93.150	Projects for Assistance in Transition from Homelessness (PATH)		300,000	300,000	
93.165	Grants to States for Loan Repayment Program		75,000	75,000	
93.241	State Rural Hospital Flexibility Program		329,387	329,387	
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance		3,852,131	3,852,131	
93.251	Universal Newborn Hearing Screening		184,218	184,218	
93.267	State Grants for Protection and Advocacy Services		78,237	78,237	
93.268	Immunization Cooperative Agreements		15,421,464	15,421,464	
93.270	Adult Viral Hepatitis Prevention and Control		73,633	73,633	
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance		2,755,307	2,755,307	
93.301	Small Rural Hospital Improvement Grant Program		235,819	235,819	
93.324	State Health Insurance Assistance Program		363,242	363,242	
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting		7,578,733	7,578,733	*
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers		851,073	851,073	
93.507	PPHF 2012 National Public Health Improvement Initiative		459,903	459,903	
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review		1,669,598	1,669,598	
93.512	Affordable Care Act (ACA) Personal and Home Care Aide State Training Program (PHCAST)		233,198	233,198	
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF		1,211,485	1,211,485	
93.531	PPHF 2012: Community Transfromation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Preventinon and Public Health Funds		442,028	442,028	
93.539	PPHF 2012 - Prevention and Public Health Fund (Affordable Care Act) - Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by 2012 Prevention and Public Health Funds		444,815	444,815	
93.556	Promoting Safe and Stable Families		1,196,379	1,196,379	
93.563	Child Support Enforcement		16,484,008	16,484,008	*
93.566	Refugee and Entrant Assistance - State Administered Programs		996,671	996,671	
93.569	Community Services Block Grant		3,618,577	3,618,577	
93.576	Refugee and Entrant Assistance - Discretionary Grants		404,098	404,098	
93.586	State Court Improvement Program		323,898	323,898	
93.597	Grants to States for Access and Visitation Programs		101,540	101,540	
93.599	Chafee Education and Training Vouchers Program (ETV)		124,253	124,253	
93.600	Head Start		155,482	155,482	
93.603	Adoption Incentive Payments		1,082	1,082	
93.617	Voting Access for Individuals with Disabilities - Grants to States		193,859	193,859	
93.624	ACA - State Innovation Models: Funding for Model Design and Model Testing		10,258,985	10,258,985	*
93.630	Developmental Disabilities Basic Support and Advocacy Grants		420,503	420,503	
93.643	Children's Justice Grants to States		89,006	89,006	
93.645	Stephanie Tubbs Jones Child Welfare Services Program		210,007	210,007	
93.658	Foster Care - Title IV-E		15,426,582	15,426,582	
93.659	Adoption Assistance		14,642,295	14,642,295	
93.667	Social Services Block Grant		13,575,489	13,575,489	*
93.669	Child Abuse and Neglect State Grants		224,592	224,592	
93.670	Child Abuse and Neglect Discretionary Activities		378,471	378,471	
93.671	Family Violence Prevention and Services/Battered Women's Shelters - Grants to States and Indian Tribes		945,521	945,521	
93.674	Chafee Foster Care Independence Program		468,960	468,960	
93.735	State Public Health Approaches for Ensuring Quitline Capacity – Funded in part by 2012 Prevention and Public Health Funds (PPHF-2012)		70,160	70,160	
93.745	PPHF-2012: Health Care Surveillance/Health Statistics – Surveillance Program Announcement: Behavioral Risk Factor Surveillance System Financed in Part by 2012 Prevention and Public Health Funds (PPHF-2012)		261,253	261,253	
93.748	PPHF-2012 Cooperative Agreements for Prescription Drug Monitoring Program Electronic Health Record (EHR) Integration and Interoperability Expansion		224,197	224,197	

Federal Agency CFDA#	Clusters and Program Titles	ARRA	Non-ARRA	CFDA Total	
93.757	State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health financed in part by Prevention and Public Health Funding (PPHF)		497,774	497,774	
93.767	Children's Health Insurance Program		24,489,674	24,489,674	*
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations		16,274	16,274	
93.791	Money Follows the Person Rebalancing Demonstration		1,685,303	1,685,303	
93.889	National Bioterrorism Hospital Preparedness Program		106,801	106,801	
93.912	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program		302,333	302,333	
93.913	Grants to States for Operation of Offices of Rural Health		171,751	171,751	
93.917	HIV Care Formula Grants		1,529,930	1,529,930	
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs		1,050,201	1,050,201	
93.940	HIV Prevention Activities - Health Department Based		792,967	792,967	
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance		109,800	109,800	
93.945	Assistance Programs for Chronic Disease Prevention and Control		1,645,609	1,645,609	
93.958	Block Grants for Community Mental Health Services		1,571,916	1,571,916	
93.959	Block Grants for Prevention and Treatment of Substance Abuse		6,612,164	6,612,164	
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants		306,683	306,683	
93.991	Preventive Health and Health Services Block Grant		1,139,255	1,139,255	
93.994	Maternal and Child Health Services Block Grant to the States		3,351,051	3,351,051	
93.999	2010 MEHRPC - Temporary High Risk Insurance Pool		1,714	1,714	
TANF Cluster					
93.558	Temporary Assistance for Needy Families		34,552,524	34,552,524	*
TANF Cluster Total			34,552,524	34,552,524	
Medicaid Cluster					
93.775	State Medicaid Fraud Control Units		618,650	618,650	*
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare		3,328,747	3,328,747	*
93.778	Medical Assistance Program	18,708,526	1,585,941,183	1,604,649,709	*
Medicaid Cluster Total		18,708,526	1,589,888,580	1,608,597,107	
CCDF Cluster					
93.575	Child Care and Development Block Grant		11,215,921	11,215,921	*
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund		4,634,467	4,634,467	*
CCDF Cluster Total			15,850,387	15,850,387	
Aging Cluster					
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers		2,431,014	2,431,014	
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services		2,619,704	2,619,704	
93.053	Nutrition Services Incentive Program		638,454	638,454	
Aging Cluster Total			5,689,173	5,689,173	
Department of Health And Human Services Total		18,708,526	1,819,695,619	1,838,404,145	
State Agreement					
93.999	2015DASIS - DASIS Federal Agreement MIS Implement of Uniform Alcohol & Drug Abuse Data Collection System		43,785	43,785	
State Agreement Total			43,785	43,785	
Corporation For National And Community Service					
94.003	State Commissions		229,955	229,955	
94.006	AmeriCorps		1,755,092	1,755,092	*
94.013	Volunteers in Service to America		51,605	51,605	
94.021	Volunteer Generation Fund		199,597	199,597	
Corporation For National And Community Service Total			2,236,249	2,236,249	

Federal Agency CFDA#	Clusters and Program Titles	ARRA	Non-ARRA	CFDA Total
Social Security Administration				
Disability Insurance/SSI Cluster				
96.001	Social Security - Disability Insurance		8,396,714	8,396,714
Disability Insurance/SSI Cluster Total			8,396,714	8,396,714
Social Security Administration Total			8,396,714	8,396,714
Department of Homeland Security				
97.012	Boating Safety Financial Assistance		979,517	979,517
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters) [5 & 6]		408,256	408,256
97.041	National Dam Safety Program		107,571	107,571
97.042	Emergency Management Performance Grants [7]		3,561,420	3,561,420
97.045	Cooperating Technical Partners		396,767	396,767
97.047	Pre-Disaster Mitigation		2,072	2,072
97.067	Homeland Security Grant Program		5,657,178	5,657,178
97.120	Border Interoperability Demonstration Project		701,921	701,921
Department of Homeland Security Total			11,814,703	11,814,703
Total State of Maine		**20,210,996**	**2,905,866,294**	**2,926,077,290**

The State spent pass-through funds received from:

[1] Cumberland County
[2] WMI
[3] National CASA
[4] Virginia Institute of Marine Sciences
[5] State of Massachussetts
[6] State of New Jersey
[7] State of New York

STATE OF MAINE
Schedule of Expenditures of Federal Awards
Amounts Provided to Subrecipients
For the Year Ended June 30, 2015

Federal Agency CFDA#	Clusters and Program Titles	Total Provided to Subrecipients
Department of Agriculture		
10.025	Plant and Animal Disease, Pest Control, and Animal Care	39,968
10.163	Market Protection and Promotion	281,915
10.170	Specialty Crop Block Grant Program - Farm Bill	49,151
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	4,031,966
10.572	WIC Farmers' Market Nutrition Program (FMNP)	11,463
10.576	Senior Farmers Market Nutrition Program	881,289
10.579	Child Nutrition Discretionary Grants Limited Availability	111,011
10.582	Fresh Fruit and Vegetable Program	1,785,715
10.664	Cooperative Forestry Assistance	114,767
10.675	Urban and Community Forestry Program	57,311
10.678	Forest Stewardship Program	121,758
10.680	Forest Health Protection	61,676
Food Distribution Cluster		
10.565	Commodity Supplemental Food Program	175,619
10.568	Emergency Food Assistance Program (Administrative Costs)	314,588
Food Distribution Cluster Total		490,206
Child Nutrition Cluster		
10.555	National School Lunch Program	44,409,994
10.559	Summer Food Service Program for Children	1,850,744
Child Nutrition Cluster Total		46,260,738
Department of Agriculture Total		54,298,934
Department of Commerce		
11.419	Coastal Zone Management Administration Awards	355,252
11.454	Unallied Management Projects	2,102,348
11.472	Unallied Science Program	6,772
11.474	Atlantic Coastal Fisheries Cooperative Management Act	25,217
Department of Commerce Total		2,489,589
Department of Housing And Urban Development		
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14,699,421
14.238	Shelter Plus Care	8,174,781
Department of Housing And Urban Development Total		22,874,202
Department of the Interior		
15.608	Fish and Wildlife Management Assistance	16,359
15.614	Coastal Wetlands Planning, Protection and Restoration Program	2,154,875
15.615	Cooperative Endangered Species Conservation Fund	1,250
15.616	Clean Vessel Act Program	208,844
15.623	North American Wetlands Conservation Fund	122,800
15.634	State Wildlife Grants	348,329
15.916	Outdoor Recreation - Acquisition, Development and Planning	295,508
Fish and Wildlife Cluster		
15.605	Sport Fish Restoration Program	38,442
15.611	Wildlife Restoration and Basic Hunter Education	74,586
Fish and Wildlife Cluster Total		113,028
Department of the Interior Total		3,260,993

STATE OF MAINE
Schedule of Expenditures of Federal Awards
Amounts Provided to Subrecipients
For the Year Ended June 30, 2015

Federal Agency CFDA#	Clusters and Program Titles	Total Provided to Subrecipients
Department of Justice		
16.017	Sexual Assault Services Formula Program	245,799
16.527	Supervised Visitation, Safe Havens for Children	145,785
16.575	Crime Victim Assistance	1,974,245
16.585	Drug Court Discretionary Grant Program	267,118
16.588	Violence Against Women Formula Grants	812,815
16.593	Residential Substance Abuse Treatment for State Prisoners	12,601
16.609	Project Safe Neighborhoods	115,377
16.727	Enforcing Underage Drinking Laws Program	250,098
16.738	Edward Byrne Memorial Justice Assistance Grant Program	108,473
Department of Justice Total		3,932,310
Department of Labor		
17.235	Senior Community Service Employment Program	463,278
17.267	Incentive Grants - WIA Section 503	50,000
17.277	Workforce Investment Act (WIA) National Emergency Grants	888,458
WIA Cluster		
17.258	WIA Adult Program	2,773,718
17.259	WIA Youth Activities	2,561,225
17.278	WIA Dislocated Worker Formula Grants	2,661,529
WIA Cluster Total		7,996,472
Employment Service Cluster		
17.207	Employment Service/Wagner-Peyser Funded Activities	178,229
Employment Service Cluster Total		178,229
Department of Labor Total		9,576,437
Department of Transportation		
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	144,531
Highway Safety Cluster		
20.600	State and Community Highway Safety	433,845
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I	299,480
20.602	Occupant Protection Incentive Grants	24,037
20.616	National Priority Safety Programs	37,133
Highway Safety Cluster Total		794,494
Highway Planning and Construction Cluster		
20.219	Recreational Trails Program	742,828
Highway Planning and Construction Cluster Total		742,828
Department of Transportation Total		1,681,853
Department of Veterans Affairs		
64.038	Grants for the Rural Veterans Coordination Pilot	121,099
Department of Veterans Affairs Total		121,099
Environmental Protection Agency		
66.039	National Clean Diesel Emissions Reduction Program	619,671
66.040	State Clean Diesel Grant Program	219,097
66.454	Water Quality Management Planning	17,951
66.461	Regional Wetland Program Development Grants	1,250
66.472	Beach Monitoring and Notification Program Implementation Grants	175,361
66.605	Performance Partnership Grants	833,891
Environmental Protection Agency Total		1,867,221

STATE OF MAINE
Schedule of Expenditures of Federal Awards
Amounts Provided to Subrecipients
For the Year Ended June 30, 2015

Federal Agency CFDA#	Clusters and Program Titles	Total Provided to Subrecipients
Department of Education		
84.002	Adult Education - Basic Grants to States	1,484,932
84.010	Title I Grants to Local Educational Agencies	48,543,616
84.048	Career and Technical Education -- Basic Grants to States	5,111,271
84.181	Special Education-Grants for Infants and Families	2,084,696
84.196	Education for Homeless Children and Youth	110,005
84.224	Assistive Technology	450,566
84.287	Twenty-First Century Community Learning Centers	4,998,689
84.323	Special Education - State Personnel Development	210,510
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	63,899
84.358	Rural Education	1,479,934
84.365	English Language Acquisition State Grants	557,318
84.366	Mathematics and Science Partnerships	919,775
84.367	Improving Teacher Quality State Grants	10,448,612
84.374	Teacher Incentive Fund	1,347,227
Special Education Cluster (IDEA)		
84.027	Special Education - Grants to States	46,222,247
84.173	Special Education - Preschool Grants	694,257
Special Education Cluster (IDEA) Total		46,916,503
School Improvement Grants Cluster		
84.377	School Improvement Grants	1,260,784
School Improvement Grants Cluster Total		1,260,784
Department of Education Total		125,988,337

Federal Agency CFDA#	Clusters and Program Titles	Total Provided to Subrecipients
Department of Health And Human Services		
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation	10,239
93.042	Special Programs for the Aging - Title VII, Chapter 2 - Long Term Care Ombudsman Services for Older Individuals	81,309
93.043	Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	98,812
93.048	Special Programs for the Aging - Title IV - and Title II - Discretionary Projects	440,346
93.051	Alzheimer's Disease Demonstration Grants to States	129,091
93.052	National Family Caregiver Support, Title III, Part E	625,689
93.070	Environmental Public Health and Emergency Response	54,783
93.071	Medicare Enrollment Assistance Program	140,109
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	26,186
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	246,163
93.150	Projects for Assistance in Transition from Homelessness (PATH)	300,000
93.243	Substance Abuse and Mental Health Services - Projects of Regional and National Significance	1,300,822
93.251	Universal Newborn Hearing Screening	82,419
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	178,541
93.301	Small Rural Hospital Improvement Grant Program	8,610
93.324	State Health Insurance Assistance Program	316,788
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	7,104,997
93.512	Affordable Care Act (ACA) Personal and Home Care Aide State Training Program (PHCAST)	214,465
93.531	PPHF 2012: Community Transfromation Grants and National Dissemination and Support for Community Transformation Grants - financed solely by 2012 Preventinon and Public Health Funds	223,479
93.566	Refugee and Entrant Assistance - State Administered Programs	328,791
93.569	Community Services Block Grant	3,478,655
93.576	Refugee and Entrant Assistance - Discretionary Grants	372,646
93.597	Grants to States for Access and Visitation Programs	92,906
93.624	ACA - State Innovation Models: Funding for Model Design and Model Testing Assistance	318,301
93.658	Foster Care - Title IV-E	64,051
93.667	Social Services Block Grant	5,788,520

STATE OF MAINE
Schedule of Expenditures of Federal Awards
Amounts Provided to Subrecipients
For the Year Ended June 30, 2015

Federal Agency CFDA#	Clusters and Program Titles	Total Provided to Subrecipients
93.670	Child Abuse and Neglect Discretionary Activities	378,471
93.671	Family Violence Prevention and Services/Battered Women's Shelters - Grants to States and Indian Tribes	921,678
93.748	PPHF-2012 Cooperative Agreements for Prescription Drug Monitoring Program Electronic Health Record (EHR) Integration and Interoperability Expansion	14,000
93.767	Children's Health Insurance Program	-
93.791	Money Follows the Person Rebalancing Demonstration	273,058
93.917	HIV Care Formula Grants	306,193
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	13,983
93.940	HIV Prevention Activities - Health Department Based	299,463
93.958	Block Grants for Community Mental Health Services	1,404,833
93.959	Block Grants for Prevention and Treatment of Substance Abuse	5,086,378
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	93,746
TANF Cluster		
93.558	Temporary Assistance for Needy Families	176,458
TANF Cluster Total		176,458
Medicaid Cluster		
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	11,085
Medicaid Cluster Total		11,085
CCDF Cluster		
93.575	Child Care and Development Block Grant	178,682
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93,134
CCDF Cluster Total		271,816
Aging Cluster		
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	1,949,617
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	2,620,909
93.053	Nutrition Services Incentive Program	638,741
Aging Cluster Total		5,209,267
Department of Health And Human Services Total		36,487,146
Corporation For National And Community Service		
94.006	AmeriCorps	1,417,152
94.021	Volunteer Generation Fund	117,629
Corporation For National And Community Service Total		1,534,781
Department of Homeland Security		
97.036	Disaster Grants - Public Assistance (Presidentially Declared Disasters)	56,318
97.042	Emergency Management Performance Grants	2,436,639
97.047	Pre-Disaster Mitigation	1,869
97.067	Homeland Security Grant Program	3,998,547
97.120	Border Interoperability Demonstration Project	580,384
Department of Homeland Security Total		7,073,757
Total	**State of Maine, Amounts Provided to Subrecipients**	**271,186,660**

Note: Amounts in this schedule are included in the Schedule of Expenditures of Federal Awards.
This additional detail is provided in accordance with 2 CFR § 200.510.

STATE OF MAINE
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

1. Purpose of the Schedule

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is a supplementary schedule to the State's basic financial statements (BFS) and is presented for purposes of additional analysis. Total expenditures for each federal financial assistance program as identified in the Catalog of Federal Domestic Assistance (CFDA) are shown. Federal financial assistance programs, which have not been assigned a CFDA number, have been identified using the two-digit federal agency number and the suffix *999*. Federal award amounts aggregated by federal agency, direct and pass-through amounts are reported by the primary recipient to prevent overstatement of expenditures of federal awards. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations requires the Schedule.

2. Significant Accounting Policies

A. *Reporting Entity* – The reporting entity is defined in Note 1 to the BFS. The accompanying Schedule includes all federal financial assistance programs of the State of Maine reporting entity for the fiscal year ended June 30, 2015, with the exception of the discrete component units identified in Note 1 to the BFS. The discrete component units engaged other auditors.

B. *Basis of Presentation* – The information in the accompanying Schedule of Expenditures of Federal Awards is presented in accordance with OMB Circular A-133.

   1) Federal Awards – Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and OMB Circular A-133, federal award is defined as federal financial assistance and federal cost-reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that non-federal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations and other assistance. Accordingly, non-cash federal assistance is included in federal financial assistance and, therefore, is reported on the Schedule of Expenditures of Federal Awards. Federal financial assistance does not include direct federal cash assistance to individuals.

   2) ARRA Reporting – To maximize the transparency and accountability of the American Recovery and Reinvestment Act spending required by Congress and in accordance with 2 CFR 215, section___. 21 "Uniform Administrative Requirements for Grants and Agreements" and the A-102 Common Rule provisions, recipients agree to maintain records that identify adequately the source and application of ARRA funds. For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, recipients agree to separately identify the expenditures for federal awards under the ARRA on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection Form (SF-SAC) required by OMB Circular A-133. This shall be accomplished by identifying expenditures for federal awards made under the ARRA separately, in their own column on the SEFA. Separate rows under Item 6 of Part III on the SF-SAC by CFDA number, and inclusion of the prefix "ARRA-" in identifying the name of the Federal program as the first characters in Item 9c of Part III on the SF-SAC.

3) ARRA Reporting Exception – The reported expenditures for benefits under the **Supplemental Nutrition Assistance Program (SNAP) (CFDA No. 10.551)** are supported by both regularly appropriated funds and incremental funding made available under section 101 of the American Recovery and Reinvestment Act of 2009. The portion of total expenditures for SNAP benefits that is supported by Recovery Act funds varies according to fluctuations in the cost of the Thrifty Food Plan, and to changes in participating households' income, deductions, and assets. This condition prevents USDA from obtaining the regular and Recovery Act components of SNAP benefits expenditures through normal program reporting processes. As an alternative, USDA has computed a weighted average percentage to be applied to the national aggregate SNAP benefits provided to households in order to allocate an appropriate portion thereof to Recovery Act funds. This methodology generates valid results at the national aggregate level but not at the individual State level. Therefore, we cannot validly disaggregate the regular and Recovery Act components of our reported expenditures for SNAP benefits. At the national aggregate level, however, Recovery Act funds account for 0.64 percent of USDA's total expenditures for SNAP benefits in the Federal fiscal year ended September 30, 2014.

4) Type A and Type B Programs – The Single Audit Act Amendments of 1996 and OMB Circular A-133 established the levels of expenditures to be used in defining Type A and Type B federal financial assistance programs. Type A programs for the State of Maine are those programs that equal or exceed $8.8 million in expenditures, distributions, or issuances for the year ended June 30, 2015. Programs audited as major programs are marked with asterisks in the accompanying schedule.

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

3. Indirect Costs

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

20.700 Pipeline Safety Program State Base Grant

4. Unemployment Insurance Program

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

State Funds	$129,701,204
Federal Funds	24,383,452
Total	$154,084,656

5. Noncash Awards

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

CFDA Number	Program Title	Noncash Awards
10.551	SNAP (Supplemental Nutrition Assistance Program)	$292,381,826
10.555	National School Lunch Program	$4,535,192
10.569	Emergency Food Assistance Program	$2,280,828
10.664	Cooperative Forestry Assistance	$1,472,099
12.401	National Guard Military Operations & Maint. Proj.	$216,416
39.003	Donation of Federal Surplus Personal Property	$933,011
93.268	Immunization Grants	$12,571,554

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section I – Summary of Auditor's Results

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

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

Federal Awards:

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

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

<u>Unmodified</u>

ACA – State Innovation Models: Funding for Model Design and Model Testing Assistance
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program
AmeriCorps
CCDF Cluster
Child and Adult Care Food Program
Child Nutrition Cluster
Child Support Enforcement
Children's Health Insurance Program
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii
Crime Victim Assistance
Fish and Wildlife Cluster
Highway Safety Cluster
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements
Medicaid Cluster
Rehabilitation Services_Vocational Rehabilitation Grants to States
SNAP Cluster
Social Services Block Grant
Special Supplemental Nutrition Program for Women, Infants, and Children
TANF Cluster
Title I Grants to Local Educational Agencies
Unallied Science Program
WIA Cluster

<u>Qualified</u>

Unemployment Insurance

Any audit findings that are required to be reported in accordance with Circular A-133, Section .510(a)? YES ☑ NO ☐

Clusters Identified as Major Programs:

CFDA #	**Name of Federal Program or Cluster**
SNAP Cluster	
10.551	Supplemental Nutrition Assistance Program (SNAP)
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
Child Nutrition Cluster	
10.555	National School Lunch Program (NSLP)
10.559	Summer Food Service Program for Children (SFSPC)
Fish and Wildlife Cluster	
15.605	Sport Fish Restoration Program
15.611	Wildlife Restoration and Basic Hunter Education
WIA Cluster	
17.258	WIA Adult Program
17.259	WIA Youth Activities
17.278	WIA Dislocated Worker Formula Grants
Highway Safety Cluster	
20.600	State and Community Highway Safety
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I
20.602	Occupant Protection Incentive Grants
20.610	State Traffic Safety Information System Improvement Grants
20.612	Incentive Grant Program to Increase Motorcyclist Safety
20.613	Child Safety and Child Booster Seats Incentive Grants
20.616	National Priority Safety Programs
TANF Cluster	
93.558	Temporary Assistance for Needy Families
CCDF Cluster	
93.575	Child Care and Development Block Grant
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund
Medicaid Cluster	
93.775	State Medicaid Fraud Control Units
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare
93.778	Medical Assistance Program

Other Major Programs:

10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
10.558	Child and Adult Care Food Program
11.472	Unallied Science Program
14.228	Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii
16.575	Crime Victim Assistance
17.225	Unemployment Insurance
84.010	Title I Grants to Local Educational Agencies
84.126	Rehabilitation Services_Vocational Rehabilitation Grants to States
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program
93.563	Child Support Enforcement
93.624	ACA – State Innovation Models: Funding for Model Design and Model Testing Assistance
93.667	Social Services Block Grant
93.767	Children's Health Insurance Program
94.006	AmeriCorps

Dollar threshold used to distinguish between type A and type B programs: $8,778,232

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

Summary of Questioned Costs:

Federal Agency	**Federal Program**	**Known Questioned Costs**	**Finding Number**
U.S. Department of Health and Human Services	Medicaid Cluster	Undeterminable $ 2,047 Undeterminable	2015-009 2015-012 2015-013
	Children's Health Insurance Program (CHIP)	$ 4,446	2015-025
Corporation for National and Community Service	Americorps	$ 6,696	2015-030
U.S. Department of Labor	Unemployment Insurance	Undeterminable	2015-031

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section II – Financial Statement Findings

(2015-001)

Title: Controls over reporting components of Net Position need improvement

Prior Year Findings: None

FY14	FY13	FY12	FY11	FY10	FY09	FY08

State Department: Administrative and Financial Services (DAFS)
State Bureau: Office of the State Controller (OSC)
Federal Agency: *not applicable*
CFDA Title: *not applicable*
CFDA #: *not applicable*
Federal Award #: *not applicable*

Compliance Area: *not applicable*

Type of Finding: Significant deficiency

Criteria: GASB 63 paragraph 10

Condition: The restricted components of Net Position by policy area reported on the Statement of Net Position were not reduced by the Net Pension liability and related Deferred Inflows of Resources amounting to $350 million.

Context: The restricted components of Net Position by policy area reported on the Statement of Net Position changed from $566 million to $216 million as a result of the auditor's adjustment.

Cause: A complex method used by the OSC to calculate the various components of Net Position

Effect: The restricted components of Net Position reported on the unadjusted Statement of Net Position was overstated by $350 million**.** Correspondingly, the unrestricted component of Net Position was understated by $350 million. The final financial statements included in the Comprehensive Annual Financial Report were adjusted to correct this error.

Recommendation: We recommend that DAFS personnel consider a more straight forward method for calculating the various components of Net Position.

Management's Response/Corrective Action Plan: *The Department agrees with the finding.*

The process was complicated this year with the required implementation of GASB 68 - Accounting and Financial Reporting for Pensions. OSC is currently reviewing the process and plan to develop and implement an improved, straight forward method for FY 2016.

Contact: *Sandra Royce, CPA, Director of Financial Reporting & Analysis, 626-8451*

(State Number: 15-0201-01)

(2015-002)

Title: Controls over accounts receivable need improvement

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10
ML-14-305-01	ML-13-305-01	ML-12-305-01	ML-11-305-01	ML-10-305-01

FY09	FY08

State Department: Administrative and Financial Services
State Bureau: Division of Financial and Personnel Services (DFPS)
Federal Agency: *not applicable*
CFDA Title: *not applicable*
CFDA #: *not applicable*
Federal Award: *not applicable*

Compliance Area: *not applicable*

Type of Finding: Significant deficiency

Criteria: Governmental Accounting, Auditing and Financial Reporting (GAAFR), Part 5, Section A, Internal Control: Sound internal control practices require that general ledger control accounts be supported by subsidiary accounts which are periodically reconciled both to internal and external records.

Condition: The Lottery Fund accounts receivable balance reported on the State's financial statements was not supported by detail records. No subsidiary ledger of accounts receivable was maintained. DFPS did not perform alternative procedures to corroborate the balance.

Context: At fiscal year end, the accounts receivable balance was reported as $27.2 million.

Cause: The State's online and instant lottery games service provider cannot produce a report providing the accounts receivable balances by lottery agent to DFPS.

Effect:
- A possibility that the State's financial statements are misstated.
- A possibility that the State does not have an accurate account of the amounts receivable from lottery agents.

Recommendation: We recommend that the Department work with the service provider to develop a report that provides accounts receivable detail information.

Management's Response/Corrective Action Plan: *The Department agrees with the finding.*

The Maine State Lottery, the General Government Service Center, the Office of the State Controller, and Scientific Games, Inc. are currently working together to develop and provide complete and accurate detailed Lottery accounts receivable information.

Contact: *Tim Poulin, Deputy Director, Bureau of Alcoholic Beverages & Lottery Operations, 287-6750*

(State Number: 15-0305-01)

(2015-003)

Title: Inadequate accounting for the State Radio Network

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10
ML-14-320-01	ML-13-320-01	ML-12-320-01	ML-11-320-01	

FY09	FY08

State Department: Administrative and Financial Services
State Bureau: Office of Informational Services (OIT)
General Government Service Center
Federal Agency: *not applicable*
CFDA Title: *not applicable*
CFDA #: *not applicable*
Federal Award #: *not applicable*

Compliance Area: *not applicable*

Type of Finding: Significant deficiency

Criteria: GASB Statement 34

Condition: The Department continues to report State Radio Network assets of $57.1 million as non-depreciable construction in progress (CIP). All assets in the network were considered fully operational by February 2015. Therefore, depreciation expense and accumulated depreciation should have been recorded based on placed-in-service dates occurring at various times since the onset of the radio network initiative.

Additionally, a portion of the $57.1 million in CIP should be expensed rather than capitalized (for equipment valued at less than $5,000). The Department has not yet determined the value of the equipment that should be expensed.

Context: The radio network consists of radio towers, land, buildings, portable crossband repeaters, multi-band radio units and other various pieces of equipment.

Cause: The Department does not maintain detailed fixed asset records that indicate the historical cost of the land, building, or equipment by tower/site. In addition, records do not include serial numbers to properly identify equipment and are not complete in regard to determining the useful life of buildings and equipment and the date that such assets were placed in service. Additionally, certain costs incurred for the overall project were considered bundled costs and have not been allocated to a specific site.

Effect: The State Radio Network is not reported accurately in the State's financial statements. Additionally, the value of the asset is overstated because it is not being depreciated.

Recommendation: We recommend that the Department establish a process to appropriately identify the various asset components for each tower in the State Radio Network. Additional, these assets should be properly valued and recorded in the proper capital asset account and depreciated accordingly.

Management's Response/Corrective Action Plan: *The Department agrees with the finding.*

The consolidation of radio infrastructure posed a considerable challenge in the transferring/combining of OIT fixed assets statewide. In an ongoing effort to improve fixed asset data and as part of the process to remove depreciated assets, OIT continues to review each record, identify asset disposition as appropriate, correct records as needed, and maintain proper supporting documentation. We agree with the condition noted above and are implementing steps to correct the issues going forward.

Phase One entails updating the towers/sites with costs associated with (a) the radio network contractor, which accounts for the largest portion (approximately 75%) of the project costs; and (b) other consultants and staff. Phase One updates will cover approximately 85% of the project costs, and will be complete by June 30, 2016. Other costs that were captured within the CIP account will be immediately expensed. This will reduce the CIP account significantly and allow the depreciation to catch up on the fixed assets.

Phase Two: After Phase One is complete, the remaining project expenses would be fully reconciled with accurate adjustments being made to adjust for items needing to be expensed or allocated among the fixed asset locations. Phase two will be completed by June 30, 2017.

Contact: *Kendra L. Coates, Director, OIT Finance, 624-7406*

(State Number: 15-0320-01)

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section III - Indexes to Federal Program Findings

INDEXES TO FEDERAL PROGRAM FINDINGS

Index to Federal Findings by Federal Program.. E-17

Index to Federal Findings by State Agency and Federal Compliance Area.......................... E-21

Index to Federal Findings in Finding Number Order by Finding Type................................. E-25

State of Maine
Fiscal Year 2015
Index to Federal Findings
By Federal Program

Program / Finding #	Brief Summary of Finding	State Dept	Page
SNAP Cluster CFDA# 10.551, 10.561			
2015-014	Inadequate management controls over _____ (The content of this finding has been redacted. This appears as blank underlining).	DAFS	E-53
2015-015	Office of Information Technology controls need improvement (The content of this finding has been redacted. This appears as blank underlining).	DAFS	E-55
2015-017	Inadequate controls over Federal cash management	DAFS	E-59
2015-018	Internal control over _____ needs improvement (The content of this finding has been redacted. This appears as blank underlining).	DAFS DHHS	E-61
2015-021	Income Eligibility and Verification System (IEVS) procedures need improvement	DHHS	E-67
2015-022	Inadequate controls over required Income and Eligibility Verification System (IEVS) data exchanges	DAFS DHHS	E-69
Child Nutrition Cluster CFDA# 10.555, 10.559			
2015-028	Internal controls over State matching requirements need improvement	DOE	E-82
2015-029	Warehouse inspections and Child Nutrition Services record keeping need improvement	DOE	E-84
Child and Adult Care Food Program CFDA# 10.558			
2015-023	Cash management procedures need improvement	DAFS	E-72
2015-024	Controls over financial reporting need improvement	DAFS	E-74
Fish and Wildlife Cluster CFDA# 15.605, 15.611			
2015-040	Internal controls over suspension and debarment need improvement	IFW	E-109
Unemployment Insurance CFDA# 17.225			
2015-031	Inadequate internal control over continuing eligibility	DAFS DOL	E-88
2015-032	The _____ is too _____ to perform routine _____ and _____. (The content of this finding has been redacted. This appears as blank underlining).	DAFS DOL	E-92

Unemployment Insurance continued on next page

State of Maine
Fiscal Year 2015
Index to Federal Findings
By Federal Program

Program / Finding #	Brief Summary of Finding	State Dept	Page
Unemployment Insurance continued from previous page			
2015-033	Internal control over _____ is inadequate (The content of this finding has been redacted. This appears as blank underlining).	DAFS DOL	E-94
2015-034	_____ controls related to the Unemployment Insurance (UI) _____ need improvement (The content of this finding has been redacted. This appears as blank underlining).	DAFS DOL	E-96
WIA Cluster CFDA# 17.258, 17.259, 17.278			
2015-037	Inadequate internal control over subrecipient payment approval	DAFS DOL	E-103
Highway Safety Cluster CFDA# 20.600, 20.601, 20.602, 20.610, 20.612, 20.613, 20.616			
2015-038	Cash management procedures need improvement	DAFS DPS	E-105
2015-039	Controls over maintenance of effort requirements need improvement	DPS	E-107
Rehabilitation Services – Vocational Rehabilitation Grants to States CFDA# 84.126			
2015-035	Procedures are not adequate to ensure timely eligibility decisions	DOL	E-98
2015-036	Individualized Plans for Employment not completed on a timely basis	DOL	E-101
Affordable Care Act (ACA) Maternal, Infant and Early Childhood Home Visiting Program CFDA# 93.505			
2015-026	Controls over level of effort requirements need improvement	DHHS	E-78
TANF Cluster CFDA# 93.558			
2015-015	Office of Information Technology controls need improvement (The content of this finding has been redacted. This appears as blank underlining).	DAFS	E-55
2015-018	Internal control over _____ needs improvement (The content of this finding has been redacted. This appears as blank underlining).	DAFS DHHS	E-61
2015-019	Controls over special reporting need improvement	DHHS	E-63
2015-020	Inadequate procedures to report accurate Unsubsidized Employment data	DHHS	E-65
TANF Cluster continued on next page			

Program / Finding #	Brief Summary of Finding	State Dept	Page
TANF Cluster continued from previous page			
2015-021	Income Eligibility and Verification System (IEVS) procedures need improvement	DHHS	E-67
2015-022	Inadequate controls over required Income and Eligibility Verification System (IEVS) data exchanges	DAFS DHHS	E-69
Child Support Enforcement CFDA# 93.563			
2015-027	Automated Data Processing (ADP) risk analysis and system security reviews were not performed	DAFS DHHS	E-80
Children's Health Insurance Program CFDA# 93.767			
2015-004	The Decision Support System/Data Warehouse (DSS/DW) is not reconciled to the Statewide accounting system	DHHS	E-31
2015-008	Provider eligibility procedures need to integrate Automated Data Exchange	DHHS	E-39
2015-015	Office of Information Technology controls need improvement (The content of this finding has been redacted. This appears as blank underlining).	DAFS	E-55
2015-016	The _____ associated with the _____ is not adequate (The content of this finding has been redacted. This appears as blank underlining).	DAFS DHHS	E-57
2015-021	Income Eligibility and Verification System (IEVS) procedures need improvement	DHHS	E-67
2015-022	Inadequate controls over required Income and Eligibility Verification System (IEVS) data exchanges	DAFS DHHS	E-69
2015-025	Procedures over drug rebate accounting and reporting need improvement	DAFS DHHS	E-76
Medicaid Cluster CFDA# 93.775, 93.777, 93.778			
2015-004	The Decision Support System/Data Warehouse (DSS/DW) is not reconciled to the Statewide accounting system	DHHS	E-31
2015-005	Procedures related to long term care facility audits need improvement	DHHS	E-33
2015-006	Riverview	DAFS DHHS	E-35
2015-007	Provider eligibility procedures need to address Advanced Directives	DHHS	E-37
2015-008	Provider eligibility procedures need to integrate Automated Data Exchange	DHHS	E-39
Medicaid Cluster continued on next page			

Program / Finding #	Brief Summary of Finding	State Dept	Page
Medicaid Cluster continued from previous page			
2015-009	Procedures to ensure notices of debt are issued in compliance with Federal and State regulations to private non-medical institutions (PNMI) for Cost of Care overpayments need improvement	DHHS	E-41
2015-010	Procedures related to Medicare Part B premium payments need improvement	DAFS DHHS	E-43
2015-011	Procedures for the timely refunding of the Federal share of Medicaid overpayments identified by the provider need improvement	DAFS	E-45
2015-012	Controls to ensure the members' share of Cost of Care amounts are properly deducted from nursing home and private non-medical institution provider payments need improvement	DHHS	E-47
2015-013	Inadequate surveillance and utilization review of Medicaid services	DHHS	E-49
2015-014	Inadequate management controls over _____ (The content of this finding has been redacted. This appears as blank underlining).	DAFS	E-53
2015-015	Office of Information Technology controls need improvement (The content of this finding has been redacted. This appears as blank underlining).	DAFS	E-55
2015-016	The _____ associated with the _____ is not adequate (The content of this finding has been redacted. This appears as blank underlining).	DAFS DHHS	E-57
2015-021	Income Eligibility and Verification System (IEVS) procedures need improvement	DHHS	E-67
2015-022	Inadequate controls over required Income and Eligibility Verification System (IEVS) data exchanges	DAFS DHHS	E-69
2015-025	Procedures over drug rebate accounting and reporting need improvement	DAFS DHHS	E-76
AmeriCorps CFDA# 94.006			
2015-030	Background check procedures need improvement	DOE DACF	E-86

Legend of State Agency Abbreviations:

DACF Department of Agriculture, Conservation and Forestry
DAFS Department of Administrative and Financial Services
DHHS Department of Health and Human Services
DOE Department of Education
DOL Department of Labor
DPS Department of Public Safety
IFW Inland Fisheries and Wildlife

State of Maine
Fiscal Year 2015
Index to Federal Findings
By State Agency and Federal Compliance Area

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions	Page
Department of Administrative and Financial Services														
2015-006	Medicaid Cluster		✓											E-35
2015-010	Medicaid Cluster	✓			✓									E-43
2015-011	Medicaid Cluster		✓											E-45
2015-014	Multiple Programs				✓									E-53
2015-015	Multiple Programs				✓									E-55
2015-016	Multiple Programs				✓									E-57
2015-017	SNAP Cluster			✓										E-59
2015-018	Multiple Programs				✓									E-61
2015-022	Multiple Programs												✓	E-69
2015-023	Child and Adult Care Food Program			✓										E-72
2015-024	Child and Adult Care Food Program										✓			E-74
2015-025	Multiple Programs		✓								✓			E-76
2015-027	Child Support Enforcement												✓	E-80
2015-031	Unemployment Insurance				✓									E-88
2015-032	Unemployment Insurance				✓									E-92
2015-033	Unemployment Insurance				✓									E-94
2015-034	Unemployment Insurance				✓									E-96
2015-037	WIA Cluster								✓					E-103
2015-038	Highway Safety Cluster			✓										E-105
Department of Agriculture, Conservation and Forestry														
2015-030	AmeriCorps				✓									E-86

State of Maine
Fiscal Year 2015
Index to Federal Findings
By State Agency and Federal Compliance Area

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions	Page
Department of Education														
2015-028	Child Nutrition Cluster						✓							E-82
2015-029	Child Nutrition Cluster												✓	E-84
2015-030	AmeriCorps				✓									E-86
Department of Health and Human Services														
2015-004	Multiple Programs	✓	✓											E-31
2015-005	Medicaid Cluster												✓	E-33
2015-006	Medicaid Cluster		✓											E-35
2015-007	Medicaid Cluster												✓	E-37
2015-008	Multiple Programs												✓	E-39
2015-009	Medicaid Cluster		✓											E-41
2015-010	Medicaid Cluster	✓			✓									E-43
2015-012	Medicaid Cluster		✓											E-47
2015-013	Medicaid Cluster												✓	E-49
2015-016	Multiple Programs				✓									E-57
2015-018	Multiple Programs				✓									E-61
2015-019	TANF Cluster										✓			E-63
2015-020	TANF Cluster										✓		✓	E-65
2015-021	Multiple Programs				✓								✓	E-67
2015-022	Multiple Programs												✓	E-69
2015-025	Multiple Programs		✓								✓			E-76
2015-026	Affordable Care Act (ACA) – Maternal, Infant and Early Childhood Home Visiting Program						✓							E-78
2015-027	Child Support Enforcement												✓	E-80

State of Maine
Fiscal Year 2015
Index to Federal Findings
By State Agency and Federal Compliance Area

Finding #	Program Name	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment and Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement and Suspension and Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions	Page
Department of Labor														
2015-031	Unemployment Insurance				✓									E-88
2015-032	Unemployment Insurance				✓									E-92
2015-033	Unemployment Insurance				✓									E-94
2015-034	Unemployment Insurance				✓									E-96
2015-035	Rehabilitation Services – Vocational Rehabilitation Grants to States				✓									E-98
2015-036	Rehabilitation Services – Vocational Rehabilitation Grants to States												✓	E-101
2015-037	WIA Cluster								✓					E-103
Department of Public Safety														
2015-038	Highway Safety Cluster			✓										E-105
2015-039	Highway Safety Cluster						✓							E-107
Inland Fisheries and Wildlife														
2015-040	Fish and Wildlife Cluster								✓					E-109

State of Maine
Fiscal Year 2015
Index to Federal Findings in Finding Number Order by Finding Type

Finding # *	Page	Compliance Area	Finding Type			
			Material Non-compliance	Internal Control		Known / Likely Questioned Costs
				Material Weakness	Significant Deficiency	
2015-004	E-31	Activities Allowed/Allowable Costs			✓	
2015-005	E-33	Special Tests and Provisions			✓	
2015-006	E-35	Allowable Costs/Cost Principles			✓	
2015-007	E-37	Special Tests and Provisions			✓	
2015-008	E-39	Special Tests and Provisions			✓	
2015-009	E-41	Allowable Costs/Cost Principles			✓	Undeterminable / Undeterminable
2015-010	E-43	Activities Allowed/Eligibility			✓	
2015-011	E-45	Allowable Costs/Cost Principles			✓	
2015-012	E-47	Allowable Costs/Cost Principles			✓	$2,047 / $2,500,000
2015-013	E-49	Special Tests and Provisions			✓	Undeterminable / Undeterminable
2015-014	E-53	Eligibility			✓	
2015-015	E-55	Eligibility			✓	
2015-016	E-57	Eligibility			✓	
2015-017	E-59	Cash Management			✓	
2015-018	E-61	Eligibility			✓	
2015-019	E-63	Reporting			✓	
2015-020	E-65	Reporting/Special Tests and Provisions			✓	

**Findings 2015-001 through 2015-003 relate to financial statement findings and are not included in this index*

State of Maine
Fiscal Year 2015
Index to Federal Findings in Finding Number Order by Finding Type

Finding #	Page	Compliance Area	Finding Type			
			Material Non-compliance	Internal Control		Known / Likely Questioned Costs
				Material Weakness	Significant Deficiency	
2015-021	E-67	Special Tests and Provisions/ Eligibility			✓	
2015-022	E-69	Special Tests and Provisions			✓	
2015-023	E-72	Cash Management			✓	
2015-024	E-74	Reporting			✓	
2015-025	E-76	Allowable Costs /Reporting			✓	$4,446 / $2,056,000
2015-026	E-78	Matching, Level of Effort, Earmarking			✓	
2015-027	E-80	Special Tests and Provisions			✓	
2015-028	E-82	Matching, Level of Effort, Earmarking			✓	
2015-029	E-84	Special Tests and Provisions			✓	
2015-030	E-86	Eligibility			✓	$6,696 / $59,310
2015-031	E-88	Eligibility	✓	✓		Undeterminable / Undeterminable
2015-032	E-92	Eligibility			✓	
2015-033	E-94	Eligibility			✓	
2015-034	E-96	Eligibility			✓	
2015-035	E-98	Eligibility			✓	
2015-036	E-101	Special Tests and Provisions			✓	
2015-037	E-103	Procurement and Suspension and Debarment			✓	
2015-038	E-105	Cash Management			✓	
2015-039	E-107	Matching, Level of Effort, Earmarking		✓		

State of Maine
Fiscal Year 2015
Index to Federal Findings in Finding Number Order by Finding Type

Finding #	Page	Compliance Area	Finding Type			
			Material Non-compliance	Internal Control		Known / Likely Questioned Costs
				Material Weakness	Significant Deficiency	
2015-040	E-109	Procurement and Suspension and Debarment			✓	

STATE OF MAINE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

Section III – Federal Findings, Questioned Costs and Corrective Action Plan

(2015-004)

Title: The Decision Support System/Data Warehouse (DSS/DW) is not reconciled to the Statewide accounting system

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-017	13-1106-03	12-1106-11	11-1106-11			

State Department: Health and Human Services (DHHS)
State Bureau: Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
CFDA #: 93.775, 93.777, 93.778, 93.767
Federal Award #: 05-1305ME5MAP, 05-1405ME5MAP, 05-1505ME5MAP
05-1305ME5021, 05-1405ME5021

Compliance Area: Activities allowed or unallowed
Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: 2 CFR 225, Appendix A, C(1)(j); 45 CFR 92.20 (a)(1) and (2)

Condition: The Department did not have procedures in place to routinely reconcile the Decision Support System/Data Warehouse (DSS/DW) to the Statewide accounting system. In addition, the DHHS Finance Unit was not able to provide the support necessary to reconcile the DSS/DW to the Statewide accounting system for fiscal year 2015. Paid claims stored in the DSS/DW are not readily reconcilable to the Statewide accounting system with the data elements currently available.

Context: The Maine Integrated Health Management Solution (MIHMS) system processes Medicaid and CHIP claims totaling approximately $2.5 billion per year. It is a high risk and complex information system that connects various commercial-off-the-shelf software. MIHMS claim payment data is stored in the DSS/DW.

Cause: State personnel have not developed a full understanding regarding how to reconcile the DSS/DW to the Statewide accounting system.

Effect: Incomplete or inaccurate financial data in the DSS/DW could potentially lead to administrative inefficiencies, incorrect decision-making, incorrect financial reporting or budgeting, and posting of adjusting journals that are incorrect.

Recommendation: We recommend that the Department continue to work with their Fiscal Agent to develop a method that will facilitate a reconciliation of claim payments to the Statewide accounting system as well as provide a readily accessible audit trail of claims.

Management's Response/Corrective Action Plan: The Department agrees with this finding.

While the Department initially did not have procedures in place to routinely reconcile the DSS/DW to the Statewide accounting system, substantial work occurred during State fiscal year 2015 and has continued into 2016 to address the reconcilement of the systems.

The joint task force has successfully implemented a new data table in both the MIHMS and the Data Warehouse designed to support successful reconcilement of the DSS to AdvantageME. The data table contains a subset of data from the MIHMS that supports greater traceability of the financial data from the source, MIHMS, to the DW and from the DW to the DSS. Note that previously existing procedures support ongoing reconcilement of the MIHMS to AdvantageME. In addition to this new data table, the team has established, and is maintaining a repository that will be shared and available to identified stakeholders, that identifies all reconciling items.

The team has designed the reconcilement processing and members are currently engaged in the development and testing of various queries/reports to provide the necessary data to support the various points of reconcilement. The team continues to collaborate on the final documentation, and refinement of the protocols for execution of the reconciliation processing upon implementation. The current expectation of the team is that this project will be implemented no later than the end of the current State fiscal year, June 30, 2016.

Contact: Stefanie Nadeau, Director, Office of MaineCare Services, 287-2093

(State Number: 15-1106-01)

(2015-005)

Title: Procedures related to long term care facility audits need improvement

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-003	13-1106-14	12-1106-01	11-1106-05	10-1106-03		

State Department: Health and Human Services (DHHS)
State Bureau: Division of Audit
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award #: 05-1305ME5MAP, 05-1405ME5MAP

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: 42 CFR 447.253(g); MaineCare Benefits Manual, Ch. III, Section 67, subsection 34.1.3

Condition: The Department did not issue long term care facility audits in accordance with Federal regulations. Long term care facility audits include audits of nursing facilities and audits of intermediate care facilities. The Medicaid agency must provide for periodic audits of the financial and statistical records of participating providers.

For Nursing Facility audits, the MaineCare Benefits Manual requires uniform desk reviews to be completed within 180 days after receipt of an acceptable cost report filing, including financial statements and other information requested from the provider except in unusual situations, including but not limited to delays in obtaining necessary information from a provider. We tested 112 Nursing Facility audits and found that 102 were not issued within the 180 day time frame. The 102 audits ranged from 223 to 511 days late. The Department waited between 225 days and 443 days before asking the provider for additional information in thirty-four of the 102 audits that were submitted late.

For Intermediate Care Facility - MR (ICF/MR) audits, the MaineCare Benefits Manual requires ICF/MRs to submit cost reports annually based on the facility's fiscal year end and the Department must provide for periodic audits of these reports. We tested seventeen ICF/MR audits and none were issued within our audit period. Prior to fiscal year 2015 the Department consistently completed ICF/MR audits on an annual basis.

Context: Medicaid paid $257 million to long term care facilities during fiscal year 2015.

Cause: Staff was diverted to address issues they considered to be higher priority.

Effect: Noncompliance with Federal and State regulations

Recommendation: We recommend that the Department consistently perform internal control activities related to the long term care facility audit process. Internal control activities provide assurance that these facilities are in compliance with Federal and State regulations.

Management's Response/Corrective Action Plan: The Department agrees with this finding.

Nursing Facilities:
For the past several years, the Division has concentrated on completing older audits, including outstanding audits of programs that are no longer cost-settled such as Day Habs, Residential Child Care Facilities, and Substance Abuse Treatment Facilities.

Beginning July 1, 2016 the Division will concentrate more on the timely completion of Nursing Facility audits. We will do this as follows:

1. We will assign Nursing Facility audits within 10 days of receipt of the cost report.
2. We will review the status of Nursing Facility audits at bi-weekly manager meetings to monitor progress.
3. We will prioritize review of completed Nursing Facility audits.
4. The unit manager will monitor this process.

Intermediate Care Facilities:
For Intermediate Care Facilities, the Division is completing audits more frequently. The Division has completed 19 audits during the period July 2015 through January 2016. The Division believes it will be in compliance with the requirement for periodic audits for State fiscal year 2016.

Contact: Herb Downs, Director, Division of Audit, 287-2778

(State Number: 15-1106-02)

(2015-006)

Title: Riverview

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-006						

State Department: Administrative and Financial Services
Health and Human Services (DHHS)
State Bureau: Health and Human Services Service Center
Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award #: 05-1305ME5MAP, 05-1405ME5MAP, 05-1505ME5MAP

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs:

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: 42 CFR 482.1(a)(5)

Condition: The Centers for Medicare and Medicaid Services (CMS) decertified Riverview as a Medicare provider of psychiatric hospital services on September 2, 2013. The State continues to draw Federal funds for these services.

Context: The State drew Federal funds of $16.0 million in fiscal year 2015 and $10.5 million in fiscal year 2014 subsequent to decertification by CMS. In fiscal year 2016, the State continues to draw Federal funds.

Cause: The Department obtained legal advice to continue claiming these costs on the CMS-64 report.

Effect:

- Possible disallowances
- Possible noncompliance with Federal regulations

Recommendation: We recommend that DHHS work with CMS to resolve this matter.

Management's Response/Corrective Action Plan: The Department of Health and Human Services does not believe that this matter constitutes a finding nor that it is a "significant deficiency" in Department operations.

The fact that CMS refuses to recertify Riverview—and has given no clear guidance on how the State would achieve that—is not new to the State. Indeed, the Department has routinely communicated to the Legislature the continued risk associated with using Disproportionate Share Hospital (DSH) funding for Riverview.

Notably, the Department believes the decertification of Riverview was unjustified, and that nothing in Federal law or rule prohibits the State from continuing to use DSH funds to support Riverview. Furthermore, whereas the Effect of "Possible Disallowances" is a potential outcome, "Possible Noncompliance with Federal Regulations" is not. Any noncompliance that would occur already has occurred, resulting in the disputed decertification.

Contact: Anthony Madden, Deputy Director, DOA, 287-2834

Auditor's Concluding Remarks: The Office of the State Auditor is not making a determination regarding whether or not Riverview should have been decertified as a Medicare provider of psychiatric hospital services. However, we are reporting on the fact that the State continued using Federal funds after Riverview was decertified.

Federal officials are in the process of finalizing their decision regarding the potential disallowance of these Federal expenditures.

(State Number: 15-1106-03)

(2015-007)

Title: Provider eligibility procedures need to address Advance Directives

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-004	13-1106-09	12-1106-14	11-1106-12	10-1106-11	09-1106-08	

State Department: Health and Human Services
State Bureau: Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award #: 05-1305ME5MAP, 05-1405ME5MAP, 05-1505ME5MAP

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: 42 CFR 431.107(b)(4); 42 CFR 455.105(b)

Condition: For provider agreements entered into prior to July 1, 2013, the Department did not ensure that these agreements contained all required provisions related to advance directive requirements and disclosure of certain types of business transactions. As of July 1, 2013, the new provider agreements contain the necessary information; however, the Department acknowledged that they did not revise older provider agreements.

Context: In our test of forty provider agreements, we found that thirty-seven were entered into prior to July 1, 2013 and did not contain the required terms and conditions. Three were entered into after July 1, 2013 and did contain the required terms and conditions.

Cause: Competing priorities

Effect:

- Potentially ineligible providers being allowed to participate in the program
- Potential questioned costs and disallowances
- Noncompliance with the required provider documentation requirements

Recommendation: We recommend that the Department ensure that all provider agreements meet the advance directives and business transaction requirements.

Management's Response/Corrective Action Plan: The Department agrees with the finding.

All active providers in the MIHMS system have a signed provider agreement on file. As noted in the Department's response to the SFY2014 finding, language regarding advance directive requirements and disclosure of certain types of business transactions was added to the agreement on June 26, 2013. The provider agreement with the added language has been used since then for all newly enrolling providers. As part of the ACA provider revalidation initiative, all providers will be required to re-enroll and will sign the revised agreement then. The revalidation will begin July 2016, as noted in last year's response.

Contact: Stefanie Nadeau, Director, Office of MaineCare Services, 287-2093

(State Number: 15-1106-04)

(2015-008)

Title: Provider eligibility procedures need to integrate Automated Data Exchange

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
			11-1106-12			

State Department: Health and Human Services
State Bureau: Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
CFDA #: 93.775, 93.777, 93.778; 93.767
Federal Award #: 05-1305ME5MAP, 05-1405ME5MAP, 05-1505ME5MAP,
05-1305ME5021, 05-1405ME5021

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: Request for Proposal (RFP) associated with Fiscal Agent, sections 4.22.5.3.1.2, 4.22.5.3.1.10, 4.22.5.3.1.1, *Automation/Data Exchange/Interface*

Condition: The Maine Integrated Health Management Solution (MIHMS) system does not automatically cross-reference license, accreditation, and sanction information, nor does it support automated data exchanges with the Center for Medicare and Medicaid Services, the Drug Enforcement Agency, and other sources. Provider enrollment personnel employed by the Fiscal Agent must manually link to numerous websites to query sanction and license information that will affect enrollment.

Context: The Department's manual process is inherently subject to human error due to the size and complexity of Medicaid.

Cause: The Fiscal Agent did not comply with Section 4 of the Request for Proposal that enumerates their responsibilities for automation, data exchange, and interface.

Effect:

- Potentially ineligible providers being allowed to participate in the program
- Potential questioned costs and disallowances

Recommendation: We recommend that the Department ensure that the Fiscal Agent complies with Section 4 of the Request for Proposal.

Management's Response/Corrective Action Plan: The Department agrees with the finding.

Although MIHMS does not currently have automated processes to update license, accreditation or sanction information, the records are reviewed for each provider by Provider Enrollment staff. Accordingly, the Department disagrees with the findings effects that this manual review has enabled any ineligible providers to participate in the program or yielded questioned costs or disallowances.

Because of the more extensive reviews required with the ACA provider enrollment changes, the State's fiscal agent has contracted with a third-party vendor, Digital Harbor, to provide these automated services and data exchanges. This transition will begin during this current calendar year.

Contact: Stefanie Nadeau, Director, Office of MaineCare Services, 287-2093

(State Number: 15-1106-05)

(2015-009)

Title: Procedures to ensure notices of debt are issued in compliance with Federal and State regulations to private non-medical institutions (PNMI) for Cost of Care overpayments need improvement

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-009						

State Department: Health and Human Services
State Bureau: Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award #: Various prior year Medicaid awards

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency
Questioned costs

Questioned Costs:

Questioned Costs	Total	Federal	State
Known	Undeterminable		
Likely	Undeterminable		

Criteria: 42 CFR 433 F; 22 MRSA 1714-A Debts owed the department by providers; 2 CFR 225

Condition: In accordance with Federal regulations, the State must refund the Federal share of provider overpayments within one year following discovery, whether or not the State has recovered the overpayment from the provider. The State must notify the provider in writing of any overpayment it discovers in accordance with State agency policies and procedures. For Cost of Care overpayments to PNMIs where the Federal share was due within our audit period (overpayments discovered during fiscal year 2014), the Department was not consistent in their methods to notify the PNMIs of the identified overpayments. Communication with the PNMIs often occurred via email and official notices of debt were typically only sent to those PNMIs who were not working with the Department to return monies owed to the State. As such, the Department was unable to provide us with a complete and accurate population of overpayments discovered during fiscal year 2014 where the Federal share should have been refunded by fiscal year 2015.

Context: Cumulatively, for past fiscal years DHHS summary records indicate that approximately 200 PNMIs were overpaid due to Cost of Care issues. While the Department only issued twenty-nine official notices of debt during fiscal year 2014 related to these overpayments, the Department had communicated the other overpayments to PNMIs using other means of communication (mainly email).

Cause: The Department did not have adequate procedures to ensure that all identified Cost of Care overpayments to PNMIs were communicated to the provider through an official notice of debt.

Effect:

- Noncompliance with Federal and State regulations
- Delay in the Federal government receiving its share of the overpayments to providers

Recommendation: We recommend that the Department improve its process to ensure notices of debt are issued consistently, timely, and in compliance with Federal and State regulations to private non-medical institutions for Cost of Care overpayments.

Management's Response/Corrective Action Plan: The Department agrees with the finding.

The Department agrees that this audit found some overpayments for SFY14 services where the notices of debt (NODs) were not issued consistently. The current secure process for tracking overpayments and issuing NODs was implemented in May 2014. We believe that the examples that were found in this audit are due to the transition from the former manual process to the current automated process.

Contact: Stefanie Nadeau, Director, Office of MaineCare Services, 287-2093

(State Number: 15-1106-06)

(2015-010)

Title: Procedures related to Medicare Part B premium payments need improvement

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
		12-1106-08	11-1106-08	10-1106-01		

State Department: Administrative and Financial Services
Health and Human Services
State Bureau: Health and Human Services Service Center
Office for Family Independence
Office of MaineCare Services
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award #: 05-1305ME5MAP, 05-1405ME5MAP, 05-1505ME5MAP

Compliance Area: Activities allowed or unallowed
Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: 42 CFR 431.625(d)(1)

Condition: The Department receives invoices from the Centers for Medicare and Medicaid Services (CMS) for Medicare Part B premiums on a monthly basis. Around the same time, CMS sends a separate detailed listing of Medicaid members which support the invoice to the Office of Information Technology. The Department did not verify that the members from the detailed listing were eligible prior to paying the CMS invoice for Medicare Part B premiums.

Context: Approximately $99 million was paid to CMS for Medicare Part B premiums in fiscal year 2015.

Cause: The procedures utilized by the Department do not include verifying the eligibility of the members included in the listing that supports the CMS invoice.

Effect:

- Medicare Part B premiums may be billed to the State by CMS for ineligible members
- Possible disallowances

Recommendation: We recommend that the Department develop procedures to verify that only eligible members are included on the detailed listing that supports the CMS invoice.

Management's Response/Corrective Action Plan: The Department agrees with the finding.

While there is already a level of reconciliation that is done at the Federal level by the Centers for Medicare and Medicaid Services, the Department will take the following additional steps to ensure the accuracy of State premium payments:

- Establish written protocols outlining CMS invoice comparison to confirmed OFI eligibility periods prior to State payment by June 30, 2016.
- Successfully implement the protocol by Sep 30, 2016.

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

(State Number: 15-1106-09)

(2015-011)

Title: Procedures for the timely refunding of the Federal share of Medicaid overpayments identified by the provider need improvement

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-008	13-1106-17					

State Department: Administrative and Financial Services
State Bureau: Health and Human Services Service Center
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award #: 05-1305ME5MAP, 05-1205ME5MAP

Compliance Area: Allowable costs/cost principles

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: 42 CFR 433 F

Condition: In instances where a provider returned less than 100 percent of an identified overpayment to the State when they submitted their cost report, the Department did not consistently refund the Federal government share of the overpayment on a timely basis. Of the thirty-six provider-identified overpayments tested, there were five instances where the provider paid less than 100 percent of the overpayment when they submitted their cost report. Of these five overpayments, three were not fully refunded to the Federal government until after the one year required timeframe.

Context: Overpayments identified by the provider on submitted cost reports totaled approximately $10 million in fiscal year 2014. The Federal share of these overpayments would have been due within fiscal year 2015.

Cause: Lack of procedures in place when the provider paid less than 100 percent of the identified overpayment when they submitted their cost report

Effect:

- Delay in the Federal government receiving its share of the overpayments to providers
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department continue to improve its process to ensure that the Federal share of all Medicaid overpayments is refunded on a timely basis.

Management's Response/Corrective Action Plan: The Department agrees with this finding.

The procedures that were in place during SFY 2014 resulted in three invoices out of 46 having their FFP returned six months after the one year timeframe, based on this testing. In dollar terms, this equated to $186,025 out of $4,221,532 FFP, or 4.41%.

Corrective action was implemented during SFY 2015, and included memoranda of understanding governing the transition of data between DHHS Division of Audit and HMS via OMS, via a shared control sheet.

Contact: David Whitt, Acting Director of DHHS Service Center, 248-7150

(State Number: 15-1106-10)

(2015-012)

Title: Controls to ensure the members' share of Cost of Care amounts are properly deducted from nursing home and private non-medical institution provider payments need improvement

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-014	13-1106-02 13-1106-19* *Cost of Care only	12-1106-12	11-1106-14			

State Department: Health and Human Services
State Bureau: Office of MaineCare Services (OMS)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award #: 05-1305ME5MAP, 05-1405ME5MAP, 05-1505ME5MAP

Compliance Area: Allowable costs/costs principles

Type of Finding: Significant deficiency
Questioned costs

Questioned Costs:

Questioned Costs	Total	Federal	State
Known	$3,312	$2,047	$1,265
Likely	$4,000,000	$2,500,000	$1,500,000

Criteria: 42 CFR 435.725; 2 CFR 225, OMB Circular A-87; MaineCare Eligibility Manual, Part 12 (Residential Care) and Part 14 (Individuals in Medical Institutions)

Condition: Controls in place to ensure that members' share of Cost of Care is properly deducted prior to paying nursing home (NH) and private non-medical institution (PNMI) claims need improvement. In a test of sixty paid claims where Cost of Care should have been deducted, there were two instances where the members' share of Cost of Care was not deducted and one instance where the member's share of Cost of Care was over deducted.

Context: Collectively, recipients of Long Term Care (LTC) assistance were responsible for paying $101.4 million of their Cost of Care during fiscal year 2015. Of this amount, only $97.4 million was deducted from LTC facility payments.

Cause:

- Maine Integrated Health Management Solution (MIHMS) system edits were not set to deduct Cost of Care when the day count for a LTC facility claim is less than a full month.
- Lack of procedures to automatically detect and re-open claims for retroactive adjustments

Effect:

- The lack of edits in place to detect, deny, pend or re-open claims for manual review or adjustment results in both overpayments and underpayments to providers
- Potential current and future questioned costs

Recommendation: We recommend that the Department:

- as a temporary measure, direct the Fiscal Agent to pend, deny or re-open LTC claims for manual review prior to payment. This will provide an opportunity for personnel to make manual corrections to current claims before they are paid incorrectly.
- make system corrections and continue to implement additional controls that will allow the members' share of the Cost of Care to be properly deducted from monthly NH and PNMI payments.
- assign additional personnel to generate and review exception reports or use other tools that will detect errors and track error resolution.

Management's Response/Corrective Action Plan: The Department agrees in part with the finding.

The Department has made significant system modifications in the past two years that have significantly reduced the number of Cost of Care issues with LTC claims. We have also included PNMIs in the external audit and recoupment performed by the vendor that has traditionally handled Nursing Home overpayments. With these incremental changes, we believe it would be an inefficient use of limited staff resources to divert them to manual review of paid or denied claims.

The remaining issue with LTC claims is being addressed by CR 49974, which is currently in System Integration Testing. We expect this change to be in production by May 31, 2016. This remaining issue occurs very infrequently but involves a provider billing issue – when the provider indicates in one spot on the claim that the member was in the facility all month but bills for less than the entire month in another spot.

Contact: Stefanie Nadeau, Director, Office of MaineCare Services, 287-2093

(State Number: 15-1106-11)

(2015-013)

Title: Inadequate surveillance and utilization review of Medicaid services

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-011	13-1106-04			10-1106-08	09-1106-05	08-66

State Department: Health and Human Services
State Bureau: Division of Audit - Program Integrity Unit
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
CFDA #: 93.775, 93.777, 93.778
Federal Award #: 05-1305ME5MAP, 05-1405ME5MAP, 05-1505ME5MAP

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs:

Questioned Costs	Total	Federal	State
Known	Undeterminable		
Likely	Undeterminable		

Criteria:
- 42 CFR 433, 455 and 456
- Certification Checklists used by the Centers for Medicare and Medicaid Services for approval of the Medicaid Management Information System
- U.S. DHHS, *State Medicaid Manual*, Part 11, Sections 11300, 11310, 11335,11340, 11350
- Maine DHHS, *MaineCare Benefits Manual*, Section 1.17 and 1.18

Condition: Surveillance and utilization review activities performed to monitor Medicaid expenditures did not adequately utilize the Federally approved J-SURS software module and other software resources. The J-SURS module includes three components: Report Generator, Top N and Advanced Drilldown. The Department is not adequately utilizing the powerful Report Generator tool as part of its ongoing surveillance and utilization review activities. Other J-SURS tools and other procedures are not an adequate substitute for systematic and ongoing use of Report Generator (RG). RG was specifically designed to perform large scale data mining, analytics and exception reporting in accordance with Federal requirements. Department personnel developed their own software tool using ACCESS and Excel for data analysis, that they refer to as Peer to Peer (PTP). PTP is a way of integrating the use of the Top N component of the J-SURS module with familiar software products. However, PTP is not an adequate substitute for the critical data mining capabilities of RG that are required by Federal regulations.

The J-SURS Report Generator module should be used to monitor virtually all expenditures and detect anomalies, and to focus reviews on Medicaid provider and recipient claim profile data in aggregate with their peer groups. This lack of systematic analysis results in a narrow field of actual surveillance activity. Fraud detection procedures should include adequate, proactive surveillance and utilization activities, as well as the Department's current follow-up on complaints received from others.

An adequate, comprehensive, effective and efficient Medicaid Management Information System subsystem or component to a subsystem, or combination of subsystems and/or components is not in place to ensure the quality and timeliness of Medicaid services. The current system is not adequately designed to accomplish the postpayment review process.

Context: Medicaid expenditures of approximately $2.5 billion were paid to providers in fiscal year 2015. Surveillance and utilization controls are important safeguards against the unnecessary or inappropriate use of Medicaid services.

Cause: Inadequate resources were assigned to develop surveillance and utilization review expertise, and to apply this expertise to a continuous systematic review of Medicaid expenditures. Also, the development of procedures has been significantly hampered by RG software that runs very slowly. This has an unfavorable impact on the learning curve for DHHS personnel.

Effect:
- Increased risk that errors, or fraud, waste and abuse will remain undetected
- Potentially unnecessary or inappropriate use of Medicaid funds
- Potential disallowance of Federal funds

Recommendation: We recommend that the Department take steps to ensure that personnel perform effective and systematic surveillance and utilization review activities using Report Generator as part of its regular routine. This will advance the timely detection of potential fraud, waste, and abuse. The Department should work diligently with the Fiscal Agent to ensure the efficient and effective operability of J-SURS software modules.

Additionally, the Department should develop and identify exception criteria and establish a post-payment review process that evaluates recipient utilization and provider service profiles.

Management's Response/Corrective Action Plan: The Department disagrees with this finding.

This finding is based on a functional requirement of a Surveillance and Utilization Review Subsystem (per Section 11335) to accomplish objectives utilizing a minimum level of manual clerical effort and a maximum level of flexibility with respect to management objectives of the State's Medicaid program.

The Office of State Audit (OSA) issued a similar finding for FY14. The recommendation issued in the report was “that the Department take steps to ensure that Program Integrity Unit personnel perform effective and systematic surveillance activities using Report Generator as part of its regular routine. This will fully aid in the timely detection of potential fraud, waste, and abuse.”

In response to the FY14 recommendations, the Department responded with a full explanation of the workaround created to meet the requirements as listed in the Criteria Section of the report. The workaround discussed in the response was titled “the Peer-to-Peer Tool (PTP)” which was developed to meet the requirements of the Criteria as well as mimic the RG tool with exception reporting by assigning specific weights to certain criteria to identify outliers. The PTP tool includes the use of TopN data.

The FY14 response defended PI’s decision to use the PTP tool for the purpose of comparing same type providers, identifying provider outlier activity and assigning risk by scoring based on service metrics, and, thereby, meeting the requirements of Criteria with the approval of CMS.

For FY15, the Department continues to defend PI’s decision to use the PTP and/or other tools rather than the routine use of RG for ongoing surveillance and utilization review activities. The PTP doesn’t require “super users” as it is used by all staff with minimal training required. The Department disagrees that RG is the only tool available to PI that “can monitor virtually all expenditures, detect anomalies, and conduct provider and member profiles.”

The Department also disagrees that there is an increased risk that errors, or fraud, waste and abuse will remain undetected by not routinely using the RG for data mining and/or surveillance. In fact, in FY15, over one third of the cases referred to the Healthcare Crimes Unit from PI were discovered through data activities.

It should also be noted that there was limited super users (of RG) capacity during FY15.

To address the OSA’s recommendation based on the review conducted for FY15, RG has always been and continues to be a tool available to PI. PI recognizes that this tool is powerful in that it has episode of care and exception criteria functionality. However, PI continues to find that it is more time-effective/efficient to use tools with workarounds, like the PTP, to get to the same information in a shorter amount of time with a more workable output than what RG can provide and accomplish objectives utilizing a minimum level of manual clerical effort and a maximum level of flexibility with respect to management objectives of the State’s Medicaid program.

Contact: Herb Downs, Director, Division of Audit, 287-2778

Auditor’s Concluding Remarks: This finding is based in part on Section 11335 of the U.S. DHHS, State Medicaid Manual. However, Section 11335 contains five requirements, *in addition to the single requirement of minimum clerical effort and maximum flexibility*, addressed in the Management Response/Corrective Action Plan. The U.S. DHHS State

Medicaid Manual Section 11335 titled *Surveillance and Utilization Review* also has the following requirements:

- Develop a comprehensive statistical profile of health care delivery and utilization patterns established by provider and recipient participants in various categories of services authorized under the Medicaid program.
- Investigate and reveal misutilization of the State's Medicaid program by individual participants and promote correction.
- Provide information which reveals and facilitates investigation of potential defects in the level of care and quality of service provided under the Medicaid program.
- By means of computerized exception processing techniques, provide the ability to perform analyses and produce reports responsive to the changing needs of Title XIX managers, PROs[1], and State Medicaid fraud control units.
- Be capable of developing provider, physician, and patient profiles, sufficient to provide specific information as to the use of covered types of services and items, including prescribed drugs.

The Office of the State Auditor (OSA) interprets the reference to minimal clerical effort and maximum flexibility differently than the interpretation included in Management's Response. OSA's opinion is that "minimum clerical effort" means that processes to convert raw data into information and intelligence should be highly automated. Also, in OSA's opinion "maximum flexibility" means, for example, that some reports should be standardized allowing Maine DHHS to track meaningful and reliable statistical trends; and other information should be provided to other management personnel based on changing needs on an ad hoc basis.

According to 42 CFR 433.116, the Medicaid Management Information System must provide both patient and provider profiles for program management and utilization review purposes. 42 CFR 433.112 states that it must produce transaction data, reports, and performance information that would contribute to program evaluation, continuous improvement in business operations, and transparency and accountability. Also, 42 CFR 455.13(a) states that the Medicaid agency must have methods and criteria for identifying suspected fraud cases. It is reasonable to expect that that should be proactive (not typically or usually relying on complaints), systematic, comprehensive, and not anecdotal.

The opinion of the Office of the State Auditor is that although the Division of Audit has made progress toward improved surveillance and utilization review procedures, these activities do not rise to the level of compliance with Federal requirements.

The finding remains as stated.

(State Number: 15-1106-12)

[1] Peer Review Organizations

(2015-014) Confidential finding, see Condition Section below for more information

Title: Inadequate management controls over ________ (The content of this finding has been redacted. This appears as blank underlining).

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-013						

State Department: Administrative and Financial Services (DAFS)
State Bureau: Office of Information Technology (OIT)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
SNAP Cluster (SNAP)
CFDA #: 93.775, 93.777, 93.778, 10.551, 10.561
Federal Award #: 05-1305ME5MAP, 05-1405ME5MAP,
4ME400401, 4ME420408, 4ME430421

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

	Total	Federal	State
Known			
Likely			

Criteria: State of Maine ___________; Federal _______________.

Condition: Inadequate management controls over _________.
This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Richard McGreal, Associate Regional Administrator, Center for Medicare and Medicaid Service, Boston, MA and
- Jessica Shahin, Associate Administrator, U.S. Department of Agriculture, Supplemental Nutrition Assistance Program, Alexandria, VA.

A copy of that correspondence has also been sent to:

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

Context: OIT uses ________ to administer State DHHS ________ and ________ for which they are responsible. The Medicaid and SNAP programs are explicitly listed in the CFDA titles above because they are the largest programs affected.

Cause:

- Competing priorities
- OIT states they have no _________ to manage ________.
- Service Level Agreements (SLAs) between State agencies and OIT are silent regarding ________.
- OIT operates in a fee-for-service environment.

Effect: Lack of proper controls could lead to_____________

Recommendation: We recommend that OIT improve management controls over _______.

Management's Response/Corrective Action Plan: The Department agrees with the finding. The Department has responded that corrective steps have been taken. The remainder of the agency response has been redacted to protect confidential information.

Contact: Victor Chakravarty, Associate CIO for Infrastructure, 624-9840

(State Number: 15-0906-01)

(2015-015) Confidential finding, see Condition Section below for more information

Title: Office of Information Technology controls need improvement (The content of this finding has been redacted. This appears as blank underlining).

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-012						

State Department: Administrative and Financial Services
State Bureau: Office of Information Technology (OIT)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
TANF Cluster (TANF)
SNAP Cluster (SNAP)
CFDA #: 93.775, 93.777, 93.778, 93.767, 93.558, 10.551, 10.561
Federal Award #: 05-1505ME5MAP, 05-1405ME5MAP, 05-1505ME5021,
05-1405ME5021, 1502METANF, 4ME400401,
4ME420408, 4ME430421

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

	Total	Federal	State
Known			
Likely			

Criteria: State of Maine _________; Federal _____________

Condition: ________ controls over ________ used by the Department of Health and Human Services (DHHS) need improvement.
This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

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

A copy of that correspondence has also been sent to:

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

Context: OIT uses _________ to administer State DHHS _______ and _______ for which they are responsible. Medicaid, CHIP, TANF and SNAP programs are explicitly listed in the CFDA titles above because they are the largest programs affected.

Cause: Competing priorities provided OIT with no time to address the issue.

Effect: Lack of proper controls could lead to ____________

Recommendation: We recommend that steps are taken to ensure that ________ changed in accordance with the State of Maine Information System _______ policy.

Management's Response/Corrective Action Plan: The Department has responded that corrective action has been taken on 2/23/2016. The remainder of the agency's response has been redacted to protect confidential information.

Contact: Sharon Horne, Manager of ________, ________, 624-9925

(State Number: 15-0906-03)

(2015-016) Confidential finding, see Condition Section below for more information

Title: The **__________** associated with the **_________** is not adequate (The content of this finding has been redacted. This appears as a blank underlining).

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-018						

State Department: Administrative and Financial Services (DAFS)
Health and Human Services (DHHS)
State Bureau: Office of Information Technology Services (OIT)
Office of MaineCare Services
Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
CFDA #: 93.775, 93.777, 93.778, 93.767
Federal Award #: 05-1305ME5MAP, 05-1405ME5MAP,
05-1305ME5021, 05-1405ME5021

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: State ______; Federal _______

Condition: The _________ is not adequate.
This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Richard McGreal, Associate Regional Administrator, Center for Medicare and Medicaid Services, Boston, MA.

A copy of that correspondence has also been sent to:

- Greg Dowell, Manager, Office of Inspector General, U.S. Department of Health and Human Services, Office of Audit Services, National External Audit Review Center, Kansas City, MO.

Context: _______ is an electronic information system that determines eligibility and stores client information for Federal assistance programs.

Cause: Competing priorities

Effect: Lack of adequate control could potentially lead to **__________**

Recommendation: We recommend that the **________** be replaced by **__________**.

Management's Response/Corrective Action Plan: The Department agrees with this finding. The department has responded that corrective steps have been taken. The remainder of the agency's response has been redacted to protect confidential information.

Contact: Cindy Hopkins, IT Director, 592-2191

(State Number: 15-0922-01)

(2015-017)

Title: Inadequate controls over Federal cash management

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
	13-1108-01	12-1108-01				

State Department: Administrative and Financial Services
State Bureau: Health and Human Services Service Center
Federal Agency: U.S. Department of Agriculture
CFDA Title: SNAP Cluster
CFDA #: 10.551, 10.561
Federal Award #: 4ME400401, 4ME430421

Compliance Area: Cash management

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: 31 CFR 205 (B)

Condition: The Department did not minimize the time between drawdown and disbursement of Federal funds in accordance with Federal regulations. The Department had excess cash on hand during four separate months. Average cash on hand ranged from eight to twenty-six days during those four months.

Context: The Department drew approximately $16 million in SNAP administrative funds from the Federal government during fiscal year 2015.

Cause: Procedures to minimize the number of days of cash on hand were not adequate.

Effect:

- The Federal government may require the use of a more stringent cash drawdown method for the program.
- Potential interest liability

Recommendation: We recommend that the Department improve its procedures to ensure that Federal cash is requested based on immediate cash needs.

Management's Response/Corrective Action Plan: The Department agrees with this finding.

Procedures to handle cash management for this grant are being updated and will be implemented in the Spring of 2016. Updated procedures include changes to the daily cash and allotment file that helps identify issues more quickly. Additionally, the procedure for the cash on hand file will stress the importance of checking this file on a daily basis.

Additionally, the Department Cost Allocation team has improved the journal process which should eliminate large credit journals and the need for the return of funds which is a complex process for this grant.

Contact: David Whitt, Acting Director, DHHSSC, 248-7150

(State Number: 15-1108-01)

(2015-018) Confidential finding, see Condition Section below for more information

Title: Internal control over __________ needs improvement (The content of this finding has been redacted. This appears as blank underlining).

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-020						

State Department: Health and Human Services (DHHS)
Administrative and Financial Services (DAFS)
State Bureau: Office for Family Independence (OFI)
Office of Information Technology (OIT)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: TANF Cluster (TANF)
SNAP Cluster (SNAP)
CFDA #: 93.558, 10.551, 10.561
Federal Award #: 1402METANF, 4ME400401, 4ME420408, 4ME430421

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: State of Maine _____________; Federal _______________.

Condition: _______ controls need improvement.
This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

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

A copy of that correspondence has also been sent to:

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

Context: ________ supports the financial assistance programs of DHHS including TANF, SNAP and others. It is a high risk, complex information system which connects to various other State and Federal applications.

Cause:

- Competing internal priorities within OFI and OIT
- Lack of _________ awareness
- Ambiguous accountability for _________ aspects of ___________

Effect: Lack of proper controls could lead to ____________________

Recommendation: We recommend that steps are taken to enhance ____________

Management's Response/Corrective Action Plan: The Department agrees with the finding. The Department has responded that corrective action has been taken. The remainder of the agency's response has been redacted to protect confidential information.

Contact: Cindy Hopkins, IT Director, 592-2191

(State Number: 15-0922-02)

(2015-019)

Title: Controls over special reporting need improvement

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-025						

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: TANF Cluster
CFDA #: 93.558
Federal Award #: 1402METANF

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: 45 CFR 265.9

Condition: The ACF-204, *Annual Report including the Annual Report on State Maintenance-of-Effort Programs* reported client case count information based on estimates. According to the instructions for the ACF-204 report, States may use reasonable estimates that have a sound basis where actual numbers are not available. However, the process and underlying data used by the Department to estimate the case counts were undocumented and unsupported.

Context: The ACF-204 reports case count information for fifteen MOE programs. The Department did not provide supporting documentation for any of the case counts included in the report.

Cause: Supporting documentation was not retained by the Department.

Effect: The reasonableness of the estimated case count information cannot be determined.

Recommendation: We recommend that the Department substantiate and document how estimates are established for client case counts reported in the ACF-204. We further recommend that the Department retain the supporting documentation used to develop those estimates.

Management's Response/Corrective Action Plan: The Department agrees with the finding.

In several MOE programs, case counts are unavailable. For completion of the ACF-204, States are permitted use of reasonable estimates that have a sound basis where actual numbers are not available. When reporting the average number of individuals served per month for the General Assistance Program, the Child Care Tax Credit and the Property Tax Fairness Credit, estimates were used.

In order to determine the number of clients served by those expenditures OFI calculates the percentage of TANF related expenditures to total expenditures and applies that percentage to the total number of clients served. This formula identifies an estimate of the average number of TANF families served monthly and is in keeping with generally accepted accounting principles.

For future submissions of the ACF-204, the Department will retain the documentation that supports the methodology used for calculation of estimates.

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

(State Number: 15-1111-01)

(2015-020)

Title: Inadequate procedures to report accurate Unsubsidized Employment data

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-027	13-1111-04					

State Department: Health and Human Services
State Bureau: Office for Family Independence
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: TANF Cluster
CFDA #: 93.558
Federal Award #: 1402METANF

Compliance Area: Reporting
Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: 45 CFR 261.62; 45 CFR 265.7

Condition: The ACF-209 *SSP-MOE Data Report* contained errors for the Unsubsidized Employment Hours (full or part-time employment in the public or private sector that is not subsidized by TANF or any other public program). Unsubsidized employment is the primary goal of TANF. We found that the Unsubsidized Employment Hours were reported in error for twenty-five of eighty cases randomly selected from the ACF-209.

Context: The Administration for Children and Families (ACF) determines whether the State has met the required work participation rates based on the data that is submitted on the ACF-209.

Cause: Computer programming in ACES related to Worker Supplement Benefit (WSB) needs to be corrected.

Effect: The Federal government may penalize the State by an amount not less than one percent and not more than five percent of the State Family Assistance Grant for violation of this provision.

Recommendation: We recommend that the Department work with Office of Information Technology staff to correct the computer programming in ACES related to WSB to ensure that Unsubsidized Employment hours are correctly reported.

Management's Response/Corrective Action Plan: The Department agrees with this finding.

The ACES programming changes referenced in previous finding 14-1111-05 were implemented on Sep. 25, 2015, with subsequent corrections identified as necessary throughout the stabilization period. Those additional corrections were implemented on Oct. 2, 2015 and Dec. 30, 2015. Some cases tested prior to the latest implementation date may not be affected by the corrections and would therefore continue to show as erroneous in the report. Cases tested after Dec. 30, 2015 should reflect the programming changes made to ACES.

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

(State Number: 15-1111-02)

(2015-021)

Title: Income Eligibility and Verification System (IEVS) procedures need improvement

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
	13-1111-02	12-1111-01	11-1111-01	10-1111-01	09-1111-01	08-05

State Department: Health and Human Services
State Bureau: Office for Family Independence (OFI)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: TANF Cluster
Medicaid Cluster
Children's Health Insurance Program (CHIP)
SNAP Cluster
CFDA #: 93.558, 93.775, 93.777, 93.778, 93.767, 10.551, 10.561
Federal Award #: 1402METANF, 05-1305ME5MAP, 05-1405ME5MAP, 05-1505ME5MAP, 05-1305ME5021, 05-1405ME5021, 4ME400401, 4ME430421

Compliance Area: Special tests and provisions
Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: 42 USC 1320b-7; 45 CFR 205.56; 42 CFR 435.952

Condition: Established policies and procedures to ensure that IEVS information is utilized to determine eligibility and the level of benefits or to maintain case records in the Automated Client and Eligibility System (ACES) are not always followed.

Our testing indicated that the Department did not document any follow-up for four of the forty client cases examined:

- Two of forty alerts on the Quarterly Earnings Discrepancy Report were not addressed.
- Two of forty alerts on the SSI Report were not addressed.

Additionally, five of forty alerts on the Buy-In Discrepancy Report were not addressed on a timely basis.

Context: The State is required to comply with Federal IEVS exchange rules and regulations in accordance with program agreements. The State is required to exchange data, through IEVS, with other agencies and Federally-assisted benefit programs and use the income and benefit information when determining eligibility.

Cause:
- Lack of staff resources
- Caseworkers did not follow up on reported discrepancies on a timely basis

Effect:
- Failure to participate in IEVS may result in the Federal government penalizing the State for up to two percent of the State Family Assistance Grant.
- If the discrepancy is to close a member's Medicare Part B Buy-In coverage in Maine and it is not cleared on a timely basis, the State may be paying for Medicare Part B premiums for an ineligible member.
- If the discrepancy is to open a member's Medicare Part B Buy-In coverage in Maine and it is not cleared on a timely basis, the member or another State may be paying the monthly premium instead of the State of Maine.

Recommendation: We recommend that the Department continue training and also monitor personnel to ensure that discrepancies in eligibility information are resolved. Resolutions must be made on a timely basis and must be properly documented.

Management's Response/Corrective Action Plan: The Department agrees with the finding.

The Department agrees that there was no documentation in ACES regarding two of 40 alerts on the Quarterly Earnings Discrepancy Report and two of 40 alerts on an SSI report. Additionally, the Department agrees that five of the 40 alerts on the Buy-In Discrepancy Report were not addressed on a timely basis.

The Department has developed training material and guidance for addressing IEVS requirements with staff and is considering doing the same for the Buy-In Discrepancy Report. In addition, OFI has begun an internal quality assurance review of a sample of IEVS actions per month to help identify problem areas. The Department continues to explore the possibility of a technology-related solution.

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

(State Number: 15-1111-03)

(2015-022)

Title: Inadequate controls over required Income and Eligibility Verification System (IEVS) data exchanges

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-022	13-1111-01	12-1111-01				

State Department: Administrative and Financial Services (DAFS)
Health and Human Services (DHHS)
State Bureau: Office of Information Technology (OIT)
Office for Family Independence (OFI)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: TANF Cluster (TANF)
Medicaid Cluster
Children's Health Insurance Program (CHIP)
SNAP Cluster (SNAP)
CFDA #: 93.558, 93.775, 93.777, 93.778, 93.767, 10.551, 10.561
Federal Award #: Various Medicaid, TANF, CHIP and SNAP awards
Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: State of Maine Information System Security Policy; Federal Information System Controls Audit Manual (FISCAM) IN-1.0, IN-2.0, IN-2.2, BP-2.8, BP-2.9, BP-3.4, AS-2.5, AS-2.6

Condition: Office of Information Technology (OIT) internal controls over Federally required Income and Eligibility Verification System (IEVS) data exchanges are inadequate. We noted:

- A lack of institutional knowledge within OIT regarding IEVS data exchanges
- Outdated and inaccurate documentation at OIT describing methods used to process IEVS data exchanges
- Inadequate monitoring and feedback controls present a risk that some exchanges may be performed ineffectively or in an insecure manner

These problems were identified as root causes of deficiencies identified during current year audit testing.

In a test of thirty data exchanges, we found:

- that all thirty exchanges ran, but OIT had no feedback controls to ensure complete and accurate record transmissions

In another test, total records sent by the Social Security Administration (SSA) do not agree with the number of records received by the State for the two largest inbound data exchanges – BEER (Beneficiary Earnings Exchange Report) and BENDEX (Beneficiary Earnings and Data Exchange). The State received:

- 386 more BEER records than the SSA sent
- 735 more BENDEX records than the SSA sent

Context: OIT did not have controls in place over these exchanges to provide assurance that the State is in compliance with Federal-State IEVS exchange agreements established to comply with Federal TANF, Medicaid, CHIP and SNAP program rules and regulations. The State is required to exchange data, through IEVS, with other agencies and Federally assisted benefit programs and use the income and benefit information when determining eligibility.

Cause:

- The current DAFS-OIT-DHHS technology servicing structure does not hold any individual person or group accountable for IEVS processes.
- Data exchanges are not tested periodically to ensure program integrity and continued compliance with Federal regulations.
- System batch jobs relevant to IEVS were designed by State contractors more than twenty years ago and are not being reviewed to ensure ongoing reliability and compliance.
- Institutional knowledge at OIT has been lost due to the retirement of one technical person three years ago. There has not been adequate training of replacement personnel.
- No batch control totals are sent to the State as part of the IEVS transmissions from the Federal government. The Federal government does send record counts.

Effect:

- Potential sanctions from the Federal oversight entity
- Potential disallowed Federal expenditures resulting from ineligible clients
- Exchanges may be performed ineffectively or in an insecure manner
- No method is in place to identify deliverables that would ensure DHHS business needs are being met
- Potential overspending in the General Fund associated with the State share of payments for ineligible clients
- The risk to the State is a financial penalty of up to two percent of these Federal assistance grants

Recommendation: We recommend that the OIT:

- Actively design and document procedures relevant to these daily, weekly, bi-weekly, monthly and annual IEVS exchanges to ensure appropriate action is being taken by staff to update and maintain DHHS eligibility information.
- Actively manage and periodically monitor the reasonableness of current incoming and outgoing IEVS exchanges to ensure compliance with Federal requirements.
- Establish a feedback exchange method to provide assurance that all eligibility records sent from the SSA or the Centers for Medicare and Medicaid Services (CMS) were received by the State; and that all eligibility records sent from the State were received by the SSA or CMS.
- Increase the number of OIT personnel assigned to this effort.

We recommend that the OFI:

- Establish methods to identify deliverables which OIT could be held accountable for when business needs are not met.

Management's Response/Corrective Action Plan: The Department agrees with the finding.

The following corrective action has been taken:

A weekly meeting currently takes place between ACES and DHHS (OFI) to discuss priorities and efforts; interfaces are a part of this discussion.

In regards to inconsistencies found in specific interface transmissions, we do not currently have a reconciliation process with the internal and external agencies in which we interface with, so ACES cannot currently determine the cause of an inconsistency (record counts) that was not generated from within the ACES OIT infrastructure.

Beginning with IEVS interfaces, the ACES team will be contacting these agencies to request reconciliation data to store and compare in the ACES database. Once this information is available to ACES, a system can be created to monitor and react to inconsistencies.

The ACES Operations team will be responsible for working with OFI business partners and other Agencies we interface with to establish the appropriate reconciliation process. The expectation is to have this activity completed within the next 18 months.

Contact: Cindy Hopkins, IT Director, 592-2191

(State Number: 15-0922-03)

(2015-023)

Title: Cash management procedures need improvement

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-029						

State Department: Administrative and Financial Services
State Bureau: Health and Human Services Service Center
Federal Agency: U.S. Department of Agriculture
CFDA Title: Child and Adult Care Food Program
CFDA #: 10.558
Federal Award #: 4ME300302, 4ME300385

Compliance Area: Cash management

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: 31 CFR 205 (B)

Condition: The Department did not minimize the time between drawdown and disbursement of Federal funds in accordance with Federal regulations. The program had excess cash on hand for six of the twelve months in fiscal year 2015.

Context: Average cash on hand ranged from nine days to twenty-eight days for six months.

Cause: Procedures to minimize the number of days of cash on hand were not adequate.

Effect:

- The Federal government may require the use of a more stringent cash drawdown method for the program.
- Potential interest liability

Recommendation: We recommend that the Department improve its procedures to ensure that Federal cash is requested based on immediate cash needs.

Management's Response/Corrective Action Plan: The Department agrees with the finding.

A change to the daily processing of Accounts Payable invoices was implemented in January 2015. The procedure, which involves segregating Federal invoices and processing them separately from other invoices, is expected to expediate the invoice process and decrease the amount of days cash on hand.

Contact: David Whitt, Acting Director of DHHS Service Center, 248-7150

(State Number: 15-1115-01)

(2015-024)

Title: Controls over financial reporting need improvement

Prior Year Findings: None

FY14	FY13	FY12	FY11	FY10	FY09	FY08

State Department: Administrative and Financial Services
State Bureau: Health and Human Services Service Center
Federal Agency: U.S. Department of Agriculture
CFDA Title: Child and Adult Care Food Program
CFDA #: 10.558
Federal Award #: 4ME300302, 4ME300385

Compliance Area: Reporting

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: 7 CFR 226.7(d); 7 CFR 3015.61(a)

Condition: The Department did not ensure that the Federal FNS-777 quarterly expenditure report was complete and accurate. One of the two FNS-777 reports tested did not accurately report unliquidated obligations. Additionally, the Department did not revise the FNS-777 report when the error was detected.

Context: Unliquidated obligations were reported as zero for the quarter ending June 30, 2015 report. It should have been reported as $1.2 million.

Cause:

- Ineffectual supervisory review of a quarterly report prepared by new personnel.
- The Department was unaware of the requirement to submit a revised FNS-777 report when an error is detected.

Effect: The unliquidated obligations for the Child and Adult Food Care program were understated on the FNS-777 report for the quarter ending June 30, 2015.

Recommendation: We recommend that the Department implement procedures to ensure that reports are accurately prepared and effectively reviewed by supervisors. Also, revisions must be submitted when required.

Management's Response/Corrective Action Plan: The Department agrees with the finding.

The managing staff accountant has a checklist to ensure that the FNS-777 is reported correctly. The encumbrance tab now has a query to verify the amount encumbered. Therefore, going forward the encumbrance section of the report will be accurate.

The Department will revise the FNS-777 if required by the Federal government; the oversight was corrected in a subsequent report. Deleting and re-opening the period is a complex process on the Federal side and they are determining whether this would warrant that process.

Contact: David Whitt, Acting Director of DHHS Service Center, 248-7150

(State Number: 15-1115-02)

(2015-025)

Title: Procedures over drug rebate accounting and reporting need improvement

Prior Year Findings: None

FY14	FY13	FY12	FY11	FY10	FY09	FY08

State Department: Administrative and Financial Services (DAFS)
Health and Human Services (DHHS)
State Bureau: Health and Human Services Service Center
Office of MaineCare Services (OMS)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Medicaid Cluster
Children's Health Insurance Program (CHIP)
CFDA #: 93.775, 93.777, 93.778, 93.767
Federal Award #: 05-1305ME5MAP, 05-1405ME5MAP, 05-1505ME5MAP,
05-1305ME5021, 05-1405ME5021

Compliance Area: Allowable costs/cost principles
Reporting

Type of Finding: Significant deficiency
Questioned costs

Questioned Costs:

Questioned Costs	Total	Federal	State
Known	$6,069 CHIP ($5,119) Medicaid	$4,446 CHIP ($3,750) Medicaid	$1,623 CHIP ($1,369) Medicaid
Likely	$2,806,000 CHIP ($2,367,000) Medicaid	$2,056,000 CHIP ($1,734,000) Medicaid	$750,000 CHIP ($633,000) Medicaid

Criteria: State Medicaid Manual, Chapter 2 Section 2500.2(E); 45 CFR 92.20 (a) (1) and (2); 2 CFR 225

Condition: Rebates associated with drugs dispensed to CHIP members were incorrectly offset against Medicaid expenditures and returned to the Federal government at the base (lower) Federal Medical Assistance Percentage (FMAP) rate instead of at the enhanced (higher) FMAP rate. In addition, these rebates were inappropriately reported on Medicaid's Form CMS-64.9 report instead of CHIP's CMS-64.21 and CHIP's CMS-21 reports.

Context: Approximately $138 million in drug rebates was reported on Medicaid's Form CMS-64.9 report for fiscal year 2015.

Cause: The Department did not obtain the supporting documentation needed to accurately account for and report drug rebates for CHIP.

Effect:

- CHIP drug expenditures are overstated and Medicaid drug expenditures are understated
- Potential current and future questioned costs
- Noncompliance with Federal regulations

Recommendation: We recommend that the Department work with their Fiscal Agent to obtain the information needed to accurately account for and report drug rebates by Federal program.

Management's Response/Corrective Action Plan: The Department agrees with this finding.

The Department of Health and Human Services and its Service Center will convene a multi-agency team of subject matter experts in the fields of both pharmacy and Federal reporting. This team will work on designing a production report to be developed and implemented by the State's claims administrator, Molina. The primary purpose of this report will be to facilitate the accurate reporting of drug rebates, by program. The design phase will have an anticipated completion date of July 31, 2016. At this point, a change request (CR) will be submitted to Molina – with an expected final deliverable date of March 31, 2017.

For clarity, DHHS and its Service Center agree to the net "known" question costs above, of $696 Federal share. The combined entities do not, however, agree with the "likely" questioned costs at this time. This is an extrapolation, and requires a thorough review before agreement.

Contact: Stefanie Nadeau, Director, Office of MaineCare Services, 287-2093

(State Number: 15-1140-01)

(2015-026)

Title: Controls over level of effort requirements need improvement

Prior Year Findings: None

FY14	FY13	FY12	FY11	FY10	FY09	FY08

State Department: Health and Human Services
State Bureau: Office of Health Equity
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Affordable Care Act (ACA) - Maternal, Infant, and Early Childhood Home Visiting Program.
CFDA #: 93.505
Federal Award #: D89MC23149-02-03, X02MC26322-01

Compliance Area: Matching, level of effort, earmarking

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: Social Security Act Title V§ 511 (f); 42 U.S.C. § 711

Condition: The Department did not spend the required amount of State funds to meet the program level of effort requirements. The Department spent $101,750 less than the required amount.

Context: The State's required maintenance of effort for fiscal year 2015 was $2.0 million.

Cause: Budgeted State funds were not encumbered entirely for Home Visitation Services contracts as they had been in the past.

Effect: Noncompliance with Federal regulations

Recommendation: We recommend that the Department ensure that the required level of State funds is spent each year to meet the program's level of effort requirements.

Management's Response/Corrective Action Plan: The Department disagrees with this finding.

While we didn't encumber all of the State funds that are used for the MOE levels, we did expend the funds in accordance with the approved program as written into the grant proposal and as allowable expenditures to achieve the program goals.

Not all of the funds needed to be contracted out to community entities, in part, because the Federal program requirements necessitated improved coordination with other State programming that support vulnerable families. These unencumbered expenditures, were not, but should have been, taken into account during this audit.

Contact: Sheryl Peavey, Director of Strategic Reform, 287-5758

Auditor's Concluding Remarks:
The Program incurred General Fund savings of $101,750 without first identifying additional non-Federal expenditures that qualified the program to continue to meet their level of effort requirements. Subsequent to the completion of our audit, the Department identified a program initiative that they felt qualified. However, the Department could not provide adequate documentation for us to verify this claim. Additionally, the fact that these discussions happened subsequent to our audit is a clear indicator that internal controls were not in place to ensure that the program's level of effort requirements were met. A proper system of internal controls would have identified qualifying non-Federal expenditures prior to incurring the General Fund savings.

The finding remains as stated.

(State Number: 15-1155-02)

(2015-027)

Title: Automated Data Processing (ADP) risk analysis and system security reviews were not performed

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY 08
2014-016	13-1106-10	12-1106-04	ML-11-1106-09			

State Department: Administrative and Financial Services (DAFS)
Health and Human Services (DHHS)
State Bureau: Office of Information Technology (OIT)
Office for Family Independence (OFI)
Federal Agency: U.S. Department of Health and Human Services
CFDA Title: Child Support Enforcement (CSE)
CFDA #: 93.563
Federal Award #: 1504MECSES

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: Federal Information System Controls Audit Manual (FISCAM) SM-1.5, SM-2.0, CM-4.0, CM-5.0; 45 CFR 95.621 Automated Data Processing (ADP) Reviews

Condition: The required ADP risk analysis of DHHS systems and biennial system security reviews were not performed.

Context: OIT supports DHHS' efforts to comply with the ADP review requirements contained in the Code of Federal Regulations that cover Medicaid, CHIP, Foster Care, Adoption Assistance, and CSE programs.

Cause:
- Lack of resources
- Misinterpretation of the ADP risk analysis and security review requirements

Effect:

- Noncompliance with Federal regulations
- Reliance on ADP systems with potential security risks

Recommendation: We recommend that the Departments implement policies and procedures to ensure periodic ADP risk analysis of DHHS systems and that required biennial security reviews are performed by personnel who are organizationally independent.

Management's Response/Corrective Action Plan: The Department agrees with the finding.

The Child Support Enforcement DHHS application (CSEME) is the remaining application on this finding. DHHS and OIT have partnered on many enhancements to the security and governance of the data and processes supporting this program. The IRS completed a Safeguard Audit this past year which included not only the application, but also the infrastructure and the supporting processes (both business and technical).

Other key activities that have taken place over this past year are:

- Encryption in flight for the CSEME application has been successfully implemented for the application, adjunct components such as the New Hire Portal and Gambling Portal;
- Of the seven IRS audit findings that pertain to the application, all seven have been completed and are ready for submission to the IRS for approval;
- Added an FTI data auditing enhancement to CSEME which provides detailed transactional information related to the access of FTI data.

Contact: Cindy Hopkins, IT Director, 592-2191

(State Number: 15-0906-02)

(2015-028)

Title: Internal controls over State matching requirements need improvement

Prior Year Findings: None

FY14	FY13	FY12	FY11	FY10	FY09	FY08

State Department: Education (DOE)
State Bureau: Child Nutrition Services
Federal Agency: U.S. Department of Agriculture
CFDA Title: Child Nutrition Cluster
CFDA #: 10.555, 10.559
Federal Award #: 04ME300301

Compliance Area: Matching, level of effort, earmarking

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: 7 CFR 210.17

Condition: The Department did not meet the Federal match requirement. The qualified matching dollars expended by the State were $2,518 less than the required amount. Additionally, the FNS-10 report that is submitted to the U.S. Department of Agriculture Food and Nutrition Service (FNS) to report State matching amounts did not agree to the amount on the ED 293T report that is used to track match amounts that are paid**.**

Context: The U.S. Department of Agriculture, Food and Nutrition Service issues State National School Lunch Program (NSLP) matching requirements on a yearly basis. The State match requirement for fiscal year 2015 was $1,046,662.

Cause: The Department utilized Federal funds in order to meet the State match amount**.**

Effect: The Federal general cash assistance funds are subject to recall and repayment to FNS.

Recommendation: We recommend that Child Nutrition Services continue to work with their accountant to develop a method that will facilitate a reconciliation of matching payments to the Statewide accounting system.

Management's Response/Corrective Action Plan: The Department agrees with the finding.

The Department of Education and its Financial Service Center within the Department of Administrative and Financial Services will work together to update accounting and Federal reporting procedures for grants and the corresponding match accounts. Procedures will be updated and changes implemented no later than June 30, 2016.

Contact: Walter Beesley, School Nutrition Director, 624-6875

(State Number: 15-1203-01)

(2015-029)

Title: Warehouse inspections and Child Nutrition Services record keeping need improvement

Prior Year Findings: None

FY14	FY13	FY12	FY11	FY10	FY09	FY08

State Department: Education
State Bureau: Child Nutrition Services
Federal Agency: U.S. Department of Agriculture (USDA)
CFDA Title: Child Nutrition Cluster
CFDA #: 10.555, 10.559
Federal Award #: 04ME300301

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: 7 CFR 250.14 (b) and (c) and 7 CFR 250.16

Condition: Child Nutrition Services (CNS) did not perform the annual on-site inspection of the food storage facility as required by the Code of Federal Regulations (CFR). Additionally, CNS was unable to independently verify the accuracy and completeness of their contractor's records with respect to the receipt and distribution/use of donated foods.

Context: The U.S. Department of Agriculture provided $4.5 million worth of donated foods to CNS for the National School Lunch Program during fiscal year 2015. CNS provided donated foods to school food authorities for use in serving nutritious lunches and meals to school children.

Cause: The Department does not have a system in place to ensure that annual inspections are scheduled and carried out as required. Additionally, a new computer system was placed into operation that did not support the required tracking of the receipt and distribution of donated foods.

Effect: 7 CFR 250.16 states that failure to maintain records shall be considered prima facie evidence of improper distribution or loss of donated foods, and the agency, processor, or entity may be required to pay USDA the value of the food or replace it in kind.

Recommendation: We recommend that CNS establish an adequate system of internal control that will result in the performance and documentation of an annual inspection and assurance that food receipt, distribution and use is independently tracked by CNS.

Management's Response/Corrective Action Plan: The Department agrees with the finding.

CNS was unable to provide documentation to the auditor at the annual visit. CNS does have a procedure in place (3/2012) for inspection and inventory verification. The procedure has been reviewed and modified. The modification included attaching the review form and adding a line to complete the form to the procedure. This will begin this school year with the June 2017 onsite review conducted by CNS staff. The computer system is now operational and all product can be tracked.

Contact: Walter Beesley, School Nutrition Director, 624-6875

(State Number: 15-1203-02)

(2015-030)

Title: Background check procedures need improvement

Prior Year Findings: None

FY14	FY13	FY12	FY11	FY10	FY09	FY08

State Department: Education (DOE)
Agriculture, Conservation and Forestry (DACF)
State Bureau: Maine Commission for Community Service
Parks and Lands
Federal Agency: Corporation for National and Community Service
CFDA Title: AmeriCorps
CFDA #: 94.006
Federal Award #: 12ACHME001

Compliance Area: Eligibility

Type of Finding: Significant deficiency
Questioned costs

Questioned Costs:

Questioned Costs	Total	Federal	State
Known	$6,696	$6,696	
Likely	$59,310	$59,310	

Criteria: 45 CFR 2540.203

Condition: A State administering the AmeriCorps program must have procedures in place to determine member eligibility. This includes checking all fifty States' sex offender registries before a person can become an AmeriCorps member. For two of the eleven Maine Conservation Corps applicants tested, the sex offender registry check was conducted in forty-nine States, not all fifty States as required. These two files were set aside for follow-up which did not occur in advance of the applicant becoming a member.

Context: The State has 356 AmeriCorps members, seventy-seven of whom serve in the Maine Conservation Corps.

Cause: Maine Conservation Corps staff did not follow-up when a State's Sex Offender Registry was off-line at the time of the initial check.

Effect: Applicants have become AmeriCorps members without a fifty State Sex Offender Registry check being completed.

Recommendation: We recommend that the Department continue to implement and improve procedures that will ensure that eligibility requirements for AmeriCorps membership are met.

Management's Response/Corrective Action Plan: The Department agrees with the finding.

The Maine Commission for Community Service agrees that the subgrantee Maine Conservation Corps did not have compliant sex offender registry checks for two of the AmeriCorps member records tested. The Commission is responsible for monitoring subgrantee compliance and identified a similar issue during a monitoring site visit. The Commission has directed Maine Conservation Corps to submit within seven days, a written outline of changes in procedures it will implement to remedy the incidents. Furthermore, the Commission will conduct an expanded record check during annual monitoring site visits rather than looking at a sample of records.

Contact: Maryalice Crofton, Executive Director, Maine Commission for Community Service, 624-7792

(State Number: 15-1223-01)

(2015-031)

Title: Inadequate internal control over continuing eligibility

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-039	13-1302-01	12-1302-01	11-1302-06			

State Department: Labor
Administrative and Financial Services
State Bureau: Unemployment Compensation (BUC)
Office of Information Technology (OIT)
Federal Agency: U.S. Department of Labor (US DOL)
CFDA Title: Unemployment Insurance
CFDA #: 17.225
Federal Award #: *not applicable*

Compliance Area: Eligibility

Type of Finding: Material weakness
Material noncompliance
Questioned costs

Questioned Costs:

Questioned Costs	Total	Federal	State
Known	Undeterminable		
Likely	Undeterminable		

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

Condition: A State administering the Unemployment Insurance program must have properly designed internal control procedures in place to determine claimants' continuing eligibility. BUC has an internal control process in place in which they audit a random sample of weekly benefit payments for compliance with work search requirements. We reviewed a random sample of sixty weekly benefit payments from the population of claimants audited by BUC as part of their own internal control process. We noted that BUC's own internal audit process established overpayments for nine of the sixty cases due to claimant work search noncompliance. BUC had the responsibility to respond to the risk that those claimants' other claims subsequently filed were also noncompliant with the work search requirement. In all nine cases the noncompliant claimants were paid weekly benefits subsequent to the establishment of their noncompliance. Despite the claimants' known noncompliance, BUC did not have a process in place to respond to the risk that other claims paid to that claimant were also noncompliant.

The absence of additional internal control procedures to follow-up with noncompliant claimants in fiscal year 2015 leaves a significant risk that benefits were paid to claimants who were not in compliance with work search requirements, and possibly not actively looking for work.

Context: Unemployment benefits of $135 million were paid in fiscal year 2015. This includes $130 million of employer funded benefit payments and $5 million in Federally funded benefit payments.

Cause: Inadequate internal control procedures relating to continuing eligibility

Effect: Claims funded by Maine's employers and Federally funded unemployment claims were paid to persons who might not have been actively searching for a job and obtaining timely re-employment. The potential effect would be to improperly reduce Maine's Unemployment Fund held by the U.S. Treasury and to cause an unemployment tax rate increase in order to replenish the fund.

Recommendation: We recommend that the Department implement procedures and system improvements to ensure that eligibility requirements for UI benefits are met and are adequately supported.

Management's Response/Corrective Action Plan:

In late FY2013, the Bureau of Unemployment Compensation (BUC) implemented a formal work search audit process in order to better assess claimant compliance with State and Federal work search requirements. The eligibility requirement for actively seeking work each week in which a claim is filed has always been part of the continued claim questions to which a claimant must respond and attest to the truthfulness of his or her response. Our work search audit program was implemented to review and assess documentation of a claimant's activities in seeking work against the responses provided in continued claim(s) filed for specific week(s). Failure to provide the documentation or documentation indicating inadequate work search, resulted in the denial of benefits for the week(s) audited. A minimum of 200 claimants are randomly selected for work search audit each week (10,400 annually). Maine's work search audit process has been reviewed by the U.S. Department of Labor and has been determined to fully comply with Federal laws pertaining to work search requirements.

From a regulatory compliance position, there is nothing in existing State or Federal unemployment insurance laws that mandates further review or additional audit targeting of a specific claimant that has been denied for failure to perform an adequate work search. However, from a program integrity position, BUC has continually worked towards reducing improper payments through several manual and automated crossmatches against claims filed. Work search audits, and follow up audits of claimants who are found to be non-compliant, is but one program integrity process that BUC uses to ensure claimant eligibility for weeks that they file claims.

In FY2015, the BUC pursued rule changes to provide a warning to claimants in the first instance where an audit of a claimant's work search revealed that the claimant's work search was found to be inadequate. The Unemployment Insurance Program Precedent Committee comprised of individuals representing all levels of the adjudicatory process including the Unemployment Insurance Commission Chair and the Commissioner of the Department of Labor; promulgated revised rules to be consistent with the new work search audit process and to clarify the work search requirements in Maine statute.

In an effort to strengthen the claimant connection to and use of the CareerCenter Maine Job Bank, the rules included a provision to credit the claimant for work search for a week if they attended a job fair sponsored by the CareerCenters. At that same time the standard operating procedure for work search audits was updated to include instructions to auditors for follow up reviews of claimants whose work searches for claim weeks of 3/7/2015 or later were found to be inadequate. Work search as a percentage of the overpayment rate has been trending down. The rate is still higher than acceptable levels but shows a positive trend as a result of the business process changes implemented in BUC.

By the time that BUC received the State Auditor's finding for FY2014 on 3/16/2015, close to 75% of the total claims for FY2015 had already been filed. BUC did not go back to target claimants who had been previously selected for work search audits as a result of the State Auditor finding for the prior fiscal year. At that time, BUC had already been working on process changes to further improve our program integrity but the changes had only been in effect for approximately a week. Throughout FY2015, through reviews, feedback and continued staff training BUC continued to refine the audit process. Currently, on a Statewide basis, close to 28% of an adjudicator's total workload is dedicated to the work search audit processes. The other 72% is dedicated to covering all of the other eligibility issues that are equally important in determining claimant compliance with regulations and program integrity initiatives in preventing and reducing improper payments.

As previously stated in our management response to last year's audit finding, at this point in time, we cannot make the necessary programming changes to the benefit production system that would change the make-up of the 200 weekly audits from totally random to a combination of random and targeted selection. We are engaged in a tristate system modernization project to replace our aged unemployment benefit and tax production systems. As a result of this project, we need to freeze any programming and coding changes to the existing system in order to finalize the coding for the new system and not cause a delay in completing that effort. The work search compliance process will be improved with the implementation of the consortium system; the consortium system will require claimants to provide work search on the web as part of their weekly claim filing process.

Contact: Patricia K. O'Brien, Acting Capacity Bureau Director, BUC, Labor, 621-5161

Auditor's Concluding Remarks: During the FY15 audit conducted by the Office of the State Auditor, independent auditors examined the results of BUC's internal audit of the work search requirement.

In BUC's sample and internal audit of 200 claims per week we noted that BUC calculated an average overpayment rate of approximately twenty-three percent due to a claimant's noncompliance with the work search requirement. The Office of the State Auditor selected sixty of the claims BUC tested and our independent and separate audit agreed with their overpayment rate almost exactly. The overpayment rate indicates that a substantial portion of the claimant population does not comply with the continuing eligibility/work search requirements and therefore may or may not be actively looking for work.

BUC's audit process and the continuing improvement of that process represents progress in ensuring claimant compliance and effecting change. Over the period of time that the process has been in place, there has been measurable progress made in reducing the overpayment rate resulting from BUC's work search audits. However, the internal testing process continues to provide compelling evidence of noncompliance in the claimant population and although it may fully comply with work search regulations, it did not put MDOL in full compliance with internal control responsibilities and good government policy for productivity and economic development. In the period audited by the OSA, the process was not complemented with important follow-up procedures to ensure that a noncompliant claimant has not received other benefit payments for which they were not eligible.

Federal laws and guidance require States to maintain laws requiring claimants to actively seek work for each week the claimant files a claim, and to maintain procedures that ensure substantial compliance with this requirement. We do not believe that the current internal control process that results in an exception rate of this magnitude ensures substantial compliance with the continuing eligibility/work search requirements.

The finding remains as stated.

(State Number: 15-1302-01)

(2015-032) Confidential finding, see Condition Section below for more information

Title: The ________ is too _______ to perform routine ________ and _______. (The content of this finding has been redacted. This appears as blank underlining).

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-040						

State Department: Labor (MDOL)
Administrative and Financial Services (DAFS)
State Bureau: Unemployment Compensation (BUC)
Office of Information Technology (OIT)
Federal Agency: U.S. Department of Labor (US DOL)
CFDA Title: Unemployment Insurance
CFDA #: 17.225
Federal Award #: *not applicable*

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

	Total	Federal	State
Known			
Likely			

Criteria: Federal ________; IRS _______; and State of Maine _______

Condition: ________ used by the _________ are ________, have ________ and ________ components that cannot be readily replaced and these ________ are no longer _________. This is a confidential finding containing sensitive information. The complete finding has been formally addressed to:

- Gay M. Gilbert, Administrator, U.S. Department of Labor, Office of Unemployment Insurance, Washington, DC.

A copy of that correspondence has also been sent to:

- Melvin F. Reid, Director of Single Audit Oversight, Office of Inspector General, U.S. Department of Labor, Office of Audit, Washington, DC.

Context: The _______ drives funding for payments to unemployed residents who depend upon the financial assistance for themselves and possibly their families.

Cause: The ______ and its _______ have _______ that cannot be ________.

Effect: Lack of ________ and ________ could lead to _________.

Recommendation: We recommend that MDOL continue to have OIT support their plan to ________ these ________ as soon as possible.

Management's Response/Corrective Action Plan: The Departments agree with the finding. The Department has responded that corrective steps have been taken. The remainder of the agencies' response has been redacted to protect confidential information.

Contact: OIT: David Poulin, Systems Group Manager/DOL, 621-5073
DOL: Patricia K. O'Brien, Acting Bureau Director, Bureau of Unemployment Compensation, 621-5161

(State Number: 15-0913-01)

(2015-033) Confidential finding, see Condition Section below for more information

Title: Internal control over __________ is inadequate (The content of this finding has been redacted. This appears as blank underlining).

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-041						

State Department: Labor (MDOL)
Administrative and Financial Services (DAFS)
State Bureau: Unemployment Compensation (BUC)
Office of Information Technology (OIT)
Federal Agency: U.S. Department of Labor (US DOL)
CFDA Title: Unemployment Insurance
CFDA #: 17.225
Federal Award #: *not applicable*

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

	Total	Federal	State
Known			
Likely			

Criteria: Federal __________

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

- Gay M. Gilbert, Administrator, U.S. Department of Labor, Office of Unemployment Insurance, Washington, DC.

A copy of that correspondence has also been sent to:

- Melvin F. Reid, Director of Single Audit Oversight, Office of Inspector General, U.S. Department of Labor, Office of Audit, Washington, DC.

Context: The UC Tax System drives funding for payments to unemployed residents who may depend upon this financial assistance for themselves and possibly their families.

Cause:

- Competing internal priorities within MDOL and OIT
- Lack of ________ awareness
- Ambiguous accountability for ________ aspects of _________

Effect: Lack of proper controls could lead to ____________

Recommendation: We recommend that steps are taken to enhance _________.

Management's Response/Corrective Action Plan: The Departments agree with the finding. The Department has responded that corrective steps have been taken. The remainder of the agencies' response has been redacted to protect confidential information.

Contact: OIT: David Poulin, Systems Group Manager/DOL, 621-5073
DOL: Patricia K. O'Brien, Acting Bureau Director, BUC, 621-5161

(State Number: 15-0913-02)

(2015-034) Confidential finding, see Condition Section below for more information

Title: ______ controls related to the Unemployment Insurance (UI) **______** need improvement (The content of this finding has been redacted. This appears as blank underlining).

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-042						

State Department: Labor (MDOL)
Administrative and Financial Services (DAFS)
State Bureau: Unemployment Compensation (BUC)
Office of Information Technology (OIT)
Federal Agency: U.S. Department of Labor (US DOL)
CFDA Title: Unemployment Insurance
CFDA #: 17.225
Federal Award #: *not applicable*

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

	Total	Federal	State
Known			
Likely			

Criteria: Federal **_________**; State **___________**

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

- Gay M. Gilbert, Administrator, U.S. Department of Labor, Office of Unemployment Insurance, Washington, DC.

A copy of that correspondence has also been sent to:

- Melvin F. Reid, Director of Single Audit Oversight, Office of Inspector General, U.S. Department of Labor, Office of Audit, Washington, DC.

Context: The UI Benefits system processed over $135 million in unemployment benefits during fiscal year 2015.

Cause:

- Competing internal priorities within MDOL and OIT
- Lack of ______ awareness
- Ambiguous accountability for _______ aspects of _________

Effect: Lack of proper controls could lead to ____________.

Recommendation: We recommend that steps are taken to enhance ________.

Management's Response/Corrective Action Plan: The Departments agree with the finding. The department has responded that corrective action has been taken. The remainder of the agencies' response has been redacted to protect confidential information.

Contact: OIT: David Poulin, Systems Group Manager/DOL, 621-5073
DOL: Patricia K. O'Brien, Acting Bureau Director, BUC, 621-5161

(State Number: 15-0914-01)

(2015-035)

Title: Procedures are not adequate to ensure timely eligibility decisions

Prior Year Findings:

FY14	FY13	FY12	FY11	FY10	FY09	FY08
2014-037						

State Department: Labor
State Bureau: Rehabilitation Services
Federal Agency: U.S. Department of Education
CFDA Title: Rehabilitation Services_Vocational Rehabilitation Grants to States
CFDA #: 84.126
Federal Award #: H126A140085, H126A140026, H126A150085, H126A150026

Compliance Area: Eligibility

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: 34 CFR 361.41(b)

Condition: Eligibility decisions were not completed in the sixty day timeframe required by Federal regulations. The exception rate is twenty-three percent. Those decisions that were not completed in the sixty day timeframe, were completed in an average timeframe of 114 days.

DOL, Rehabilitation Services	Eligibility Decisions Sampled					
	Sample Size		Exceptions Noted		Rate of Exception	Number of days since the application date for Exceptions Noted
	No.	%	No.	%	%	
Division for the Blind and Visually Impaired (DBVI)	9	15	1	7	11	61 (for 1 Exception Noted)
Division of Vocational Rehabilitation (DVR)	51	85	13	93	25	62, 65, 69, 70, 70, 75, 79, 90, 139, 158, 168, 219 and 266 (average of 13 Exceptions Noted is 118 days)
Total	60	100	14	100	23	114 (average of 14 Exceptions Noted)

Context: This Federal program provides vocational rehabilitation services to individuals with disabilities so they may prepare for and engage in competitive employment.

Cause: Lack of control over the timeliness of eligibility decisions

Effect: Eligible participants may not receive services in a timely manner.

Recommendation: We recommend that the Department implement controls to improve the timeliness of eligibility decisions.

Management's Response/Corrective Action Plan: Management agrees with this finding.

Although management acknowledges that this remains a compliance issue, the agency reviewed the DBVI case and found that the exception was only 61 days. Additionally, the 13 DVR cases were reviewed and the agency noted that five of the 13 eligibilities were within ten days over the 60 mark and seemed to be due to counselors not having time to enter them earlier than that in the system. There were five more that were late, which are specifically related to a higher than normal staff turnover and counselors out on medical leave in an office (Portland). Coverage of vacant caseloads was very challenging during this time. Portland is on the way to becoming fully staffed, and those counselors who were on extended medical leave have either returned or retired. The hope is that this will improve timeliness of services. In addition, there are notes in a few of the cases that indicate counselors struggled to either meet with a client (due to client and/or counselor cancellations), or gather the needed information to determine eligibility. The counselors in those situations should have requested an extension for eligibility, which they did not.

DVR continues to address this deficiency in multiple ways, including staff performance expectations, training, supervisory support and efforts to fill vacancies as soon as possible. In addition, DVR uses a monthly report which is shared at regional, supervisor and staff meetings that gives detailed information down to office units tracking counselor performance in meeting their eligibility goals from month to month. DVR hired consultants to come in and assess staff resources and processes last summer. A report has been completed with some specific recommendations that will improve how services are provided to clients from entrance to exit. DVR is addressing these recommendations in a Statewide project that started in January 2016. The goal of this project is to determine which recommendations to implement and then developing plans and protocols which will then be introduced and supported with in-depth staff training.

Additionally, on-going training is occurring for staff that includes how to use the Maine AwareVR system to help them better manage activities due in their large caseloads, including eligibility determinations.

Contact: Betsy Hopkins, DVR Director, 623-6754
Harold Lewis, Acting DBVI Director, 623-7949
Karen Fraser, BRS Director, 623-7961

(State Number: 15-1308-01)

(2015-036)

Title: Individualized Plans for Employment not completed on a timely basis

Prior Year Findings: None

FY14	FY13	FY12	FY11	FY10	FY09	FY08

State Department: Labor
State Bureau: Rehabilitation Services
Federal Agency: U.S. Department of Education
CFDA Title: Rehabilitation Services_Vocational Rehabilitation Grants to States
CFDA #: 84.126
Federal Award #: H126A140085, H126A140026, H126A150085, H126A150026

Compliance Area: Special tests and provisions

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: 29 USC 722(b)(3)(F)

Condition: Individualized Plans for Employment (IPE's) were not regularly completed by Rehabilitation Services within the ninety day timeframe required by Federal regulations.

Context: The Division of the Blind and Visually Impaired (DBVI) and the Division of Vocational Rehabilitation (DVR) manage this program within the Bureau of Rehabilitation Services of Maine's Department of Labor.

In the auditor's sample of twenty-five cases, eight IPE's were not completed timely. One DBVI case was completed sixteen days late and five DVR cases were between 113 and 183 days late. An additional two DVR cases were greater than 275 days overdue and were still not complete at the time of our audit testing.

Cause: Lack of controls over the timely completion of IPE's

Effect: Eligible participants may not receive services in a timely manner.

Recommendation: We recommend that the Department implement controls to improve the timeliness of the IPE's.

Management's Response/Corrective Action Plan: The Department agrees with this finding.

However, Management notes that the completion of Individualized Plans for Employment (IPE) within 90 days is a new requirement of the Workforce Innovation and Opportunity Act. Although the law went into effect upon enactment in July 2014, new regulations have not yet been released. Corrective action can only be taken for new VR cases. Accordingly, staff has been informed of this change and was provided initial training in 2015 regarding how IPE's can be developed to comply with the new time parameters. Management has been subsequently tracking the time to IPE using a new tracking graph, which breaks out cases determined eligible in the last year, and discusses progress on addressing this deficiency on a monthly basis.

Contact: Betsy Hopkins, DVR Director, 623-6754
Harold Lewis, Acting DBVI Director, 623-7949
Karen Fraser, BRS Director, 623-7961

(State Number: 15-1308-02)

(2015-037)

Title: Inadequate internal control over subrecipient payment approval

Prior Year Findings: None

FY14	FY13	FY12	FY11	FY10	FY09	FY08

State Department: Labor
Administrative and Financial Services
State Bureau: Employment Services (BES)
Security and Employment Service Center (SESC)
Federal Agency: U.S. Department of Labor (US DOL)
CFDA Title: WIA Cluster
CFDA #: 17.258, 17.259, 17.278
Federal Award #: AA-25357-14-55-A-23

Compliance Area: Procurement and suspension and debarment

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: 2 CFR 200.303(a) – Internal Controls; 2 CFR 200.331(b) – Requirements for pass-through entities

Condition: Invoice payments against major contracts do not include the explicit and unequivocal written approval of program personnel with first-hand knowledge of the subrecipient's performance. We noted that payments made under three contracts were not approved by program personnel. The WIA Program did not have control procedures in place that require program personnel approve payments to subrecipients.

Context: The Workforce Investment Boards (WIBs) were paid approximately $8 million in fiscal year 2015. Our random sample of Statewide Federal contracts included the selection of three WIA grant contracts to ensure that program personnel were approving payments to subrecipients.

Cause: Inadequate internal control procedures relating to payment approval

- The WIA Program did not have control procedures in place that require program personnel approve payments to subrecipients

Effect: Payments could have been made to WIBs that were not adequately performing contract requirements**.**

Recommendation: We recommend that the Department implement procedures to ensure that program personnel with first-hand knowledge of individual WIB performance provide explicit and unequivocal written approval of payments to WIBs.

Management's Response/Corrective Action Plan: The Department agrees with the finding.

The Bureau of Employment Services of the Maine Department of Labor and the Security and Employment Service Center of the Department of Administrative and Financial Services have, upon recommendation of the State Auditor, established and instituted a new process this 21st day of March, 2016, that requires a program staff member from the Bureau of Employment Services to review and sign-off approval of all payment requests from Local Workforce Development Boards before they are processed by the Service Center.

Contacts: Virginia Carroll, Division Director, BES, 623-7974
Katharine Wiltuck, Service Center Director, DAFS, 623-6740

(State Number: 15-1010-02)

(2015-038)

Title: Cash management procedures need improvement

Prior Year Findings: None

FY14	FY13	FY12	FY11	FY10	FY09	FY08

State Department: Public Safety
Administrative and Financial Services
State Bureau: Highway Safety
Security and Employment Service Center
Federal Agency: U.S. Department of Transportation
CFDA Title: Highway Safety Cluster
CFDA #: 20.600, 20.601, 20.602, 20.610, 20.612, 20.613, 20.616
Federal Award #: Various

Compliance Area: Cash management

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: 31 CFR 205 (B)

Condition: The Department did not minimize the time between drawdown and disbursement of Federal funds in accordance with Federal regulations. For fiscal year 2015, the Department held Federal cash for an average of eleven business days before the funds were actually disbursed.

Context: The Program began the fiscal year with a Federal cash balance of $168,000 and drew Federal funds on a monthly basis to replenish this balance. The Program maintained an average daily cash balance of $187,000.

Cause: Procedures to minimize the number of days of cash on hand were not adequate.

Effect:

- The Federal government may require the use of a more stringent cash drawdown method for the program.
- Potential interest liability

Recommendation: The Departments should consider the current cash balance of Federal funds prior to drawing down additional Federal funds. The Departments should also establish procedures to minimize the time that will elapse between the drawdown of Federal funds and the expenditure of those funds.

Management's Response/Corrective Action Plan: The Department agrees with the finding.

The Department of Public Safety – Bureau of Highway Safety and the Security and Employment Service Center will work with the Office of the State Controller to identify the source of any cash balance and to develop and implement cash draw procedures that will minimize the Federal cash on hand.

Contact: Lauren V. Stewart, Director – Bureau of Highway Safety, 626-3841
Katharine E. Wiltuck, Director – Security and Employment Service Center, 623-6740

(State Number: 15-1405-01)

(2015-039)

Title: Controls over maintenance of effort requirements need improvement

Prior Year Findings: None

FY14	FY13	FY12	FY11	FY10	FY09	FY08

State Department: Public Safety
State Bureau: Highway Safety
Federal Agency: U.S. Department of Transportation
CFDA Title: Highway Safety Cluster
CFDA #: 20.600, 20.601, 20.602, 20.610, 20.612; 20.613, 20.616
Federal Award #: Various

Compliance Area: Matching, level of effort, earmarking

Type of Finding: Material weakness

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: Rules Applicable to Maintenance of Effort 23 U.S.C. §402, §405, §408, §410 and 23 CFR 1200.21, 1200.22, 1200.23

Condition: The Department did not have adequate controls in place to ensure that maintenance of effort (MOE) requirements for the Highway Safety Cluster were met. The Department did not monitor MOE compliance for grants that were issued under the SAFETEA-LU requirements of the National Highway Safety Traffic Administration (NHTSA). Base year calculations were never recomputed with correct data. For grants that were issued under the MAP-21 regulations for the NHTSA, the Department compiled data initially but did not monitor compliance on an ongoing basis. As a result, MOE requirements were not met for one of the three programs we tested that were covered by the MAP-21 regulations. As a result, the program spent $29,000 less than the required amount.

Context: The Department spent $1,677,753 of grant funds covered by SAFETEA-LU requirements and $213,810 of grant funds covered by MAP-21 requirements.

Cause: For grants issued under MAP-21 requirements, the Department was not monitoring compliance with MOE on an ongoing basis. Reports were prepared at the end of the fiscal year. For grants issued under SAFETEA-LU requirements, the Department was unaware that MOE requirements still applied and therefore did not recalculate the base years using correct data.

Effect: The Federal issuing agency may potentially reduce funding.

Recommendation: We recommend that the Department implement procedures to ensure compliance with MOE requirements.

Management's Response/Corrective Action Plan:

The Department agrees that adequate internal controls were not in place to ensure that MOE was met prior to the required reporting date. MOE is compiled from various State agencies at the end of each Federal fiscal year and reported timely to NHTSA as required (beginning December 31, 2014).

The Department disagrees that it did not monitor MOE compliance for grants that were issued under the SAFETEA-LU requirements of the NHTSA. The Department did monitor and calculate MOE for SAFETEA-LU grants. However, it was subsequently determined, through NHTSA management reviews, that states were incorrectly gathering, or collecting, appropriate MOE. To address this issue, NHTSA issued *Grant Management and Oversight Guidance* for MOE in February 2014. The Department understood this guidance to be in effect for only the MAP-21 funding; therefore, base year calculations for SAFETEA-LU funds were never recomputed with correct data. For grants that were issued under the MAP-21 regulations for the NHTSA, the Department compiled data but did not monitor compliance on an ongoing basis. As a result, MOE requirements were not met for one of the three programs tested that were covered by the MAP-21 regulations (the program spent $29,000 less than the required amount). This program expenditure is being reviewed by one of the agencies required to submit MOE and will be amended if necessary.

The Department agrees that, for grants issued under MAP-21, the Department was not monitoring compliance with MOE on an ongoing basis. Reports were prepared at the end of the fiscal year as required by NHTSA. For grants issued under SAFETEA-LU, the Department was unaware that MOE requirements still applied (until funds were fully expended); therefore, did not recalculate the base years using correct data. The base years for SAFETEA-LU MOE is being correctly calculated retroactively.

The Department agrees to the recommendation to institute internal controls to ensure that MOE requirements are met on an ongoing basis, not at time of the reporting requirement.

Contact: Lauren V. Stewart, Director – Bureau of Highway Safety, 626-3840

Auditor's Concluding Remarks: As stated in the management's response above, the Department incorrectly compiled MOE data at the start of the SAFETEA-LU grants. While we agree the Department attempted to initially track MOE spending, this attempt did not result in effective monitoring of MOE compliance.

The finding remains as stated.

(State Number: 15-1405-02)

(2015-040)

Title: Internal controls over suspension and debarment need improvement

Prior Year Findings: None

FY14	FY13	FY12	FY11	FY10	FY09	FY08

State Department: Inland Fisheries and Wildlife
State Bureau: Resource Management
Federal Agency: Department of Interior
CFDA Title: Fish and Wildlife Cluster
CFDA #: 15.605, 15.611
Federal Award #: Various

Compliance Area: Procurement and suspension and debarment

Type of Finding: Significant deficiency

Questioned Costs: None

Questioned Costs	Total	Federal	State
Known			
Likely			

Criteria: 2 CFR 180

Condition: The Department did not have policies and procedures in place to ensure that awards were made only to parties who were not suspended or debarred from participating in Federal assistance programs. In our test of five randomly selected contracts, the Department did not complete any steps to ensure the entities were not suspended or debarred.

Context: The Department paid $1.2 million in Federal funds to twenty-five entities that met the covered transaction criteria during fiscal year 2015. For these twenty-five entities, we reviewed the System for Award Management (SAM) and found that none of these entities were suspended or debarred from participating in Federal assistance programs.

Cause: The Department was unaware of the Federal suspension and debarment requirement.

Effect: The State could potentially enter into a transaction with a suspended or debarred party. This could potentially result in a disallowance by the Federal government.

Recommendation: We recommend that procedures be established that prevent financial transactions with suspended or debarred entities.

Management's Response/Corrective Action Plan: The Department agrees with the finding.

The Department will utilize the current version of the RFP form available on the Division of Purchases website that includes a section allowing the entity completing the RFP to certify that they are not suspended or debarred from receiving Federal funds. The Department will also utilize the form "Certification Regarding Debarment, Suspension and Other Responsibility Matters Primary Covered Transactions" available on the Division of Purchases website. Utilizing these forms will address the issue with future transactions.

The Department contacted the Planning, Design & Construction Division (PDCD) to ensure the contracts and/or forms being utilized will provide adequate coverage to become compliant with the suspension and debarment requirement.

The Department will also ensure customized contracts used by the Department will include a clause modeled after the one found in the Purchase RFP document. For any awards exceeding $25,000 where this clause cannot be added into the customized contract the Department will utilize the separate form "Certification Regarding Debarment, Suspension and Other Responsibility Matters Primary Covered Transactions" available on the Division of Purchases website. This form will be incorporated into the document as a rider. This will ensure the customized contracts will provide adequate coverage to become compliant with the suspension and debarment requirement.

Contact: James Connolly, Director, Bureau of Resource Management, IFW, 287-5259

(State Number: 15-1545-01)

STATE OF MAINE
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

State of Maine
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2015

Finding Number	**CFDA Number**	**State Agency**	**Description**	**Known Questioned Costs**	**FY15 Status (Refer to auditee's corrective action plan)**	**FY15 Finding**
12-0308-01	Not applicable	Labor & Administrative and Financial Services	Accounting for the employer-funded unemployment insurance program needs to be improved	Not applicable	Corrective action not completed in FY15	Management Letter comment issued for FY15
12-0909-01	93.720 93.775 93.777 93.778 93.767	Health and Human Services	Reversed pharmacy claims payments not recovered	$662,000	Corrective action not completed in FY15	Finding was not repeated
12-1106-01	93.720 93.775 93.777 93.778	Health and Human Services	Inconsistent application of controls over the Medicaid provider desk review process	None	Corrective action not completed in FY15	2015-005
12-1106-04	93.720 93.775 93.777 93.778	Health and Human Services & Administrative and Financial Services	Automated Data Processing (ADP) risk analysis and security reviews were not performed	None	Corrective action not completed in FY15	2015-027
12-1106-09	93.720 93.775 93.777 93.778 93.767	Health and Human Services	Controls over pharmacy claims processing system need improvement	None	Corrective action completed in FY15	Finding was not repeated
12-1106-10	93.720 93.775 93.777 93.778 93.767	Health and Human Services	Access controls over Maine Integrated Health Management Solution (MIHMS) need improvement	None	Corrective action completed in FY15	Finding was not repeated

Prepared by the Office of the State Controller

State of Maine
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2015

Finding Number	CFDA Number	State Agency	Description	Known Questioned Costs	FY15 Status (Refer to auditee's corrective action plan)	FY15 Finding
12-1106-11	93.720 93.775 93.777 93.778 93.767	Health and Human Services	The Decision Support System/Data Warehouse is not reconciled to the Statewide accounting system	None	Corrective action not completed in FY15	2015-004
12-1106-12	93.720 93.775 93.777 93.778	Health and Human Services & Administrative and Financial Services	Procedures to ensure proper crediting of Federal share of "cost of care" recoupments and procedures to ensure cost of care is properly deducted need improvement	$803	Corrective action not completed in FY15	2015-012
12-1106-14	93.720 93.775 93.777 93.778	Health and Human Services	Provider eligibility procedures need improvement	None	Corrective action not completed in FY15	2015-007
12-1111-01	93.558 93.775 93.777 93.778 10.551 10.561	Administrative and Financial Services	Inadequate controls over required Income and Eligibility Verification System (IEVS) data exchanges	None	Corrective action not completed in FY15	2015-022 & 2015-021
12-1113-01	10.557	Administrative and Financial Services	Federal Funding Accountability and Transparency Act (FFATA) reporting deficiency	None	Finding no longer applies	FFATA audit requirement not applicable in FY15

State of Maine
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2015

Finding Number	CFDA Number	State Agency	Description	Known Questioned Costs	FY15 Status (Refer to auditee's corrective action plan)	FY15 Finding
12-1140-03	93.767	Health and Human Services	Incorrect client eligibility determinations	$1,321 (CHIP) / $1,124 (Medicaid)	Corrective action not completed in FY15	Finding was not repeated
12-1203-01	10.553 10.555 10.556 10.559	Education	Agency did not file reports required under the Federal Funding Accountability and Transparency Act	None	Finding no longer applies	FFATA audit requirement not applicable in FY15
12-1302-01	17.225	Labor & Administrative and Financial Services	Procedures to determine continuing eligibility needs improvement	Not determinable	Corrective action continued in FY15	2015-031
12-1505-02	14.228	Economic and Community Development	Federal Funding Accountability and Transparency Act (FFATA) reporting deficiency	None	Finding no longer applies	FFATA audit requirement not applicable in FY15
13-0308-01	Not applicable	Labor & Administrative and Financial Services	Accounting for the employer-funded unemployment insurance program needs to be improved	None	Corrective action not completed in FY15	Management Letter comment issued for FY15
13-1106-01	93.778	Health and Human Services & Administrative and Financial Services	Procedures to ensure that an individual clients "cost of care" is properly computed need improvement	Not determinable	Corrective action completed in FY15	Finding was not repeated

State of Maine
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2015

Finding Number	CFDA Number	State Agency	Description	Known Questioned Costs	FY15 Status (Refer to auditee's corrective action plan)	FY15 Finding
13-1106-02	93.778	Health and Human Services & Administrative and Financial Services	Controls to ensure "cost of care" amounts are properly deducted from nursing home and private non-medical institution provider payments need improvement	Included as part of 13-1106-19	Corrective action not completed in FY15	2015-012
13-1106-03	93.778 93.767	Health and Human Services	The Decision Support System/Data Warehouse is not reconciled to the Statewide accounting system	None	Corrective action not completed in FY15	2015-004
13-1106-04	93.778	Health and Human Services	Surveillance activities performed by the Program Integrity Unit to monitor MaineCare expenditures are inadequate	None	Management's opinion is that no additional corrective action is required; please see finding response	2015-013
13-1106-05	93.778 93.767	Health and Human Services	Reversed pharmacy claims payments not recovered	None	Corrective action not completed in FY15	Finding was not repeated

State of Maine
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2015

Finding Number	CFDA Number	State Agency	Description	Known Questioned Costs	FY15 Status (Refer to auditee's corrective action plan)	FY15 Finding
13-1106-06	93.778 93.767	Health and Human Services	Access controls over Maine Integrated Health Management Solution (MIHMS) need improvement	None	Corrective action completed in FY15	Finding was not repeated
13-1106-07	93.778	Health and Human Services & Administrative and Financial Services	Federal share of adjustments reported incorrectly	None	Corrective action completed in FY15	Finding was not repeated
13-1106-09	93.777 93.778	Health and Human Services	Provider eligibility procedures need improvement	None	Corrective action not completed in FY15	2015-007
13-1106-10	93.778	Health and Human Services & Administrative and Financial Services	Automated Data Processing (ADP) risk analysis and security reviews were not performed	None	Corrective action not completed in FY15	2015-027
13-1106-12	93.778	Health and Human Services & Administrative and Financial Services	Controls are not adequate to ensure "cost of care" receivables due from private non-medical institution (PNMIs) are properly accounted for and recovered	None	Corrective action completed in FY15	Finding was not repeated

State of Maine
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2015

Finding Number	CFDA Number	State Agency	Description	Known Questioned Costs	FY15 Status (Refer to auditee's corrective action plan)	FY15 Finding
13-1106-14	93.778	Health and Human Services	Procedures related to nursing facility desk reviews need improvement	None	Corrective action not completed in FY15	2015-005
13-1106-17	93.778	Administrative and Financial Services	Procedures for the allocation and timely refunding of the Federal share of Medicaid overpayments need improvement	Not determinable	Corrective action not completed in FY15	2015-011
13-1106-19	93.778 93.767	Health and Human Services & Administrative and Financial Services	Controls in place to detect and correct for known Maine Integrated Health Management System (MIHMS) payment processing errors do not ensure appropriate resolution	$1,277 Medicaid / ($211) CHIP	Corrective action not completed in FY15	2015-012
13-1111-01	93.558 93.767 93.778 10.551	Health and Human Services & Administrative and Financial Services	Inadequate controls over required Income and Eligibility Verification System (IEVS) data exchanges	None	Corrective action not completed in FY15	2015-022
13-1111-04	93.558	Health and Human Services	Controls over performance reporting need improvement	None	Corrective action not completed in FY15	2015-020

State of Maine
Summary Schedule of Prior Audit Findings
For Years Prior to Fiscal Year 2015

Finding Number	CFDA Number	State Agency	Description	Known Questioned Costs	FY15 Status (Refer to auditee's corrective action plan)	FY15 Finding
13-1113-01	10.557	Administrative and Financial Services	Federal Funding Accountability and Transparency Act (FFATA) reporting deficiency	None	Finding no longer applies	FFATA audit requirement not applicable in FY15
13-1113-03	10.557	Administrative and Financial Services	Internal controls over subrecipient cash management need improvement	None	Corrective action not completed in FY15	Management Letter comment issued for FY15
13-1140-03	93.778 93.767	Health and Human Services	Controls over pharmacy claims processing system need improvement	None	Corrective action completed in FY15	Finding was not repeated
13-1140-04	93.720 93.767 93.775 93.777 93.778	Health and Human Services	Internal controls were not adequate to ensure the transfer of accurate client eligibility information from the Automated Client Eligibility System (ACES) to the Maine Integrated Health Management Solution (MIHMS)	($19) Medicaid / $22 CHIP	Corrective action not completed in FY15	Finding was not repeated

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Finding Number	CFDA Number	State Agency	Description	Known Questioned Costs	FY15 Status (Refer to auditee's corrective action plan)	FY15 Finding
13-1200-02	84.010 84.027 84.367 84.377	Administrative and Financial Services	Federal Funding Accountability and Transparency Act (FFATA) reporting deficiency	None	Finding no longer applies	FFATA audit requirement not applicable in FY15
13-1203-01	10.555 10.559	Education	Federal Funding Accountability and Transparency Act (FFATA) reporting deficiency	None	Finding no longer applies	FFATA audit requirement not applicable in FY15
13-1213-02	84.384	Education	Suspension and debarment requirements not met	None	Corrective action completed in FY15	Finding was not repeated
13-1213-03	84.384	Education	Procedures not adequate to ensure that payments are made only for allowable costs	None	Corrective action completed in FY15	Finding was not repeated
13-1302-01	17.225	Labor & Administrative and Financial Services	Procedures to determine continuing eligibility needs improvement	Not determinable	Corrective action continued in FY15	2015-031
13-1505-02	14.228	Economic and Community Development	Federal Funding Accountability and Transparency Act (FFATA) reporting deficiency	None	Finding no longer applies	FFATA audit requirement not applicable in FY15
13-1530-01	81.041	Executive	Subrecipient monitoring procedures need improvement	None	Finding no longer applies	Finding was not repeated

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Finding Number	CFDA Number	State Agency	Description	Known Questioned Costs	FY15 Status (Refer to auditee's corrective action plan)	FY15 Finding
2014-001	Not applicable	Administrative and Financial Services	Internal controls over financial reporting need improvement	None	Corrective action completed in FY15	Finding was not repeated
2014-002	Not applicable	Health and Human Services & Administrative and Financial Services	Controls are not adequate to ensure "cost of care" receivables due from private non-medical institution (PNMIs) are properly accounted for and recovered	None	Corrective action completed in FY15	Finding was not repeated
2014-003	93.775 93.777 93.778	Health and Human Services	Procedures related to nursing facility desk reviews need improvement	None	Corrective action not completed in FY15	2015-005
2014-004	93.775 93.777 93.778	Health and Human Services	Provider eligibility procedures need improvement	None	Corrective action not completed in FY15	2015-007
2014-005	93.775 93.777 93.778 93.767	Health and Human Services	Controls over eligibility case reviews included in the Medicaid and CHIP Eligibility Review Pilot Sampling Plan need improvement	None	Corrective action completed in FY15	Finding was not repeated

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Finding Number	CFDA Number	State Agency	Description	Known Questioned Costs	FY15 Status (Refer to auditee's corrective action plan)	FY15 Finding
2014-006	93.775 93.777 93.778	Health and Human Services & Administrative and Financial Services	Decertification of Riverview	See Context	Corrective action not completed in FY15	2015-006
2014-007	93.775 93.777 93.778	Health and Human Services	Controls to ensure payment of the lowest Federally-approved reimbursement rate for pharmacy claims need improvement	$19	Corrective action completed in FY15	Finding was not repeated
2014-008	93.775 93.777 93.778	Health and Human Services & Administrative and Financial Services	Procedures for the timely refunding of the Federal share of Medicaid overpayments need improvement	None	Corrective action not completed in FY15	2015-011
2014-009	93.775 93.777 93.778	Health and Human Services	Procedures to ensure notices of debt are issued in compliance with Federal and State regulations to private non-medical institutions (PNMI) for Cost of Care overpayments need improvement	Not determinable	Corrective action not completed in FY15	2015-009

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Finding Number	CFDA Number	State Agency	Description	Known Questioned Costs	FY15 Status (Refer to auditee's corrective action plan)	FY15 Finding
2014-010	93.775 93.777 93.778	Health and Human Services	Controls to ensure eligibility case reviews are performed in accordance with Federal regulations need improvement	None	Corrective action completed in FY15	Finding was not repeated
2014-011	93.775 93.777 93.778	Health and Human Services	Surveillance of Medicaid expenditures needs improvement	None	Management's opinion is that no additional corrective action is required; please see finding response	2015-013
2014-012	93.775 93.777 93.778 10.551 10.561	Administrative and Financial Services	Confidential finding, confidential distribution	None	Corrective action not completed in FY15	2015-015
2014-013	93.775 93.777 93.778 10.551 10.561	Administrative and Financial Services	Confidential finding, confidential distribution	None	Corrective action not completed in FY15	2015-014

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Finding Number	**CFDA Number**	**State Agency**	**Description**	**Known Questioned Costs**	**FY15 Status (Refer to auditee's corrective action plan)**	**FY15 Finding**
2014-014	93.775 93.777 93.778	Health and Human Services & Administrative and Financial Services	Controls to ensure Cost of Care amounts are properly deducted from nursing home and private non-medical institution (PNMI) provider payments need improvement	$32,572	Corrective action not completed in FY15	2015-012
2014-015	93.775 93.777 93.778 93.767	Health and Human Services	Confidential finding, confidential distribution	None	Corrective action completed in FY15	Finding was not repeated
2014-016	93.775 93.777 93.778	Health and Human Services & Administrative and Financial Services	Automated Data Processing (ADP) risk analysis and security reviews were not performed	None	Corrective action not completed in FY15	2015-027
2014-017	93.775 93.777 93.778 93.767	Health and Human Services	The Decision Support System/Data Warehouse (DSS/DW) is not reconciled to the statewide accounting system	None	Corrective action not completed in FY15	2015-004
2014-018	93.775 93.777 93.778 93.767	Health and Human Services & Administrative and Financial Services	Confidential finding, confidential distribution	None	Corrective action not completed in FY15	2015-016

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Finding Number	**CFDA Number**	**State Agency**	**Description**	**Known Questioned Costs**	**FY15 Status (Refer to auditee's corrective action plan)**	**FY15 Finding**
2014-019	93.775 93.777 93.778	Health and Human Services & Administrative and Financial Services	Procedures to ensure that an individual clients Cost of Care is properly computed need improvement	Not determinable	Corrective action completed in FY15	Finding was not repeated
2014-020	10.551 10.561 93.558	Health and Human Services & Administrative and Financial Services	Confidential finding, confidential distribution	None	Corrective action not completed in FY15	2015-018
2014-021	10.551 10.561 93.558	Health and Human Services & Administrative and Financial Services	Confidential finding, confidential distribution	None	Corrective action completed in FY15	Finding was not repeated
2014-022	93.558 93.775 93.777 93.778 93.767 10.551 10.561	Health and Human Services & Administrative and Financial Services	Inadequate controls over required Income and Eligibility Verification System (IEVS) data exchanges	None	Corrective action not completed in FY15	2015-022
2014-023	93.558	Administrative and Financial Services & Office of the State Treasurer	Inadequate controls over Federal cash management	None	Corrective action completed in FY15	Finding was not repeated
2014-024	93.558	Administrative and Financial Services	Insufficient controls over reporting	None	Corrective action completed in FY15	Finding was not repeated
2014-025	93.558	Health and Human Services	Controls over special reporting need improvement	None	Corrective action not completed in FY15	2015-019

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Finding Number	CFDA Number	State Agency	Description	Known Questioned Costs	FY15 Status (Refer to auditee's corrective action plan)	FY15 Finding
2014-026	93.558	Health and Human Services	Controls over eligibility need improvement	Not determinable	Corrective action completed in FY15	Finding was not repeated
2014-027	93.558	Health and Human Services	Inadequate procedures to report accurate Unsubsidized Employment data	None	Corrective action not completed in FY15	2015-020
2014-028	10.557	Health and Human Services	Internal controls over high-risk vendor compliance investigations need improvement	None	Corrective action completed in FY15	Finding was not repeated
2014-029	10.558	Administrative and Financial Services	Cash management procedures need improvement	None	Corrective action not completed in FY15	2015-023
2014-030	10.557 10.558 93.667	Health and Human Services	Federal Funding Accountability and Transparency Act (FFATA) reporting procedures need improvement	None	Finding no longer applies	FFATA audit requirement not applicable in FY15
2014-031	93.563	Administrative and Financial Services	Controls over cash management need improvement	None	Corrective action completed in FY15	Finding was not repeated

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Finding Number	**CFDA Number**	**State Agency**	**Description**	**Known Questioned Costs**	**FY15 Status (Refer to auditee's corrective action plan)**	**FY15 Finding**
2014-032	93.767 93.775 93.777 93.778	Health and Human Services	Internal controls to ensure the transfer of accurate client eligibility information from the Automated Client Eligibility System (ACES) to the Maine Integrated Health Management Solution (MIHMS) need improvement	$214 CHIP / ($181) Medicaid	Corrective action not completed in FY15	Finding was not repeated
2014-033	84.010	Administrative and Financial Services	Federal Funding Accountability and Transparency Act (FFATA) reporting needs improvement	None	Finding no longer applies	FFATA audit requirement not applicable in FY15
2014-034	10.555 10.559	Education	Internal controls over the Federal Funding Accountability and Transparency Act (FFATA) need improvement	None	Finding no longer applies	FFATA audit requirement not applicable in FY15
2014-035	84.384	Education	Procedures not adequate to ensure that payments are made only for allowable costs	None	Corrective action completed in FY15	Finding was not repeated

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2014-036	84.384	Education	Suspension and debarment requirements not met	None	Corrective action completed in FY15	Finding was not repeated
2014-037	84.126	Labor	Procedures to ensure timely eligibility decisions need improvement	None	Corrective action not completed in FY15	2015-035
2014-038	84.126	Labor & Administrative and Financial Services	Internal controls over suspension and debarment for statewide contracts needs improvement	None	Corrective action completed in FY15	Finding was not repeated
2014-039	17.225	Labor & Administrative and Financial Services	Inadequate internal control over continuing eligibility	Not determinable	Corrective action continued in FY15	2015-031
2014-040	17.225	Labor & Administrative and Financial Services	Confidential finding, confidential distribution	None	Corrective action not completed in FY15	2015-032
2014-041	17.225	Labor & Administrative and Financial Services	Confidential finding, confidential distribution	None	Corrective action not completed in FY15	2015-033
2014-042	17.225	Labor & Administrative and Financial Services	Confidential finding, confidential distribution	None	Corrective action not completed in FY15	2015-034

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Finding Number	CFDA Number	State Agency	Description	Known Questioned Costs	FY15 Status (Refer to auditee's corrective action plan)	FY15 Finding
2014-043	14.228	Economic and Community Development	Internal controls over the Federal Funding Accountability and Transparency Act (FFATA) reporting need improvement	None	Finding no longer applies	FFATA audit requirement not applicable in FY15

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